



ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF REWARD MANAGEMENT PRACTICES:
THE CASE OF COMMERCIAL BANK OF ETHIOPIA

BY
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MAY, 2018
ADDIS ABABA, ETHIOPIA

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ACRONYMS /ABBREVIATIONS

CBE- Commercial Bank of Ethiopia

F- Frequency

HR- Human Resource

KSA- Knowledge, Skill, Attitudes

N- Number of Respondents

SPSS - Statistical Package for Social Science

CATS- Customer Accounts and Transaction Services

EAAD- East Addis Ababa district

NAAD- North Addis Ababa district

SAAD- South Addis Ababa district

WAAD- West Addis Ababa district

HCM- Human capital management

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ABSTRACT

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. This study focused on assessment of reward management practices in Commercial Bank of Ethiopia and tried to assess the current reward management practices that the company is using to attract and retain employees focusing on employee's perception. To this end, descriptive research method was used. Questionnaires, unstructured interview and review of documents were designed based on the objectives. Up on analysis the research was used cluster sampling to distribute 99 questionnaires to employees of CBE where all were filled and returned. This completed questionnaire were processed and analyzed by using table, graph, pie chart and textual write ups. The findings of the study illustrated the reward management system practice. Respondent's response based on equity, transparency, consistency and alignments as well as overall rating of reward management practices of the bank was used. The data was analyzed using Statistical Package for Social Sciences (SPSS). The company's reward system mainly consists of financial rewards. Besides results have shown that respondents have felt unfair and injustice in the company's reward system. Employees like to be consulted what they need most when they perform better. The company's organizational culture resembles restrictive organizational culture. Finally, lack of prior experience in conducting systematized research and also lack of awareness among our society to fill out questionnaires with due care and return on time and absence of prior works on the subject matter in Ethiopian context would have some impact on the results of the study that will call up for other researchers to prove the reliability of this study.

Key words: Reward management, Human resource Development

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Reward system is an important tool that management can use to channel employee motivation in desired ways. In other words, reward systems seek to attract people to join the organization to keep them coming to work, and motivate them to perform to high levels. According to (Lawler 1971), reward systems are one of the most widely researched and written subjects in the field of management and organizational behavior, yet it remains one of the less understood topics.

In order to define some significant terms, it is expedient to commence with Armstrong and (Murlis 1998), who describe reward management as the development, implementation, maintenance, communication and evaluation of reward processes. Importantly, rewards management is also concerned with the development of appropriate organizational cultures, underpinning core values and increasing the motivation and commitment of employees. Furthermore, reward processes cover both financial and non-financial rewards. There are direct financial rewards which consist of payments in the form of wages, salaries and bonuses. There are also the indirect financial rewards, or benefits, such as insurance plans (life, health etc.), retirement plans, sick leave etc. Finally, the non-financial rewards consist of the satisfaction that a person receives from the job itself, from the psychological and physical environment in which the person works (Mondy and Noe, 2002).

Reward management should be based on a set of beliefs and guiding principles that are consistent with the values of the organization (Armstrong, 2009). Commercial Bank of Ethiopia is one of the pioneer and the leading Bank in Ethiopian Banking Industry. Currently, the Bank has been expanding its business operation to the extent of 1264 branches throughout the country; it plays a catalytic role in the economic progress & development of the country. It has over 30,000 employees all over the country. The Bank has a target to mobilize 71.5 Billion birr this budget year (2017/18 E.C) to help facilitating the achievement of the growth and transformation plan through deposit mobilization, foreign currency generation and thereby financing key development projects

envisage the plan. As the Bank is aggressively expanding its branches network and many of the existing branches also have been expanding their services via opening additional services, and hence, the number of customers has been increasing significantly reaching over 13.3 million at the end of June, 2017. As the success of the Bank highly depends on the quality of its human resources, the Bank has been giving large emphasis in recruiting qualified professionals. This study focused on assessment of reward management system practices in commercial bank of Ethiopia and tried to assess the current reward management practices that the company is using to attract and retain employees.

1.2. Background of Commercial Bank of Ethiopia

Commercial Bank of Ethiopia was established in August 1942 G.C as a state bank of Ethiopia by proclamation with the aim of providing commercial banking service to the public. But a year later, in addition to its commercial banking functions, the bank was entrusted with three basic duties of a central bank i.e. controlling the issuance of currency, holding the foreign reserves of the country and acting as fiscal agent of the government. CBE was incorporated as a share company in December 1963 GC, to take over the commercial banking activities of the former state bank of Ethiopia and carry on all types of banking business and operations. It's the commercial successor of the former state bank of Ethiopia to whom all the branch network and established business of its predecessor were transferred in 1963 GC. Now a day, CBE carries a comprehensive banking business such as, providing different types of loans for borrowers, Internet Banking, Mobile Banking, ATM/Visa Card , Interest Free Banking, different types of saving deposits, providing local and foreign money transfer and facilitating domestic and international trade in and between the country with the help of its above 1,264 (one thousand two hundred sixty four branches) branches as of April 30,2018 and more than 30,000 employees all over the country and one abroad to its corporate, business, commercial and retail customer which makes it a truly national as well as the largest and dominant commercial bank in Ethiopia.

The CBE is expected to play a pivotal role in financing the development efforts of the country and national priority areas. Driven by the ambitious and ever-growing demand of stakeholders, the Bank has been working hard to become a World-Class Commercial Bank that meets the expectations of all stakeholders. To this end, CBE has re-engineered its business process and is

being transformed from a functionally-oriented bank into a process based institution that strives for efficient and effective service delivery. This paradigm shift has radically changed the bank in general and its human resources management system in particular. (*Source: CBE HR manuals*)

1.3. Statement of the problem

HRM is about investing in human capital from which a reasonable return is required, and then it is proper to reward people differentially according to their contribution (i.e. the return on investment they generate). Employees are the most valuable assets that can create comparative advantage their contribution is mandatory in achieving the company's goals and objectives (Armstrong, 2009). The way a company manages its reward systems have its own consequence on the behavior of employees as well as the effectiveness of the company in achieving its goals in general.

Major challenge facing organizations today is how to attract, engage and retain qualified employees due to the prevailing reward system. The design of compensation policy at CBE is mainly driven by the current economic and market conditions. In today's competitive and challenging business environment the management must try to acquire or retain a well-educated, motivated and experienced workers so as to be competitive in the market and to make the organization Profitable. Unless rewarding employees appropriately later on lead the organizations to lack of optimal man-task relationship, resistances of employees in taking future assignments, decrease in productivity, increase in operational error, decrease in employee morale and commitment and increase in employee turnover.

Banking industry is highly competitive and Commercial bank of Ethiopia has been playing a major role in economic development of the country since it is the largest commercial bank in Ethiopia. The Bank sees employees as the root source of quality and productivity gains by making sure that there is a spirit of cooperation and sense of commitment with in the sphere of its influence. Their satisfaction, competence and commitment largely determine the objectives that the Bank has set for itself and its success in achieving them. In order to make employees retain and make them committed to their jobs, there is a need for strong and effective motivation at the various levels. Because employees can give their best only if they are satisfied and their satisfaction leads to

customer satisfaction, otherwise unsatisfied employees are usually looking for an opportunity to gain what they have not get in their Bank.

We can find a number of studies conducted on assessment of reward management specifically in commercial bank of Ethiopia but none of them were after the latest salary adjustment of CBE therefore, this study tried to assess the reward management practice of CBE and fill the gap focusing on the current practice since employees are stakeholders in the organization.

1.4. Research questions

This research was conducted to assess the reward management practices of CBE. Consequently, the research tried to answer the following specific research questions in the problem statement.

- Does the organization use reward to motivate the employees?
- How does Commercial bank of Ethiopia align its business and HR strategy with the reward management practice?
- What is the view of employees on reward system used by the organization?
- What is the level of motivation of employees by the reward management policy of CBE?
- What factors do influence reward system?

1.5. Objectives of the Study

The general objective of the study was to examine the reward management practice of commercial bank of Ethiopia.

1.5.1. Specific Objectives

The specific objectives of the research include:

- To identify if employees are motivated by the reward management policy of CBE
- To describe the level of involvement of employees in reward practices
- To see if employers are offering their employees more options than just monetary rewards.

- To identify the view of employees on reward system used by the organization.
- Based on the findings and literature reviews, to summarize, conclude and recommend alternative ways to improve rewarding practices.

1.6. Significance of the Study

The major purpose of this study is to help CBE to adopt measures in the context of reward management system practices. Also the study is important because it reveals the importance of good reward management system practice to the performance of CBE. First, it provides a deeper understanding of the appropriate reward systems that required to be adopted by the different organizations to influence employees work performance. Second, the findings of the study helps the planners of Human Resource rewarding system on how to implement appropriate reward strategies within the organization to enhance work performance. The study can also give a clue for future amendment of the existing reward practices.

In addition, some of this study is to help organizations management to reflect more on the purpose and benefits of rewarding employees in line with work performance. Finally, the findings of this research add to the body of knowledge in the field of reward systems in private sector on their suitability and adequacy of reward packages to be introduced to lift employees' performance.

1.7. Scope of the Study

Commercial bank of Ethiopia is one of the largest banks in Ethiopia ,it has over 1264 branches stretched throughout the country so it is difficult to conduct a research from all branches due to time and capacity constraints this study covered employees working in Addis Ababa area specifically under south district (SAAD), west district (WAAD), north district (NAAD), east district (EAAD) and CATS from head office were included because of the homogeneity of the employees educational background ,work experience and due to the time constraint, and some departments that are under head office as a representatives of all employees were included.

1.8. Organization of the Paper

The study organized in five chapters. The first chapter includes background of the study, statement of the problems, objectives of the study, significance of the study, scope of the study, limitation of the study and organization of the study. In the second chapter literature review was viewed that have relation to the subject matter under study. The third chapter deals with in deep presentation of research design and methodology, in this part research design was discussed, population, sample size and sampling techniques was shown, what type of data required and from which source it obtained, what analysis method be implemented. The forth chapter consists of results and discussion from respondents. The last chapter includes summary of major findings, conclusion and recommendation part. Finally the references and appendixes attached at the end of the research paper.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

The intention of this chapter is to examine the extensive body of literature related to reward management systems practices. The chapter begins by providing definition to reward and total reward system. This literature review also examine various scholars' work on the significance of total reward system.

2.1. Theoretical Review

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). The most obvious reward employees receive from work is pay. However rewards also include promotions, desirable work assignments, and a host of other less obvious payoffs-a smile, peer acceptance, work freedom, or a kind of recognition. Reward management is based on a well-articulated philosophy a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. The philosophy recognizes that, if Human Resource Management (HRM) is about investing in human capital from which a reasonable return is required, and then it is proper to reward people differentially according to their contribution (i.e. the return on investment they generate) (Armstrong & Murlis, 2004).

The potential benefits to organizations of rewarding performance are many. They include motivating employees to perform better, increasing the retention of effective employees and decreasing the retention of ineffective employees, and creating a culture that values performance. These are clearly outcomes that any knowledge based organization would like to achieve and indeed may need to achieve in order to be competitive. Unfortunately, it is one thing to state the potential advantages of effectively rewarding performance and quite another to achieve those advantages by doing so (Lawler, 1990). Rewarding people involves reward management process concerned with the design, implementation and maintenance of reward systems that are geared to improvement of organizational, team and individual performance .It includes both financial and non-financial rewards (Armstrong, 2007).

2.2. Reward system

The reward system of an organization incorporates the organization's reward strategies policies, practices processes and procedures. These components dealt with varied issues such as what is the organization intends to do in the long run, how decision making is made, how grade and pay structure are formed, how policies are implemented and practices are carried out, and what procedures supposed to be maintained in the system in order to operate the system efficiently and flexibility (Armstrong, 2007). The reward system has varied elements which are interrelated to each other. The system begins from the business strategy, which is a base for reward strategies and policies and goes through varied steps up to the development of total reward packages.

2.2.1. Reward Management Processes

Reward Management process is an ongoing cycle that is responsible for the planning, organizing, implementing, monitoring, evaluation and revising of the reward system periodically. The reward management is composed of various components that are the building blocks of the process. As per Armstrong & Helen (2007), reward management is composed of the business strategy, reward strategy, policies, market analysis, job evaluation, grade structure, pay structure, financial and nonfinancial rewards, performance management, and employee's capability.

2.2.2. Types of Reward Scheme

The Rewards are categorized into two groups, financial and non-financial rewards. The financial rewards are also called extrinsic rewards and non-financial rewards are called intrinsic rewards. The financial rewards include pay, bonuses, allowances, insurance, incentives, promotions and job security, whereas the non-financial rewards include appreciation, meeting the new challenges, caring attitude from employer, appreciation and recognition which motivates the employee (Bratton & Gold 2007:57).

2.3. Reward Composition

How is the pay package made up? The growing complexity and sophistication of payment arrangements raises all sorts of questions about pay composition (Torrington, Hall, & Taylor, 2008:598). According to the expectancy theory, which is discussed under section 2.12.1 below,

individual needs and wants vary. Therefore, reward management requires proper composition between financial and non-financial rewards. As stated in (Chapman & Kelliher, 2011) the owners of organization usually want to ascertain that employees direct their work effort in line with the owners' best interests. It further stated that, owners' interest can be achieved through adjusting the reward mix, in particular the balance between fixed and variable rewards, to ensure that appropriate incentives are in place for the employee to act in the owners' interest. According to (Patricia & Jay 2000:49) if the company is weak in one component its needs to boost up another.

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

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

2.4. Elements of reward management

According to Armstrong (2006) the following are the basic reward management elements.

A) Reward system

A reward system consists of;

- Policies that provide guidelines on approaches to managing rewards.
- Practices that provide financial and non-financial rewards
- Processes concerned with evaluating the relative size of jobs (job evaluation) and assessing individual performance (performance management).
- Procedures operated in order to maintain the system and to ensure that it operates efficiently and flexibly and provides value for money.

B) Reward strategy Reward strategy sets out what the organization intends to do in the long term to develop and implement reward policies, practices and processes that will further the achievement of its business goals. Reward strategy is a declaration of intent that defines what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals and meet the needs of its stakeholders. Reward strategy provides a sense of purpose and direction and a framework for developing reward policies, practices and process. It is based on understanding the needs of the organization and its employees and how they can best be satisfied. It is also concerned with developing the values of the organization on how people should be rewarded and formulating guiding principles that will ensure that these values are enacted (Shields,2007).

C) Reward policies Reward policies address the following broad issues:

- The level of rewards, taking into account ‘market stance’, i.e. how internal rates of pay should compare with market rates, for example aligned to the median or the upper quartile rate;
- Achieving equal pay
- The relative importance attached to external competitiveness and internal equity;
- The approach to total reward;

- The scope for the use of contingent rewards related to performance, competence, contribution or skill;
- The role of line managers;
- Transparency- the publication of information on reward structures and processes to employees.

2.5. The Framework of reward management

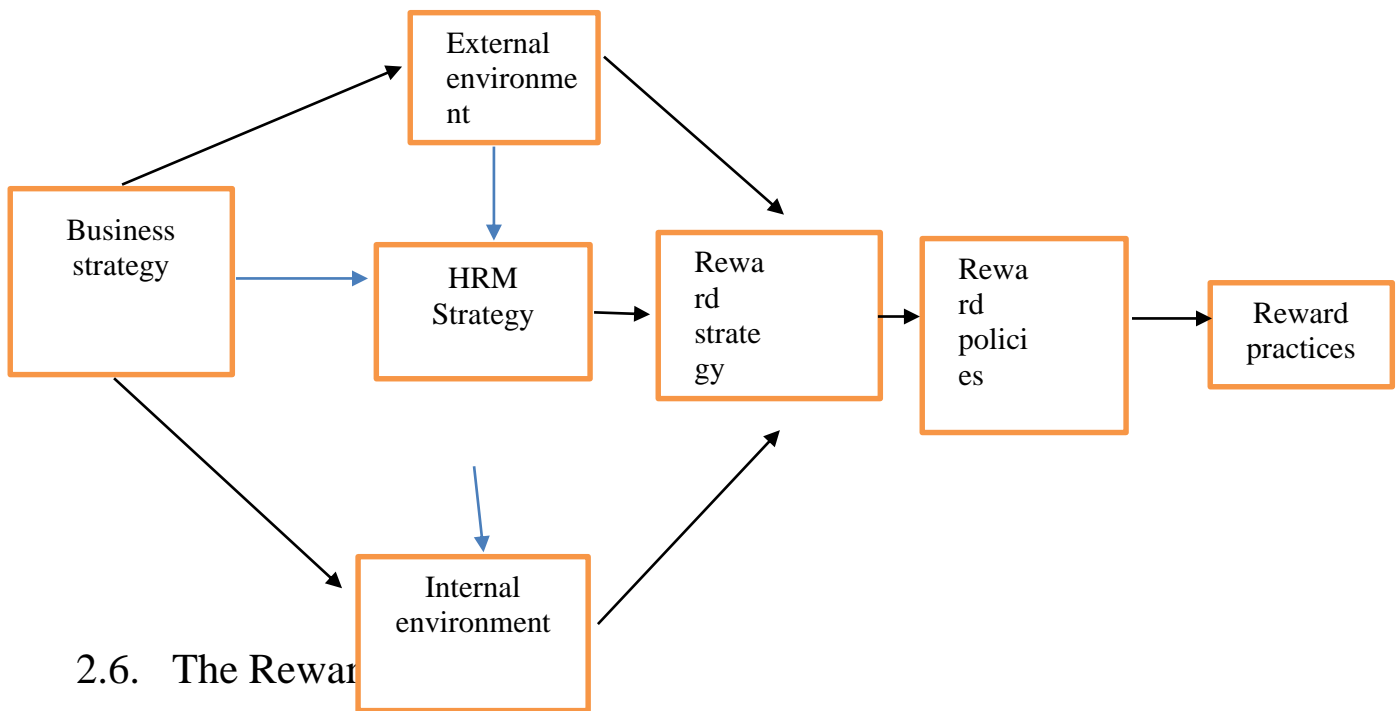
The design and operation of reward management process and practices should start from understanding of the implications of the psychological contract concept, motivation theory and the factors affecting pay levels. But it must focus on the needs of the organization and the people who work in it. These needs are most likely to be met if reward processes are based on an articulated and integrated approach to the development of the framework of reward philosophies, strategies and policies that will support the achievement of the organization's business strategies, as well as acting as levers for change. (Armstrong, 2010) The framework the development framework is illustrated in figure 1. It consists of the following elements

- The internal and external environments:-the analysis of these provides the information required to help in the formulation of the strategic agenda for the organization and for human resource management strategies. The internal analysis will also influence reward philosophies.
- The business strategy: - as a 'strategic agenda', this defines the direction in which the organization is going in relation to its environment in order to achieve its objectives.
- Human resource management strategy:-this flows from the corporate strategies and is concerned with the key areas of resourcing, skills acquisition and development, performance and quality management, rewards and employee relations. The aim is to make strategies in each of these areas mutually supportive. It is important, therefore, for the reward strategy to be integrated with every other aspect of the human resources strategy.
- Reward strategy:-this defines the intentions of the organization on the reward policies, processes and practices required to ensure that it has the skilled, competent and well-motivated

people it needs to achieve its business goals .it will flow from the business and human resources strategies of the organization and lock them, will be affected by environmental factors .those preparing reward strategies essentially find out where the business intends to go and then take steps to help it get there. Reward strategy strongly influences reward policy and largely determine the form of pay practices, structures and procedures.

- Reward policies:-these provide guidelines for the implementation of reward strategies and for the principles and the operation of the reward management processes and practices.
- Reward practices:-financial and non-financial rewards, job evaluation, external benchmarking, pay structures, performance management and employee benefits.

Figure 1 Framework of reward management (Developed by Armstrong,2010)



2.6. The Reward

Throughout the management literature, practitioners as well as theorists have underlined the importance of rewards systems. Rewards management is considered to be probably the most rapidly developing area of human resource management. In order to conceptualize the rewards systems, it is necessary to commence from the Harvard Model of human resource management, which emanates from the Harvard Business School (Sparrow & Hiltrop, 1994). This model is called “Soft

Variant” because it emphasizes in the human aspect of human resource management. According to Beer al (1984), the model comprises of four key policies: rewards systems, designed to attract, retain and motivate employees; human resource flow, a kin to the human resource development set of policies; employee involvement in decision-making, and work systems, designed in order to produce the best outcomes.

It is therefore obvious that rewards systems are a fundamental function of human resource management as they deal with the assessment of job values, the design and management of payments, performance management, contingent pay, employees’ benefits and pensions and the management of rewards procedures. Furthermore, reward policies should take into account organizational goals, values and strategies (Armstrong and Murlis, 1998). Another important point that Armstrong and Murlis (1998) mention is that rewards systems also include the development of organizational cultures as they are led by organizational requirements and can increase the motivation and commitment of employees as their philosophy must recognize the vital role of the workforce and also respect their needs.

The rewards systems are comprised of two main elements: financial and non-financial rewards. The financial rewards include rewards strategies such as merit-pay, market-based pay, profit-related pay, while non-financial rewards focus on the needs of people for recognition, achievement, responsibility and personal growth (White and Drucker, 2000).

2.6.1. Objectives of reward management

According to Stone (1998), reward management objectives are as follows:

Organization

- To attract and retains quality and the desired employee participation.
- Motivates employees to improve their work performance in the effort to achieve organization’s strategic objectives.
- Strengthens main values and culture desired by the organization.
- Encourages and strengthens work behavior as desired by the organization.

- Ensures compensation is maintained at a competitive level.
- Controls compensational cost.
- Ensures optimum returns on each ringgit spent.
- Abides legal requirement

Employee

- Increased engagement as part of the process.
- Giving out performances equivalent to the rewards as demonstrated.
- Enhancing the employment relationship.

2.7. Reward Philosophy

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

2.7.1. Entitlement Orientation

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

Market comparisons tend to be made within an industry, rather than more broadly considering compensation in firms of all types. Bonuses in many entitlement-oriented organizations are

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

2.7.2. Performance Orientation

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

2.8. Organizational Culture

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

Companies design strategies at three levels: corporate, business and functional levels. All of these strategies should have to fit one another. Development of Human Resource (HR) strategies is among the various functional strategies. According to Armstrong (2006:133) the development of any HR strategy starts by aligning the HR strategy to the business strategy and the organizational culture. He further stated that organizational culture is among the many factors that influence the design of a reward system.

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

Constructive culture focuses on performance and encourages managers to take actions to reinforce behavior that lead to high individual, group, and organizational performance. In this type of culture, employees feel less apprehensive about taking prudent risks. Instead, they will strive to achieve increasingly high levels of performance.

A restrictive (passive) culture is the one that punishes mistakes or demands compliance and tends to discourage organizational members from taking initiatives. This type of culture further focuses more on people than results. They are generally non-constructive because they require conformity ironically. Besides, employees creativity is discouraged rather require them to be dependent upon other people specifically authority figures. The third type of culture i.e. an aggressive culture values competition and power. It is prone to focus on results at the expense of human value.

The author finally concludes that constructive cultures enable employees to strive to achieve high levels of performance. This type of culture rewards and recognizes excellence. Hence, according to the author companies that adopt constructive organizational culture will design a reward system that will recognize and reward employees' performance.

2.9. Organizational Performance

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

2.10. Employees' Attitude towards Incentive Systems

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

Employees' commitment for their job depends on perceived organization support which also affects employees' attitude towards work and their satisfaction level. So, the attitude of employees also affects the organization commitment and job satisfaction. Employee attitude describes the actions of employees towards their objectives and goals. Employee attitude includes three major dimensions, which are affective attitude and a cognitive and individual's attitude. The affective attitude includes the emotional factor, feeling of employees and values or norms.

The cognitive attitude focuses on the employee's belief about the right and wrong concept. Lastly, the behavioral employee's attitude shows the intentions and decision making will and power. Job satisfaction of employees is increased in different manners by the different tools. The main two factors that raise the employee job satisfaction level are intrinsic and extrinsic motivational factors in shape of rewards system. Job satisfaction refers to employees output against their remuneration and other supports from the organization. Job satisfaction reflects the influence of intrinsic and extrinsic rewards as a result of employee attitude and positive effective employee performance.

It is pointed out that the better the feedback, freedom, career development plan, valuation of employees, learning programs, open & comfortable environment and good supervisory relations provided to employees, the higher is the employee performance and positive attitude in the

workplace and therefore it would result the higher performance and good environment in the workplace which will increase the productivity of organization. (Ajmal, Bashir, Khan 2015:468)

Intrinsic and extrinsic rewards show significant influence on the employee's perception to make significant boost in employee's satisfaction and motivation level. Intrinsic and extrinsic rewards are essential for employee satisfaction, if employees are rewarded appropriately with salaries, bonuses and increment for their hard work then they will be motivated greatly towards achievement of their representative objectives and in the same way if employees are acknowledged properly against their efforts then they will be more satisfied and happier towards their official objectives. (Bari, Arif, Shoaib 2013:2558)

2.11. Reward and Employees Performance

As markets become more competitive on a global scale it is increasingly crucial to maximize the performance of the workforce to maintain the market position (Winfield, Bishop, & Porter, 2004:118). Performance improvement can be obtained by identifying a shared vision of where the organizations want to be and clarifying the role of each employee in that process. However, even though there is goal clarity if individuals are not rewarded based on their performance, their performance would not be consistent.

Reward and performance are the two sides of a single coin. (Gomez-Mejia, Balkin, & Cardy2005) outlined that the main objectives of any compensation and performance system is to motivate employees to work harden and help managers to decide who should be paid more based on individual contribution respectively. From the mid of 1980s there was a big growth in pay systems linked to individual performance, particularly performance related pay (Winfield, Bishop, & Porter, 2004:133).The introduction of Performance Related Pay (PRP) further strengthen the relationship between the two. In relation to this, it is stated that under a system of performance related reward, the level of employee remuneration is directly related to the level of work accomplished (performance).It is further explained that performance planning gives the means for determining by what measures people will be rewarded. On the other hand, Spangenberg (1994; quoted in Williams, 2002) described that in the integrated model of performance management system, the last step is rewarding performance. Besides the expectancy theory argues that linking

incentives to performance motivates employees to increase their effort and performance (Stringer, Didham & Theivanathampillai, and 2011:162).

2.12. Motivation Theories

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

The physiological needs are based on the assumption that humans have a set of innate needs or drives and that these needs constitute the biological determinants of our behavior. The notable scholars from this school of thought are A. H. Maslow (Maslow's Hierarchy of needs), F.W.Herzberg (Herzberg's two factor model), D.McGregor (Theory of X and Y), C. P Alderfer (ERG model) and D.S. McClelland (theory of needs). The cognitive school of thought, on the other hand, suggests that motivation is an active response by humans to factors both inside and outside the individual. Some of the major prominent scholars in this school are Edwin Locke (Goal Setting theory), V. H. Vroom (Expectancy theory) and others. The third school of thought, i.e. the social/behaviorist theories, draws together from two approaches to motivation i.e. social theory and behaviorist theory. This school of thought is concerned about the effect of the environment on behavior of individuals and place specific emphasis on the effect of social interactions. J. Stacy Adam (Equity theory), Thorndike (Reinforcement theory), Ivan Pavlov (Classical conditioning) and B.F. Skinner (Operant Conditioning) are some of the proponents of this school.

2.12.1. Vroom's Expectancy, Valence and Instrumentality Theory

This theory explains how the goals of individuals influence their effort and the behaviors. Individual's selection depends up on their assessment of the probability that the behavior will successfully lead to the goal (Mamoria&Gankar, 2001:620). The basics for Vroom's theory is that individuals will behave in a specific way when there is high expectancy that such behavior will result in a desired outcome. The second aspect in Vroom's theory is valence which essentially refers to the value of outcomes or goals. The third point in this theory is instrumentality. This

concept suggests that the behavior of individuals is influenced by the degree to which additional desired goals can be attained as the direct result of such behavior (Hume, 2000:24).

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

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

The implication for employers is that incentive schemes will not work with everybody, that considerable care has to be taken with the rewards to ensure a reasonable degree of valence and that honesty and trust must prevail with both the level of targets and the application of the rewards (Stredwick, 2005:210). Scholars (Torrington, Hall, & Taylor 2008:678) also suggest that incentives are not universally applicable, but can play a role in enhancing individual effort or performance where the conditions and scheme design are right. Problems occur when the wrong system is imposed, on the wrong people, in the wrong circumstances or for the wrong reasons.

2.12.2. Motivation-hygiene theory

The two factor model of motivation developed in 1959 by Fredrick w. Herzberg tries to find out what people want from work. According to DeCenzo & Robbins (2005), the theory identifies two sets of factors that influence work behavior: dissatisfies (hygiene factors) and satisfiers (motivators). Hygiene factors are related to the context of jobs which do not result in the individual being satisfied but prevent the individual from being dissatisfied. These include pay, working condition, supervision, status, security company policy and administration. Motivators are those factors within the workplace which resulted in the individuals being satisfied at work includes

achievements, responsibility, recognition, advancement, growth and the work itself. The two-factor theory underpins the proposition that reward system should provide for both financial and non-financial rewards (Armstrong,2009).

2.12.3. Equity Theory

The notion of fair play is never far away from reward considerations and equity is an important factor in motivation. According to (Singh 2005:171) the main theme of any system is maintenance of equity or fairness. Equity theory states that equitable treatment of people will enhance their motivation otherwise the reverse will happen. (Armstrong & Stephens, 2005:77). This theory suggests that motivation can be maintained through the concepts of distributive justice, where pay is seen to be fairly distributed in line with employee's worth and output, and procedural justice, where the methods of arriving at these judgments are seen to be fair. These methods include employee participation, accurate measurement, fair appraisal and appeals processes (Stredwick, 2005:211).

People want to be treated fairly in all facets of compensation, including base pay, incentives, and benefits. This is the concept of equity, which is the perceived fairness of the relation between what a person does (inputs) and what the person receives (outcomes). Inputs are what a person brings to the organization and include educational level, age, experience, productivity, and other skills or efforts. What a person receives from the organization, or outcomes, are the rewards obtained in exchange for inputs. Outcomes include pay, benefits, recognition, achievement, prestige, and any tangible or intangible reward received. Individuals judge equity in compensation by comparing the effort and performance they give with the effort and performance of others and the rewards those others receive. But it must be stressed that these comparisons are personal and based on individual perceptions, not just facts.

2.12.3.1. Procedural and Distributive Justice in Reward

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

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

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

2.12.3.2. Pay Openness

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

2.12.3.3. External Equity

Externally, the organization must provide compensation that is seen as equitable in relation to the compensation provided employees performing similar jobs in other organizations. If an employer does not provide compensation that is viewed as fair by its employees, that organization may have

higher turnover of employees, may have more difficulty recruiting qualified and scarce-skill employees, and may attract and retain individuals with less knowledge, skills, and abilities, resulting in lower overall organizational productivity.

2.12.3.4. Importance of Equity and Compensation Activities

It is important for HR professionals and managers to develop, administer, and maintain compensation programs that are perceived equitably by employees. The consequence of an equitable compensation program is that individuals are more likely to be attracted to and take jobs in organizations where employees do not voice widespread concerns about equity. Greater loyalty, less turnover, and higher commitment to achieve organizational performance objectives are more likely if employees believe they are compensated fairly. Also, the organization must have policies, procedures, and administrative support systems that are viewed as job-related and are not manipulated by favoritism or personality preferences of managers and supervisors. Finally, external equity is crucial if the organization is going to compete effectively in the labor market. Increasingly in many labor markets, some employers are finding it difficult to attract and retain a workforce with the necessary capabilities to compete in a global marketplace. Regularly tracking external pay data and updating pay structures are integral to ensuring external equity in any organization (Armstrong & Stephens, 2005:230; Bowen, 2000:46; Hume, 2000:62; Patricia & Jay, 2000:99).

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

2.13. Factors affecting reward management policy and practice

Reward management policy and practice are subject to a number of influences. These consist of contextual factors arising from the internal and external environment and conceptual factors

relating to theories and beliefs about strategic management, total reward, and human capital management, the factors affecting pay levels, motivation, engagement, commitment and the psychological contract.

The internal environment

The internal environment consists of the organization's culture and its business, technology and people.

The external environment

The features of the external environment are competitive pressure, globalization, and changes in demographics and employment.

Total reward

Total reward policies provide for a holistic approach to be adopted to reward management, which ensures that all aspects of reward are treated as a coherent portfolio of policies and practices.

Human capital management

Human capital management (HCM) is concerned with obtaining, analyzing and reporting on data, which informs the direction of value-adding people management strategic, investment and operational decisions at corporate level and at the level of front-line management. An HCM approach to reward management will assemble data on the effectiveness of reward management policies but in a more advanced form will attempt to assess the impact of remuneration policies on people and the business, thus informing strategic plans. (Armstrong, 2010).

2.14. Empirical Studies

Several studies have been done on the impact of reward system on organization performance in different parts of the world. Here under of some of recent studies are discussed.

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.

Aktar, Sachu & Ali (2012) examined the impact of intrinsic rewards (recognition, Learning opportunities, challenging work and career advancement, and extrinsic rewards (basic salary and performance bonus) on employee performance in twelve commercial banks of Bangladesh as is in this study. The study found that each factor within both extrinsic and intrinsic reward was a highly significant factor which affects employees' performance. In contrast, the study conducted by Yasmeen, Farooq and Asghar (2013) on the impact of rewards on organizational performance in Pakistan revealed that there exists insignificant and weak relationship between salary, bonus and organization performance. However it found that there exists moderate to strong relationship between promotion and organization performance. Although these two studies are similar to the current study, they were conducted outside Ethiopia and because of cultural difference and other features; the impact of rewards on organization performance could yield different outcomes in this country.

The study conducted by Ong and Teh (2012) on reward system and performance within Malaysian commercial banks found that most of the commercial banks provide both monetary and non-monetary rewards; adoption of reward system is not influenced by age and size of the organization. The study however, found a negative relationship to exist between extrinsic rewards and financial performance of organizations and intrinsic rewards are positively related to financial performance of organizations.

The model has included the expectancy theory of rewarding employees based on their needs and value and equity theory that is perceived as fair and equitable reward system will bring increased employees' performance. Expectancy theory (By Vroom (1964), Porter and Lawler (1968) there must be a link between effort and reward (line of sight), and the reward should be achievable and worthwhile and Equity theory (by Adams (1965)) People are better motivated if treated equitably. cited in (Armstrong, 2010).

For instance, whether formal or informal, recognition programs acknowledge employee contributions immediately after the fact, usually without predetermined goals or performance levels that the employee is expected to achieve. (Ruddy, 2007) The study applied independent and dependent variables in order to put the research into practice. These dependent and independent variables are shown in the conceptual framework. Therefore the independent variables are pay/salary, benefit, promotion, recognition and working environment and the employee performance will be taken as the dependent variable for the study.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

Introduction

In this chapter the overall research design and methodology explained. Hence, type of research design, population, sample size and techniques, data source, data analysis techniques and data gathering tools, validity, reliability and ethical consideration.

3.1. Research Design

A research design shows the master plan for collecting and analyzing the required data by specifying the methods and procedures that is going to be used. For this study to collect the necessary data both primary and secondary data sources was used and both qualitative and quantitative data types were collected.

The study employed descriptive research design to describe the result and findings of the study. This is relevant that it enable the researcher to gather data form single population. Kothari (1985) stated descriptive research focuses on explaining the characteristics of a particular individual, group or situation. Thus, the objective and nature of this research relevantly fall under descriptive research design.

3.2. Sample Size and Sampling Techniques

3.2.1. Population

The total populations of the study are employees of CBE who works in south district of employees in Addis Ababa city. There are 8775 employees who work in CBE at different position throughout Addis Ababa. (HR Statistical Data, 2017)

3.2.2. Sampling Size

Samplings is process of choosing a smaller and more manageable number of people to take part in the research process and generalize the results to the whole of the research population (Catherine, 2002). For this study cluster sampling was used since the population consists of top management, middle levels/supervisors and lower level /line employees as per (Sarantokos, 1998). The researcher planned to use cluster sampling techniques to select the group of population that was involved in the study. To conduct this study employees working in Addis Ababa area specifically under south district (SAAD), west district (WAAD), north district (NAAD), east district (EAAD) and CATS from head office were included, the remaining out lining districts were not be included because of the homogeneity of the employees educational background, work experience and due to the time constraint, were not included.

The population size of this study is 8775 out of this to get the appropriate sample size the following formula by kotari(2014..p. 179) was used:-

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N - 1) + z^2 \cdot p \cdot q}$$

Where; n= sample size

N= population size (8775)

z= confidence level at 95% (standard value of 1.96)

p= standard deviation of the population (0.5)

q = 1-p (1-0.5= 0.5) and e= margin of error at 5% (standard value of 0.05)

$$n = \frac{1.96^2(0.5)(0.5)(8775)}{0.05^2(8775-1)+1.96^2(0.5)(0.5)}$$

$n=368.08$
 $n \approx 368$

3.3.3 Sampling Techniques

Cluster sampling method is relevant to obtain representative sample when the population is spread across a wide area (Kothari, 1985). Its divided the population into groups (clusters). The population into three categories/ clusters of job classifications namely south district (SAAD), west district (WAAD), north district (NAAD), east district (EAAD) and CATS from head office was considered to be clusters for this study. The sample size for each cluster can be calculated using the following formula.

Table 1 Determination: Sample Size

Employee categories/ clusters	Target population		Sample size
	Number	Percentage	

South district	2348	26.75%	$\frac{2348 * 368}{8775} = 98$
West district	1640	18.66%	$\frac{1640 * 368}{8775} = 69$
North district	2116	24.11%	$\frac{2116 * 368}{8775} = 89$
East district	2026	23.08%	$\frac{2026 * 368}{8775} = 85$
Head office CATS	645	7.40%	$\frac{645 * 368}{8775} = 27$
Total Employee	8775	100%	368

Source: CBE HR Statistical Data, 2017

3.3. Sources of Data and Tools of Data collection

For this study the researcher was used both primary and secondary sources of data collection. The primary data was collected through unstructured interview with the human resource directorate head of the districts to elicit their knowledge on reward management. Also the questioner was adopted from other research and from literature and it was developed in English and had two parts, the first part was related to demographic profile of the respondents and the second part was about general reward system and practices. The questioner was designed in such a way that participants will have freedom to express their views in response to the questions asked without any influence or clues from the researcher.

The questionnaire was designed on Likert five point Rating Scale (1=Strongly Disagree, 2=Disagree, 3=Neutral, 4= Agree and 5=Strongly Agree). To test and see the effect of the variables the data will be analyzed using SPSS software.

The secondary data collection method that was used includes annual reports, HR policy and procedure, Human Resources Manual of the organization, literatures, journals, previous researches and websites or internet.

The design was based on the structure which can serve to identify the research's purpose that was analyzed from gathered data through the questionnaire. It has two main parts: the first part includes one section which addresses age, gender, educational level, experience and job title; the second

part which contain five sections includes 36 items were prepared for all respondents which used to assess the total reward systems and practices.

3.4. Procedures of Data Collection

The researcher used both primary and secondary sources of data collection. After getting the list of employees from head office and the district managers the researcher was communicated the directorate heads for their willingness to have an interview with and make a schedule with each of them who are willing to participate. The researcher was distributed the questioner to employees who are working under each directorate and willing to respond questions based on the sample size for the city branches and for head office staffs. The questioner was distributed and collected after filling the questions. For the secondary data's the researcher was communicated the HR unit to get all the necessary materials which are helpful for this study. A time was scheduled two week for collection the questioner and for interview arrangement.

3.5. Data Analysis Method

Descriptive data analysis was mainly used to analyze the data collected through the questionnaire and data has analyzed according to the study and framing the different sections of the questionnaire and the variables under each construct. The researcher used both qualitative and quantitative research methods. Quantitative analysis tools like average, percentage and tables are used to analyze the data that are collected through questioner. The researcher also deals with qualitative phenomena where issues like the analysis of reward management practices as responded in the interview and documentary analyzed are described and interpreted qualitatively. The close-ended questions data were analyzed by using SPSS; put in frequency and Percentile was computed. Open-ended questions were used by coded the issue raised within the organization.

3.6. Reliability

Reliability refers to the consistence, stability, or dependability of the data. Whenever an investigator measures a variable, he or she wants to be sure that the measurement provides dependable and consistent results (Cooper & Schindler2006). A reliable measurement is one that if repeated a second time gives the same results as it did the first time. If the results are different,

then the measurement is unreliable (Mugenda2008). To measure the reliability of the data collection instruments, an internal consistency technique using Cronbach's alpha was applied (Mugenda2008). Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalizes ability (Zinbarg2005). An alpha coefficient of 0.75 or higher indicated that the gathered data are reliable as they have a relatively high internal consistency and can be generalized to reflect opinions of all respondents in the target population (Zinbarg2005). The result of Cronbach's Alpha coefficient is presented below.

Table 2. Cronbach's alpha reliability statistics of the questionnaire

Reliability Statistics	
Cronbach's Alpha	N of Items
.780	4
.801	6
.795	7
.749	8
.806	7

3.6.1. Validity

Validity refers to the extent to which an instrument measures what is supposed to measure. Data need not only to be reliable but also true and accurate. If a measurement is valid, it is also reliable (Joppe 2000). The content of the responses given by the respondents were checked against the study objectives. Evidence of content relevance, representativeness and relevance to the research variables indicates that the research instruments are valid (Joppe 2000).

3.6.2. Pilot study

Pilot study was conducted to test the reliability and validity of the questionnaire. This was undertaken to test the reliability and validity of data collection instruments. According to Dempsey (2003) pilot study is the process of conducting preliminary test of data collection instruments in order to eliminate data collection problems that may led to low data validity and reliability. Pilot study was thus conducted to help in identification of errors in data collection instruments and make necessary adjustment in order to ensure valid and reliable data was collected. Pilot test was conducted on employees at south district in Addis Ababa city. Based on the outcome of the pilot test the questionnaires were modified and redesigned.

3.7. Ethical Considerations

Confidentiality and privacy are some of the most corner stone of field research activities in order to get relevant and appropriate data. The researcher assured the purpose of the research paper and confidentiality of any information gathered through questionnaire on the introductory part of the paper. A final report was made available to the organization for perusal and for academic purpose. Moreover, all materials consulted to conduct the study have been duly acknowledged.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1. Introduction

This chapter deals with analysis and presentation of the data collected through questionnaire. Descriptive statistics like standard deviation and mean were used to analyze the data. The findings from the questionnaires were analyzed by using SPSS (version 20). The results from the study are presented in the form of table.

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 non-financial rewards of the company.

4.2. Demographic Characteristics of the Respondents

This section describes the frequency distribution of respondents' personal or demographic characteristics. Thus, Demographic characteristics like gender, age, education level, working experience described by using frequency and percentage.

Table 3. Demographic information of the respondents by Table

Gender				
	Frequency	Percent	Valid Percent	Cumulative Percent
MALE	216	58.69	58.69	58.69
FEMALE	152	41.31	41.31	100
Total	368	100	100	
Age				
	Frequency	Percent	Valid Percent	Cumulative Percent
20-24	73	19.83	19.83	19.83
25-29	87	23.64	23.64	43.47
30-34	78	21.19	21.19	64.66
35-39	74	20.11	20.11	84.77
40-44	56	15.23	15.23	100
Total	368	100	100	
Educational Background				
	Frequency	Percent	Valid Percent	Cumulative Percent
CERTIFICATE	8	2.17	2.17	2.17
DIPLOMA	63	17.12	17.12	19.29
BA/BSC	218	59.24	59.24	78.53
MASTERS	79	21.47	21.47	100
Total	368	100	100	
Years of service in CBE				
	Frequency	Percent	Valid Percent	Cumulative Percent
1-5	180	48.91	48.91	48.91
6-10	103	27.99	27.99	76.90
11-15	62	16.85	16.85	93.75

16-20	23	6.25	6.25	100
Total	368	100	100	

Source: Own Survey, 2017

The above table shows the summary of respondents’ demographic factors 58.69% is male and the rest 41.31% is female. Based on the information, the researcher can infer that the majority of respondents are male.

The age distribution of the respondents, As the result 23.64% of the respondents are in their 25 to 29 age group, followed by respondents aged 30 to 34 which is equal to 21.19 % ,age group from 20 to 24 are 19.83% and the least group found age group 40-44 which is 15.23% of the respondents. Therefore, the current employees of CBE are less than age group of 30 years.

The educational qualification of the respondents. Consequently, the largest numbers of the respondents are degree holders which are 59.24% of the respondents followed by masters’ holder 21.47%, diploma holders are 17.12% and 2.17% of are certificate Holders. From this, one can easily understand that most employees of CBE were well educated and can contribute a lot for the success of the organization.

The working experience or service years of the respondents in the organizations. It indicates that 48.91% of respondents have been working in the organizations for up to 5 years, 27.99% for 6 to 10 years, 16.85% for 11 to 15 years and only 6.25% of respondents have been working for greater than 15 years. Therefore, the majority of the respondents have been working for less than ten years in the organizations this implies that the banks reward system must be enough to retain in the employees.

4.3.Data Analysis Pertaining to the Study

This section is the data analysis pertaining to the study it presents the frequency distribution of respondents’ opinion on different thematic area. The data obtained from questionnaire and interview. In addition, the organization`s reward assessment practice would be analyzed with

reference to the best practices and cohesive with the analysis of questionnaire and interview data. Each of them described by using mean and standard deviation as captioned below.

4.3.1. Total reward system

In this section responses obtained on the general consideration of total reward system were presented and interpreted.

Table 4: Total reward system

S.N	Questions	Mean	Std. Deviation
1	The bank's total reward package is competitive with other banks	2.61	1.32
2	The bank clearly communicates its reward package to all employees	2.61	1.27
3	The bank's total reward package is capable to retain best performers	2.44	1.22
4	The bank's reward system clearly differentiates between high performers and low performers	2.30	1.11

Source: Own Survey, 2017

The above table 4.2 shows Mean of 2.61 and std. Deviation 1.32 on the statement “The bank’s total reward package is competitive with other banks”. This indicates that majority of the respondents shown disagreement with the stated enquiry.

The above table 4.2 shows Mean of 2.61 and std. Deviation of 1.27 on the statement “The bank clearly communicates its reward package to all employees”. This indicates that majority of the respondents shown disagreement with the stated enquiry.

The above table 4.2 shows Mean of 2.44 and std. Deviation of 1.22 on the statement “The bank’s total reward package is capable to retain best performers”. This indicates that majority of the respondents shown disagreement with the stated enquiry. In performance-oriented organization, the company’s reward system clearly differentiates between high performers and low performers.

High performers will be rewarded according to their performance better than their counter part. Majority of respondents of disagree on the ability of the reward system to differentiate between high performers and low performers. The mean result of 2.30 also indicates that majority of the respondents' disagreement. This implies that the company's total reward system is not related to performance.

4.3.2 Reward composition

Table 5: Financial reward that involve direct payments

S.N	Questions	Mean	Std. Deviation
1	There are sufficient financial rewards in the bank	2.62	1.169
2	High performers will get additional pay for their performance	2.39	1.21
3	Bonus is given only to high performers	2.24	1.24
4	Bonus is given to all employees regardless of their performance	3.23	1.22
5	Bonus given to high performers will initiate for better performance	3.46	1.30
6	The bank's housing loan policy is attractive	2.42	1.40

Source: Own Survey, 2017

Despite majority of employees agree that the financial reward type is greater than the nonfinancial reward type as discuss earlier, the above table depicts that there is no sufficient financial reward in the total reward system. As shown in the table, the mean of 2.62 implies that majority of them disagree on the existence of sufficient financial reward. However the existing financial reward is not sufficient or up to the expectations of the employees. In a performance-oriented culture, employees are rewarded based on their performance. As discussed earlier, high scorers are not entitled for additional pay. The mean result of 2.39 indicates that majority of respondents do not agree on the statement of "High performers will get additional pay for their performance".

Generally, the result will attract the company’s attention since majority of respondents do not agree. The above table shows on the statement “Bonus is given only to high performers” and ‘Bonus is given to all employees regardless of their performance” this is clearly indicated the mean result of 2.24 indicates that bonus is not given only to high performers. In relation to this, mean result of 3.23 implies that majority of respondents agree that the company provides bonus for all employees regardless of their performance.

The company provides various types of indirect financial rewards. Among this, provision of housing loan at the lowest interest rate is the one that is common to most employees. However, majority of respondents agree that the housing policy of the company is not attractive as indicated by mean result of 2.02. In terms of number of respondents about 83 or percentage 71.6 % disagree on the attractiveness of the housing loan policy. This means the perception of employees is negative towards the housing loan policy of the company. Hence, the company should revise it to make as much as possible attractive for its employees

4.3.3 Non-financial reward that do not involve any direct payments

Table 6: Non-financial reward that do not involve any direct payments

S.N	Questions	Mean	Std. Deviation
1	My supervisor appreciates a job well done	3.12	1.18
2	The recognition I get due to my performance is visible to others.	2.81	1.096
3	There is conducive work environment in the bank for employees	2.65	1.18
4	There is clear career development opportunity in the bank	2.68	1.098
5	The bank’s promotion policy is clearly communicated to all employees	3.05	1.18
6	Usually the bank fills vacant position in the form of internal promotion	3.37	1.02
7	The bank provides adequate training to develop employees future career	3.61	1.08

Source: Own Survey, 2017

In the company in table 6, as revealed by the mean result of 3.12, majority of the respondents have been appreciated by their immediate supervisor. This is a good culture of that should be developed more. However, respondents do not know whether the recognition or appreciation they have got is visible to others as revealed by mean result of 2.81. Here the company should develop a mechanism to communicate high performers or good job behaviors of employees to all other employees so as to increase their recognition visibility. This in turn will build the morale of high performers and encourage others to perform more.

Employees work in different situation. Conducive work environment can be expressed in the form of office setup, good colleagues, good leadership etc. In general, majority of respondents from the company, as reflected in the mean result of 2.65, have said that there is no conducive work environment in the company.

An employee working in the company has a target that he/she want to reach in the future. Whenever they perform better, whenever the company recognizes their effort, and their promotion confirms their progress towards their future career what they aim for. Employees should be clearly communicated about their future career development and companies should design mechanisms to develop employees' future career.

4.3.6 Procedural and distributive justice in the reward system of the bank

Table 7: Procedural and distributive justice in the reward system of the bank

S.N	Questions	Mean	Std. Deviation
1	The bank has clear procedure on how to implement the reward policy	3.08	1.08
2	Reward policies and procedures of the bank equally and consistently apply to all employees	2.84	1.16
3	Employees of the bank know where to appeal when the reward policy and procedure are violated	2.64	.961
4	The bank's total reward system is just and fair	2.59	1.22
5	The bank's reward system equally reward for works with equal values	2.53	1.14
6	In the bank there is favoritism in rewarding employees	3.75	.9406
7	I am rewarded fairly enough compared with my fellow employees	2.76	1.01
8	I am rewarded based on my performance	2.45	1.14

Source: Own Survey, 2017

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

Respondents of the company were requested to express their level of degree on the existence of clear procedure on how to implement the reward policy. Result of mean score 3.08 revealed that many of the respondents do not know about the issue. This implies that employees neither know the existence of any procedure or policy in the company let alone its understandability. Hence, the company should put forth its maximum effort to make clear how it is implementing its reward policy.

Even though employees do not know on the existence of clear procedure on how to implement its policy, they have felt that procedures are not applied equally and consistently to all employees. When respondents were requested about equally and consistent application of reward policies and procedures to all employees, they have disagreed. As per the mean score of 2.24, majority of respondents do not agree on the point. This indicates that the company rewards employees arbitrarily without consistency.

In relation to the above point, respondents were asked their knowledge where to go for appeal when policies and procedures are violated or any unfair practices undergo in the reward system of the company. The mean score of 2.64 implied that respondents do not have any knowledge where to go to appeal for unfair reward practices and violation of reward policies and procedures. This indicates that the company does not communicate its employees where they should go if there is any organ to hear their complaint. Generally speaking in such situations it is hard to maintain the rule of law and the company lacks transparency.

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

Respondents' mean score of 2.59 reflects the existence of unfair and injustice reward practices in the company. Respondents' also claim that the reward system of the company does not reward works with equal values, this was inferred from a mean score of 2.53. Moreover, respondents agree that there is favoritism in rewarding employees other than job performances. This was supported by 3.75 mean score. All of the issues are major problems that should be addressed soon.

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

Respondents' were asked to evaluate their reward compared with their fellow employees and performance. Accordingly, the study has found that a mean score of 2.76 and 2.45 for the former and latter respectively. This implies that employees do not know where they are standing compared with their fellows. The respondent disagree that they are not rewarded fairly enough compared with their fellow employees and their performance respectively.

4.3.5 Customized rewards

Table 8: Customized rewards

S.N	Questions	Mean	Std. Deviation
1	There is need assessment program in the bank on how to reward employees	3.0	1.305
2	Employees have the chance to choose the way they like to be rewarded	2.28	1.164
3	I will be happier, if the bank consults me what I need most when I perform better.	3.80	1.26
4	I like to be rewarded only direct financial rewards like salary increment and bonus when I perform better	2.95	1.16
5	I like to be rewarded only indirect financial rewards like; educational support, better medical coverage, better housing loan package etc when I perform better.	3.02	1.33
6	I like to be rewarded only non-financial rewards such as recognition, special training, career development opportunity etc when I perform better	2.82	1.05
7	I like to be rewarded appropriate mix of both financial and non-financial rewards when I perform better	4.50	1.11

Source: Own Survey, 2017

Need and wants of human being are not static. They change with time and situations. Companies that design best reward policy should not keep quiet for long period of time. They should conduct need assessment program periodically through attitude survey or any other means in order to know what is valued by the current work force. With regard to the above point respondents from the company do not know the existence of any need assessment program as indicated by mean score of 3.0.

The output of the need assessment is what is valued more by employees. Employees will be happier if they are rewarded what they value most. In the company, under study, majority of respondents disagree that they did not get a chance to choose the way they like to be rewarded. The mean score of 2.28 reveal their level of disagreement. Contrary to this, majority of them have expressed their happiness if the company consults them what they need most when they perform better. Mean score of 3.80 of the respondent have expressed their level of agreement. This ascertains that individual needs are varied and it is because of their difference they want to be consulted when they perform better. Hence, the company should devise a mechanism to address employees' needs and want.

Respondents were asked what they like to be rewarded when they perform better. Four items were prepared to identify what they like most. These are only direct financial, only indirect financial, only non-financial and both with appropriate mix. Accordingly, mean score of 2.95, 3.02, 2.28, and 4.50 were registered respectively. The result clearly shows that employees like to be rewarded both in financial and non-financial rewards with appropriate mix. Hence, the company should look into its reward policy and practice and adjust them according to the needs of its employees.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Introduction

This chapter presents the summary of the results and the findings based on the analysis conducted throughout the entire study. This research work has attempted to study the assessment of reward management practice at CBE. Hence, based on the data discussions, analysis and interpretation the following summary of major findings, conclusion and recommendation are presented here under.

5.2. Summary of Major Findings

The main aim of this study is to assess reward management practice at CBE. Based on that the following research results are found.

50.5% of respondents don't think that CBE's reward package is competitive with other banks and most respondents (61.4%) said that the bank's reward package is not capable to retain best performers and 57.% of them are also said the bank's reward system doesn't clearly differentiates between high performers and low performers.

The analysis realized that of 43.4% of respondents said that there is no sufficient rewards in the bank. And even though there is financial reward in the bank respondents said that it is not satisfactory.

Besides, 63.7% states that bonus didn't given to only high performers rather it is given regardless of performance. This may discourage high performers.

The reward policies and procedures of the bank when violated employees of the bank didn't know where to appeal, as confirmed by majority (82.8%). as majority of respondents (50.5%) thinks that they didn't rewarded as per their performance.

5.3. Conclusion

The following conclusions are drawn based on the basic research questions and the set research objective. This research aimed to assess reward management systems practices within organizations. Commercial bank of Ethiopia doesn't have a pay scale which considers market value of each profession.

- As per the findings of the study, it is vividly illustrated that there indeed exists a reward management system practices in CBE. Nevertheless, there are areas of improvement with regard to its proper implementation. Furthermore, it was discovered that the reward system itself is not revised as often as it should be.
- The items used to assess about the general reward system of the company revealed that employees of the CBE are not happy and motivated with the reward system. This is mainly because of there is no appropriate mix of both financial and non-financial rewards. Besides, employees have felt that the reward system is not competitive with other banks, not well communicated and it cannot differentiate between high and low performers.
- In both the primary and secondary data, the researcher found evidence to support the use of a more comprehensive or total rewards approach to how to manage and design reward systems. Responding to employee needs and expectations should govern an organizations reward systems. These expectations may ultimately change the standard practice or formal policies that govern the organization in question, but also other organizations of similar design and culture.
- The findings of the study revealed that there is no effective reward system. The study shows the fact that employees are not evaluated by the person who fits for the job. The study also shows the fact that there is no consistent reward system.

- The study also found that when, both financial and non-financial rewards are present at workplace, employees are motivated and so their job performance is improved and those efforts are reflected in the overall organization performance. In absence of adequate reward, workers would tend to express their displeasure through poor performance and non- committed to their jobs.

5.4. Recommendations

In View of the above conclusions drawn from the findings, the following recommendations were made to contribute to assessment of reward management system practice of CBE. Much of the results findings call the attention of the company to make corrective action so as to improve employee's performance through effective reward system. Nevertheless, the following recommendations must be well noted.

- Reward management systems can be measured using irrelevant criteria and sometimes people can be rewarded for meeting these criteria. Unfair reward systems can also be viewed in such a manner and be considered procedural rather than fitting an individuals or team's needs. Therefore some further study is needed on the integration of rewards systems in how that reward system and structure supports overall organizational strategy.
- The company should assess both the external market and internal needs of reward. This will help to design a competitive reward system. Rewards reflect the market in which an employee is based, whether that is geographical or functional, and compare favorably with those of competitors.
-
- As indicated in the data presentation, the company should work hard in order to reverse the existing adverse feelings of employees. The managers should let the employees to participate in decision making so that employees feel that their opinion is important for the organization development.
- The company should adopt clear reward procedure that could be applied consistently. In relation to this, it should also arrange an office or committee that can hear the voice of

employees when policies and procedures are violated. This should also be communicated. Operating procedures should be fairly implemented, as procedural justice is quite important for employee motivational programs. This will help to reduce the negative feelings of procedural and distributive justice.

- Finally, it is recommended that knowledge building should be implemented continuously in order to allow for variations in needs and expectations of both employers and employees; not only in the aspect of to retain and to satisfy employees, but also in all other aspects that may have significant influence on rewarding employees.

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APPENDIX

40-44 _____

above 45 _____

3. Educational Background Certificate

- i. PhD _____
- ii. Masters _____
- iii. BA/BSC Degree _____
- iv. Diploma (12+2) _____
- v. Other (please specify) _____

4. Years of service in CBE: _____ years

5. What is your current position in the organization?

II. Research Related Questions

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

5 = "Strongly Agree"

4 = "Agree"

3 = "Neutral"

2 = "Disagree"

1 = "Strongly Disagree"

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

No	Items	5	4	3	2	1
1	The bank's total reward package is competitive with other banks					
2	The bank clearly communicates its reward package to all employees					
3	The bank's total reward package is capable to retain best performers					
4	The bank's reward system clearly differentiates between high performers and low performers					

B. Reward Composition

i. Financial Reward that involve direct payments

No	Items	5	4	3	2	1
1	There are sufficient financial rewards in the bank					
2	High performers will get additional pay for their performance					
3	Bonus is given only to high performers					
4	Bonus is given to all employees regardless of their performance					
5	Bonus given to high performers will initiate for better performance					
6	The bank's housing loan policy is attractive					

ii. Non-financial Reward that do not involve any direct payments

No	Items	5	4	3	2	1
1	My supervisor appreciates a job well done					
2	The recognition I get due to my performance is visible to others.					
3	There is conducive work environment in the bank for employees					
4	There is clear career development opportunity in the bank					
5	The bank's promotion policy is clearly communicated to all employees					
6	Usually the bank fills vacant position in the form of internal promotion					
7	The bank provides adequate training to develop employees future career					

iii. Composition of reward

C. Procedural and Distributive Justice in the Reward System of the Bank

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

D. Customized Rewards

No	Items	5	4	3	2	1
1	There is need assessment program in the bank on how to reward employees					
2	Employees have the chance to choose the way they like to be rewarded					
3	I will be happier, if the bank consults me what I need most when I perform better.					
4	I like to be rewarded only direct financial rewards like salary increment and bonus when I perform better					

5	I like to be rewarded only indirect financial rewards like; educational support, better medical coverage, better housing loan package etc when I perform better.					
6	I like to be rewarded only non-financial rewards such as recognition, special training, career development opportunity etc when I perform better					
7	I like to be rewarded appropriate mix of both financial and non-financial rewards when I perform better					

What is your view towards your organization total reward system

STATEMENT OF DECLARATION

I Tigist Abera, hereby declare that the work entitled assessment of reward management practice: the case of Commercial Bank of Ethiopia is the outcome of my own effort and study and that all sources of materials used for the study have been acknowledged. I have produced it independently except for the guidance and suggestion of my Research Advisor Worku Mekonnen (Dr.) This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the award of Master degree in Business Administration.

Tigist Abera

St. Mary's University, Addis Ababa

Signature

May, 2018

LETTER OF CERTIFICATION

This is to certify that Tigist Abera has carried out this project work on the topic assessment of reward management practice: the case of Commercial Bank of Ethiopia under my supervision. This work is original and suitable for the submission in partial fulfillment of the award of Master Degree in Business Administration.

Worku Mekonnen (Dr.)

Research Advisor

St. Mary's University, Addis Ababa

Signature

May, 2018