



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA, GENERAL

**ASSESSMENT OF REWARD MANAGEMENT
PRACTICES**

IN AWASH INTERNATIONAL BANK S.C.

BY:

GEBRIELU GETACHEW HAILU

JUNE, 2017

ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
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DEDICATION

This research paper is dedicated to my beloved brother **Demelash Getachew** and my sweetheart **Mekdes Kassaye** for their unparalleled support and encouragement towards the successful completion of my course.

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List of Abbreviations

AIB-Awash International Bank S.C.

ATM-Automated Teller Machine

HRM-Human Resource Management

POS- Point of Sale

PSS- Premier Switch Solutions

RMS- Reward Management System

SPSS- Statistical Package for Social Sciences

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ABSTRACT

The primary aim of this research paper is to assess the reward management practice of Awash International Bank S.C. basing on the perception of the bank employees towards the reward management practice. Based on a critical review of published literature, it is clear how important the right combination of rewards is to the performance of an organization. Employees should always be aware of the relationship between their level of performance and how they are rewarded for that performance. This thesis examined the perception of employees towards the different aspects of reward systems that affect performance and attempt to establish which type of reward systems are more beneficial to the company in question and in the current business climate it operates in. The research is conducted in a period of particular financial turbulence for the banking industry, and wider global economic environment. As such, reward structures and the perceived value of those rewards, come more into focus as financial pressures restrict the type of rewards available, while retaining and motivating staff becomes more challenging. Data were analyzed using descriptive statistics to allow for appropriate conclusion and recommendations according to the findings from the questionnaire and interviews. The questionnaire was subsequently sorted, categorized and finally tabulated. Data were presented using tables and charts. The findings of the study revealed and concluded that the employees were poorly remunerated and the overall rewarding practice was inadequate. Based on the study findings, the researcher recommended the way forward in improving the reward management system and practice.

Key words: *Rewarding System, Performance, Intrinsic, Extrinsic, Equity, Transparency, Consistency*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

In globalized world characterized by competition, access to latest technology and communication systems, and an unrestrained access to financial markets around the world, the ability to attract and retain qualitative workforce, as well as keep them highly motivated has become a great challenge. Ayesha (2014) noted that in the age of globalization, organizations have realized the importance of their human resources and become increasingly interested in managing employees in such a way that can enhance business performance. To that end, organizations have to establish an equitable balance between the employee's contribution to the organization and the organization's contribution to the employee.

Shields (2007), has shown that rewarding employee will often lead to increased employees performance. A successful rewarding program will not only increase profit, but also inspire staff loyalty and raise morale. As Armstrong (2012) highlights, high performers are usually highly motivated. However, it has been argued that extrinsic rewards may erode intrinsic interest and that working for just money may lead to a less motivated or pleasurable environment. It is the combination of rewards targeted in the right way and to the right individual or group that will improve performance the most.

It can be concluded that today, it is generally accepted that a combination of rewards from total rewards perspective is the most effective approach to take within an organization. Much of the published literature is now focused around a more comprehensive approach to how organizations reward their employees. The standard motivation theories are still applicable in today's organizations and as these theories are complimentary to one another, they can also compliment employee engagement and thus performance. According to Armstrong (2009) engagement will exist where employees understand well the nature of their role and where it fits into the bigger picture and where they feel they are intrinsically motivated through a sense of belonging and accomplishment. And this is in accordance with expectancy theory, where a relationship exists between performance and outcomes.

Performance management and rewarding system plays a key role in employee job performance (Armstrong, 2006). Thus, employee performance, rewards and individual reward types separately have long been a central research topic for scholars and practitioners. As a result, an abundance of theories and approaches were developed in order to explain the nature of employee performance and reward in the private and the public sector. But, it is so far difficult to even find a single research paper which included and clearly assessed the relationship between evaluated performance and equitable rewards and the reward management system simultaneously in a comprehensive manner on the case company-Awash International Bank S.C.

Consequently, the main purpose of this study precisely is to measure the extent to which employees' perceived performance is related to the level and combination of reward they have been receiving along with assessing the overall reward management practices in Awash International Bank S.C. based on the employees perception towards the current rewarding practice.

1.2. Background of the Organization

Awash International Bank S.C. (AIB) was established after the dawn fall of the Dergue regime and introduction of market economic policy in 1991. Initially, it was established by 486 founder shareholders with a paid-up capital of Birr 24.2 million. It was licensed on November 10, 1994, and started banking operations on February 13, 1995. The Bank was named after the popular river "Awash". Moreover, as of March 2016, the number of shareholders and its paid up capital increased to over 3700 and birr 2.2 billion respectively. Shareholders have decided to raise the authorized capital to birr 3 billion within the next two years.

AIB is a bank that has thrived over 22 years in a rapidly evolving market and economy. Having grown from humble beginnings with visionary intent, it is the first private bank in Ethiopia to exceed a billion profit marks in the history of Ethiopian private banks in the financial year 2015/16.

Currently the bank has more than 5990 professional and semi-professional employees. As of March 3, 2017, the Bank operates with 289 branches all over the country indicating the fact that the Bank continues to hold its leading position in terms of branch network from private banks.

The bank has launched the Core Banking System to enable its customers to embrace modern payment system and transaction services. The Bank initially started providing a card banking payment services, Automatic Teller Machine (ATM) in collaboration with other private banks under auspice of a share company named “Premier Switch Solutions (PSS) for the operation of joint and management of ATM and Point of Sale (POS) terminals. In similar development, Awash International Bank S.C. has been certified as a principal member for accepting Master Card branded Card by Master Card International as of March 2014. It is also a member of visa card and union pay card. The Bank is also on the verge of starting to provide Debit Card, Credit Card and prepaid Card services. Later on, the Bank installed over 300 its own ATM and 500 POS terminals at convenient places for its customers.

The vision of the bank is - to be the first choice world class bank! and the mission statement of the bank is *“To provide innovative, competitive and diversified banking services accessible to the society with qualified and committed staff in a profitable and socially responsible manner.”* Its strategic goals includes

- i. To be the core bank to our clients, deepening and broadening strategic relationship in the market
- ii. To be the number one bank for accessibility, innovative products and diversity of customer focused banking services.

Core values

A- Accessibility: - easy to our customers to obtain and use our products/services.

W- Wisdom: - integrating experience, excellence, leadership and good judgment.

A- Accountability: - willingness to take responsibility for individual and team action.

S- Social Responsiveness: – commitment to ensuring a sustainable future.

Giving back to the society.

H-Honesty: - absence of un-ethical practices: including the must know-someone syndrome.

1.3. Statement of the Problem

According to Brian (2005), the unreliable reward system brings the ‘compensatory damage’ that has hugely detrimental effects to the financial performance of the organization. It results in significantly reduced human productivity, increased human conflict within the organization, and perceptions of internal unfairness. The reward program still can be doubted and questioned on its value and the fairness or equity level in its dissemination among employees. In establishing an effective reward system within organization and cultivating a culture towards continuous improvement and efficiency, backing this up with the appropriate level or combination of rewards at that particular point in time is important.

There is certainly no ‘one size fits all’ approach to the type of reward system to apply within all organization. But the timing of that reward system and the dynamics of the staff will be vital to its success. In this sense an effective reward and recognition structure will provide a transparent means to get the most for employees while cultivating a positive work environment.

When it comes to AIB, at the end of every six month, it conducts a report on the employees work evaluation as a basis to reward its employees. The managers and or supervisors in every branch of the bank evaluate the staff members under their supervision on the basis of tabulated lists of qualitative parameters which are most probably wide open to very subjectivity of the evaluators. Furthermore, it is not quite definite on what criteria the level or combination of rewards depends on for employee in the bank.

Thus, this research is conducted to assess and evaluate the existing reward practices based on the employees’ perception towards major dimensions of rewarding system of Awash International Bank S.C.

1.4. Basic Research Questions

The research questions that are going to be answered in this study are:-

- What is the perception of bank employees on the existing reward practices in terms of its internal and external equity considerations?
- How proper is the reward system in terms of its transparency, consistency and fair distribution among employees?

- How do employees perceive the extent to which their perceived performance is related to the reward they get from the employer?

1.5. Objectives of the Study

a. General Objective

The main aim of this study is to examine the reward management practice of Awash International Bank S.C.

b. Specific Objectives

The study would seek to fulfill the below enumerated objectives:

- What is the perception of bank employees on the existing reward practices in terms of its internal and external equity considerations?
- How proper is the reward system in terms of its transparency, consistency and fair distribution among employees?
- How do employees perceive the extent to which their perceived performance is related to the reward (intrinsic and or extrinsic) they get from the employer?

1.6. Scope/ Delimitation of the study

Even though, the study would be more comprehensive if all branches and staffs that are currently working in the bank were addressed, the scope of the study was limited to the head office of the bank mainly because of time and financial budget constraints and geographical location problems to cover all branches of the case bank. But this will hopefully give the whole picture of the reward practice in Awash International bank S.C. since its performance-reward management system, policies and procedures etc. are homogenous for all branches throughout the country, Ethiopia. The sample was drawn from the managerial and non-managerial permanent employees who have more than a year experience based on the assumptions that they had enough experience to understand the reward and performance management practices of the case bank.

1.7. Definition of Terms

1.7.1. Conceptual Definition of Terms

Reward

Reward can be anything tangible or intangible that an organization provides to its employees either intentionally or unintentionally in exchange for the employees potential or actual work contribution to which employees as individuals attach a positive value as a satisfier or certain self-defined needs (Shields, 2007).

Reward systems

A reward system consists of the interrelated process and practices that combine to ensure that reward management is carried out effectively to the benefit of the organization and the people who work there (Armstrong, 2010).

Total Rewards

Total rewards ‘includes all types of rewards – indirect as well as direct, and intrinsic as well as extrinsic’ (Manus and Graham, 2003).

Intrinsic Rewards

Intrinsic/non-financial rewards related to responsibility, achievement and the work itself may have a longer-term and deeper impact on motivation (Armstrong, 2007).

Extrinsic Rewards

Extrinsic rewards provided by employers in the form of pay will help to attract and retain employees and, for limited periods, may increase effort and minimize dissatisfaction (Armstrong, 2007).

Internal Equity

Paying equal salary or wage for work of equal value. It is important as a means of achieving both job satisfaction and meeting legal requirements (Armstrong and Helen, 1994).

External equity

The perceived fairness of the relation between what a person does (inputs) and what the person receives (outcomes) (Armstrong and Helen, 1994).

Transparency

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

Performance

Performance is the level of an individual's work achievement after having exerted effort and it is ultimately an individual phenomenon with environmental variables influencing performance primarily through their effect on the individual determinants of performance – ability and motivation (Hellriegel, Jackson and Slocum, 1999).

Employee Performance

Timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism/tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives (Armstrong, 2006).

Motivation

Motivation is the complex of forces starting and keeping a person at work in an organization. To put it generally, motivation starts and maintains an activity along a prescribed line. Motivation is something that moves the person to action, and continuous him in the course of action already initiated (Dubin, 2005).

1.8. Significance of the Study

This study will benefit the case bank as well as commercial banks which currently operate competitively. It discloses operational options which will assist decision makers in establishing and implementing improved reward management practices for higher organizational performance.

Furthermore, the findings to be obtained helps academicians and researchers in doing further researches on the same subject with the aim of improving the relationship between employee performance and reward system not only of Awash Bank, but also in other commercial banks in Ethiopia. The study will also serve a guide as future reference for both practitioners and academicians who are doing research on similar topic. Moreover, the study aims of producing a research paper which is a partial fulfillment of Master of Business Administration.

1.9. Organization of the Study

The study is structured to provide a critical review of relevant information regarding employee performance and reward relationship. The study comprised five chapters and it is presented as follows: chapter one highlights and deals with the introduction, giving the background to the study along with the statement of the problem. This chapter also outlines the research objectives together with the research questions, research scope and significance of the study. It is followed by chapter two which reviewed related literatures regarding many aspects of performance-reward relationship and include a definition of various terms on reward system and performance evaluation along with different theories and models. Chapter three presents the research methodology and focused on research design and methods as well as the justification of choices and uses. In addition, the study population and area, sampling and sample size determination, data collection activities and data analysis methods. The next is chapter four in which the data, which is subsequently interpreted and analyzed in relation to the research objectives and questions, and discussion of findings of the study, will be presented. The last chapter is chapter five providing a summary to the entire study, drew conclusions and also recommendations made. Following these a list of alphabetically organized reference materials utilized in the study and appendices are attached.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURES

Saunders (2009) state that a ‘critical review of literature is necessary to help you to develop a thorough understanding of, and insight into, previous research that relates to your research question(s) and objectives’. This chapter reviewed related literature regarding many aspects of the subject matter (reward) including reward definition, rewarding system, types of reward and reward performance relationship among others.

2.1. Reward

A variety of different terms are used to describe the rewards that are given by an employer in return for the work carried out by workers. The term ‘payment’ is often nowadays seen as being too narrow in scope because many of the rewards that people take from their work do not take a monetary form. ‘Compensation’ is a term widely used in the American literature, yet the idea of compensation is that it involves making amends for something that has caused loss or injury.

Reward according to Armstrong (2006) is one of the important elements to motivate employees for contributing their best effort to generate innovation ideas that lead to better business functionality and further improvise company performance both financially and non-financially. There are other means to reward employees that do not just focus on financial compensation. Some of these include the praised that employees are able to acquire from their managers, the opportunity to take on important projects or tasks, and even leadership attention. Much research on leader power has found that supervisor reward power would be positively associated with employee task performance, productivity, satisfaction, turnover, and organizational citizenship behaviors.

Employee will give their maximum when they have a feeling or trust that their efforts will be rewarded by the management. There are many factors that affect employee performance like working conditions, worker and employer relationship, training and development opportunities, job security, and company’s overall policies and procedures for rewarding employees, etc. Among all those factors which affect employee performance, motivation that comes with rewards is of utmost importance. Motivation is an accumulation of different

processes which influence and direct our behavior to achieve some specific goal (Baron, 1983).

Rewards can be extrinsic or intrinsic, extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employee. External rewards can be in terms of salary/ pay, incentives, bonuses, promotions, job security, etc. Intrinsic rewards are intangible rewards or psychological rewards like appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal.

According to Luthans (2000), there are two basic types of rewards, financial and non-financial and both can be utilized positively to enhance performance behaviors of employees. Financial rewards means pay-for performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. Non-financial rewards are non-monetary/non cash and it is a social recognition such as acknowledgement, certificate, and genuine appreciation etc. The non-financial rewards is also called materials award (Neckermann and Kosfeld, 2008).

2.2. Reward Systems and Management

Reward Systems is a vital aspect of any organization. They can actively engage and renew the overall sense of community and mission of an organization. A properly administered system of rewards can provide incentive for quality workmanship and staff performance. Likewise, a poorly administered reward system can lead to low morale, unproductive performance, and even lead to a high percentage of staff turnover. Sziligy, (2003) noted that a reward system is successful when the staff interprets its policies as even handed, consistent, and relevant. Rewarding and recognizing employees is a sensitive business. It can motivate people to explore more effective ways to do their jobs or it can utterly discourage such efforts.

Reward systems according to Sziligy (2003) are outcomes or events in the organization that satisfy work related needs. Rewards systems are much more than just bonus plans and stock options but while they often include intrinsic incentives, they also include extrinsic types like promotions, non- monetary bonuses, vacation holidays or simple “thank you” from a manager. Since high morale and productivity go hand in hand, it is however imperative on managers to reward employees when they hit organizational targets and stretched standards set by the organization. A properly administered system of rewards has the capacity not only

to improve incentives for quality workmanship and staff performance but also strategically attract skilled employees to join the organization whereas the reverse may lead to unproductive performance and even to a high incidence of staff turnover.

Reward management according to Armstrong (2009) is concerned with the formulation and implementation of strategies and policies the purpose which are to reward people fairly, equitably and consistently in accordance with the value to the organization and thus help the organization achieve its strategic goals. It is also concerned with the development of appropriate organizational cultures, underpinning core values and increasing the motivation and commitment of employees. It deals with the design, implementation and maintenance of reward systems (reward process, practices and procedures that aim to meet the needs of both the organization and its stakeholders).

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

In addition to money, forms of recognition to identify and reward outstanding performance can be vital. Both formal organizational recognition and social recognition are used systematically by supervisors and managers and is very important to their people and their day-to-day behaviors and performance effectiveness.

Recognition rewards can take many different forms, can be given in small or large amounts, and in many instances are controllable by the manager. For example, in addition to social recognition and formal awards, a manager can give an employee increased responsibility. The employee may find this form of recognition motivational, and the result is greater productivity and quality service to customers. As a follow-up, the manager can then give this employee even greater responsibility.

Many firms that are now working to improve their recognition systems all use fairly basic and easy-to-implement programs. Steps such as the following need to be setup to effectively manage a formal and informal recognition program: When introducing new recognition procedures and programs, take advantage of all communication tools including Intranet and other knowledge-sharing networks-let everyone know what is going on, educate the managers so that they use recognition as part of the total compensation package, make recognition part of the performance management process, so that everyone begins to use it,

have site-specific recognition ceremonies that are featured in the company's communication outlets such as weekly newsletter and bimonthly magazine, publicize the best practice of employees, so that everyone knows some of the things they can do in order to earn recognition, let everyone know the steps that the best managers are taking to use recognition effectively, continually review the recognition process in order to introduce new procedures and programs and scrap those that are not working well, solicit recognition ideas from both employees and managers, as they are the ones who are most likely to know what works well-and does not (Chartered Management Institute, 2004).

Employee rewards system refers to programs by different organizations to reward performance and motivate employees on individual and/or group level. In designing a reward system, the organization should specify group or organizational goals to be achieved and the specific behaviors or performance that will attract rewards. By so doing the rewards system will help management shape behavior of employees and at the same time achieve organization's goal.

According to the Chartered Management Institute (2004), "the notion of rewards system is gradually replacing the traditional idea of a standard pay system, as it incorporates all aspects of employee compensation into the package". According to Fay and Thompson (2001) "Rewards systems have a critical role in determining the organization's ability to attract high potential employees and to retain high performing employees to achieve greater levels of quality and performance".

Nevertheless, most organizations have problems describing these rewards fairly to suit the organizational demands in relation to employee performance. Thus, which kind of reward system to allocate and at what time and whether non - salary based, salary based, annual merit based or personal praise by managers etc. Therefore, problems of rating and measurement of performance coupled with inadequate funding by some organizations have necessitated the adoption of non- salary based rewards which are based solely on the reward power of managers with no direction from formalized policies. With regards to the various steps of performance appraisal under rewards systems, it is evident that employees and supervisors would come into terms with goals and policy framework of the organization and develop personalized non-salaried based rewards that correlate with the specific objectives (Wilson, 2004).

2.3. The Total Reward System

Total reward describes a reward strategy that brings components such as learning and development together with aspects of the work environment, into the benefits package. In the total reward system both tangible and intangible rewards are considered valuable.

Tangible rewards arise from transactions between the employer and employee and include rewards such as pay, personal bonuses and other benefits. Intangible rewards have to do with learning, development and work experience. Examples of these types of rewards are opportunity to develop, recognition from the employer and colleagues, personal achievement and social life as shown in the figure 1 below. The aim of total reward is to maximize the positive impact that a wide range of rewards can have on motivation, job engagement and organizational commitments.

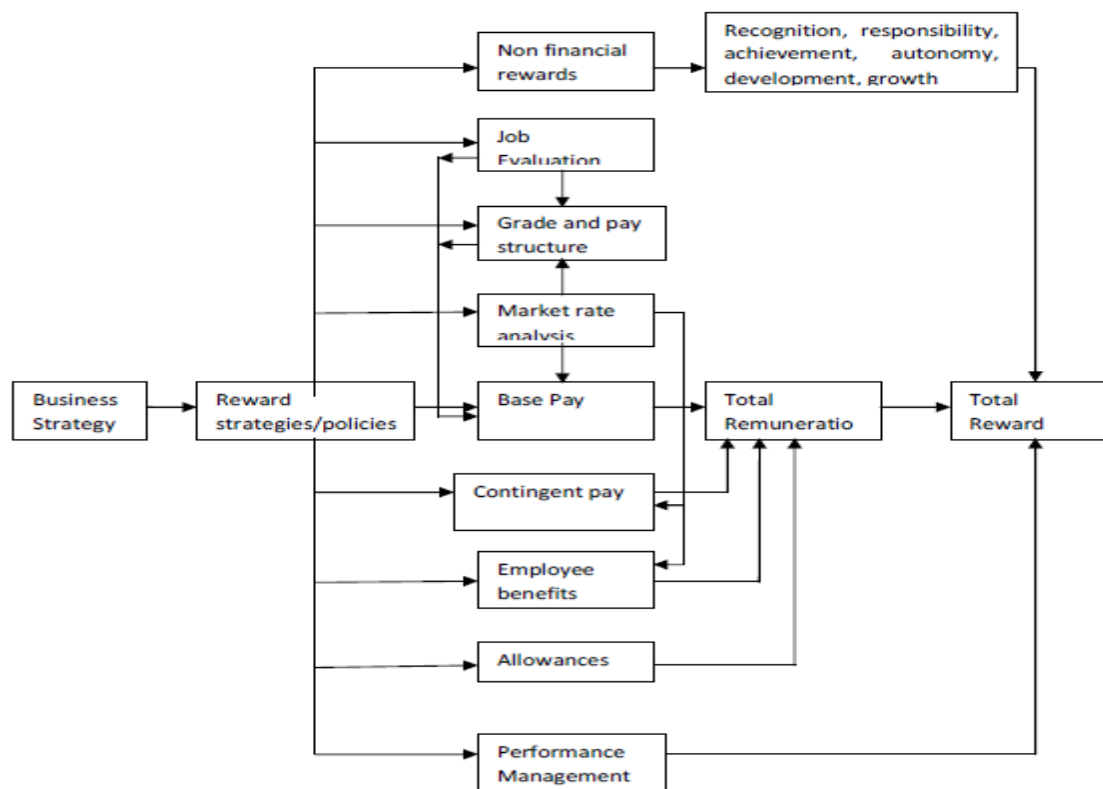


Figure1. Elements of Reward System and their Interrelationship. (Source, Armstrong 2006)

The benefits of a total reward system are described by Armstrong and Brown, 2006 as follows.

- **Greater Impact**– when different types of rewards are combined, they will have a deep and long-lasting effect on the motivation, commitment and engagement of employees.
- **Enhancing the Employment Relationship** – total reward appeals more to employees due to the fact that it makes the maximum use of relational as well as transactional rewards.

- ***Enhancing Cost-Effectiveness*** – because total reward communicates effectively the value of the whole reward package, it minimizes the undervaluing of the true costs of the packages.
- ***Flexibility to Meet Individual Needs*** – due to the variety of rewards, the total reward is able to answer the individual needs of the employees and hence bind them more strongly to the organization.
- ***Winning the War for Talent*** – because relational reward processes are more difficult to replace than individual pay practices, total reward gives the organization the ability to attract and retain talented employees by differentiating their recruitment process and hence becoming “a great place to work.

Thompson (2002) suggests : “Definitions of total reward typically encompasses not only traditional, quantifiable elements like salary, variable pay and benefits, but also intangible non-cash elements such as scope to achieve and exercise responsibility, career opportunities, learning and development, the intrinsic motivation provided by work itself and the quality of working life provided by the organization.

Brown and Armstrong (1999) produced a model which distinguishes between transactional rewards, which are financial in nature and are essential to recruiting and retaining staff but can easily copied by competitors, and relational rewards , which are concerned with learning and development and the work experience and are essential to enhancing the value of transactional rewards.

2.4. Motivation

Motivation refers to a basic psychological process. It was a factor that became the driving force on work action. According to Luthans (2003), motivation is the management process influencing behavior of knowledge on what make people think. It contributes to the process of stimulating people to act and achieve specific goals. As motivation concern, reward system is an important tool for management use as the channel of employees’ motivation. Currently, the reward programs are implementing either in public or private sectors. It was clearly stated that employees’ effort is increased when rewards are offered.

In a reward program, large amount of money are spent. The reason behind these, hopefully it will increase employees’ motivation. As pointed by Cameron and Pierce (2006), an effective reward system requires an experimental attitude, continual fine-tuning of the system; input from people within the system and ongoing evaluation of the effectiveness of

the system. When employees are rewarded, they get work done. Employers get more of the behavior they reward, not what they assume they will automatically get from employees. Thus when employees surpass their target or exceed their standard they should be rewarded immediately as a way of motivating them. By doing this, employees directly connect the reward with behavior and higher performance they have attained.

Expectancy Theory of Motivation

Of all theories of motivation, this study is mainly guided by the Expectancy Theory of Motivation. Expectancy Theory posits that one selects his/her behavior based on the desirability of expected outcomes of the action. As this is a cognitive process theory it relies on the way employees perceive rewards (Armstrong, 2006).

The expectancy theory was propounded by Victor Vroom a psychologist in 1964. The theory is only applicable to a work setting that is based on peoples' expectations. The focus of the theory is on the thought processes people used when they faced particular choices among alternatives particularly choices/ alternative courses of action. Literature reviewed revealed the following as the underlying principles of the theory; individuals make conscious effort to behave in a certain manner, individual values with regard to choosing desired outcomes, individual expectations concerning the amount of effort required to achieve a specific outcome and individual expectations concerning the probability of being rewarded for achieving desired outcomes (Carter & Shelton, 2009).

Vroom, through these principles, sought to portray that motivation is a function of the relationship between; effort expended by an individual and perceived level of performance; and the expectation that reward for desired outcomes will be related to performance. On the other hand there must also be the expectation that rewards are available as it will go a long way determine the strength of the motivational link thus, the strength of the individuals preference for an outcome and the belief that in the possibility that particular actions will achieve the required goal. To make the expectancy process simple;

Effort → Required performance → Desired outcome

Force = Valence × Expectancy

Where force is strength of motivation, valence is strength of preference for outcome and expectancy is the level of belief that changes in behavior will achieve the required outcome.

Looking at the theory and its complexity in nature one could only make recommendations to management, to as a matter of fact try to find out desired outcome each of the bank values most, define the goal and what constitute the level performance needed to achieve it. But management should also not lose sight of the fact that the level of performance is realistic and achievable. After a period of time management should be able to measure the outcomes by the performance desired by management. One thing worth noting is that the strategies put in place should not create conflict between the expectations it sought to create and other militating factors in the work environment. Finally, outcomes should be attractive and enticing enough to ignite the desired level of performance (Carter & Shelton, 2009).

2.5. Reward Basics

Employees often receive rewards in addition to their base salary depending on their achieved results, performance, competence, or skill acquisition. Rewards have many aims. Among others they shall reduce time, and cost and improve quality. They shall reward people for the value they created and they shall help communicate the company's' values and expectations (Armstrong 2002). Since rewards mean additional costs to the organization, the overall aim is providing "value for money" and contributing to organizational success. In the case of project management, it was concluded; rewards shall provide value for money to the project and contribute to project success.

Rewards cannot directly affect success. The direct effect of rewards is on employees' motivation. Various definitions of motivation exist. For this thesis, employees' motivation is seen as the employees' desire to work and perform well in order to contribute to organizational or project success. Two types of motivation exist: Intrinsic and extrinsic motivation. Intrinsic motivation is "self-generated" and means employees are motivated to work because of the work. Extrinsic motivation is generated by external stimulus such as rewards (Armstrong 2002).

2.6. Effective Reward

Effective reward systems should always focus on the positive reinforcement. Positive reinforcement encourages the desired behavior in organizations. This encourages employees to take positive actions leading to rewards. Reward programs should be properly designed in the organization so as to reinforce positive behavior which leads to performance (Torrington & Hall, 2006). As noted by Danish and Usman (2010), effective reward system leads to increased satisfaction for employees; recognition of accomplishments; a desire to attain high standards; a

means to achieve personal and social goals; high productivity and feeling of competence and freedom.

Because an organization has a specific program to encourage certain behaviors or results does not mean that the program is effective. In fact the problem with most reward programs is not the purpose but how they function within the organization. Further, programs and practices that are regarded part of organization's culture may in fact be the most important systems that enable the organization to succeed or that limits its competitiveness. Therefore, the key to successful reward system is their design, effective use and ongoing management. (Wilson, 2002)

To this end, research and experience indicates that there are several overriding determinants of effective reward system according to Wilson (2002):

- ❖ **Strategy**- an effective reward program must be linked directly to what makes the organization effective in attracting, retaining and motivating its primary resource, people.
- ❖ **Translation**- for any program to deliver rewards effectively, the individual needs to know what to do. This means that he or she must be able to translate the desired vision, goals, and results or values in to actions that he or she can take.
- ❖ **Relationships** - the interaction of people create relationships within and outside an organization and these relationships often determine the success of the organization.
- ❖ **Integrity**- the programs need to function with sincerity, reliability and trust. If people perceive that rewards are intended to manipulate or exploit them, the programs and the leaders will be resented.
- ❖ **Values**- the receiver determines the importance and value of any reward, program designers and executives often ignores this simple, obvious and profound principle.

After all, the Objective of reward management is to reward employees fairly, equitably and consistently in correlation to the value of these individuals to the organization. Reward system exists in order to motivate employees to work towards achieving strategic goals which are set by entities. Reward management is not only concerned with pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, training, development and increased job responsibility (Wilson, 2002).

2.7. Reward Strategies

While different writers have different ideas about what exactly constitutes a strategic approach to the management of reward, most agree that it is primarily about aligning an organization's payment arrangements and wider reward systems with its business objectives. This means developing systems which enhance the chances that an organization's employees will seek actively to contribute to the achievement of its goals. So if improved quality of service is the major business objective, this should be reflected in a payment system which rewards front-line staff who provides the best standards of service to customers. Alternatively, if increased productivity is sought, then an approach which rewards efficiency would be more appropriate. But choices in this area are not always as straight forward as this because organizations are obliged to compete with one another for good staff as well as for customers (Torrington and Taylor, 2008).

The tighter the labor market becomes, the harder it is to recruit and retain the best-qualified people, and the more pressure there is placed on employers to develop rewards packages that suit employees as much as they suit their own needs.

The extent to which organizations have taken full advantage of the opportunity to develop identifiable reward strategies since the disintegration of national-level, multiemployer bargaining has long been an area of contention. Moves in this direction by some prominent employers and the growth of specialist reward consultancies specializing in work of this kind has led some analysts to hail the dawn of a new era in reward management practice.

Armstrong and Murlis (1998), for example, go so far as to argue that present-day practice is characterized by an acceptance of a 'new pay philosophy' in which decisions about payment levels and packages 'flow from the overall strategy' of the organization. According to their view reward policy now increasingly strengthens employer objectives and promotes change by rewarding 'results and behavior consistent with the key goals of the organization'. By contrast, academic researchers have tended to take issue with this assessment, often quite persuasively. While they agree that major developments have occurred in pay determination over recent decades, they dispute the claims made about the extent of change and question how far organizations are taking a long-term strategic approach to the management of pay. (Torrington and Taylor, 2008)

Smith (1993) and Thompson (1998), in particular, have argued that managers are just as short termist and reactive when making decisions about pay as they always were. Changes

are introduced for damage limitation reasons, to respond to immediate recruitment difficulties or in response to government initiatives rather than as a means of aligning practices with organizational goals.

So what does a written reward strategy look like? According to Armstrong and Brown (2006) there are four key components.

- First of all there needs to be a ‘statement of intentions’ setting out, in general terms, what the reward strategy of the organization is seeking to achieve and which reward initiatives have been chosen in order to achieve these core objectives.
- Second, these ideas are expanded through a more detailed ‘rationale’ which explains the objectives in greater depth and shows how the various elements of the organization’s reward policy support the achievement of those objectives.
- The third element is an explanation of the guiding principles or values that have been used in developing the initiatives and that will be used to adapt them in the future. Typically this will include statements which deal with ethical issues or which reiterate a commitment to core principles such as equality between men and women, fair dealing or rewarding exceptional individual performance.
- The final component is an implementation plan, setting out exactly what initiatives are being brought forward and when, who has responsible for their introduction and what their cost will be.

However, before developing reward strategies first need to consider the major objectives that employers and employees have as far as their reward package is concerned. While meeting each of these effectively is a prerequisite for the long-term success of any reward strategy, the significance of different objectives varies over time because of changing environmental conditions and also varies between organizations. According to Torrington and Taylor (2008), there are also several different alternative means available of meeting each objective. Reward strategies and the initiatives developed as part of those strategies should be judged according to their ability to meet certain core objectives.

Employer Objectives

I. Attracting staff

The reward package on offer must be sufficiently attractive vis-à-vis that of an organization’s labor market competitors to ensure that it is able to secure the services of the

staff it needs. The more attractive the package, the more applications will be received from potential employees and the more choice the organization will have when filling its vacancies.

II. Retaining Staff

The costs associated with recruiting and developing people, as well as the growing significance of specialist organizational knowledge in creating value and maintaining competitive advantage, mean that retaining effective performers is a central aim of reward strategy in many organizations, particularly those competing in knowledge intensive industries where highly qualified people are in short supply. This requires a package which is attractive enough to prevent people from becoming dissatisfied and looking elsewhere for career development opportunities. It may also involve the development of policies which reward seniority so as to provide an incentive for staff to stay when they might otherwise consider applying for alternative work.

III. Motivating Staff

Aside from helping to ensure that effective performers are recruited and retained, in more general terms it is necessary that the reward package they are given serves to motivate positively and does not demotivate. The question of the extent to which money ever can positively motivate has long been debated by occupational psychologists, many of whom accept that the power of monetary reward to motivate is very limited, at least over the longer term. What is not in doubt, however, is the very considerable power of poorly designed or implemented reward practices to demotivate, particularly when they are perceived by staff to be inequitable in some shape or form. In this regard, the total reward concept referred to above has plenty to offer as it incorporates intrinsic motivators alongside extrinsic motivators.

IV. Driving Change

Pay can be used specifically as one of a range of tools underpinning change management processes. The approach used is to tie higher base pay, bonuses or promotion to the development of new behaviors, attitudes or skills gained by employees. Pay works far more effectively than simple exhortation because it provides a material incentive to those whose natural inclination is to resist change.

V. Corporate Reputation

Aside from the aim of developing and maintaining a reputation as a good employer in the labor market, organizations are increasingly concerned to establish a positive corporate reputation more generally. Paying poorly or having in place policies which are perceived as operating unfairly serves to undermine any reputation gained for being either a prestigious organization or one which acts ethically and in a socially responsible manner.

VI. Affordability

The above objectives are all desirable for organizations and form the basis of their reward strategies. But in this field of HR activity there is a major restriction in the shape of affordability which serves to limit what can be done at any time. The extent to which a particular objective is affordable also varies over time and tends to be unpredictable as so much depends on the current financial performance of the organization.

Employee Objectives

Many might think that employees have only one objective as far as reward is concerned, namely to maximize the amount that they earn. Indeed some theorists further argue that employees are primarily interested in maximizing the amount they earn while also minimizing the effort they put in to achieve these earnings. In fact for most employees aims are more diverse and more subtle, particularly when the full range of elements that make up a total reward package are taken into consideration.

I. Purchasing power

The absolute level of weekly or monthly earnings determines the standard of living of the recipient, and will therefore be the most important consideration for most employees. Employees are rarely satisfied about their purchasing power, and the annual pay adjustment will do little more than reduce dissatisfaction, even if it exceeds the current level of inflation.

II. Fairness

The employee who feels underpaid is likely to demonstrate the conventional symptoms of withdrawal from the job: looking for another job, carelessness, disgruntlement, lateness, absence and the like. Perhaps the worst manifestation of this is among those who feel the unfairness but who cannot take a clean step of moving elsewhere. They then not only feel dissatisfied with their pay level, but also feel unfairness too: being trapped in a situation they resent. Those who feel they are overpaid (as some do) may simply feel guilty, or may

seek to justify their existence in some way by trying to look busy. That is not necessarily productive.

III. Rights

A different aspect of relative income is that concerned with the rights of the employee to a particular share of the company's profits or the nation's wealth. The employee is here thinking about whether the division of earnings is providing fair shares of the Gross National Product. The focus is often on the notion of need – the idea that people have a right to a greater share because they or their families are suffering unjustly. These are features of many trade union arguments and part of the general preoccupation with the rights of the individual.

IV. Recognition

Most people have an objective for their payment arrangements, that their personal contribution is recognized. This is partly seeking reassurance, but is also a way in which people can mount their behavior and their career thinking to produce progress and satisfaction.

V. Composition

How is the pay package made up? The growing complexity and sophistication of payment arrangements raises all sorts of questions about pay composition. Derek, Laura and Taylor (2008)

2.8. Performance

Herzberg (1959) says having fewer dissatisfiers does not motivate a worker to do a good job, but only to stay in it. Worker performance clearly depends on their level of motivation, which stimulates them to come regularly, work diligently, be flexible and be willing to carry out the necessary tasks. The performance and quality of banking service depends on the quality and motivation of banking human resources. Therefore, bankers' motivation is likely to have effect on the delivery of banking service and the outcome on customer care and performance of work (Whetten and Cameron, 1998).

Employee Performance

Employee performance has been shown to have a significant positive effect on organizational performance. One of the major pitfalls in an organization occurs when managers believe their

organizations are constantly operating at the highest level of efficiency, or that they do not require input from their employees.

Whetten and Cameron (1998) state that Employee performance is the product of ability multiplied by motivation. Furthermore, Cummings and Schwab (1973) concur with the belief that performance is ultimately an Employee phenomenon with environmental factors influencing performance primarily through their effect on the Employee determinants of performance – ability and motivation.

Theorists have divided employees' performance in two categories: *task performance* and *dispositional performance*. Task performance is defined as tasks and responsibilities of each person and related directly to all things that must be done by that person such as monitoring absent or present employee. Proper understanding of this needs definite standards. The other performance is dispositional which help organizational and social network to survive (Kwong, 2003).

The global marketplace and the increasing competition have ensured that organizations cannot rely on past performance or on employees having their own performance agendas. The proportion of contingent pay (pay that depends upon the achievement of results by the individual or teams) has risen compared to automatically paid basic pay. This is to encourage employees to 'share the risks' of a business.

In many companies, the guaranteed annual increase has vanished, being replaced by an increase based on individual performance. This has been the case for most financial institutions, including the Nationwide Building Society (Stredwick, 2005).

2.9. Empirical Studies

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

A research was also conducted by Alem Eyob (2015) on Assessment of reward management practices in Commercial Bank of Ethiopia. The pay, promotion, and benefit practices of the bank are assessed from various reward management dimensions. In doing this, the alignment, transparency, equity, fairness, competitiveness, flexibility, and some other aspects of the existing reward practices are valued based on employees' opinion. The findings of the study showed that CBE is successful in providing intrinsic rewards than extrinsic rewards and With regards to equity relatively CBE has achieved in ensuring internal equity than external equity. Also some transparency aspects of CBE seems to be poor .CBE is successful in insuring consistency of pay but in case of alignment , alignment of reward management strategy with the HR strategy is poor. The overall ratings of the respondents' response regarding the general reward management practice of the bank showed disagreement.

Tamene H/Mariam (2015) conducted a research on Assessment of reward management practices in Cooperative Bank of Oromia S.C. After a detailed assessment of different aspects of reward management practice, the result of the research work revealed that many aspects of the reward management practices of the bank are exercised poorly except some aspects in relation to promotion and benefit administration. The results additionally showed that promotion is much important factor for employee motivation as compared to other variables factors like, working condition, work content and benefits.

Bethelihem Nigatu (2015) also conducted a research on The Effect of Reward Practices on Employees Perceived Performance in Ethiopian Public Banks and Descriptive statistics based frequency tables and charts were used to provide information on the variables. The results are investigated in terms of descriptive statistics followed by inferential statistics on the variables. A total of 358 questionnaires were distributed to the employees in the concerned public banks and Hypotheses were developed to see the effect of all the independent variables (pay/salary, benefit, promotion, recognition and working condition) on the dependent variable (Employee Performance) and recommended that the public banks must clearly communicate its reward policy and procedure to its employees and the banks should include both financial and non-financial rewards with appropriate mix. In addition timely offer and improvement of its reward practices must be considered.

Moreover, John Jurgle (2005) conducted a research titled reward and recognition programs, the secret to maintaining a high morale and motivated work force in Pompano Beach Fire

Department (Florida). The purpose of the research was to evaluate the current employee recognition and reward problem and develop a program that will be valued by employees. The results of the project indicated members of the department didn't believe that the current employee recognition/reward program was effective and did not offer any value.

2.10. Conceptual Framework

A conceptual framework refers to the extent a researcher conceptualizes to be the relationship between contextual variables in the study and shows the relationship graphically or diagrammatically (Mugenda & Mugenda, 2003). The relationship describes the association between the independent variables and the dependent variables.

The conceptual model below was formulated carefully by the researcher after reviewing various literatures. This model will guide in understanding of the subject throughout this research.

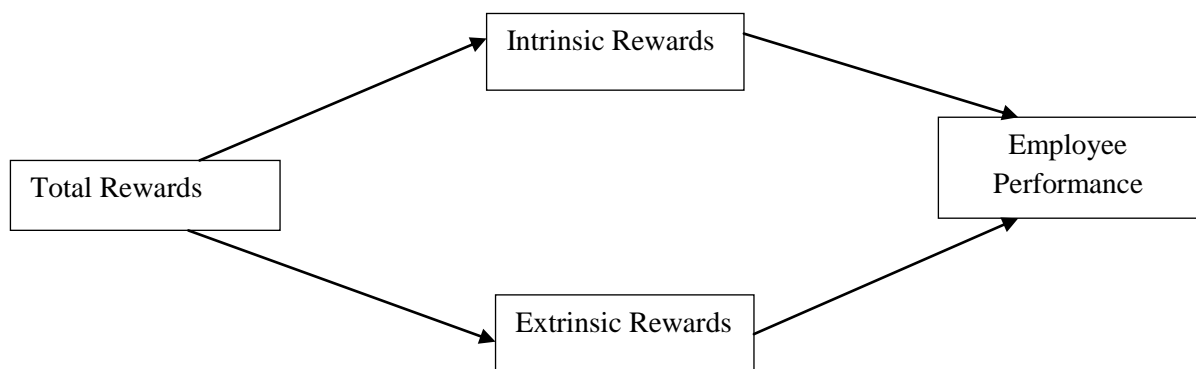


Figure 2. Relationship between the Reward System and Employee Performance.

This framework sees rewards system as being made up of intrinsic rewards and extrinsic rewards. The intrinsic and extrinsic rewards will serve as independent variable while employee performance will be the dependent variable.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

This chapter describes the logical sequence of methods and procedures that will be employed in collecting information as well as the justification of the choices and their use. This will include the area of the study, research design, the target population and the sample size, the research instruments used, reliability and validity of the instruments, data collection procedure and data analysis.

3.1 Research Design

Research design is a comprehensive plan for data collection in a research project. It is a “blueprint” for empirical research aimed at answering specific research questions or testing specific hypotheses (Samy Tayie, 2005). It involves a series of rational decision-making choices. The research design was devised following a number of the researcher’s decisions associated with the purpose of the study. In other words, the research design is the step aimed at designing the research study in such a way that the essential data can be gathered and analyzed to arrive at a solution (Sekaran 2003).

The study used descriptive research design as it appeared to be more appropriate in exploring the effects of the reward practices on employee’s job performance of the case bank. It determines and reports the way things are in describing the possible behavior, attitude, values and characteristics of the respondents while using questionnaires as the appropriate tool.

This study used both the quantitative and qualitative research approaches (mixed or combined approach) so that relevant and accurate information could be obtained. Quantitative research uses objective measurement and statistical analysis of numeric data to understand and explain a phenomenon. Quantitative method was used for the questionnaires developed to the employees of the bank. According to Sekaran (2003), qualitative research is conducted in a natural setting and involves a process of building a complex and holistic picture of the phenomenon of interest. Thus, qualitative method has been applied for the open ended interview questions to the managers of the sample departments.

The rationale for adopting the mixed approach was that, they can be used to execute any research activity notwithstanding the paradigm and this was supported by Tashakkori and Teddlie (2013) that the mixed approach of research design has the advantages of one compensating for the weakness of the other.

3.2 Population and Sampling Technique

3.2.1 Population

The population of the research is the entire group of people that the researcher wished to investigate (Sekaran 2003). The study population comprised the staff of Awash Bank and used the head office employees as study area. It comprised the staffs of head office of AIB with a working force of 674 people. According to the data gathered from the HR deputy chief director of the bank, there are three categories of this workforce thus; the contract staff, permanent staff and management. This study decided to concentrate on management and permanent staff leaving contract workers in the sense that they can be laid off at anytime. Moreover, employees who served in the bank for less than a year are also not included because it is believed by the researcher that they may haven't adequate experience to understand the organization's reward strategies and performance evaluation undertakings. Out of the total 674 employees, 40(6%) are contract workers and out of the permanent staff members, 74(11.67%) are employees with less than a year experience. Therefore, the target population of the study will be 560 permanent employees and management staffs with more than a year experience.

3.3 Sampling Technique

Amin (2005) and Best (1981) denotes that sampling is a process of selecting variables from an accessible population in such a way that the variables selected represents the population on which the results of an investigation is to be generalized. The sampling technique used in this study was simple random sampling.

This method is the most appropriate because it provides equal probability of being selected in order to achieve the desired representation from sampling frame.

The Sample is determined using Slovin's formula (2010).

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

Where:

n= Required Number of Samples

N= Total Population

e= Margin of Error= 5% (@Confidence Level of 95%)

Using this formula, the sample size of the study will be 233 employees to be included in the study calculated as follows:-

$$n = \frac{560}{(1 + 560 * 0.05^2)}$$
$$n = 233.3333333$$
$$n = \underline{\underline{233}}$$

3.4 Source of Data and Data Collection Tools used

3.4.1 Primary Data Sources

Both primary data and secondary data sources were used. The primary sources of data employed were questionnaire and semi structured interview with management staffs. Questionnaires are data collection instruments through which subjects responds to questions or statements that generally require factual information (Sekaran, 2003). A questionnaire with closed-ended questions was used in data collection. The closed ended questions was used to get direct answers and hence less time consuming in responding.

Questionnaires that had closed ended questions were distributed to employees. Most of the questions on the questionnaire were mainly developed based on the dimensions of reward management. A five point Likert scale questionnaire ranging from strongly disagree, disagree, neutral, agree and strongly disagree was distributed to the 233 employees working in the Head office of the bank. The questionnaire measures employee's perception regarding intrinsic and extrinsic rewards, equity, transparency and consistency.

Kothari (2004) defines an interview as a selected set of questions administered through verbal communication in a face to face relationship between a researcher and the respondent. It entails a face to conversation between interview and interviewee. This method is useful as it gives the respondent freedom to ask in case of need. Interviews was used in order to collect additional information mainly qualitative information which the questionnaire could otherwise not able to collect.

3.4.2 Secondary Data Sources

The secondary data collection tools, according to Kothari (2004), refer to the data which have already been collected and analyzed by someone else. Kothari emphasizes on the value of documents as they can provide more insight into the program being studied by cross

validating and augmenting evidence from other source. Relevant information was extracted and reviewed from files, circular reports and other records published and unpublished, articles, collective agreements, annual reports which contain vital information about the factors which contribute to employee's performance and its relationship with organization reward management system.

3.5 Methods of Data Analysis

Data analysis refers to the process of schematization, interpretation and making critical discussions of the data collected so that one can make genuine conclusions and recommendations (Sekaran, 2003). The collected qualitative and quantitative information was coded, analyzed and interpreted. Descriptive statistics such as frequencies, percentages and tables were produced. Cooper and Schindler (2003) notes that the use of percentages is important for two reasons; first they simplify data by reducing all the numbers to range between 0 and 100. Second, they translate the data into standard form with a base of 100 for relative comparisons. The study carried out a pilot study to test reliability and validity of the questionnaire. Out of those data, the conclusion and recommendation were drawn.

3.6 Validity and Reliability of the Research Instrument

The analysis of data should be sufficiently adequate to reveal its significance and the methods of analysis used should be appropriate. The validity and reliability of the data were checked carefully. Validity and reliability of scores on instruments, additional standards for making knowledge claims, lead to meaningful interpretations of data.

3.6.1 Validity

Validity refers to the extent to which the measurement instrument actually measures what it intends to measure. It is used to suggest determining whether the findings are accurate from the standpoint of the researcher, the participant, or the readers on account (Creswel, 2003).

According to Kothari, 2004, Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. In order to ensure the quality of this research design, content validity of the research instrument were checked.

The content validity was verified by the advisor of this research, who looks into the appropriateness of questions and the scales of measurement. Peer discussion with other

researchers was also conducted since it is another way of checking the appropriateness of questions. Moreover, some copies of the questionnaire were distributed to, filled by and collected from twenty respondents as a pilot test and analyzed the findings. This was done to find out whether the developed instruments measures what it was meant to measure and also to check the clarity, length, structure and wording of the questions. This test also helped the researcher to get valuable comments to modify some questions.

3.6.2 Reliability

Reliability has to do with the accuracy and precision of a measurement procedure. To ensure the reliability of the response (internal consistency of items measuring the level of homogeneity of measures in the instrument and reliability over and over groups of respondents), the study did the reliability test to 20 selected target group respondents by calculating Cronbach’s alpha with all variable using SPSS.

To this end, the Cronbach’s alpha of the questionnaire revealed 0.798. As per (Walsh,1995) recommendation a minimum level of Cronbach’s alpha should be 70% and According to statistical interpretation, the closer the reading of Cronbach’s Alpha to digit 1, the higher the reliability is in internal consistency. In general, reliabilities less than 0.60 are considered to be poor, those in the 0.70 range, acceptable and those over 0.80 good.

Accordingly, the following table shows the Cronbach’s alpha result for the total questionnaires collected. (<http://www.ats.ucla.edu/stat/spss/faq/alpha.html>).

Variables	Cronbach's Alpha
Intrinsic Rewards	.795
Extrinsic Rewards	.812
Internal Equity	.783
External Equity	.791
Transparency	.913
Consistency	.817
Employee Performance	.914

3.7 Ethical Considerations

Ethics in research refers to the code of conduct of behavior while conducting the research. This should always reflect in the behavior of the researchers who conducted the investigation, the participants who provided the data, the analysts who provided the results

and the presentation of the interpretation of the results and suggested alternative solutions. The study had already concentrated on various aspects of ethics consideration.

One primary responsibility of the research was treating the information given by respondents and the necessary documents as strictly confidential and guarding their privacy. The purpose of research was explained to respondents before conducting survey by presenting them with covering letters. The researcher was concerned not to violate the self-esteem and self-respect of the subjects as well. Moreover, it was worthwhile bearing in mind that no respondent was forced to respond to the survey, and consent of the participants was the ultimate goal of the study. This study was conducted considering the ethical responsibility in accordance with the general principles of research ethics concluded by Ticehurst and Veal (2000).

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS

Analyzing the data is to provide meaning to the raw data collected. The method of data illustration used to express the different opinions in detail, involve the use of graphs, tables and diagrams.

The fourth section of the research report, in this chapter, the first part presented background analysis of data and proceeded to present the results and its interpretation in the light of the research objectives and questions in the same sequence as listed in chapter one. The second part linked the findings of the study to the literature reviewed in chapter two.

Among the 233 questionnaires that were distributed to employees as a representative of the total population, 209 questionnaires were properly filled and returned which is 89.7% response rate which is assumed to be suitable for further analysis.

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

4.1. Demographic Features of Respondents

Age, Marital Status and Gender of Respondents

The data collected from the questionnaires indicated that respondents who participated in the study and responded to issues raised were, majority of them thus 78 (37.32%) between the age range of 21-26, followed by those between the range of 27-32 forming 51(24.40%), and that of 33-38 having 34 (16.27%). The summary presented on table 4.1. above also revealed respondents whom their age lays between the range of 39-44 and 45-50 were 19 (9.09%) and 15 (7.18%) respectively. Lastly, 12 (5.74%) of respondents were expected likely to be managerial level employees because of their age which is 51 and above. From this data it is possible to say that AIB's staff is mostly between the age ranges of 21-26. Table 4.1. below clearly shows the age range, marital status and gender of respondents.

Table. 4.1. Age, Marital Status and Gender of Respondents

No.	Demographic Feature	Age Range	Frequency	Percentage
1.	Age Range of Respondents	Between 21-26	78	37.32
		Between 27-32	51	24.40
		Between 33-38	34	16.27
		Between 39-44	19	9.09
		Between 45-50	15	7.18
		51 and above	12	5.74
		Total	209	100
2.	Marital Status of Respondents	<i>Marital status</i>	<i>Frequency</i>	<i>Percentage</i>
		Single	121	57.90
		Married	86	41.14
		Divorced	–	–
		Widowed	2	0.96
		Total	209	100
3.	Gender of Respondents	<i>Gender</i>	<i>Frequency</i>	<i>Percentage</i>
		Male	137	65.55
		Female	72	34.45
		Total	209	100

Source, Author's Study (2017)

Table 4.1. also depicts that, With regard to respondents' marital status, 121 (57.90%) of the respondents were single and 86 (41.14%) of the respondents were Married while 2 (0.96%) were widowed. This implies that most of the respondents are single, therefore the Company is said to have an employee's mobility problem due to singles are more sensitive to mobility than Job Security.

As presented in the Table 4.1. above, majority of the respondents, that is 137 (65.55%) were male while 72 (34.44%) were female. Males formed a majority as compared to females with significant difference. Here it can be concluded that AIB should consider the gender issues and create favorable job opportunity and work environment for females.

Educational Background, Job Level and Work Experience of Employees

No.		<i>Educational Qualifications</i>	<i>Frequency</i>	<i>Percentage</i>
1.	<i>Educational Background of Respondents</i>	College Diploma	14	6.7
		BA Degree	172	82.3
		MA, Master Degree	23	11
		Above	-	-
		Total	209	100
2.	<i>Job Level of Respondents</i>	<i>Job level</i>	<i>Frequency</i>	<i>Percentage</i>
		Managerial	14	6.70
		Clerical	178	85.17
		Professional	17	8.13
		Total	209	100
3.	<i>Work experience of employees</i>	<i>Work Experience</i>	<i>Frequency</i>	<i>Percentage</i>
		1-5 years	48	22.96
		6-10 years	124	59.33
		11-15 years	29	13.88
		16-20 years	8	3.88
		21 years and above	-	-
		Total	209	100

Table 4.2. Educational Back Ground, Job Level and Work Experience of Respondents

Table 4.2. depicts that all of the respondents had attained one form of education or the other. Majority of the workforces 172 (82.3%) acquired their first degree. MA holders constitute 23 (11%) from the total respondents. Respondents acquired college diploma takes 14 (6.7%). This implies that employees of AIB are fairly educated. This finding implies that the high level of education increases the skills acquired by employees. (Green & Gallie, 2002); hence level of education has significant relationship with employees' performance.

As presented in the table 4.2. above, most of the employees were clerical staffs forming 178 (85.17%) of the total respondents followed by staffs with professional certificates that constitutes 17 (8.13%). Of all 209 respondents, 14 (6.7%) were managerial staffs working on different departments of the bank like in deputy chief HR directorate, Employee benefit and relations department etc. Table 4.2. gives a clear picture of the job level of respondents.

With respect to years of experience in AIB, table.4.2 revealed that 124 (59.33%) of the respondents have 6-10 years' work experience followed by employees with experience ranging from 1-5 years constituting 48 (22.96%). The rest of the respondents have an experience relatively longer than the previously mentioned ones are ranging from 11-15 years and 16-20 constituting 29 (13.88%) and 8 (3.88%) respectively. This indicates that most employees has short years of experience in the bank as AIB is the first private bank in Ethiopia operating for more than 22 years in the industry and from interviews conducted with HR management staffs there was high turnover of employees this year mainly because of most of other banks' better recently revised employee benefit packages and many experienced employees left the bank due to this fact. This should be an alarm to revise AIB's employee benefit package as it has not revised its employee benefit packages since July 2012 so that it could retain its experienced employees by ensuring that the package remains attractive to bank's employees and adequately competitive in the banking industry.

4.2. Findings about Reward Management Practices

In this section employees' rating of the general reward management practices in AIB is presented and employees were asked questions to assess their perception towards the overall reward practice of the bank.

4.2.1. Performance Evaluation Frequency

Table 4.2.1.below revealed that performance appraisal is being conducted twice a year in AIB as all 209 (10 0%) of the respondents replied half yearly.

No.	Performance is evaluated	Frequency	Percentage
1.	Monthly	-	-
2.	Quarterly	-	-
3.	Half Yearly	209	100
4.	Annually	-	-

Table 4.2.1 Performance appraisal frequency in AIB. Source, Author's survey (2017)

According to Bethlehem Nigatu (2015) larger organizations often conduct performance appraisals once or twice a year, and many smaller organizations follow suit. Appraisals meant for reward purposes are often conducted once or twice a year. This tie in with budgets and for many people is the only type of appraisal that is important. Because of the way in

which budgets are set, it is unlikely that this will take place more than once a year. Meanwhile appraisals used for development purposes, take place quite often, perhaps four or more times in a year. Thus, it is reasonable to conclude that AIB is conducting performance evaluation process for reward purposes.

4.2.2. Performance Based Reward

Table 4.2.2 Respondents Opinion towards the Performance-Reward Relationship in AIB.

Question	Answer	Frequency	Percentage
To what extent do you think the reward you have ever received is based on your performance?	Very high	9	4.3
	High	13	6.22
	Neutral	36	17.22
	Low	119	56.94
	Very low	32	15.32

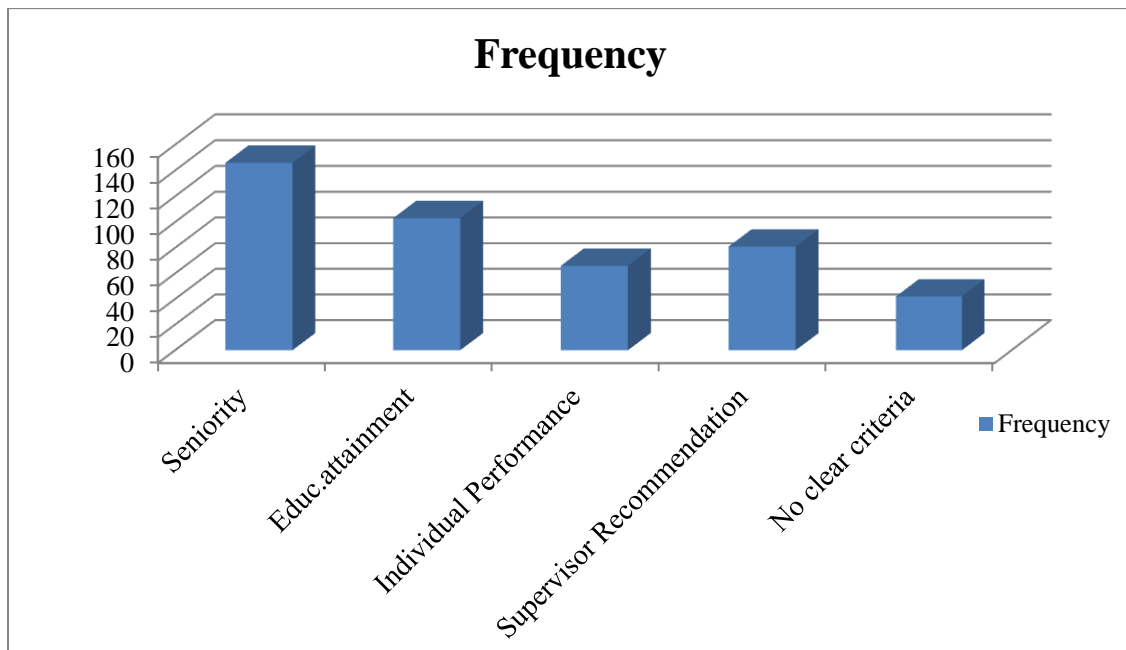
Source, author's survey (2017)

The table 4.2.2. depicted that, 119 (56.94%) of the respondents replied, the link between the reward they have been receiving and their performance is low. Moreover, 32 (15.94%) of respondents think the extent to which reward is based on performance in AIB is very low. Only 9 (4.3%) respondents answered very high and also only 13 (6.22%) of them replied that the performance-reward relationship is high While the rest of the respondents were neutral constituting 36 (17.22%). The overall response showed that respondents don't think they have been rewarded based on their performance. Armstrong (2005) states that no reward offered through an incentive, bonus or performance-related pay scheme will be effective as a motivator unless individuals believe it is worthwhile and they can reasonably expect to obtain it through their own efforts.

4.2.3. Factors Taken in to Consideration to Provide Reward

There are several factors or criteria that have been taken in to consideration in providing reward for employees such as seniority, educational attainment, individual and or group performance etc. In the case of AIB, respondents have answered their opinion regarding the criteria they have been required to fulfill to get the different forms of reward in the bank as presented in the fig. 4 below. Note that, they were given a chance of answering more than one answer as it is possible to have many criteria for organizations to take in to account in their rewarding system. So that, it would be easier to find out which factor are the most important and the next and so on.

Figure 4.2.3. Respondents View towards Rewarding Factors in AIB



Source, author's survey (2017)

As we can easily see from Fig. 4.2.3, respondents were given a list of factors and then selected one or more among the listed factors. Accordingly, 146 (69.85%) of respondents responded seniority of the employees, 103 (49.28%) of them replied educational attainment, 81 (38.75%) responded supervisor recommendation followed in distance by individual performance that constitutes 66 (31.57%) of the respondents. There were also employees who said that there are no clear criteria to get reward at the end of the year and they were 21 (10.04%). From this result, seniority was found out to be the most important factor followed by educational attainment that employees might achieve in job related disciplines with their own efforts and the third was supervisor recommendation. The fourth place goes to individual performance followed only by employees that said no clear criteria.

4.2.4. Intrinsic and Extrinsic Rewards

This part will assess employee's perception towards the existing intrinsic and extrinsic reward management practices of the bank and the reward types was categorized under intrinsic and extrinsic according to Elsevier (2000). Like that of the previous section, in this section employees were requested their opinion with regard to the statements presented under the issue of intrinsic and extrinsic rewards and options were provided in the form of Likert Scale. i.e. strongly agree(SA), agree (A),neutral(N), disagree (D)and strongly disagree(SD).

A. Intrinsic Rewards

Table 4.2.4a. Respondents' Opinion on Issues Related to Intrinsic Rewards

No.	Intrinsic Rewards		SA	A	N	D	SD	Std. Deviation
								Mean
1.	I am praised regularly for my work	Freq.	21	89	49	44	6	.151236
		%	10.05	42.58	23.44	21.05	2.88	3.358852
2.	My job activity is meaningful to me	Freq.	42	136	21	8	2	.262414.
		%	20.1	65.07	10.04	3.82	0.97	3.995215
3.	The job that I do have significant importance to the Bank	Freq.	188	16	5	-	-	.392278
		%	89.95	7.65	2.4	-	-	4.875598
4.	I am given a regular feedback from my supervisor regarding the job I do	Freq.	13	108	51	27	10	.193243
		%	6.22	51.67	24.4	12.92	4.78	3.416268
5.	I have certain authority in my work	Freq.	43	104	60	2	-	.207594
		%	20.57	49.76	28.7	0.97	-	3.899522
6.	I have the opportunity to take part when decisions are made	Freq.	29	47	63	70	-	.134986
		%	13.87	22.49	30.14	33.50	-	3.167464
7.	My manager treats all employees fairly	Freq.	12	64	81	29	23	.140335
		%	5.74	30.62	38.76	13.88	11	3.062201

As shown on Table 4.2.4a. employees were requested to express their perception of the existence of praising culture for their work and Results of the assessment shows that 89 (42.58%) employees agreed, 49 (23.44%) of them were indifferent or neutral about it and 44 (21.05%) of them disagreed, 21 (10.05%) strongly agreed and the remaining 6 (2.88%) responded that they strongly disagree. From this data, we can say that there is a moderate culture of praising employees for the work they do.

Respondents were also asked to show their perception whether their job activity is meaningful to them or not and majority 136 (65.07%) of the respondents believe that their job activity is meaningful to them as they responded agree and 42 (20.1%) strongly agree whereas 8 (3.82%) respondents disagreed that their job activity is meaningful to them. Thus, we can say that AIB's employees value their job as meaningful.

When we come to employees' response for the question that was aimed to find out if they believe that the job they do has significant importance to the bank, most of them 188 (89.95%) strongly agreed with the statement whereas 16 (7.65%) agreed. This result obviously implies that employees in AIB believe that their job has a great importance for the achievement of organizational goals and objectives.

As we can see from the table 4.2.4a., majority 108 (51.67%) agreed that they get regular feedback from their supervisor and 51 (24.4%) of them were indifferent about it, whereas 27

(12.92%) of them disagreed and the remaining 10 (4.78%) strongly disagreed. This implies that most of the employees get regular feedback regarding their day to day tasks from their supervisors and managers.

Item no.5 on the same table revealed that 104 (49.76%) and 43 (20.57%) of the respondents agreed and strongly agreed respectively that they have certain authority on their work. In contrary 2 (0.97%) of them disagreed. Depending on this, it is possible to say that most of the employees feel like they have certain authority on their work.

Item no. 6 depicts that 70 (33.50%) of the respondents disagreed that they have the opportunity to take part when decisions are made, 63 (30.14%) of them were neutral, 47 (22.49%) of the respondents agreed and on the other hand 29 (13.87%) strongly agreed. The overall result denotes that most employees do not participate in the decision making process regarding different issues.

As presented in Item no. 7, 64 (30.62%) and 12 (5.74%) of respondents agreed and strongly agreed that their manager treats them fairly while 81 (38.75%) of them were neutral and the remaining respondents disagreed and strongly disagreed constituting 29 (13.87%) and 23 (11%) respectively. This nearly implies that employees are being treated fairly without bias by their managers in the bank.

B. Extrinsic Rewards

Table 4.2.4b. Respondents' View towards issues Under Extrinsic Rewards

No.	Extrinsic Rewards		SA	A	N	D	SD	Std. Deviation
								Mean
1.	I am satisfied with the list of benefits I receive	Freq.	-	25	19	112	53	.208608
		%	-	11.96	9.09	53.59	25.36	2.076555
2.	The bank revises its salary scale with a reasonable time period	Freq.	-	29	38	98	44	.170656
		%	-	13.88	18.18	46.89	21.05	2.248804
3.	Salary increment is based on my performance	Freq.	-	26	44	101	38	.177775
		%	-	12.44	21.05	48.33	18.88	2.277512
4.	AIB's bonus considers the level of individual contribution to the team	Freq.	-	34	67	91	17	.177086
		%	-	16.27	32.06	43.54	8.13	2.564593
5.	The current pay system encourages better performance	Freq.	-	34	22	105	48	.188875
		%	-	16.26	10.53	50.24	22.97	2.200957

Source, author's study (2017)

Item no 1 on Table 4.2.4b.disclosed that significantly large number of respondents 112 (53.59%) and 53 (25.36%) disagreed and strongly disagreed respectively with the statement, 19 (9.09%) respondents were indifferent, while only 25 (11.96%) respondents agreed that they are satisfied

with the list of benefits they receives . The overall response shows that employees are not satisfied with the list of benefits even though benefits provide a quantifiable value for individual employees.

According to the employee benefit package manual of AIB, 2912, employees of the bank are entitled to monthly salary, annual increment and bonus, 100% medical coverage based on conditions, transportation and other many allowances which might vary in amount depending on different conditions that are detailed in the manual. However, compared to other banks in the industry, respondents were not satisfied enough with these benefits of the bank.

The same table similarly shows that most of the respondents 98 (46.9%) believe that the bank is not revising its salary scale with a reasonable period of time however 29 (13.87%) of them didn't agree with the previous ones but with the issue of the revision of the salary scale within reasonable time period following 38 (18.18%) of them those were neutrals. The result implies that the bank's salary revision period is not reasonable considering external or internal factors.

According to HR directorate manager who was interviewed by the researcher, the bank has revised its employee benefit packages for the last time in July 2012 and it is expected to be revised by external consulting firms at the end of the fiscal year of 2009 E.C so as to be competitive and attractive in the industry.

Table 4.2.4b with its item no. 3 portrays that 101 (48.33%) of the respondents disagreed and 38 (18.18%) strongly disagreed that salary increment is based on their performance while 44 (21.05%) of them were indifferent. On the other hand, whom who responded agree were 26 (12.44%) and no respondent strongly agreed to the statement. From this result it is possible to say that the bank's salary increment does not consider the level of individual performance.

The Deputy chief HR director replied to the question raised by the researcher on the issue of how employees' individual and group performance could effectively be measured as there are very detailed parameters in each job grades and answered that external experts who has international banking experience are reviewing each and every details of different jobs in the bank so as to create numerically measurable standards that an employee must achieve in addition to supervisors recommendation which can fill the weaknesses of such measurements.

Item 4 revealed that 91 (43.54%) disagreed that AIB's bonus considers the level of individual contribution to the team and 67 (32.06%) of them were neutral while 34 (16.27%) of them agreed. This implies that the bank's bonus as a reward to employees for high achievement doesn't consider individuals contribution to the team.

During an interview with Assistant manager of AIB’s Employee Benefits And Relations department , the manager revealed that the old experience, that has been on action giving bonus to all employees other than those penalized 25% of their monthly salary due to different faults and employees with disciplinary problems in the fiscal year, is going to be over and will be replaced by new system that could limit the number of employee who deserve the bonus at the end of the year based on the achievement of individual targets set by the bank.

Respondents were also asked about their opinion whether the current pay system encourages better performance or not and 105 (50.24%) and 48 (22.97%) of them disagreed and strongly disagreed respectively while 34 (16.26%) of them agreed and the remaining 22 (10.53%) were indifferent. From this we can say that majority of the respondents did not believe that the current pay system encourages them for better performance. Motivation, as a result of reward, is a driving force for better performance and the reverse is also true. Unmotivated employees who were discouraged by poor rewarding system are likely to produce less through time.

4.2.5. Equity

The subdivision below shows issues under equity based on reviewed literatures and the results found from respondents concerning internal and external equity in AIB.

A) Internal Equity

Table 4.2.5a Respondents’ Opinion towards Issues Under Internal Equity

No.	Internal Equity		SA	A	N	D	SD	Std. Deviation
								Mean
1.	The pay that I receive is equivalent with my educational qualification	Freq.	-	37	29	116	27	.209351
		%	-	17.70	13.88	55.55	12.92	2.363636
2.	Employees who perform the same type of work get equal pay	Freq.	-	46	36	102	25	.180665
		%	-	22.00	17.23	48.8	11.97	2.492823
3.	My salary is fair in relation to my responsibility	Freq.	-	30	49	116	14	.21685
		%	-	14.35	23.45	55.50	6.70	2.454545
4.	I believe that the salary difference among different pay grades is fair	Freq.	-	13	48	127	6.7	.242852
		%	-	6.22	22.97	60.76	10.05	2.253589

Source, author’s study (2017)

As we can see from the table above 37 (17.7%) agreed and whereas 116 (55.55%) of respondents disagreed that the pay they receive is equivalent or reasonable with their educational qualification while 2 (20%) were indifferent about it. This clearly shows most of AIB employees believe that their educational qualification is undervalued by the banks HRM

policy. This is likely to demotivate employees and make them look outside for better company to work for where they believe they would get better pay.

Significant number of respondents, as presented in the table 4.2.5a of item 2., 102 (48.8%) of them disagreed with the statement that employees who perform the same type of work get equal pay followed by respondents who were neutral and agreed forming 36 (17.23%) and 46 (22.0%) respectively. Moreover, 25 (11.97%) of them strongly disagreed. This implies that AIB is not successful in meeting employees' expectations of pay regarding paying equal pay for equal work and paying fairly in equivalence with their educational background.

The same Table in item 3. Shows that 116 (55.5%) of the respondents disagreed and 14 (6.7%) strongly disagreed as well and they do not think that the salary they get is fair in relation to their responsibility while 49 (23.45%) were indifferent. Only the remaining 30 (14.35%) of the participants agreed with the statement. From this end, we can conclude that AIB's payment system does not adequately consider the level of responsibility that a person bears in providing rewards.

Furthermore, respondents were also asked for their opinion whether they believe that the salary difference among different pay grades is fair or not and large number of employees 127 (60.76%) disagreed and 21 (10.05%) strongly disagreed whereas 48 (22.97%) were neutral. Respondents those agreed that the pay difference is fair were only 13 (6.22%). Since majority of the respondents disagreed and strongly disagreed with the statement it is possible to say that AIB's payment difference among different pay grades is not fair enough.

B) External Equity

Table 4.2.5b. Respondents' View On Issues Under External Equity

No.	External Equity		SA	A	N	D	SD	Std. Deviation
								Mean
1.	Compared to the Banking Industry the Bank offers better salary and benefit packages	Freq.	-	29	57	68	55	.131077
		%	-	13.88	27.27	32.53	26.32	2.287081
2.	The salary & benefit package that I am getting is similar to employees in other Banks with a similar position get	Freq.	-	24	49	104	32	.186557
		%	-	11.48	23.45	49.76	15.31	2.311065
3.	There is a better promotion opportunity in AIB than other Banks	Freq.	19	28	41	108	13	.184079
		%	9.10	13.40	19.61	51.67	6.22	2.674641
4.	AIB's working environment is more favorable than other Banks	Freq.	15	27	38	102	27	.165632
		%	7.18	12.92	18.18	48.8	12.92	2.516746

Source, author's survey(2017)

As it can be seen from the table above, respondents were asked to reflect their opinion if AIB offers its employees better salary and benefit packages than other banks in the country and most of the respondents, 68 (32.53%) of them disagreed and 55 (26.32%) strongly disagreed. While 57 (27.27%) were indifferent followed by the rest 29 (13.88%) of them who agreed with the statement. Coming to individuals perceived equity with regard to the salary and benefit package they get compared to employees of other banks with similar positions get, significant number of respondents 104 (49.76%) disagreed and 32 (15.31%) strongly disagreed and no respondent strongly agreed but 24 (11.48%) of them agreed while 49 (23.45%) were indifferent about its equivalence as presented in table 4.2.5b item 2. The overall result of item 1. and 2. implies that AIB is not effective in providing externally equitable pay system with regard to the banking industry's salary and benefit packages that it offers to its employees. This is likely to be the cause of turnover of employees in search of better reward management system and benefit packages offered by other banks or other institutions.

Respondents were also asked about their opinion whether there is a better promotion opportunity in AIB than other banks, 108 (51.67%) and 13 (6.22%) of the respondents disagreed and strongly disagreed respectively with the statement and in contrary 19 (9.10%) of them strongly agreed while the participants who were neutral forms 41 (19.61%) followed by 28 (13.4%) agreeing with the statement. Consequently, it can be concluded that most employees did not believe that there is a better promotion opportunity in AIB than other banks.

As it can be referred from table 4.2.5b. item 4. Most of the respondents 102 (48.8%) of them disagreed with the statement that AIB'S work environment is more favorable than other banks. Moreover, 27 (12.92%) strongly disagreed and 38(18.18%) were indifferent while the rest 15 (7.18%) of them strongly agreed.

This result revealed that most employees think that AIB's working environment is not favorable. According to Jacques's (2003) 'felt-fair' principle, which states that, to be equitable, pay must be felt to match the level of work and the capacity of the individual to do it. When we come to employees in AIB the overall response rate shows that the internal equity felt by employees is much better than the external equity.

4.2.6 Transparency

Wilson (2009) finds that reward practice must satisfy a full and open transparency regarding awards, the communication of the availability of the rewards, the criteria to be satisfied, and the

identification of the award recipients .The section below describes the findings from the questionnaires filled by respondents concerning some of the transparency dimensions.

The table 4.2.6. below clearly shows employees perception about issues related to the transparency of reward management practice in AIB and coming directly to item no.1.significant number of respondents 83 (39.72%) disagreed in addition to respondents who strongly disagreed forming 39 (18.66%) saying they were not well communicated about the benefit packages provided, 41 (19.61%) were indifferent and 34 (16.27%) agreed with the statement. This implies the reward management practice of AIB is not being properly communicated with employees.

According to the opinion of director of employee benefit and relations management, Even though the last benefit and compensation package manual was distributed to all branches and departments to be read and signed by every single employee, the concerned bodies in most branches and departments were not giving it to employees under their supervision. Moreover, there is a practice that employees sign a circular, manual and procedures without reading them likely due to lack of time to read those bulky materials. Whatever is the reason, as employees felt the RMS is not transparent; this would affect their motivation and job performance negatively.

Table 4.2.6. Respondents' Opinion Towards issues related to Transparency

No.	Transparency		SA	A	N	D	SD	Std. Deviation
								Mean
1.	I am well communicated about the benefits packages provided	Freq.	12	34	41	83	39	.123297
		%	5.74	16.27	19.61	39.72	18.66	2.507177
2.	I am informed about how the current reward system function	Freq.	9	56	86	28	30	.142788
		%	4.30	26.8	41.15	13.4	14.35	2.933014
3.	The existing pay practice is simple to understand	Freq.	-	17	111	49	32	.204397
		%	-	8.13	53.11	23.45	15.31	2.54067
4.	I know the criteria to get promoted	Freq.	-	46	43	84	36	.143182
		%	-	22.00	20.57	40.20	17.23	2.473684
5.	I understand how salaries, benefits & pay increases are determined	Freq.	-	40	44	109	16	.199249
		%	-	19.14	21.06	52.15	7.65	2.516716
6.	promotion is based on one's contribution	Freq.	-	27	24	129	29	.23983
		%	-	12.92	11.48	61.72	13.88	2.23445

Source, author's survey(2017)

Respondents besides replied for item no. 2 of the same table and most of them 86 (41.15%) were indifferent that they are informed on how the current reward system functions but 56 (26.8%) agreed when 28 (13.4%) of them disagreed. There were also employees who did strongly disagree with the idea forming 30 (14.35%). From this finding, it is possible to say that AIB is not successful enough in communicating the benefit packages to employees and most employees are not informed on how the current reward system functions.

Respondents were also asked about their opinion if the existing pay practice is simple to understand or not and 49 (23.45%) disagreed and think that it is not simple to understand but 111 (53.11%) were neutral followed by those employees who agreed with 17 (8.13%) of the total. Coming to item no. 4. majority of the respondents 84 (40.2%) do not know the criteria to get promoted, while 43(20.57%) and 46 (22.0%) were indifferent and agreed respectively. Furthermore, 36 (17.23%) of the participants did strongly disagree. This denotes that AIB is not successful enough in communicating the criteria to get promoted to its employees and in making its existing pay practice simple to understand to its employees.

The table above also shows that majority of the respondents 109 (52.15%) disagreed on the statement that they know how their salary and pay grades are determined and 44 (21.06%) of them were indifferent and only 40 (19.14%) agreed while 16 (7.65%) strongly disagreed. From the overall result of the above two items we can say that AIB does not successfully communicate to employees how their salary, benefits and pay increases are determined in addition to this employees do not have a say on how their pay grade is determined.

The last item on table 4.2.6. depicts that 129 (61.72%) and 29 (13.88%) of the respondents disagree and strongly disagree that promotion is based on one's contribution while 27 (12.92%) of them agreed and the remaining were neutral forming 24 (11.48%). This implies that AIB's promotion policy is not based on one's contribution or at least it is believed by its employees as it is so.

4.2.7 Consistency

Table 4.2.7 Respondents' Perception Towards Issues Under Consistency

No	Consistency		SA	A	N	D	SD	Std. Deviation
								Mean
1.	In the bank, pay decisions do not vary arbitrarily among employees who are at the same level	Freq.	19	77	62	38	13	.131236
		%	9.10	36.84	29.66	18.18	6.22	3.244019
2.	The criteria used to reward employees are consistently applicable to all employees	Freq.	-	48	100	61	-	.204234
		%	-	22.96	47.84	29.20	-	2.937799
3.	Benefit administration practices shows consistency among varied departments of the bank through time.	Freq.	-	66	69	70	4	.174132
		%	-	31.57	33.02	33.50	1.91	2.942584

Source, author's survey(2017)

Respondents, in item no.1 of the table above, were asked if they think the pay decisions do not vary arbitrarily among employees who are at the same level and 77 (36.84%) of them agreed, 38 (18.18%) of them disagreed, 62 (29.66%) were indifferent about it and only 13 (6.22%) did strongly disagree. This item depicted that AIB's pay decisions do not vary arbitrarily among employees who are working at the same level of job.

Item no. 2, on the other hand, depicted that 61 (29.2%) of them did not believe that the criteria used to reward employees are consistently applicable to all employees but 100 (47.84%) were indifferent about the issue and the remaining 48 (22.96%) has agreed with the statement. From this it can be said that in AIB employees who are at the same level with similar position get consistent pay without bias but AIB's criteria used to reward employees is not consistent enough to all employees without difference in individuals' position as presented in item 2 of table 4.2.7.

On the last item of table 4.2.7. respondents were asked for their opinion whether benefit administration practices shows consistency among varied departments of the bank through time and 70 (33.5%)of them disagreed and 4 (1.91%) strongly disagreed, while 69 (33.02%)were indifferent and also 66 (31.57%) respondents agreed. This indicates that the benefit administration practice lacks consistency among varied departments of the bank through time.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter presents summary of the major findings, conclusion, and recommendations of the study, based on the analysis of the research data, the discussion, and the interpretation of the findings in the previous chapter for further research and finally contributions to the body of knowledge.

5.1. Summary of Major Findings

The results of the study and its interpretation revealed that:-

- More than half of the respondents 119 (56.94%) believed that the extent to which the reward they have ever been receiving was based on their performance was low. 32 (15.32%) also believed that the performance-reward relationship in the RMS of AIB is very low.
- Most of them or 136 (65.07%) of the participants agreed in addition to those 42 (20.1%) who strongly agreed that their job activity is meaning full to them. Moreover, 108 (51.97%) of the respondents agreed that they have been given a regular feedback from their supervisor regarding the job they do. Also 64 (30.62%) of them think their manager treats all employees fairly. These data depicts that the bank is more effective in providing intrinsic rewards than extrinsic which will be summarized below.
- Most of the respondents 112 (53.59%) disagreed with the statement that they are satisfied with the list of benefits they receive in addition to 53 (25.36%) respondents who strongly disagreed they were satisfied with the extrinsic rewards offered by the bank. Nearly half of the respondents also disagreed that the annual salary increment was based on their performance.
- With regard to equity the participants were asked questions related to internal and external equity issues and 116 (55.55%) of them disagreed that the pay that they receive is equitable with their educational qualification. While 102 (48.8%) of the participants also disagreed that employees who perform the same type of work get equitable pay.

- When it comes to external equity, 104 (49.76%) of the respondents disagreed and 32 (15.31%) strongly disagreed with the statement which says the salary and benefit package that they get is relatively similar to employees in other banks with similar position get. During an interview, the Employee Benefits and Relations Manager confirmed that some other banks are offering better benefit packages than AIB and is threatening it as many employees switched the bank for better RMS this year as they confirmed so during an exit interview.
- Since transparency is one of the measure to assure effective RMS according to Armstrong (2003), respondents were asked about some transparency issues and 109 (52.15%) of them disagreed that they did understand how salaries, benefits and pay increases were determined. Furthermore, 84 (40.2%) and 36 (17.23%) replied they disagreed and strongly disagreed with the item that they know the criteria to get promoted. The other items were mostly answered 'neutral' by respondents who were indifferent.
- Armstrong (2003) also takes consistency as one of the major criteria for effective RMS. So that the results of this study shows that 70 (33.51%) of respondents did not believe that benefit administration practices shows consistency among varied departments of the bank through time as they disagreed with the statement. On the other hand, 61 (29.2%) of them disagreed that the criteria used to reward employees are consistently applicable to all employees. As the case in transparency, here also most of respondents were indifferent for other dimensions in consistency.

5.2. Conclusions

This research primarily aimed to answer the basic research question of assessing the overall RMS of AIB and at the same time tried to evaluate the strategic link between employee performance and rewarding system. The following are the conclusions following the analysis and the findings of the study answering all of the research questions.

- AIB's RMS, according to employees' view, is not directly related to employee's perceived job performance. Because the findings from the questionnaire and the interview revealed that there is no performance reward relationship since every employee regardless of his/her performance had been receiving the rewards offered by the bank. This result gives a message that AIB is not on the right track regarding using

RMS as a motivational factor. This might discourage employees to take positive actions leading to rewards. (Torrington & Hall, 2006). Employee would no more be motivated and strive to enhance job performance since it is for granted to be rewarded with annual salary increments, bonuses etc. at the end of the year. The strategic link between performance and reward however is not being practiced in the bank. According to Armstrong (2003), organizations using employee performance as reward basics, linking the level of performance with reward outcome, will end up with outstanding organizational performance. Employees will naturally be highly motivated and strive to achieve the level of performance that will cause a better reward from the employer. AIB, to this end, has to review its RMS to create a strategic linkage between employee performance and the reward.

According to the assessment carried out on employee's perception towards the overall RMS practice of the bank, some core dimensions were evaluated and concluded as follows.

- In terms of intrinsic rewards, most respondents said that they are praised regularly for their work, their job activity is meaningful to them, the job they do has significant importance to the bank, they are given regular feedback from their supervisors and their manager treats them fairly but in contrary majority of respondents disagreed that they have the opportunity to take part when decisions are made. Even though, the bank is relatively good in intrinsic rewards than that of extrinsic rewards, it is not satisfactory. Since, intrinsic rewards are the best way to boost intrinsic motivation, which has a great impact on employee performance, the branch and departmental managers should give due attention to it. Moreover, intrinsic rewards has very less cost implication, doing on it would be paying less for so much greater benefit out of it.
- Considering some dimensions of extrinsic rewards, majority of the respondents are not satisfied with the list of benefits that they receive, most of the respondents think that the bank doesn't revise its salary scale with a reasonable time period and the current pay system doesn't encourage better performance and much more than half of the participants disagreed that salary increment is based on their performance. Majority of them also believe that AIB's salary scale is not revised within reasonable time period as it is not revised since July, 2012 and AIB's bonus doesn't consider the level of individual contribution to the team.
- When we summarize internal equity most of the respondents disagreed that the pay they

receive is equivalent with their educational qualification, employees who perform the same type of work get equal pay and salary difference among different pay grades is fair and finally that their salary is fair with the amount of responsibility that they have. This implied that the employee would not produce to their maximum as they knew that they were not going to be rewarded appropriately. I.e. in internally equitable manner.

- With regards to external equity, AIB is not effective in providing external equity to its employees with regard to the banking industry's salary and benefit packages that it offers to its employees and also majority of the respondents disagreed that AIB's working environment is challenging. Moreover, large number of respondents disagreed as well that there is a better promotion opportunity in AIB than other banks. From this finding it would not be wrong to conclude that most of AIB employees do not wish to continue their career with the bank. As a result of this, AIB is in a unfavorable position of losing its highly experienced employees for other banks in this tough and competitive banking industry as it is being more difficult time for banks to survive as a bank nowadays as never been.
- According to employees rating of transparency dimensions, most of them said that they are not well communicated about the benefit packages offered even though 26.8% of the respondents agreed that they are informed on how the current reward system functions. Majority of the respondents disagreed that they know the criteria to get promoted, understand how their salaries are determined, have a say on how their pay grade is determined and get promoted based on their performance.
- Taking a look at consistency aspects of employees response, majority of the respondents agreed that the bank's pay decision do not vary among employees who are at the same level and around half of the respondents agreed that the criteria used to reward employees are consistently applicable to all employees when the number of employees who think that benefit administration practices shows consistency and who says that it doesn't show consistency among varied departments is almost equal.
- This study finally concludes that a good reward management system should incorporate both monetary and non-monetary rewards that are competitive based on the prevailing market rates; such a reward provides a sense of employee motivation hence boosting their level of performance/productivity and commitment to their work which is essential for the organization to experience growth as well as gain a competitive edge against its

competitors. But AIB's RMS is not being practiced in such a way that the RMS efforts would be effective because the employees perceive it as internally and externally inequitable. Even though, the non-monetary rewards (intrinsic) were relatively good, the extrinsic rewards (monetary rewards) were perceived to be inadequate or poor by the employees. Practically, the transparency and consistency of the current RMS are also under question mark as most of employees perceived the practice to be poor.

5.3. Recommendations

Among the factors which impact employee performance, motivation, as a result of rewards, is the most important aspect. Motivation is defined as the growth of different processes which express and control people's behavior to achieve some specific goals (Baron, 1983). Therefore, understanding its importance is very necessary for all organizations. The maximum level of workers performance happens when they feel their endeavor is rewarded and compensated completely. Based on this:-

- This study recommends that the RMS should ensure that they provide rewards that satisfy the needs of the employees through revising the rewarding system that has not been revised since 2012 by experts to create a better motivating RMS which could consider all extrinsic and intrinsic rewards, internal and external equity in the banking industry in addition to making its practice transparent and consistent to all staffs throughout the bank.
- The study has disclosed that majority of the employees were dissatisfied with the remunerations and benefits given by the bank. Basing generalizations on the findings of the study, the study recommends that the management of the company should harmonize and adjust the employees pay upwards. The employees should be remunerated according to their qualification, individual/group performance, and years of experience. The management should conduct a job evaluation to determine how best it can remunerate its employees.
- The study also recommends that the management should regularly provide incentives and bonuses to employees to improve their morale as it is not competitive and attractive in the industry these times by this dimension. Moreover, the bank should undertake market intelligence to discover the other banks' practice and review its RMS in a better way to sustain experienced and highly motivated employees with it.

- Intrinsic motivation, which was paid out as immaterial rewards was considered almost as important as extrinsic motivation and should therefore be used frequently to increase employee motivation. Especially the possibility to influence the rewards and own work, tasks and receive feedback and verbal recognition from the manager and co-workers were seen as important.

In this case, The study further showed that most managers of AIB do appreciate or give feedback to employees on their performance and recommends that the management devise means of recognizing employees of their performance and service to the company to create more and more intrinsic motivation by intrinsic rewards. This may be in form of annual parties, award ceremonies or even a thank you note from the boss.

In general terms, AIB has to take initiative to undertake a detailed multi-dimensional review on its RMS in accordance with employees' expectation and the banking industry practice through deeper survey and analysis either by its own concerned staffs or outsourced external consulting firms.

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Appendix A-Questionnaire Distributed to Respondents

ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES MBA, GENERAL

Dear Respondents

I am a post graduate student of MA in General Business Administration and conducting a research on the title 'Assessment of Reward Management Practice in Awash International Bank S.C.' and the objective of this questionnaire is to collect data from AIB employees which help to evaluate the Assessment of Reward Management Practice in AIB. The information collected shall be used for research purpose only.

There are two sections: Demographic Information and Reward Management Opinion Survey. I assure you that your responses will not disclosed in any way and utmost confidentiality will be maintained. Hence, I request your sincere corporation for the successful undertaking of the study and your valuable response is highly appreciated. Thank you!

Notice

- ✓ No need to write your name.
- ✓ Please put a “√” mark in the boxes for your answers

Part I: -Demographic Information

1. Age Category

- a. 21-26 b. 27 – 32 c. 33 – 38
d. 38 – 43 e. 44 - 49 f. 50 and above

2. Marital Status

- a. Single b. Married. c. Divorced
d. Widowed e. Other _____

3. Gender

- a. Male b. Female

4. Educational qualifications

- a. High school certificate b. College Diploma c. Bachelor's Degree
d. Master's Degree e. Doctorate Degree f. Other (Please Specify).....

5. Job level

- a. Managerial b. Clerical c. Professional
d. Non clerical f. Other -----

6. How long have you been working in the bank?

- a. 1-5Years b. 6 – 10 Years c. 11 -15 Years
d. 16– 20 Years e. 21 Years and above

Part II: - Questions about Reward Management

7. How often is your performance appraised or reviewed?

- a. Monthly b. Quarterly
c. Half yearly d. Yearly

8. To what extent do you think the reward you have ever been received is based on your performance?

- a. Very high
b. High
c. Neutral
d. Low
e. Very low

9. What factors or criteria are taken in to consideration in providing reward? (you may have more than one answer)

- a. Seniority
b. Educational attainment

- c. Individual Performance
- d. supervisor recommendation
- e. No clear criteria
- f. Others (please specify) _____

In the following tables you will find some dimensions of reward management practices in your bank. Please give your responses by putting a tick mark (“√”) in the corresponding spaces under each option in front of each situation based on your agreement level.

a. Intrinsic and Extrinsic Rewards

Intrinsic Rewards

No.	Intrinsic Rewards	Strongly Agree	Agree	neutral	disagree	Strongly disagree
1.	I am praised regularly for my work					
2.	My job activity is meaningful to me					
3.	The job that I do have significant importance to the Bank					
4.	I am given a regular feedback from my supervisor regarding the job I do					
5.	I have certain authority in my work					
6.	I have the opportunity to take part when decisions are made					
7.	My manager treats all employees fairly					

Extrinsic Rewards

No.	Extrinsic Rewards	Strongly Agree	Agree	neutral	disagree	Strongly disagree
1.	I am satisfied with the list of benefits I receive					
2.	The bank revises its salary scale with a reasonable time period					
3.	Salary increment is based on my performance					

4.	AIB's bonus considers the level of individual contribution to the team					
5.	The current pay system encourages better performance					

b. Equity

Internal Equity

No.	Internal equity	Strongly Agree	Agree	neutral	disagree	Strongly disagree
1.	The pay that I receive is equivalent with my educational qualification					
2.	Employees who perform the same type of work get equal pay					
3.	My salary is fair in relation to my responsibility					
4.	I believe that the salary difference among different pay grades is fair					

External Equity

No.	External equity	Strongly Agree	Agree	neutral	disagree	Strongly disagree
1.	Compared to the Banking Industry the Bank offers better salary and benefit packages					
2.	The salary & benefit package that I am getting is similar to employees in other Banks with a similar position get					
3.	There is a better promotion opportunity in AIB than other Banks					
4.	AIB's working environment is more favorable than other Banks					

c. Transparency

No.	Transparency	Strongly Agree	Agree	neutral	disagree	Strongly disagree
1.	I am well communicated about the benefits packages provided					
2.	I am informed about how the current reward system function					
3.	The existing pay practice is simple to understand					
4.	I know the criteria to get promoted					
5.	I understand how salaries, benefits & pay increases are determined					
6.	promotion is based on one's contribution					

d. Consistency

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

Thank you very much!!!

Appendix- B

INTERVIEW QUESTIONS

FOR MANAGEMENT OF AWASH INTERNATIONAL BANK S.C.

Rank.....

Department

1. What does the Performance Appraisal mean to AIB as part of the reward management process?
2. How often is the appraisal conducted in the Bank? How effective is this process?
3. What are the rating scales used and what are their interpretations regarding the reward employees get?
4. Could you specify the intrinsic and extrinsic rewards and recognitions available? Which rewards and/or recognitions go with the various ratings?
5. Do you think employees have an opportunity to influence the decision making process of the reward system?
6. How do you compare the banks reward system with other banks in the industry?
7. As employees in different banks naturally communicate with one another, do you think that when they become aware of the different reward systems in different banks, this can be divisive?
8. Does performance related pay encourage an employee to perform better? How is this being practiced in the bank?

DECLARATION

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

Name

Signature

ENDORSEMENT

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

Advisor

Signature