



ST MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**ASSESEMENT OF EXTRINSIC REWARD PRACTICES: THE
CASE OF COMMERCIAL BANK OF ETHIOPIA**

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JULY, 2021

ADDIS ABABA, ETHIOPIA

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ADVISOR: ASST. PROF. SHOA JEMAL

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SCHOOL OF GRADUATE STUDIES SCHOOL OF BUSINESS

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CASE OF CBE

BY: FRESH KEBEDE

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DECLARATION

I, Fresh Kebede hereby declare that thesis entitled “**Assessment of extrinsic reward practices: The case of CBE**” is my original work and has not been presented for a degree of diploma in any other university and that all sources of material used for the project have been duly acknowledged.

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This is to certify that Fresh Kebede has carried out her research work on the topic entitled *“Assessment of extrinsic reward practices: The case of CBE.”* The work is original in nature and is suitable for the award of Master Degree in Business Administration.

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Table of Contents

Acknowledgements.....	viii
Acronyms/Abbreviation.....	ix
Table of Contents.....	vi
List of Tables.....	x
List of Figure.....	xi
Abstract.....	xii

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study.....	1
1.2 Statement of the Problem.....	2
1.3 Research Questions.....	3
1.4 Objective of the study.....	4
1.4.1 General Objective.....	4
1.4.2. Specific Objectives.....	4
1.5 Significance of the Study.....	4
1.6 Scope of the Study.....	5
1.7 Limitation of the Study.....	5
1.8 Definition of Terms.....	6
1.9 Organization of the Study.....	6

CHAPTER TWO: REVIEW OF RELATED LITERATURE

2.1 Theoretical Literature.....	7
2.1.1 What Is Reward?.....	7
2.1.2 What is Reward Management.....	7
2.1.3 The Aims of Reward Management.....	7
2.1.4 Fundamentals of Reward.....	9
2.1.5 Integrated Reward Management.....	10
2.1.6 Types of Reward.....	11
2.1.6.1 Extrinsic Rewards.....	11
2.1.6.2 Intrinsic Rewards.....	14
2.1.7 The Reward System.....	14
2.1.8 Total Rewards.....	16
2.1.8.1 The Elements of Total Rewards.....	17
2.1.9 Managing Employee Performance and Reward System.....	18
2.2 Empirical Review.....	19

2.3 Conceptual Framework.....	21
CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY	
3.1 Research Approach.....	22
3.2 Research Design	22
3.3 Population, Sample Size and Sampling Techniques.....	23
3.3.1 Research Population	23
3.3.2 Sample Size.....	23
3.3.3 Sampling Techniques	24
3.4 Sources of Data.....	25
3.5 Data Gathering Instruments	25
3.6 Procedures of Data Collection.....	25
3.7 Reliability and Validity.....	26
3.8 Method of Data Analysis	27
3.9 Ethical Considerations	27
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION	
4.1 Response Rate	28
4.2 Demographics Characteristics of Respondents	28
4.3 Descriptive Analysis of Collected Data.....	31
4.3.1 Respondents Attitude on Organizational Policy.....	31
4.3.2 Respondents Attitude on Salary	32
4.3.3 Respondents Attitude on Fringe Benefit	33
4.3.4 Respondents Attitude on Working Condition.....	35
4.3.5 Respondents Attitude on Promotion.....	36
4.3.6 Respondents Attitude on Job Security.....	37
CHAPTER FIVE: FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	
5.1 Summary of Major Findings	39
5.2 Conclusions	41
5.3 Recommendations	42
REFERENCES	44
APPENDIX	48

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Acronyms/Abbreviations

HR	Human Resource
HRM	Human Resource Management
CBE	Commercial Bank of Ethiopia
SPSS	Statistical Package for Social Science

List of Tables

Table 3.1 Sample Size Determination.....	24
Table 3.2 Reliability Statistics of Instrument	27
Table 4.1 Respeondents Response Rate.....	29
Table 4.2 Demographics Background of Respondents	30
Table 4.3 Respondents Attitude Towards Organizational Policy.....	32
Table 4.4 Respondents Attitude Towards Salary.....	33
Table 4.5 Respondents Attitude Towards Fringe Benefits	34
Table 4.6 Respondents Attitude Towards Working Conditions	36
Table 4.7 Respondents Attitude Towards Promotion	37
Table 4.8 Respondents Attitude Towards Job Security.....	38

List of Figure

Figure 1: How a Reward System Operates.....	15
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Abstract

Organizations are seeking to develop, motivate and increase the performance of their employees in a variety of human resources applications. Therefore, the extrinsic reward practices have been considered to be the most considerable practices of the human resource management system. As reward is a steering instrument in maintaining the organizational efficiency and productivity as well as takes the lion's share in motivating the employees to act in the best interest of the organization, the main objective of conducting this research study is to assess the current extrinsic reward practices at Commercial Bank of Ethiopia. The result of the study may significantly contribute to a better understanding with regard to extrinsic reward practices. This study employed descriptive research design and used questionnaire to gather data. The target population of the study comprised of 1408 employees of CBE under Kirkos district branches. A sample of 200 employees was selected from the 14 branches using probabilistic sampling technique. The reliability of the instrument was measured using Cronbach Alpha and the result was 0.787, which refers there is high consistency on the measuring instruments. Quantitative data analyzed by aid of SPSS stastical software version 20 and presented by tables using percentages, mean and standard deviation. The result of this study shows that extrinsic reward practices such as organizational policy, salary, working condition and promotion are weak not being fair/equitable and not effectively practiced. The study also finds out that promotion and job security reward polices are not clearly communicated (lack of transparency) to employees. The researcher based on the research findings concludes that extrinsic reward components showed a low result with the average mean value 2.88 that the employees are not satisfied and happy with the extrinsic reward practices of the company. Extrinsic reward practices are not competitive and not capable to retain and attract its employees. Employees of the bank are not fully satisfied by the existing extrinsic reward practices of the organization. Finally the researcher suggests to amend extrinsic reward polices which ensures that employees are well and effectively rewarded favouring all employees to retain and attract suitable employees with the aim of achieving sustainable competitive advantage.

Keywords: Reward Practice, Extrinsic Reward

CHAPTER ONE

INTRODUCTION

This chapter provides a brief description about extrinsic reward practices as a whole and specifically the practice in Commercial bank of Ethiopia (CBE). It generally consists of background of the study, statement of the problem, research questions, objective of the study, significance of the study, scope of the study, some definition of key terms used in the study, limitation of the study and organization of the paper.

1.1 Background of the Study

HRM aims at enhancing the motivation, job engagement and commitment of employees through introducing policies and processes that can ensure that people are valued and rewarded for what they do and achieve, and for the levels of skill and competence they reach. Armstrong and Stephen (2014). The emergence of human resource management posed great threat to the conventional personnel management and industrial relation because it evolved from the core approach or organization relationship. It is an asset that should be invested upon organization so as to provide long-term commitment and high performance.

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

Reward practices play a vital role in improving employee performance and achieve organizational goals. Allen and Kilmann (2001). Further reward practices seeks to attract and retain suitable employees, encourages good management employee relationship and commitment and minimizes tension and conflict as it deals with all forms of final returns, tangible service and mechanism for good relationship. Extrinsic reward practices ensures that the extrinsic needs of employee at all levels are adequately provided for it develops organizational integrity, policy, procedures and practices capable of improving organizational productivity. Extrinsic reward is concerned with employees and organization performance development through which better result can be achieved by understanding and managing reward system within an agreed framework, planned goals, and standard and competency requirements (Armstrong, 2005).

It is known that CBE is the leading bank in Ethiopia established in 1942 and this bank is also Pioneer to introduce modern banking to the country. It has more than 1200 branches and over 33,000 employees stretched across the country. One of the most important functions of Human resource department in the organization is managing CBE's extrinsic reward practices. However, the existence of the reward system by itself does not guarantee the effectiveness of the reward practices rather it highly de motivates employees if it is practiced poorly. Extrinsic rewards in the organization are found to be not adequate and fair among employees and not linking with performance.

To this end, the aim of the study is to assess extrinsic reward practices at CBE specifically with the objective of describing how extrinsic rewards practices are effective in achieving high levels of job performance and productivity. And also it aims to determine how rewards are managed fairly, equitably, adequately, transparency and consistently in accordance with their value to the organization. Researchers like Zekaria (2011) stated that there is a need of transparent, competitive and strategically aligned reward practices. The need of transparent reward system involves the preferences towards having a clear communication of how the reward is distributed. The employees also need to understand the connection between the company's business objectives, how they contribute, and how they are rewarded. In addition to this, the extrinsic rewards provided should be distributed equitably among employees depending on their performance. As Brian (2005) says the failure to ensure equity or fairness will result compensatory damage on the organizational performance.

Therefore the study tends to contribute better understanding to the need for effective and efficient extrinsic reward practice of the organization.

1.2 Statement of the Problem

Building a Reward System will play an important role in enhancing the success of every company. In a highly skilled & knowledge based economy, employees have become the most important determinant factors of the organizational success. In this contemporary world, where people have become more and more demanding about their lives and surroundings, the reward system could be used to motivate employees by satisfying these demands. However, there exists a lack of understanding on how to motivate all those high demanding individuals, making most of the reward systems sub-optimized. To create an optimal reward practice, companies need to better understand what really motivates, and what does not. Hafizaet.al (2011) stated that when organizations perform optimally and compete effectively, they can

maximize on their resources they have, one of which is the human capital which is the most important asset any organization can possess.

According to the informal discussion made with some employees of CBE, most of the problems in the bank are related with the organizational policy. There is no effective reward policy and that employees are not satisfied with the current reward practice not being fair, adequate and transparent in ensuring all employees are well and effectively rewarded. With an increasingly educated workforce who desire more information about pay and benefit practices, it is essential to effective understanding and acceptance of reward policies leading employees to contribute their maximum effort for the achievement of organizational goals.

The other issue is that extrinsic reward practices don't link with performance of employees which demotivates them not to perform well and not to engage and satisfied of their work which then lowers the performance of employees affecting the service offered to customers. Sita Mishra, (2010) noted in the service organization like banks employees play a vital part as the service offered to customers, and hence there is a need to ensure that they can proficiently deliver the promises made to customers in all service delivery encounters. The organization should be motivating their employees for the best performance and for achieving its organizational goals.

Many employees working there are resigning from the bank due to prevailing reward system. However the higher officials could not make further analysis on what is going on the bank's reward system claiming it has the main cause of turnover. The researcher found that it is important to conduct an assessment of the bank's extrinsic reward practices before things get worse. Therefore the purpose of this study is to assess the current extrinsic reward practices being implemented at CBE.

1.3 Research Questions

The research addresses the following interrelated basic question at Commercial Bank of Ethiopia (CBE) and asses the current extrinsic reward practices.

1. How is fringe benefits and organizational policy of extrinsic reward practices implemented in terms of fairness and adequacy?
2. How does salary, job security and promotion aligned/linked with performance of employees?

3. To what extent the existing promotion and job security policies are communicated to employees?
4. How working conditions does encourages employees to perform better?
5. Which extrinsic reward practices of the organization are well/better practiced?

1.4 Objective of the study

1.4.1 General Objective

The general objective of the study is to assess the extrinsic reward practices at Commercial Bank of Ethiopia (CBE).

1.4.2. Specific Objectives

The specific objectives of the study are:

1. To investigate how fringe benefits and organizational policy of extrinsic reward practices are implemented in terms of fairness and adequacy;
2. To assess how salary, job security and promotion are aligned/linked with performance of employees;
3. To determine to what extent the existing promotion and job security policies are communicated to employees;
4. To identify how working conditions encourages employees to perform better;
5. To investigate which extrinsic rewards of the organization are well/better practiced;

1.5 Significance of the Study

The results of the study significantly;

- Provides adequate and important insight to improve the existing practice of extrinsic reward system, in regard with maintaining employee motivation, performance and job satisfaction.
- Detects the main problem for the efficiency and effectiveness of extrinsic reward practice technique adopted in CBE.
- Provides greater input to the human resource practitioners that design and administer the reward system.
- Benefits other organizations and they might take it as an input to deal with similar problems in their respective cases.

- Benefits other researchers who want to make further studies on the same area and/or similar studies in other companies from the outputs of this study that can serve as an additional input to their investigation.

Finally, it was a great privilege for me to gain a great deal of knowledge and understanding of basic theories and concepts of reward practices which play crucial role in the overall achievement of the organization success.

1.6 Scope of the Study

CBE is a pioneer bank in Ethiopia and it has the largest number of employees of any other banks in the country. For the purpose of this study, and due to the cost and other resource limitation, the study is limited to some selected branch offices of Commercial Bank of Ethiopia of Kirkos district found in Addis Ababa with the assumption that it could be representative of other branches in the country, since Ethiopia is too large to cover.

The study tries to identify how extrinsic reward practices are offered in the case of Commercial Bank of Ethiopia. The study touches upon how CBE encourages its employees through extrinsic rewards. In doing so, the researcher tries to see the reward practices within the organization by considering the working procedures in the organization HR Department.

There are so many issues and types of extrinsic reward practices but the study is delimited to salary, fringe benefits, working condition, promotion, job security and the organizational policy of reward practices. Extrinsic reward practice of the organization is assessed in terms of its fairness/equitable, transparency, consistency, linking with performance and adequacy.

The time frame that the study covers is from 2020/2021 fiscal year up to the current one. Through inclusive data collected from randomly selected employees from some selected branch offices of Kirkos district, the study tries to assess the up to date extrinsic reward practices CBE applies.

1.7 Limitation of the Study

One of the limitations of the study is limited time and resources and due to this only standardized questionnaire is used to get responses. Researcher's lack of prior experience in conducting systematized research was other limitation of the study. The other constraint was lack of awareness among respondents to fill out questionnaires with due care and return them on time and also some employees were not willing to fill questionnaires.

1.8 Definition of Terms

Some of the Key terms used in the research are:

Human Resource: refers to the people that staff and operate an organization. Armstrong, M and Stephen T, (2014)

Reward Practices: comprise the schemes, structures and techniques used to implement reward strategy and policy. Armstrong (2010)

Extrinsic Reward: Financial or tangible rewards which include pay, promotion, working condition, security, bonuses and benefits. Waruni, (2014).

District: is an area of a county or city especially one characterized by a particular feature or activity. Oxford Dictionary, (2002)

1.9 Organization of the Study

This study has five chapters. Chapter one consist introduction/background of the study, statement of the problem, research question, objective of the study, significance of the study and scope of the study included in a separate section. Chapter two present the related literature to the subject under study including theoretical review, empirical review and conceptual framework of the study. The research methodology and design were discussed in the third chapter. Chapter four dealt with data analysis, results and discussion and finally summaries of major findings, conclusions, and recommendation were discussed under chapter five. Survey questionnaire that was used for data collection is attached to this document as an appendix.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter of the study touch upon the theoretical literature, empirical review and conceptual framework of extrinsic reward practices according to the available literature in the specific area.

2.1 Theoretical Literature

2.1.1 What Is Reward?

Reward refers to all the monetary, non-monetary and psychological payments that an organization provides for its employees in exchange for the work they perform. It includes extrinsic and intrinsic rewards. (Bratton, 2007). Intrinsic rewards are derived from ‘the content of the task itself and include such factors as interesting and challenging work, self-direction and responsibility, variety, creativity, opportunities to use one’s skills and abilities and sufficient feedback regarding the effectiveness of one’s efforts. Extrinsic rewards on the other hand comprise promotions, private office space and the social climate. Other examples include competitive salaries, pay raises, merit bonuses and time-off’ (Hatice, 2012).

2.1.2 What is Reward Management

Reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders. Reward Management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. Armstrong & Murlis, (2007).

Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility.

2.1.3 The Aims of Reward Management

According to Armstrong & Murlis, (2007) the aims of reward management are to: reward people according to the value they create, align reward practices with business goals and with employee values and needs, reward the right things to convey the right message about what is

important in terms of behaviors and outcomes, help to attract and retain the high-quality people the organization needs, motivate people and obtain their engagement and commitment and develop a high-performance culture. From my personal observation from the above aim of reward most of them are not applicable on the company.

The aims of reward management are achieved by developing and implementing strategies, policies, processes and practices that are founded on a philosophy, operate in accordance with the principles of distributive and natural justice, function fairly, consistently and transparently, are aligned to the business strategy, fit the context and culture of the organization, are fit for purpose and help to develop a high-performance culture.

According to Redman T. and Wilkinson A., (2006) a well formulated and administered reward system is likely to have a number of important secondary objectives. In particular, it should seek to be:

- Need-fulfilling: the rewards should be of value to employees in satisfying relevant human needs
- Felt-fair, particularly in terms of offering rewards commensurate with contribution
- Legal: it should comply with relevant legal requirements regarding employee rights and entitlements, including, of course, all mandatory benefits and minimum standards
- Affordable: the rewards allocated, and any associated on-costs, should be within the organization's financial means
- Cost-effective: there should be an appropriate 'return on investment' from total reward outlays
- Strategically aligned: as with performance management, reward management should support the organization's corporate and business objectives.

Taken together it is most unlikely that any organization will be willing or able to achieve all of them simultaneously. Clearly the ill-fated HP reward experiment of the mid-1990s fell well short of several of these objectives; not the least being motivation, felt-fairness, cost-effectiveness and strategic alignment. There is also considerable potential for conflict between the objectives themselves. For instance, one of the greatest challenges lies in reconciling the need for reward fairness with the objective of cost-effectiveness.

2.1.4 Fundamentals of Reward

Dissatisfaction arising from perceptions of reward inequity can certainly lead to increased employee turnover and reduced motivation, but the costs and benefits of being a low payer will vary depending on the type of organization involved. While some organizations may suffer serious performance impairment, others may be able to absorb these consequences and still meet their objectives. The fundamentals that we need to consider are: ‘motivation’, ‘job satisfaction’ and ‘organizational commitment’ (Redman T. and Wilkinson A., 2006)

A. Motivation

Motivation is the wellspring of task behavior or effort, and it refers to the strength of a person’s willingness to perform allotted work tasks – to undertake work effort. To motivate means to energize the individual to deliver work effort and task behavior. The term itself derives from the Latin word *movere*, meaning ‘to move’ (Steers & Porter 1991: 5–6). However, motivation is not a homogeneous or indivisible phenomenon. It can be broken down into various elements. When we study motivation, then, we are really concerned with three related aspects of task behavior:

1. The direction of that behavior: why people take certain actions rather than others; e. g. emphasizing product quantity over quality
2. The intensity of that behavior: why the actions taken involve either a lot of effort, or a little
3. The duration of that behavior: why some actions are more sustained and enduring than others (Kanfer, 1998).

What moves one individual to deliver solid and sustained work effort may have little motivational effect on other employees, or may have more behavioral impact in some work contexts and climates than in others. In fact, it is this very variety of possibilities that makes motivation such an absorbing field of academic study and management practice. Second, as our discussion so far suggests, motivation is by no means the only important work attitude. Its significance needs to be understood in context, not in isolation (Kanfer, 1998).

B. Job satisfaction as Reward

Job satisfaction refers to the overall positive or negative attitude that employees hold towards the job and the job context. In other words, how contented or discontented are employees with the totality of their job assignment? In this sense, job satisfaction is also an affective

state – that is, an emotional condition – as well as an attitude. As a holistic summative feeling about the job, it covers both the job content – or factors ‘intrinsic’ to the job – and the job context – or factors surrounding or associated with the job, such as work relationships, work culture and human resource practices, including those to do with performance and reward management. As such, job satisfaction can be said to subsume attitudes and affective states to do with more specific aspects of the job, such as satisfaction or dissatisfaction with performance management procedures and outcomes, reward determination processes and outcomes (i.e. reward satisfaction), career development opportunities and the like. As we shall see later in this chapter, job satisfaction also has a close but complex association with other affective states, particularly perceptions of organizational justice and injustice (Losey M., Meisinger S., and Ulrich D., 2005).

C. Merit bonuses

The main alternative means of linking pay outcomes to individual performance assessment is the merit bonus approach, also known as the ‘lump sum’ method. A bonus is a payment made quite separately from base pay. Merit bonuses do not become annuities and, to be retained, they must be re-earned. The critical difference between this approach and traditional merit increments is that the payments made are conditional rather than cumulative. In short, they avoid the annuity problem. This may be one of the reasons for the increasing popularity of the merit bonus alternative (Lawler 1990: 82; Schuster & Zingheim 1996: 144–7).

2.1.5 Integrated Reward Management

Integrated reward management is an approach to reward management that provides for reward policies and practices to be treated as a coherent whole in which the parts contribute in conjunction with one another to ensure that the contribution people make to achieving organizational, departmental and team goals is recognized and rewarded. It consists of a related set of activities that impinge and impact on all aspects of the business and the HRM practices within it. As White (2005) cited in Armstrong (2010) points out, in an integrated approach ‘each individual element of reward supports the other to reinforce organizational objectives.’ Integration takes three forms:

- i. **Strategic integration:** the vertical integration of reward strategy with business strategy.

- ii. **HRM integration:** the horizontal integration of reward strategies with other HR strategies, especially those concerned with high performance, engagement, talent management and learning and development.
- iii. **Reward integration:** the internal integration of reward to ensure that it's various aspects cohere and that a total reward philosophy is adopted that means a full range of mutually supporting financial and non-financial rewards is used. (Armstrong, 2010)

2.1.6 Types of Reward

Reward systems are designed and managed in such a way as to provide the best mix of all kinds of motivators according to the needs of the organization and its members. Reward practices are classified as extrinsic and intrinsic reward.

2.1.6.1 Extrinsic Rewards

An extrinsic reward is outcomes supplied by the organization. One can compare these rewards to the job context items that Herzberg called hygiene factors. The employees took the extrinsic rewards from the firm and extrinsic rewards are usually high value. Examples of extrinsic reward can be salary bonus or other financial benefits. Appelbaum (2011) mention extrinsic rewards also encourage employee morale and the distribution of these rewards always has loomed large in companies, particularly in accordance with the assessment of performance in today's globalized world. Rewards can create organizations that are built to change. Reward such as wage& salary, bonuses, promotion and so on when designed properly, can help organizations to be flexible and efficient. Below are the definitions for some of the dimensions of extrinsic reward.

i. Salary

Salary is a fixed amount of money paid to an employee by an employer in return for work done. Salary is paid, typically, in a bi-weekly/monthly pay check to employees who are exempt or professional. Managers need to consider salary structures which should include organization attaching importance to each job in an attempt to use salaries as a motivator effectively. Adyinka et al., (2007).

Wages can be defined as the price paid for labour. In other words, wages are the payments made to the employees as compensation for services rendered by them to the company. Managers need to consider salary structures which should include organization attaching

importance to each job, payment according to performance, personal or special allowances, fringe benefits, and pensions and so on in an attempt to use salaries as a motivator effectively Adyinka et al., (2007). Employees would receive a reasonable salary and wages, and desire their employees to feel what they are getting.

ii. Bonus

Armstrong M. & Murlis H. (2007) according to their book, bonus is a cash reward for past performance. It provides an important recognition of achievement in financial terms and thus can serve as a motivator as long as there is clear relationship between the contribution of each person and his or her reward. Second, the bonus is valued and there is a reasonable chance of getting it if the required level of performance is achieved in the future and if incentive provides direct motivation. When direct motivation is achieved there is a clear vision between effort and reward and the level of expectation on the prospect of getting a substantial reward.

iii. Fringe Benefit

Employee benefits are elements of remuneration given in addition to the various forms of cash pay. They provide a quantifiable value for individual employees, which may be deferred or contingent like a pension scheme, insurance cover or sick pay, or may provide an immediate benefit like a company car. (Armstrong M. and Murlis H. 2007). Employee benefits also include holidays and leave arrangements, which are not strictly remuneration. Benefits are sometimes referred to dismissively as ‘perks’(perquisites) or ‘fringe benefits’, but when they cater for personal security or personal needs they could hardly be described as ‘fringe’.

Flexible benefit schemes give employees a choice, within limits, of the type or scale of benefits offered to them by their employers. Pension provision has undergone considerable change recently. The traditional defined benefit scheme, which provides a pension based on final salary, is disappearing rapidly (too costly) and is being replaced by defined contribution schemes where the retirement pension is whatever annual payment can be purchased with the money accumulated in the fund for a member (cheaper). Employee benefits are a costly part of the remuneration package. They can amount to one-third or more of basic pay costs and therefore must be planned and managed with care (Armstrong, 2010).

iv. Working Condition

Working conditions is about providing healthy, safe and so far as practicable pleasant working environment for employees (Armstrong 2010). It is the conditions in which an individual or staff works, this includes the relationships with colleagues, working hours, work load, availability of resources and the like.

Adverse environmental conditions such as noise, heat, and fumes are detailed along with the frequency of exposure. Most professionals and executive job descriptions do not include this section because work is assumed to be performed under normal office conditions. If it is not, the section should be included. Work conditions are defined by criteria such as: Physical effort, Work environment Sensory attention and Physical risks (Ruddy, 2007).

v. Promotion

Heery and Noon (2001) define promotion as “getting high status in workplace by doing effective work, generally increase the status, position and remuneration of employee in the organization”. Promotions are also an important aspect in employees’ career and life, which affects other aspects of motivation. Firms can use promotions as a reward for employees who are productive, create incentive for employees to exert greater effort. Promotion can be referring to as progress of an employee’s rank or position in a hierarchical structure. Promotions will set employees to do a better job as their ability to quickly move up to their talent. The simplest form of salary incentives is the ladder of promotion. This requires recruits to accept lower paid port-of-entry jobs. Initial period of employment is a filtering process. Promotion leads to a good performance. When ladders of promotion are used as delayed compensation, almost all junior employees prove themselves as promoted.

vi. Job Security

Job Security is the presumption or confidence of an employee that he will not lose his current job he is holding to. High level job security indicates that the employees will not lose their jobs in the near future. Job security is more of a perception; it is intangible thing which we cannot look at but we feel it. Heery and Noon (2001). Employees have more job security in times of economic expansion and less during the recession. Job security matters a great deal to an employee but it is essential for the employer as there is less employee turnover and absenteeism and this means no additional costs associated with the hiring process and steady growth and development of the company.

2.1.6.2 Intrinsic Rewards

The intrinsic reward system are created purposely to appreciate employees in form of self-esteem and related to their feeling of achievement and growth with organization. Employees feel satisfy when they have accomplished something worth in work and orally appreciated by the organization.

Intrinsic rewards focus on the needs people have to varying degrees for recognition, achievement, personal growth and acceptable working conditions. They include the non-financial recognition of achievements, the design of fulfilling jobs, giving people the scope to develop their skills and careers and offering a work environment that provides a high quality of working life and an appropriate relationship between work and private life (work–life balance). Non-financial rewards can be extrinsic, such as praise or recognition, or intrinsic, associated with job challenge and interest and feelings that the work is worthwhile. Armstrong (2007).

2.1.7 The Reward System

Having a good, attractive reward system could be argued to have gained importance as the new, globalized society, where companies act on one single market has contributed to enhanced competition about the “right” employees as reward systems are recognized to play a vital role in attracting and retaining employees (Arvidsson 2008). The challenges of creating a suitable reward system are versatile, since there are almost infinite ways of designing a reward system. There are many different aspects to discuss and consider in terms of the design and usage of a reward system, some of them being how individuals should be rewarded, for what and how much, how a reward system can be designed to support long term goals and how goal congruence can be assured the most efficient way. The theory of reward systems emphasized the link between good HR policies and business performance. In terms of finding the most suitable way of motivating the employees to work aligned with the organizational goals, an organization needs to thoroughly evaluate and identify the different motivational factors among their employees, which may differ between organizations and between individuals.

According to Armstrong and Stephen T. (2014) A reward system consists of the interrelated processes and practices which combine to ensure that reward management is carried out effectively to the benefit of the organization and the people who work there.

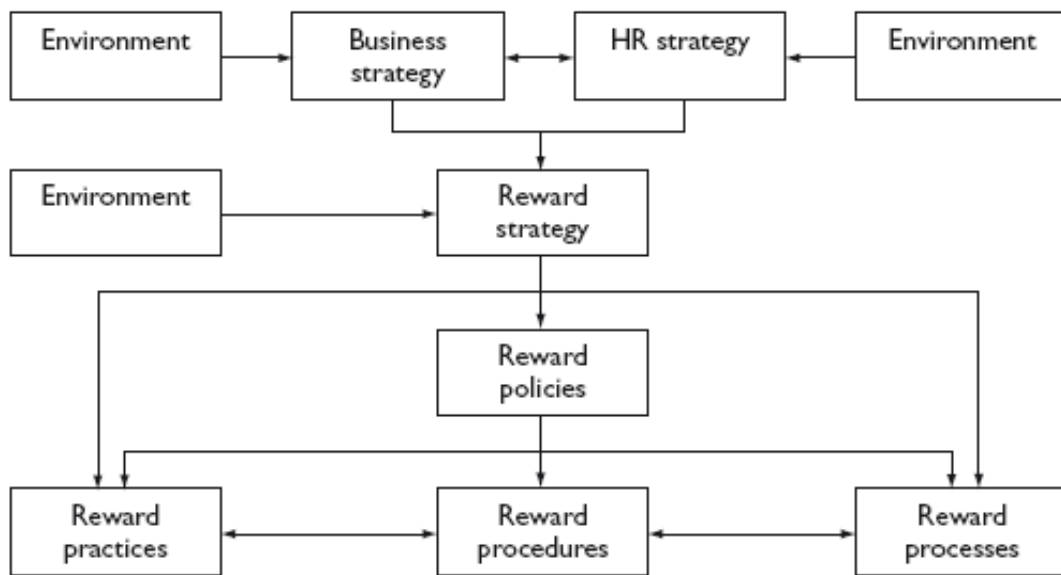


Figure 1: How a Reward System Operates: Source (Armstrong, 2010)

According to (Armstrong, 2010), Reward systems are based on the reward strategy, which flows from the business strategy, for example to gain competitive advantage, and the HR strategy, which is influenced by the business strategy but also influences it. The HR strategy may, for example, focus on resourcing but it should also be concerned with satisfying people as well as business needs. All these aspects of strategy are affected by the environment. Reward strategies direct the development and operation of reward practices and processes and also form the basis of reward policies, which in turn affect reward practices, processes and procedure. These different aspects of a reward system are defined below.

A. Reward Strategies

These set out what the organization intends to do in the longer term to develop and implement reward policies, practices, processes and procedures that will further the achievement of its business and HRM goals. Armstrong (2010)

B. Reward Policies

Armstrong & Murlis (2005) stated that policies provide guidelines for the implementation of reward strategies and design and management of reward process. They will be influenced strongly by the reward philosophy of the organization. The reward policies will be concerned with: the relative importance attached to market rates and equity, the relationship of rewards to business performance, the degree of flexibility required in the system, the need to involve employees in the design of the reward system, the need to communicate reward policies to

employees, transparency, the publication of information on reward values and structures and processes to employees.

C. Reward Practices

According to Armstrong (2010), these comprise the schemes, structures and techniques used to implement reward strategy and policy: for example, the policy on pay levels will lead to the practice of collecting and analyzing market rate data, and making pay adjustments that reflect market rates of increase.

D. Reward Processes

These consist of the ways in which policies are implemented and practices carried out; for example, how the outcomes of surveys are applied and how managers manage the pay adjustment and review process. Armstrong (2010)

E. Reward Procedures

These are operated in order to maintain the system and to ensure that it functions efficiently and flexibly and provides value for money; an example is a procedure for conducting an annual pay review. Reward systems are very crucial for an organization. Rewards include systems, programs and practices that influence the actions of people. Armstrong (2010)

In general, the purpose of reward systems is to provide a systematic way to deliver positive consequences. Fundamental purpose is to provide positive consequences for contributions to desired performance. The only way employees will fulfill the employers dream is to share in their dream. Reward systems are the mechanisms that make this happen. They can include awards and other forms of recognition, promotions, reassignments, non-monetary bonuses like vacations or a simple thank-you.

2.1.8 Total Rewards

In recent years, the phrase “compensation and benefits” has given way to “total rewards” which encompasses not only compensation and benefits but also personal and professional growth opportunities and a motivating work environment. Stiffer competition in business has made rewards difficult for cost-conscious organizations to offer higher wages and more benefits each year. Employers have had to find alternative forms of rewards that cost less to implement but that still motivate employees to excel. And organizations have become much more strategic in their management of human resources (Barney & Wright, 1998) including

integrating their various human resource functional areas. The “Total Rewards Strategies” chart sheds light on the wide range of strategies that can make up a total rewards program. To implement total rewards strategies successfully, organizations must follow a disciplined process (Ledford & Mohrman, 1993), which is depicted in “Implementing a Total Rewards Program: Four Phases”. The process starts with assessment. In this phase, the project team gathers data to evaluate the effectiveness of the organization’s current total rewards system. The data guides the design phase, during which the team identifies and analyzes potential reward strategies. In the execution phase, total reward strategies are put into operation. Last, the team evaluates the effectiveness of the strategies that have been executed.

2.1.8.1 The Elements of Total Rewards

According to Armstrong (2010), there are five elements of total rewards, each of which includes programs, practices, elements and dimensions that collectively define an organization’s strategy to attract, motivate and retain employees. These elements are:

- **Compensation:-** Pay provided by an employer to an employee for services rendered (i.e. time, effort and skill). Includes both fixed and variable pay tied to levels of performance.
- **Benefit Programs** an employer uses to supplement the cash compensation that employees receive. These health, income protection, savings and retirement programs provide security for employees and their families.
- **Work-Life:-**A specific set of organizational practices, policies and programs, plus a philosophy, that actively supports efforts to help employees achieve success at both work and home.
- **Performance and Recognition:-**

Performance: The alignment of organizational, team and individual efforts toward the achievement of business goals and organizational success. It includes establishing expectations, skill demonstration, assessment, feedback and continuous improvement.

Recognition: Acknowledges or gives special attention to employee actions, efforts, behavior or performance. It meets an intrinsic psychological need for appreciation of one’s efforts and can support business strategy by reinforcing certain behaviors (e.g., extraordinary

accomplishments) that contribute to organizational success. Whether formal or informal, recognition programs acknowledge employee contributions immediately after the fact, usually without predetermined goals or performance levels that the employee is expected to achieve. Awards can be cash or noncash (e.g., verbal recognition, trophies, certificates, plaques, dinners, tickets, etc.)

- Development and Career opportunities:-

Development: A set of learning experiences designed to enhance employees' applied skills and competencies. Development engages employees to perform better and engages leaders to advance their organizations' people strategies.

Career Opportunities: Involve the plan for employees to advance their career goals may include advancement into a more responsible position in an organization. The company supports career opportunities internally so that talented employees are deployed in positions that enable them to deliver their greatest value to the organization.

2.1.9 Managing Employee Performance and Reward System

Rewards can be used to improve performance by setting targets in relation to the work given e.g. surpassing some sales targets. When the employee surpasses their target, he or she can be given an additional amount to their salary; this will make them strive to achieve more (Perry 2006). Research has proven that when human being are appreciated and praised they tend to improve their performance. Sometimes portion of the retained earnings or the end of year profit can be shared to stimulate stellar performance. This is another way an organization can apply as a reward so as to improve performance. Praise could be shown in the organization newsletter or in meetings. When managers take time to meet and recognize employees who have performed well, it plays a big role in enhancing employee's performance (Torrington & Hall 2006). Organizations should reward employees more often. This greatly improves performance compared to having the rewards maybe only once a year. This is because frequent rewards are easily linked to the performance. (Thomson & Rampton, 2003). Another way through which organizations can use reward systems to increase output is by personalizing the reward.

When rewards tend to be so general, employees do not value them. Organizations can use rewards to improve employee performance by incorporating joint discussion or collective bargaining with employees especially if there seems to be a potential conflict. Managers should be on the lookout for employees who perform well.

2.2 Empirical Review

Empirical review in this section presents those research works that are done on the areas of the current topic to support the execution of the study. Presentation is based on the coherence of ideas and on the bases of the results of finding.

According to Elmien, Pieter and Anis Mahomed (2015), the study on the impact of intrinsic and extrinsic rewards on employee motivation was conducted adopting explanatory research design using quantitative methodology and a survey strategy carried out among employees at a medical devices company in South Africa in order to assess it. The study finds out that rewards are highly valued as a motivating factor and employees were more motivated by intrinsic rewards rather than extrinsic rewards, and annual salary increases (extrinsic rewards) were the most ranked rewards for employees at the company. The research further suggested that employees were generally satisfied with, and benefited from the current rewards offered by the company.

According to Issack and Dinah (2016), the study on the effect of reward practices on employees commitment was conducted using cross sectional survey which comprised all permanent lecturers from nine universities within the Nakuru County. By adapting correlation analysis it finds out three results of different variables. The first analysis finds that there was a moderate significant positive relationship between financial rewards and affective commitment. It suggested that employees who were satisfied with their financial rewards had moderate levels of affective commitment. The study indicates that organizations which can link engagement to total rewards practices are more likely to affectively engage and motivate employees. The second analysis finds that there was a weak significant positive relationship between financial rewards and normative commitment. This suggests that financial rewards positively influenced employees' loyalty and sense of obligation towards their university. The third analysis finds out that there was a weak significant positive relationship between financial rewards and continuance commitment. This suggests that the perceived cost of leaving an organization (continuance commitment) increased when employees were satisfied with their financial rewards.

The study of Teferi Haile (2017) through adapting explanatory survey research design and quantitative research approach the study on the effect of reward management practice on

employees' performance in case of study on catering and tourism training institute conducted at all levels of academic staffs. The study investigated the effect of extrinsic rewards and intrinsic rewards on employee performance by adopting regression analysis. The finding from the study indicates that the correlation between the variables pay/salary, benefit, promotion, working condition, responsibility and recognition have a significant and positive relationship with employee performance. These means that the reward practices are directly proportional to employee performance indicating the change in reward necessarily results a change in the level of employee performance.

Moreover, Damaris, Prof Gregory and Elizabeth (2016) on the study entitled Determinants of Intrinsic and Extrinsic Rewards on Employee Performance in Kapsara Tea Factory Company conceptualized on two main theories which were incentive and process theories. By adopting a descriptive survey research design and using a regression model the study concluded that the most influential reward as a motivation driver is not fat salary, or additional responsibility but job security. And that employee training and development has an effect on performance especially learning on the job.

The study of Mercy U. and Adejumo T., (2018) on Influence of intrinsic and extrinsic rewards on Organizational Performance by adopting multiple regression analysis the results of the regression model showed that the two independent variables intrinsic and extrinsic were significantly and positively related to organizational performance. The outcome confirms that both rewards have significance influence on organizational performance, through employee performance. It is showed that reward system helps to increase employee performance by enhancing employee skills, knowledge and abilities to achieve organizational objectives.

According to the research by Norah Sitali (2017) entitled Effects of Reward Management Practices on Employee Retention in the Hotel Industry in Kenya contend that rewarding employees through career development, job promotion, remuneration and recognition have a positive influence on employee retention. The variables of the reward practices have a direct or linear relationship with employee retention in the organization.

2.3 Conceptual Framework

Based on the overall review of related literatures and the theoretical reviews the following conceptual model has been adopted to assess extrinsic reward practices. And for the purpose of this research organizational policy, salary, fringe benefits, working condition, promotion and job security are assessed.



Soruce: Waruni 2014

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

Research methodology is defined as the strategy or architectural design by which the researcher maps out an approach to problem finding or problem solving. Buckley (1976). It refers to the material and method of study that is the variables/materials over which the study data to be collected, data analysis, sampling and interpretation.

The purpose of this chapter is to present the underlying principles of research methodology and the choice of the appropriate research method for the research paper. The chapter discusses research approach and design, population, sample size and sampling techniques sources of data, data gathering instruments, procedures of data collection, reliability and validity, methods of data analysis, and ethical considerations.

3.1 Research Approach

According to Saunders et al. (2009), there are two approaches to research which can be described as quantitative and qualitative approach. For the purpose of this research quantitative research approach is adopted as it analyzes employees' opinion on current extrinsic reward practices of the organization that are transferred into usable descriptive statistics. Based on the purpose the research questions are set out, questionnaire was developed. Quantitative research is a research that addresses research objectives through empirical assessments. It involves numerical measurement and analysis approaches through the use of survey research, using questionnaires. (Zikmund, 2010)

3.2 Research Design

Research design is the conceptual structure within research is conducted. The research design for the study is descriptive research design. Descriptive researches are those studies concerned with describing group of phenomena. Griffin, R.W (2002). Through descriptive research design the study tries to assess the extrinsic reward practices in CBE by adopting survey research to large volumes of data that can be analysed for frequencies, percentages, mean and standard variation. It helps to gain familiarity with the phenomenon or characteristics of reward practices and adds/ generates more information on the concept of the study.

3.3 Population, Sample Size and Sampling Techniques

3.3.1 Research Population

Research population is a large collection of individuals or objects that is the main focus of the study. For this study, Employees of Commercial Bank of Ethiopia working at different branches of Addis Ababa Area in Kirkos district are selected as a research population as the branch locations under this district are found to be convenient to the researcher. It is assumed that the various districts of CBE operate in a similar manner with respect to policies and practices though the districts are located in different geographical areas.

3.3.2 Sample Size

A sample is a smaller group obtained from the accessible population to represent the whole population while sampling is the process of selecting the individuals for the study from the Population (Mugenda & Mugenda, 2003).

The sampling frame is source materials from which the sample is selected. Commercial Bank of Ethiopia Addis Ababa area branches are categorized into seven districts (Nifas silk, Yeka, Bole, Arada, Kolfe, Kirkos, and Megengna). Because of time, financial and data administration problem, for this study the commercial bank of Ethiopia branches of Kirkos district is selected to investigate this study because

According to Carvalho (1984), sample size is determined as follows;

Table 3.1 Sample Size Determination

Population Size	Small	Medium	Large
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1,200	32	80	125
1,201-3,200	50	125	200
3,201-10,000	80	200	315
10,001-35,000	125	315	500

Source : Carvalho (1984)

Therefore, based on Carvalhio (1984) sample size determination method, for this study to increase the accuracy of the data, a large sample size was selected. Accordingly out of total population of Kirkos district 1408 employees the selected sample size is 200 employees who are participating in this particular study.

3.3.3 Sampling Techniques

Sampling technique is a definite plan for obtaining a sample from a given population. It refers to the technique or procedure the researcher would adopt in selecting items for a sample. As a prior the researcher must decide the number of sample or sample size that he or she is going to use for the study. The sampling process is to choose the sampling frame, which is the list of elements from which a sample may be drawn: also, called the working population (Zikmund, 2000).

From different districts in Addis Ababa, Kirkos District is selected because the branch locations under this district are found to be convenient to the workplace and living area of the researcher. Thereof, the participants of the study are employees of those selected branches of commercial bank of Ethiopia who are working around different branches with in kirkos district.

The sample technique is determined using the probabilistic sampling; Among branches in the kirkos district fourteen branches are randomly selected based on convenience sampling to undertake the study. The participants (respondents) were selected from the 14 branches of CBE under kirkos district based on simple random sampling in which each member of the population will have an equal chance of being selected. According to the above description the sample branches and the number of selected/sample employee of the branches are: Stadium Branch 14, Andinet Branch 16, Meskel Flower Branch 17, Mexico Branch 14, Finfine Branch 17, Sarbet Branch 13, Ureal Branch 16, Enderasie Branch 12, Kazanchis Branch 15, Lideta Branch 12, Pushkin Adebaby Branch 17, Bambis Branch 13, Kazanchis Mebrat Branch 9 and Safarian Branch 15, so total number of employee is 200. To minimize respondent's selection bias, simple random sampling method is applied to select those individuals who were participating in responding the questionnaire from the selected branches.

3.4 Sources of Data

The study was conducted by sourcing data from both primary and secondary sources. The primary data was collected with the aid of distributing close-ended questionnaire for employees from the selected branch offices in the Kirkos district. To complement the questionnaire, the researcher held informal discussions with workers and employees of the organization to know the various extrinsic reward practices in place and basis upon which it was reviewed.

According to Blumberg et al., 2008 secondary data are information or data already collected by other researchers or institutions, usually for different purposes that enable the researcher to place the study in the context of existing knowledge as well as broadens the researchers understanding to the research topic. Secondary data sources were obtained from books, journals, reward policy procedures as well as internet.

3.5 Data Gathering Instruments

The data collection instrument was based on questionnaire complemented with informal discussions with workers and employees of the organization. Data from primary sources is collected from employees themselves through questionnaires'. The questioner was measured by five-point Likert scale anchored by 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5= strongly agree. The Likert measures the level of agreement or disagreement. The Likert scale has scales that assist in converting the qualitative responses into quantitative values. Mugenda & Mugenda, (2003).

3.6 Procedures of Data Collection

In conducting the study, therefore, the researcher first obtained a letter of cooperation from St Mary University to collect secondary data from the organization. Based on the sample size, list of selected branches under Kirkos district were selected through conventional sampling technique. With the necessary permission of each branch managers, questionnaires were issued to 200 respondents comprising employees in 14 branches of Kirkos district of CBE. The questionnaire was then distributed within two weeks and was able to collect them with another two weeks.

3.7 Reliability and Validity

The reliability and validity of the data collection instruments are tested to ensure that the questions are understood by the respondents and there are no problems with the wording or measurement.

✓ Reliability

Hair et al. (2007) defines reliability as the extents to which a variable or a set of variables is consistent in what it is intended to measure. To insure the consistency of the instrument in this study it was used cronbach's alpha coefficient. According to Kothari (2004) the Cronbache alpha coefficient of a scale should be above .70. When the Cronbach alpha is low, it indicates low reliability and this means that the measuring instrument is not consistent in its measurement.

The following table shows that the reliability test result from the pilot study.

Table 3.1 Reliability statistics of the instrument

Dimensions on	No of Items	Cronbach's Alpha
Organizational Policy	5	0.890
Salary	5	0.744
Fringe Benefit	5	0.861
Working Condition	5	0.662
Promotion	5	0.723
Job Security	5	0.844
Average	5	0.787

Source: Survey data 2021

✓ Validity

Hair et al. (2007) defined the validity as “the degree to which a measure accurately represents what is supposed to”. Validity is the degree to which all of the evidence points to the intended interpretation of test scores for the proposed purpose. In this study the content of validity of the data collection instrument was determined through discussing the research instrument with the researcher experts in the field of study and the researcher also considered the input

of the advisor. The valuable comments, corrections, suggestions given by the research experts and advisor assisted the validation of the instrument.

3.8 Method of Data Analysis

The collected data, which is based on the conceptual framework the researcher used, was analyzed using descriptive statistic technique such as percentage, frequency, mean, standard deviation & tabulation to assess the existing reward practices of the company. The data was then analysed by using SPSS. The result of the analysis are discussed, interpreted and summarized in the form of findings.

3.9 Ethical Considerations

There are certain ethical protocols that were followed by the researcher. The first is soliciting explicit consent from the respondents. This ensures that their participation to the study is not out of their own volition. The researcher also ensures that the respondents are aware of the objectives of the research and their contribution to its completion. One other ethical measure exercised by researcher is treating the respondents with respect and courtesy. This was done so that the respondents were at ease and more likely to give honest responses to the questionnaire.

There are also ethical measures followed in the data analysis. To ensure the integrity of data, the researcher checked the accuracy of encoding of the survey responses. This was carried out to ensure that the statistics generated from the study are truthful and verifiable.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter deals with results and discussion of the data collected through questionnaire. Descriptive statistics like frequencies, percentage, standard deviation and mean were used to analyze the data. Interpretation was made based on the frequency, percentages mean and standard deviation of the data. The findings from the questionnaires were analyzed by using SPSS (Version 20). The results from the study are presented in the form of table.

4.1 Response Rate

For this study, Questionnaires have been distributed to employees working at CBE (kirkos district) to rate each response on a five-point of Liker scale. The total sample size of the study was 200 employees, 92 percent of the total population (184 employees) had replied to the given questionnaires. Table 4.1 depicts the respondents' response rate of this study.

Table 4.1 Respondents response rate

Total Population of the Study	Number of returned respondents	Respondents response rate
200	184	92%

4.2 Demographics Characteristics of Respondents

Demographics profile of respondents in the study is important as it is used to identify subsets of the populations and characterize them at a specific point in time describing the sample of study population in terms of age, sex, educational background, experience, position and salary level.

Table 4.2 Respondent general profile of the study

Parameters	Categories	Frequency	Percent
Gender	Male	113	61.4
	Female	71	38.6
	Total	184	100.0
Age	20-25	20	10.9
	26-30	109	59.2
	31-35	38	20.7
	36-40	9	4.9
	41-45	6	3.3
	Over 46	2	1.1
	Total	184	100.00
Experience In CBE	1-5	80	43.5
	6-10	80	43.5
	11-15	13	7.1
	16-20	7	3.8
	21-25	2	1.1
	Over 26	2	1.1
	Total	184	100.0
Educational Background	Diploma	3	1.6
	Degree	81	44.0
	Master	100	54.3
	Total	184	100.0
Salary Level	6501-7500	24	13.0
	7501-8500	16	8.7
	8501-9500	6	3.3
	10501-11500	26	14.1
	Over 11501	112	60.9
	Total	184	100.0
Position	Clerk	44	23.9
	Professional Employees	114	62.0
	Manager	26	14.1
	Total	184	100.0

Source: Survey data 2021

As it shows in the above table 4.2 more than half of the respondents were male which is 113 (61.4 %) and 71 (38.6 %) were female from out of 184 respondents. Therefore, the majority respondents are male which implies that the bank employees are dominated by males.

The above table also illustrates respondent's age category. From the valid number of participants, the number of respondent in the age 20 -25 years range is equal to 20 (10.9 %) and 109 (59.2 %) respondents are between 26 -30 years age range. Further, 38 (20.7 %) respondents are fall in the range of 31-35. The rest 9 (4.9 %) and 6 (3.3 %) respondents are fall in the year range of 36-40 and 41-45 respectively. Over 46 years fall in the range of 2 (1.1 %). This indicates the majority of the research participant was found between the age ranges of 26-30 years which implies that majority of employees are dominated by youngsters.

The majority of the respondents 80 (43.5 %) had between from 1-5 years and 6-10 years' experience in CBE which is 80 (43.5 %) in number. Moreover, 13 (7.1 %) are serving the bank for 11-15 years while 7 (3.8 %) and 2 (1.1 %) respondents fall in the service year of 16-20 and 21-25 years respectively. The description shows that majority of the respondents serving the bank for are 1-5 years and 6-10 years.

Result from the above table shows about educational background of the respondents' revealed that the majority 100 (54.3 %) of the respond had masters' level which implies that CBE has employees have good academic qualification. The rests 81 (44.0 %) and 3 (1.6 %) had degree and diploma holders respectively. This shows that the majority of employees under this study area are masters' graduates implying that the bank employees are those who have upgraded themselves and shows that CBE has fairly educated employees.

The majority of respondents which is 112 (60.9 %) has a salary level of over 11500. While 26 (14.1 %) of the respondent get a salary level 10501-11501. And 24 (13.0 %), 16 (8.7 %) and 6 (3.3 %) have a pay level of 6501-7500, 7501-8500 and 8501-9500 respectively. The result shows that majority of the study respondents are professional employees with the salary level over 11501. However the salary is not competitive when compared with other banks.

As table 4.1 shows that the number of clerk is 44 (23.9%) and the major shares of the respondents are fall professional employees which is 114 (62.0 %). The rest of the respondents 26 (14.1 %) are managers.

4.3 Descriptive Analysis of Collected Data

The study is descriptive research in which the analysis and interpretation of the collected data are described in terms of percentage, mean and standard deviation. The mean values are interpreted as very low, low, moderate, good and very good. Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection. The findings obtained through the research questionnaires on external reward practices like; Salary, Organizational Policy, Fringe Benefit, Working Conditions, Promotion, and Job Security are summarized and interpreted as follows.

4.3.1 Respondents Attitude on Organizational Policy

The extent to which the respondents agreed with the given statement concerning organizational policy in the commercial bank of Ethiopia was investigated. Data in table 4.3 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in percentage, mean and standard deviation.

Table 4.3 Respondents Attitude Towards Organizational Policy

SN	Statements	Percentage of					Mean	SD
		SD	D	N	A	SA		
1	The company reward policies favor all employees.	14.1	31.5	20.7	26.1	7.6	2.81	1.19
2	The Reward policies ensure all employees are well and effectively rewarded.	15.8	32.6	19.6	22.8	9.2	2.77	1.23
3	The organization has well-constructed reward policies.	14.7	35.3	23.4	22.3	4.3	2.66	1.11
4	Reward policies are geared towards the improvement of organizational, team and individual performance.	11.4	29.9	22.8	25.0	10.9	2.94	1.20
5	The reward policy at the organization focuses on the real needs of employees.	17.4	34.2	25.5	13.0	9.8	2.63	1.19
	Aggregate						2.76	1.18

Source: Survey data 2021

Majority of the respondents as according to the study disagreed that their company reward policies favor all employees by 31.5 %. At the same time (32.6 %) have disagreed that there is reward policy that ensures employees are well and effectively rewarded. The researcher highlighted that 35.3 % of the respondents disagreed that the organization has well-constructed reward policies. Moreover, 29.9 % of respondents disagreed that reward policies

are geared towards the improvement of organizational, team and individual performance. Apparently 34.2 % disagreed that the reward policy at the organization focuses on the real needs of employees or not.

There were 5 items under organizational policy; and its grand mean score 2.76 with a standard deviation of 1.18. The study interpreted dispersion to mean there is a greater variation on reward policies ensure all employees are well and effectively rewarded and there is a smaller variation on the organization has well-constructed reward programmes. The company reward policies favor all employees scored the highest mean of 2.81. The item which scored the lowest mean is the reward practice at the organization focuses on the real needs of employees with the mean score of 2.63. But looking at the aggregate mean it can be concluded that the policies of reward practices are weak/low and need improvement in favouring all employees are effectively and well rewarded. The organization need to focus constructing reward polices and ensuring they are geared towards improving performance.

4.3.2 Respondents Attitude on Salary

The extent to which the respondents agreed with the given statement concerning Salary in the commercial bank of Ethiopia was investigated. Data in table 4.3 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in percentage, mean and standard deviation.

Table 4.4 Respondents Attitude Towards Salary

SN	Statements	Percentage of					Mean	SD
		SD	D	N	A	SA		
6	My salary is satisfactory in relation to my work intensity.	17.4	28.3	19.0	30.4	4.9	2.77	1.19
7	My salary is directly related to my performance.	20.1	38.0	14.1	23.9	3.8	2.53	1.17
8	My salary is fair in relation to my responsibilities.	14.1	38.0	17.9	22.3	7.6	2.71	1.18
9	My salary is fair when compared with that of similar jobs in other companies.	12.0	29.9	16.3	29.9	12.0	3.00	1.25
10	The organization conducts salary surveys to be able to identify rates of pay in the market.	15.8	22.8	28.3	23.9	9.2	2.88	1.20

Aggregate							2.78	1.20
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Source: Survey data 2021

According to the study, majority of the respondents agreed that their salary is satisfactory in relation to their work intensity by 30.4 %. Moreover, consecutively 38.0 % disagreed that their salary is directly related to their performance and is fair in relation to work responsibilities. Surprisingly, 29.9 % reported agree that their salary is fair when compared with that of similar jobs in other companies and also 29.9 % reported disagree. Apparently, 28.8 % agreed that the organization conducts salary surveys to be able to identify rates of pay in the market.

There were 5 items under salary; and its grand mean score 2.78 with a standard deviation of 1.20. Further, the study interpreted dispersion to mean there is a greater variation of the statement my salary is fair when compared with that of similar jobs in other companies and there is a smaller variation on salary is directly related to my performance. Salary is fair when compared with that of similar jobs in other companies scored the highest mean of 3.00. The item which scored the lowest mean is the statement my salary is directly related to my performance with the mean score of 2.53. Looking at the aggregate mean (2.78) we can conclude that employees are not satisfied with their salary of not being proportionate with their work responsibilities neither their work performance. Salary increment plays a vital role in improving performance therefore the company should give attention to retain its employees by managing salaries and by relating it with work responsibilities and work intensity.

4.3.3 Respondents Attitude on Fringe Benefit

The extent to which the respondents agreed with the given statement concerning fringe benefit in the commercial bank of Ethiopia was investigated. Data in table 4.3 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in percentage, mean and standard deviation.

Table 4.5 Respondents Attitude Towards Fringe Benefit

SN	Statements	Percentage of					Mean	SD
		SD	D	N	A	SA		
11	I am satisfied with CBE's current benefit package.	16.3	29.9	14.1	33.7	6.0	2.83	1.23

12	There is equity in benefits we receive internally.	9.8	16.3	16.3	42.9	12.0	3.31	1.17
13	The company benefit packages favor all employees.	11.4	25.5	17.4	39.1	6.5	3.04	1.17
14	Benefit packages are modified as necessary to ensure company's competitiveness.	9.2	20.7	14.1	40.2	15.8	3.33	1.22
15	The benefits we receive are better or as good as other organization offers.	8.7	14.7	22.3	42.9	11.4	3.34	1.13
	Aggregate						3.17	1.19

Source: Survey data 2021

Almost most of all or majority of the respondents agreed to the statement I am satisfied with CBE's current benefit package by 33.7 %. Moreover, consecutively 42.9 % agreed to the statement there is equity in benefits we receive internally. In addition, 39.1 % reported agree that the company benefit packages favor all employees. Apparently, 40.2 % and 42.9 % agreed that benefit packages are modified as necessary to ensure company's competitiveness and the benefits we receive are better or as good as other organization offers respectively. The analysis indicates even though most of employees agree to the benefits that the organization offers nonetheless, considerable amount of respondents confirmed that they are not satisfied with the current benefit package.

There were 5 items under fringe benefits; and its grand mean score 3.17 with a standard deviation of 1.19. Accordingly, the study interpreted dispersion to mean there is a greater variation on I am satisfied with CBE's current benefit package and there is a smaller variation benefits we receive are better or as good as other organization offers. The benefits we receive are better or as good as other organization offers scored the highest mean of 3.34. The item which scored the lowest mean is I am satisfied with CBE's current benefit package with the mean score of 2.83. Looking at the grand mean we can conclude that employees are moderate with the current fringe benefits that the organization offers. However to increase satisfaction, motivation and performance of employees it is better benefits practices in the organization adds value to the benefit packages.

4.3.4 Respondents Attitude on Working Condition

The extent to which the respondents agreed with the given statement concerning working condition in the commercial bank of Ethiopia was investigated. Data in table 4.3 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in percentage, mean and standard deviation.

Table 4.6 Respondents Attitude Towards Working Conditions

SN	Statements	Percentage of					Mean	SD
		SD	D	N	A	SA		
16	I am satisfied with my work atmosphere.	21.7	32.6	17.4	21.7	6.5	2.59	1.23
17	I have flexible working time and place	23.4	35.9	14.1	20.7	6.0	2.50	1.22
18	My working hours are reasonable.	10.9	17.9	19.6	40.8	10.9	3.23	1.19
19	Employees are given a good working environment.	17.9	23.4	25.5	23.9	9.2	2.83	1.24
20	The existence of safe working conditions has encouraged me to give sustained high performance at work.	11.4	20.1	21.7	31.5	15.2	3.19	1.25
	Aggregate						2.87	1.23

Source: Survey data 2021

To easily identify where the company is performing well and where there is a need for reward distribution improvement; working condition has a vital role. To this effect, respondents were asked if they were satisfied with their work atmosphere and majority of the respondents disagreed by 32.6 %. Moreover, consecutively 35.9 % disagreed to the statement I have flexible working time and place. In addition, 40.8 % reported agree that working hours are reasonable. Apparently, 25.5 % neither agree nor disagree that employees are given a good working environment. The researcher highlighted that 31.5 % of the respondents agreed that the existence of safe working conditions has encouraged me to give sustained high performance at work.

There were 5 items under working condition; and its grand mean score 2.87 with a standard deviation of 1.23. Accordingly, the study interpreted dispersion to mean there is a greater variation the existence of safe working conditions has encouraged me to give sustained high performance at work and there is a smaller variation on working hours is reasonable. My working hours are reasonable scored the highest mean of 3.23. The item which scored the

lowest mean is I have flexible working time and place with the mean score of 2.50. Looking at the aggregate mean we can conclude that the company doesn't have good working conditions. Working conditions are important issues in every organization regardless of its size, specifics or location. To know where the institute work environment is encouraging performers; creation of conducive working environment has a vital role creation of conducive work environment encouraging high performers to improve their performance more.

4.3.5 Respondents Attitude on Promotion

The extent to which the respondents agreed with the given statement concerning promotion in the commercial bank of Ethiopia was investigated. Data in table 4.3 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in percentage, mean and standard deviation.

Table 4.7 Respondents Attitude Towards Promotion

SN	Statements	Percentage of					Mean	SD
		SD	D	N	A	SA		
21	The company promotes workers in a fair manner.	33.7	33.7	18.5	9.2	4.9	2.18	1.14
22	I am satisfied with my chance for promotion.	35.9	31.0	14.7	15.2	3.3	2.19	1.17
23	The company's promotion policy is clearly communicated to all employees.	22.8	34.2	14.7	14.7	13.6	2.07	1.35
24	Those who do well on their job stand a fair chance of being promoted.	23.4	35.9	17.9	19.6	3.3	2.43	1.14
25	The company promotes worker to develop new skill.	23.4	26.6	14.1	27.2	8.7	2.71	1.32
	Aggregate						2.56	1.22

Source: Survey data 2021

According to the study surprisingly the same numbers of respondents [67.4 %] have strongly disagreed and disagreed that the company promotes workers in a fair manner. Moreover, consecutively 35.9 % strongly disagreed to the statement I am satisfied with my chance for promotion. In addition, 34.2 % reported disagree that the company's promotion policy is clearly communicated to all employees. Apparently, 35.9 % disagreed that those who do well

on their job stand a fair chance of being promoted. Further 27.2 % agreed that the company promotes worker to develop new skill.

There were 5 items under promotion; and its grand mean score 2.56 with a standard deviation of 1.22. The study interpreted dispersion to mean there is a greater variation that the company’s promotion policy is clearly communicated to all employees and there is a smaller variation that promotion is in fair manner and on the statement those who do well on their job stand a fair chance of being promoted.. The company promotes worker to develop new skill scored the highest mean of 2.71. The item which scored the lowest mean is the company’s promotion policy is clearly communicated to all employees with the mean score of 2.07. Looking at the aggregate mean it is interpreted that employees are not satisfied with practice in promotion. It is needless to say in current competitive business world the most important precious asset of an organization is human power; therefore, the organization needs to promote its employees in fair manner to retain its skilled employees. Otherwise it is sure that the skilled employees leave the organization at any moment of time when a slight different opportunity came.

4.3.6 Respondents Attitude on Job Security

The extent to which the respondents agreed with the given statement concerning job security in the commercial bank of Ethiopia was investigated. Data in table 4.3 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in percentage, mean and standard deviation.

Table 4.8 Respondents Attitude Towards Job Security

SN	Statements	Percentage of					Mean	SD
		SD	D	N	A	SA		
26	There is a risk that I will lose my job in the near future.	14.1	27.2	33.2	16.8	8.7	2.79	1.15
27	I am sure that I will be able to keep my job.	4.3	11.4	33.2	39.1	12.0	3.43	0.99
28	The company offers a high job security for those who have a good skill.	12.5	15.8	26.8	37.5	7.6	3.12	1.16
29	The company clearly communicates job security polices to employees.	16.2	34.3	25.1	14.8	9.6	2.67	1.11

30	The company's job security is offered under terms of employment.	10.6	12.4	4.2	42.5	30.3	3.69	1.10
	Aggregate						3.14	1.10

Source: Survey data 2021

According to the study majority of the respondents neither agreed nor disagreed to the statement there is a risk that I will lose my job in the near future and I am sure I will be able to keep my job by 33.2 % for each statements. Moreover, consecutively 37.5 % agreed that the company offers a high job security. Furthermore 34.3 % agreed that the company clearly communicates job security polices to employees. In addition 42.5 % agreed that the company's job security is offered under terms of employment.

There were 5 items under job security; and its grand mean score 3.14 with a standard deviation of 1.10. The study interpreted dispersion to mean there is a greater variation that the company offers a high job security for those who perform higher and there is a smaller variation that I am sure that I will be able to keep my job. The highest mean with a value of 3.69 is the statement the company's job security is offered under terms of employment. The statement which scored the lowest mean is the company clearly communicates job security polices to employees with the mean score of 2.67. Looking at the aggregate mean we can conclude that there is moderate job security. Job insecurity adversely affects job satisfaction, organizational commitment and intention to leave the organization. Therefore the organization needs to pay attention on these issues to improve its job security.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter gives summary findings of the study from chapter four and it also gives conclusions that were drawn from the findings of the study and the recommendations for improvement arising from the study.

5.1 Summary of Major Findings

The study adopted a quantitative research design. The population of interest consists of 1408 Kirkos district employees of CBE. A sample size of 200 at some selected branches was selected using conventional sampling method. Data collection was done using structured questionnaires. The data was analyzed using the Statistical Package for Social Sciences (SPSS version 20) into frequency, percentages, mean and standard deviation (Descriptive statistics). The data was presented using tables. Extrinsic reward practices were assessed in this study.

- ✓ The majority of respondents are males.
- ✓ According to the result of the study the majority of the research participant was found between the age ranges of 26-30 years.
- ✓ As per the result of the study shows that most of the respondents are serving the bank for 1 up to 5 years and 6 up to 10 years.
- ✓ This study implies that the majority of employees under this study are first masters' level graduates.
- ✓ The majority of the respondents are professional employees.
- ✓ Regarding the organizational policy of reward practice the finding shows that reward policy does not favour all employees and is not well-constructed. This implies the policy does not gear towards improving individual as well as organizational performance and don't focus on real needs of employees. So organizational policy needs amendment in order to favor all employees of the reward practice.
- ✓ The finding of the study concerning salary indicates that, many employees are not happy by existing salary of the organization. The study finds out employees are not satisfied of salary payment not being fair in relation to work responsibilities and not related with their performance. Generally employees are not satisfied by overall salary practice.

- ✓ The overall Fringe benefit practice of the organization is found to be in moderate/neutral state. The organization benefit practices favour all employees and that there is fairness in it. The findings showed that benefit packages are modified to ensure bank's competitiveness and the benefits are as good as other organization offers. As mean value shows benefit practice is moderate/neutral state, employees not fully satisfied with it.
- ✓ Furthermore with study finding, employees consider that CBE's existence of safe working condition has encouraged giving high performance at work. The study also shows employees are in neutral state that the organization gives a good working environment. Generally employees are not satisfied with the existing working condition of the organization.
- ✓ The organization's overall promotion practices are weak. Employees are not satisfied with the chance of promotion. CBE's promotion policies are not clearly communicated to employees. The study also shows that those who do well on their work don't stand a fair chance of being promoted. In general there is no effective promotion practice in the organization.
- ✓ The finding shows job security policy is not clearly communicated to employees. As mean value shows job security is moderate and some employees don't feel that they are able to keep their job or lose their job in the near future.

5.2 Conclusions

The main purpose of this research study was to assess the current extrinsic reward practices at CBE focusing on organizational policy, salary, fringe benefits, working condition, promotion and job security. These rewards are used to attract, motivate and retain skilled and talented human resource that enhances organizational growth. Based on the results an overall organizational reward policy which gears towards improving employee performance and the real needs of employees was not implemented in the organization. Hence, the higher the employees are not satisfied with the organizational reward policy in the organization, the lower the performance be which leads not to attain organizational goals.

According to the result of this study, it has been inferred that extrinsic reward components showed a low result with the average mean value 2.88 that the employees are not satisfied and happy with the extrinsic reward practices of the company. The study finding shows that from the current provision of the reward practices such as salary, organization policy, working condition and promotion were not found to be good. Thus these reward practices needs to be carried out in a way that is effective and efficient that aims towards enhancement of employee satisfaction.

On the other hand, the practice that the company offers higher job security to develop skill and job security offering under terms of employment and employees being satisfied with benefit package fairness/equitable that the organization offers; showed good/moderate result when seen from other extrinsic reward practices.

Therefore, in general results in the bank's extrinsic reward practices call the attention of the administration to take measures in improving salaries in relation to work responsibilities, advance working conditions, and paying more attention to the professional development of their employees thus promotion. Moreover, extrinsic rewards are not competitive and not capable to retain and attract its employees. Implication of the above result of the study is that employees of the bank are not fully satisfied by the existing extrinsic reward practices of the organization.

5.3 Recommendations

The main reason behind the existence of organizations is to attain the objective behind their establishment through their employees. However, this can be attained when organizations are able to improve their performance and make them to focus towards the goals of their respective organizations. On the other hand, employees have their own demands that are supposed to be fulfilled by their employers. This is the logic behind the establishment of reward programs in many organizations. Based on the above findings and conclusion the following points as recommendation are provided.

- ✓ Since the finding of the study proofed that the organizational reward polices, of the organization are weak. Thus it is advised to amend the polices which ensures that employees are well and effectively rewarded favouring all employees and gears towards improving individual as well as organizational performance. Thus, since extrinsic reward is believed that one of the drivers of organizational performance, reward strategies and the processes that are required to implement them ought to have to flow from the business strategy.
- ✓ Since extrinsic rewards such as promotion, salary, working conditions and job security play an important role in satisfying and encouraging employees, thus CBE need to implement these extrinsic rewards in a fair, equitable, transparency and adequate manner towards improving its organizational effectiveness.
- ✓ As managers get things done through others, it is essential that they should understand matters of rewarding employees to perform better to the extent of their capacity and get full commitment toward ensuring organizational effectiveness through good reward management. HR Management of CBE is the responsible party to develop a unique extrinsic reward practices with the aim of achieving sustainable competitive advantage.
- ✓ In general, there is not fair and adequate extrinsic reward practice and there is low satisfaction of employees of the current extrinsic reward practices. Thus the organization needs to improve on how to grow employees' satisfaction that can increase productivity, improvement service quality or rendered services and higher number of innovations. Satisfying employees through reward increases organization's

attractiveness for potential job seekers and strengthen its competitive position in the market. Therefore CBE needs to focus on how to enhance the reward practices to gain its attractiveness.

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APPENDIX

Survey Questionnaire

**ST. MARY’S UNIVERSTY
SCHOOL OF GRADUATE STUDIES
MBA PROGRAM**

Questionnaire to be filled by commercial bank of Ethiopia staffs.

Dear Respondent,

The purpose of this questionnaire is to collect the necessary data to conduct a research entitled “*ASSESSMENT OF EXTRINSIC REWARD PRACTICES: THE CASE OF CBE.*” in partial fulfillment of Requirements for award of Master of Art Degree in Business Administration. The information gathered will be used only for academic purpose and it remains confidential. The success of this study depends on your frank response to the questions given below. No need to write your name in any place on this questionnaire.

Should you have any enquiry, feel free to contact the researcher at the following contact addresses:

Email: freshkebede137@gmail.com

Phone: +251910619947

Thank you in advance for your full cooperation.

General Instruction: Put “√” mark in the box that highly reflects your idea parallel to your choice.

PART I - Respondent Profile

1. Gender :

Male Female

2. Age:

20-25 26-30 31-35 36-40 41-45 46-50 over 50

3. Work Experience in CBE:

1-5 6-10 11-15 16-20 21-25 over 26

4. Academic Qualifications:

High school graduate Diploma Degree Master PhD
 Other, Please specify _____

5. Salary level

<2000 2001-3500 3501-4500 4501-6500 6501-7500
 7501-8500 8501-9500 9501-10500 10501-11500 >11501

6. Under which job title is your job position categorized? _____

(Checker/maker, SCSO-Account, SCSO-Cash, SCSO-Auditor, CRO, CSM, Manager) Other, please specify _____

Part II. Opinion Survey on Extrinsic Reward Practices

Please answer the following statement by marking “√” sign in box that corresponds your answer.

Key: 1=Strongly Disagree 2=Disagree, 3= Neutral, 4=Agree, 5=Strongly Agree

A. Organizational Policy

No	Statements	SD	D	N	A	SA
1	The company reward policies favor all employees.					
2	The Reward policies ensure all employees are well and effectively rewarded.					
3	The organization has well-constructed reward policies.					
4	Reward policies are geared towards the improvement of organizational, team and individual performance.					
5	The reward policy at the organization focuses on the real needs of employees.					

B. Salary

No	Statements	SD	D	N	A	SA
1	My salary is satisfactory in relation to my work intensity.					
2	My salary is directly related to my performance.					
3	My salary is fair in relation to my responsibilities.					
4	My salary is fair when compared with that of similar jobs in other companies.					
5	The organization conducts salary surveys to be able to identify rates of pay in the market.					

C. Fringe Benefit

No	Statements	SD	D	N	A	SA
1	I am satisfied with CBE’s current benefit package.					
2	There is equity in benefits we receive internally.					
3	The company benefit packages favor all employees.					
4	Benefit packages are modified as necessary to ensure company’s competitiveness.					
5	The benefits we receive are better or as good as other organization offers.					

D. Working Conditions

No	Statements	SD	D	N	A	SA
1	I am satisfied with my work atmosphere.					

2	I have flexible working time and place					
3	My working hours are reasonable.					
4	Employees are given a good working environment.					
5	The existence of safe working conditions has encouraged me to give sustained high performance at work.					

E. Promotion

No	Statements	SD	D	N	A	SA
1	The company promotes workers in a fair manner.					
2	I am satisfied with my chance for promotion.					
3	The company's promotion policy is clearly communicated to all employees.					
4	Those who do well on their job stand a fair chance of being promoted.					
5	The company promotes worker to develop new skill.					

F. Job Security

No	Statements	SD	D	N	A	SA
1	There is a risk that I will lose my job in the near future.					
2	I am sure that I will be able to keep my job.					
3	The company offers a high job security for those who have a good skill.					
4	The company clearly communicates job security policies to employees.					

5	The company's job security is offered under terms of employment.					
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