ST MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

EFFECT OF REWARD SYSTEMS ON EMPLOYEE PERFORMANCE AT COMMERCIAL BANK OF ETHIOPIA, ADDIS ABABA

BY:

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ID No. SGS/0043/06

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APPROVED BY BOARD OF EXAMINERS

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ABSTRACT

Employees are the most valuable asset to organizations. Employee's performance is the main factor in determining the organization's performance and ensuring the organization runs smoothly and successfully. The purpose of this study was to examine the relationship between reward system and employee's performance in Commercial Bank of Ethiopia. To achieve this objective, Commercial Bank of Ethiopia East Addis district was selected as the targeted area of the study. The researcher analyzed what various authors have stated in relation to the stated objectives in the literature review section. The researcher used a descripto-explanatory research design, Commercial Bank of Ethiopia has currently 34,000 employees and the researcher selected a sample of 350 employees from East Addis Ababa district which has 2770 employees. The researcher administered questionnaires and interviews to the respondents. The data was collected, tabulated, processed and given statistical treatment and then presented in the form of tables and graphs. Correlation and regression analysis were conducted to determine variable relationships under the study. Correlation tests revealed a significant positive correlation between the reward system and employees performance in CBE with coefficients of 0.111, 0.524 and 0.317 respectively at P-value < 0.05 significance level. Regression analysis revealed that an increase in employees training and performance review by one unit would increase employee performance by 0.137 and 0.289 units respectively whereas job expectation has a negative effect on employee performance with regression coefficient at -0.007 and p-value>0.05. The independent variables are reward systems and the employee performance is the dependent variable. The study established that both monetary and non-monetary forms of rewards are not effectively appropriated and as such, this has impacted on the performance of the employees negatively consequently, quality of service delivery, meeting targets, customer satisfaction, adherence to company policy are among others which impacted negatively. Accordingly, the study recommended immediate improvement of monetary and non-monetary reward systems in terms of better recognition, compensation, and career advancement among others.

Keywords: Reward systems, Employee Training, Job Expectation, performance review and Employees Performance.

CHAPTER ONE
INTRODUCTION

1.1 Background of the study

A reward system consists of the following elements: monetary rewards which can be referred to as compensation and these are; basic Pay, merit/Cost of Living and Performance Bonus. The Non-Monetary Rewards are: recognition, learning opportunity, challenging work and carrier advancement.

Employees are the most valuable asset to Commercial Bank of Ethiopia (CBE) and they play an important role in preserving the successful image of CBE. Employee performance is the main factor in ensuring the organization runs smoothly and successfully. Good employee reward system will improve the organization performance, to maintain a good employee performance a suitable reward system is needed.

Managing employee' reward appropriately is an important factor as a return for their contributions or performance to organization. As referred to Adam Equity Theory (1963), less reward may result to the decreasing of employee performance such as high number of absenteeism, as well as lack of interest in doing task that is not included in their job description. In other word calculative in whatever task given to them, not focus on their job which is also the decreasing resulted in job quality. The theory, also propagate that the reduction in employees' performance could happen whenever they felt that their contributions were not fairly rewarded. In other words, rewards can influence employees' performance.

Employer or organization should reward the positive performance. Reward will motivate the employees and when the employee motivation increases, it also will increase the employee performance. In addition, employee performance also can be enhanced through a continuous and interactive process to help departments and teams achieve business goals and to help employees to improve their performance. Increased in employees performances will increase the organization performance.

Organizations have different purposes of existence based on the purpose or goal and objectives of every establishment. Rewards and punishment are the basis of a good organization. Reward policies are developed on the basis of the organizations reward philosophy. An organization may have either a negative or a positive philosophy on reward.

A positive philosophy is one which is concerned with the level or quality of its remuneration. Such an organization regularly reviews its package with the aim of attracting, retaining and motivating its workforce. It does not wait for a push or a threat to review its salary policies. Such a company is honest and it objectively remunerates employees; offers them what they deserve and not what it thinks.

A negative philosophy is seen in the form of dishonest and subjectivity in determining remuneration package. Such companies wait for a threat before they act on salary. Reviews are piece meal with employee contribution to the company taken for granted. Reward systems should be developed upon the examination of factors affecting employee performance and motivation. Those factors affecting reward levels, factors affecting employee satisfy with the reward system and the influence of cooperate culture and organization

According to Armstrong (2008), reward management is concerned with the formulation and implementation of strategies and policies, the purposes of which are to reward people fairly, equitably and consistently in accordance with the value of which they are in the organization and thus help to achieve its strategic goals. It deals with design, implementation and maintenance of reward systems. Reward systems are all about how people are rewarded according to their value to an organization. It consists of both financial and non-financial rewards, and embraces philosophies, strategies, policies, plans and processes used by organizations to develop and maintain the reward systems.

The study focused on the effect of reward systems on employee performance by examining the relationship between the two. The study will confine itself to Commercial Bank of Ethiopia Branches in Addis Ababa. There is need to look into the effect of rewards systems on employee performance for a variety of reasons, performance of employees is highly determined by the rewards an organization gives to the employees. Reward systems are mainly concerned with the direction the organization will take or follow in developing the right mix of monetary and non-monetary rewards in order to support the firm's business strategy. According to Robbins (2006) reward systems deal with the demand of the business strategy, including cost constraints, how business performance can be driven by influencing important individual and organization behaviors, helping to achieve cultural change, meeting objectives for ensuring the organization gets and keeps high quality employees, aligning firm's core competencies and individual competencies and developing competitive pay structures.

Many firms, therefore, require having knowledge on the right mix of reward systems so that employee performance may improve. Basic pay as a monetary reward is a key element in the management of people. The administration of pay is of crucial importance as it triggers employee morale and hence employee performance. There is need for there to be a balance between the organization's profit orientation goal and fair wages for the employees who help the firm achieve this objective.

Remuneration refers to all extrinsic rewards employees recover in exchange of their work. Pay refers only to the actual monetary value e.g. Birr that employees receive as a result to their employment and position within the organization. The components of a remuneration package would consist of components such as base pay, allowances, bonuses, incentives, commissions, employee benefits and perquisites.

Base pay is the major component for employment compensation package. Basic salary is worked out on the basis of job evaluation and adjusted either because of classification or charges in the cost of living index. Basic salary is a range and with lops and base clearly defined. It constitutes the rate for the manual workers it may be referred to as time or pay rate.

Allowances include travel allowance, rent, fuel, daily allowance, hardship allowance. The concept of allowance is based on the cost of living index and is meant to compensate for the allowance can be adapted to the basic pay depending upon the contingencies.

Remuneration packages are subject to major influences both internal and external to the job e.g. labor market conditions, ability to pay, plus performance, comparability, bargaining strength of the trade union, cost of living adjustments and government action or legislation.

1.1.1 Background of the organization

Commercial Bank of Ethiopia

Commercial Bank of Ethiopia (CBE) is the leading state owned financial institution, continuously generating significant funds that contribute to the nation's development endeavor and it is also the biggest employer in the country with 34,000 employees and 1288 branches stretched across the country. Now the sector witnesses 18 Commercial Banks competing for the same market for which CBE used to enjoy as monopoly for years. Therefore CBE faces competitive environment in terms of quality service, which in turn depends on the quality of its employees. To deliver quality service and to retain efficient workers a well-organized reward management system are determinant. And this study will focus on presenting the effects of reward system on employee performance at CBE and will suggest a way to solve for the identified problems. (http//:www.combanketh.et)

1.2 Statement of the Problem

This study focuses on the relationship between reward system and employees' performance in Commercial Bank of Ethiopia (CBE). There are several past studies that have been conducted on employees' performance. Allen and Kilmann, (2001) claim that terms and conditions of service package can influence the employee's performance in their work. According to them, terms and conditions of service gives an impact to employee performance by improving employee knowledge, skill and abilities to achieve to organization goals. Terms and conditions of service give an impact to employee performance; the reward systems give indirect effect to employee in-role and extra role behavior so it will improve employee in-role performance without sacrificing extra-role performance. Amstrong and Reilly (2011) also agree that terms and conditions of service practices play an important role in improving employee performance and to achieve organizational goal.

Today's organizations are operating in a very dynamic and highly competitive environment. To remain relevant in the market, they have to be able to respond quickly to ever changing customer demands. Reward management is one of the ways used by organizations for attracting and retaining suitable employees as well as facilitating them to improve their performance. However, no study has been done to determine the influence of reward system on employee performance at CBE and its relationship with the employee performance specifically on productivity, job quality and job accomplishment in the Commercial Bank of Ethiopia.

Therefore, as referred to the above limitations of earlier work, the present study aims to advance the researcher understanding of the relationship between reward system and employee performance in CBE.

1.3. Research Questions

This research conducted to examine the relationship between the independent variables which are monetary reward and non-monetary rewards and the dependent variables of employees' performance. The research questions are as follows:

i. What is the relationship between employee training and employees' performance among employees in CBE?

ii. What is the relationship between job expectation and employees' performance among employees in CBE?

iii. To what extent is the role of performance review on employee performance in CBE?

1.4 Objectives of the Study

1.4.1 General objectives of the study

The study is to examine the association between reward systems on employee performance of the CBE. The purpose of the study is to have a critical look at the effects of reward systems on employee performance in Commercial Bank of Ethiopia, East Addis District.

1.4.2 Specific Objectives

The specific objectives of the study are:

i. To examine the relationship employee training and employees' performance among employees in CBE.

ii. To examine the relationship between job expectation and employees' performance among employees in CBE.

iii. To examine the role of performance review on employee performance.

1.5 Hypothesis

The following three hypotheses were formulated by the researcher and had been tested at the end of the research.

H1: Employees training has a positive and significant effect on CBE employee’s performance.

H2: Job expectation has a positive and significant effect on CBE employee’s performance.

H3: Performance review has a positive and significant effect on CBE employee’s performance.

1.6 Significance of the study

The significance of this study lies in its theoretical and practical contribution as follows: The results of the study are set to benefit CBE as it brings valuable insight to the Bank. The bank will gain and be able to formulate reward systems that are appropriate so as to motivate employees for better performance.

The results of the study will be of great importance to other researchers interested in furthering their interest on the issues of reward systems especially in other Commercial

Banks. Employees of the bank will also benefit as the study enables them to be motivated, became interested in future training prospects and finally a benefit to the researcher herself.

1.7 Scope of the study

The researcher confined herself to Commercial Bank of Ethiopia East Addis district in Addis Ababa. This is due to time and financial constraints which the research is unable to be done in other places out of Addis Ababa. The main concern of the study was based on the employees of CBE East Addis District in Addis Ababa so that the sampling population in which only staffs in Addis Ababa has been considered.

The study has been carried out by the use of questionnaires and interviews. It was carried out from January 2014 – December 2018.

1.8 Limitations of the study

Ideally this study will be conducted in Commercial Bank of Ethiopia but time and financial constraints dictated a smaller sample. The researcher, besides being required to meet the full cost of the study has very little time to develop a proposal, collect data, compile and submit the report. The chosen sample of Commercial Bank of Ethiopia East Addis district represents the whole Ethiopian context.

1.9 Organization of the Study

The study is organized in the following chapters. Chapter one examines the introduction which contains an overview, the background of the study, statement of the problem, the objective of the study, the research questions, the significance of the study, and limitations and the scope of the study. Chapter two presents extensive review of related literature and deals with the theoretical Literature review and conceptual framework. Chapter three deals with research design and methodology and comprises the research design, population and sampling technique, instrument of data collection and ethical considerations. Chapter four is concerned with data analysis and presentation of findings while Chapter five is the findings, conclusions and recommendation of the study.

CHAPTER TWO

RELATED LITERATURE REVIEW

2.1 Definition of Concepts

This chapter presents a review of the related literature on the subject under study. Materials have been drawn from several sources which are closely related to the objectives of the study. Studies by various past writers, authors and researchers have been reviewed to assist the researcher meet the objectives of the study. This chapter is organized under the following headings: Introduction, Theoretical Literature Review, Empirical Literature Review and Conceptualization Framework.

Every organization or company needs a strategic reward system for employees (Sarvadi, 2005). According to Adam (2010), rewards plays important role in organizations. Reward system has been divided into two known as monetary rewards and non-monetary rewards. Monetary rewards can be referred as tangible returns includes cash compensation such as bonus, increment, short term incentive, long term incentive and other benefits such as income protection, allowances and others (Milkovich, Newman and Gerard, 2010). Monetary reward referred as profit sharing, job evaluation and merit rating. Profit sharing is the organization profit that is given to all employees in that organization and is distributed based on their performance in the organization and this can be identified as reward outstanding performance. Job evaluation is where many factors had been identified and used as the purposes of inter-job comparison. The total rating for each job then forms as the basis of wage structure. The factors that had been evaluated are working environment, physical characteristics, mental characteristics, extent of responsibility and training and experience. Merit rating are used as an indicator of performance where each employee is being rated, whether as excellent, good, average or poor, based on the following abilities such as communication, human relations including leadership and such as basic pay, merit or cost of living and bonus.

Basic pay is the payment that is received as a wage or as salary and (Mathis and Jackson, 2008). More, according to Beard, (2001), base pay is the fixed payment paid to an employee for performing their specific job responsibilities.

Merit pay is a basic term for any mechanism that is used to adjust salaries or provides compensation to reward higher levels of employee performance in organization. Merit pay refers to the process of distributing employee pay increases, based on their performance at work and used as a tool by an organization to motivate employee hence it can increase their level of performance and to minimize potential conflicts and challenges from employees. According to Odden, (2000); Odden and Kelley, (2002), merit pay is more likely to consider as a group-based reward programmes, or knowledge and skill based rewards. More, merit pay is the allocation of pay raises base on individual performance, and one of the most prevalent compensation practices used by most employer in private sector, state government and one-half of local governments (Heneman, 1992).

Performance bonus is a monetary reward that has been given by employer to employees based on their performance appraisal and organization's profit (Shields, 2007). According to Dessler G. (2006), a bonus scheme is not an easy task to accomplish successfully in the organizations. A successful bonus scheme depends on performance of organization and focus on efficiency of goal setting process.

Monetary rewards are given for a variety of reasons. The example of reasons are meeting sales goals, achieving quality, outstanding performance in a given situation, or delivering a special project. Normally, monetary rewards that preferred by employees especially in the lower level category, is money in a form of bonus, trips paid for by the company, gifts from a rewards catalog, or services such as cell phone or paid cable. Thus, monetary rewards also refer to the financial inducement that organizations offer employees in exchange for their contribution and recognition in influencing their productivity in the organization.

Non-monetary rewards are given for going above and beyond as a team player, perfect attendance, or learning new skills. Examples of non-monetary rewards are movie tickets, restaurant coupons, certificates, thanks from the bosses, flexible schedules, a day off, picnics, recognition of birthdays, and free lunches. Non-monetary rewards also referred to intangible returns or rational returns such as recognition, status, employment securities and other. Non-monetary rewards refer to the identification of a job well done hence representing a non-financial means of appreciating and acknowledging of their employee contribution. Another example for non-monetary reward in recognition reward enterprise are opportunity to learn and develop as an employee in the organization, flexible working hours, recognition from employers, the opportunity to contribute, independence and autonomy in their working areas. Non-monetary reward also include recognition, learning opportunity, challenging work and career advancement that give an effect to the employee performance.

The recognition of employee successes is a powerful tool in improving employee performance, morale, motivation, and employee productivity. Recognition is an important feeling that person will feel special and this type of recognition must come from those who hold in high esteem and position, such as manager (Nelson, 2003).

Learning opportunities should be given to the employee. This is important to manage company activities and to promote so that it becomes a tool for improving employee performance. There are few ways to let the employee learn; such as to give training, let them manage resources including facilities, build learning plans to encourage employees for career development and job growth.

Challenging work means that you increase in the scope of work until to the highest level of the individual's capability so that employee becomes more energetic in handling and performing their job (Govaerts, Kyndt, Dochy, Baert, 2010). According to Wenger, 2010, staff retention start with challenging work where there are five actions that will ensure that employees would feel challenged and grateful because employer recognizes their work through their performance. Firstly, screen carefully which employer must set in employee mind that he or she is the one chosen to face a challenge in their work. Second, encourage creativity which employer encourages the employee to use their creativity in handling their work, so that they can expand and improve themselves in their performance. Third, delegate which employer must give opportunity to the employee to try out all of their skills by taking on higher level work responsibility. Fourth, train which an active program of training leads to staff retention. Through training they can improve their skill will and become expert employee in their working areas. Lastly, let people make mistakes as they try to improve things which lets employee have a freedom to make mistake and from this mistake they will learn something and. become better person. This will improve their performance.

2.2. Theoretical Literature Review

2.2.1 Reinforcement Theory

Although there are numerous theories on employee rewards, this study were based on reinforcement theory. Reinforcement theory is a different approach than content and process theories in the sense that it simply looks at the relationship between behavior and its consequences. It analyses the effects of rewards and punishments on changing or modifying the employees' on-the-job behavior. The basic assumption underlying behavior modification is the law of effect, which states that behavior that is positively reinforced tends to be repeated, and behavior that is not reinforced tends not to be repeated.

Reinforcement refers to anything that causes a certain behavior to be repeated or inhibited.

The four reinforcement tools are positive reinforcement, avoidance learning, punishment and extinction (Samson and Daft, 2002). In each of these cases, reinforcement is caused by applying or avoiding a pleasant or unpleasant event following a person's behavior.

Positive reinforcement is rewarding the individual with a pleasant consequence following desired behavior. A good example of positive reinforcement is immediate recognition of an employee for arriving on time or doing extra work. Offering the employee a pleasant output for his/her behavior will increase the likelihood of that behavior occurring again. This pleasant output may be a monetary incentive as well as a non-monetary incentive. In fact, positive reinforcement by non-monetary rewards, such as positive feedback, is often as effective as financial rewards (Stajkovic., & Luthans, 1997). Avoidance learning, sometimes called negative reinforcement, is the elimination of an unpleasant outcome following desired behavior. Employees learn to behave in the desired manner as they avoid unpleasant situations. For example, a supervisor stops criticizing or warning an employee seeing that he/she does not show the incorrect behavior anymore.

Punishment is the opposite of avoidance learning. It typically occurs following the undesirable behavior. For example, a supervisor may give an employee a lower grade during performance appraisal, for performing a task incorrectly. The supervisor may expect that the negative outcome will serve as a punishment and reduce the likelihood of the behavior recurring. Punishment is often criticized being an improper way to indicate the correct behavior.

Extinction is the taking out of a positive reward. Extinction leads to a decline in the reinforcement of the undesired behavior; therefore it is less likely to occur in the future. If an employee does not receive praise or pay raises, he or she may begin to grasp that the behavior is not producing desired outcomes or is undesirable. The behavior will gradually disappear if it is not continually reinforced. The frequency of reinforcement is important in reducing the time needed for the employee to learn the desired behavior. There are five main types of reinforcement schedules: continuous reinforcement and four types of partial reinforcement (Samson and Daft, 2002).

Continuous reinforcement refers to the reinforcement of every occurrence of the desired behavior such as praising an employee for a job well-done or for helping his/her peer. This schedule can be very helpful in the early stages of learning new types of behavior, because every desired behavior attempt by the employee has a pleasurable consequence for him/her. However, in daily operation of organizations, it may be difficult to reinforce every correct behavior. With a partial reinforcement schedule, the reinforcement is administered only after some occurrences of the correct behavior. Partial reinforcement schedules are more effective for maintaining behavior over extended time periods. It is done through fixed-interval schedule, fixed-ratio schedule, variable-interval schedule and variable-ratio schedule.

The fixed-interval schedule rewards employees at specified time intervals. For example, if an employee demonstrates the correct behavior each day, reinforcement may occur every week such as a monthly gift certificate for a full month of on time attendance. With a fixed-ratio schedule, reinforcement occurs after a specified number of desired behaviors. For example, a sales representative may be awarded with a ticket to a sports or social event for every 20 pieces of products he/she sold. In a variable-interval schedule, reinforcement is managed at random times that cannot be predicted by the employee. An example would be a random inspection by the manufacturing supervisor of the production floor, at which time he or she praises employees on their hard working. The variable-ratio schedule is grounded on a random number of instances of the desired behavior, rather than on variable time periods. Reinforcement may occur after variable amounts of output.

To conclude, reinforcement theory has important implications for the motivation of employees. It demonstrates that behaviors' of employees that are positively reinforced are likely to be repeated and negatively reinforced are not likely to be repeated. Then, it is possible to motivate employees by reinforcing them each time they perform a desired behavior. Non-monetary incentives in the form of rewards have a significant role in positively reinforcing the desired behaviors. Social non-monetary incentives such as verbal recognition for a job well-done, feedback on performance, letter of appreciation, public praise, celebration of a work-related success or tangible non-monetary incentives such as a gift certificate, plague or job-related non-monetary incentives such as training opportunity, time-off, job enrichment etc. can easily be rewarded in order to reinforce a desired behavior. The desired behavior may be coming to work on time, exerting extra effort and time on a task, helping peers, solving a problem, making a good suggestion, innovation, completing a project very well, contributing to the satisfaction of a customer, preventing a potential danger etc.

The advantage of non-monetary incentives in that kind of situations is that, it helps to reinforce the desired behavior in a timely manner, following the behavior. Positive reinforcement is much more effective when it comes shortly after the desired behavior is displayed (Nelson, 2001). While a positive feedback, a pat on the back or a simple "thank-you" can accomplish this immediately; a monetary incentive such as a bonus would take much longer time to award, thus, to reinforce the desired behavior. Therefore, non-monetary incentives are necessary to reinforce the desired behaviors' of employees in public sector in a timely manner and motivate them to repeat those actions.

As it is shown, the benefits of using non-monetary incentives in motivating the employees are supported by many motivation theories. Whether non-monetary incentives can be effective in motivating the employees in public sector will be discussed further in the later sections. The next chapter examines each type of non-monetary incentives and their particular benefits.

2.3 Empirical Studies

Similar studies empirically examined the key variables of the study that are enveloped in monetary and no-monetary rewards that determine employee performance. Generally, a manager's major task in motivating employees is to develop an environment in which they will want to be productive. According to Maslow (1970) individuals are motivated if certain unsatisfied needs are satisfied. His theory however has the following assumptions:- Needs are arranged in a hierarchy of importance, an individual need at any level on the hierarchy of needs emerge only when the lower needs are reasonably well satisfied and needs that are not satisfied, influence or motivate behavior. Satisfied needs do not motivate behavior.

An employee reward system should motivate employees to perform at their highest level. Job security and opportunities for advancement encourage employees to take pride in their work. It is very strategic for company management to ask for input from staff and let them help in creating a system that works for the company.

McClelland (1976) talks of people to be motivated by different patterns of needs or motives. There are some people who are motivated by a need to achieve so that they can be recognized, they always want to succeed in whatever they do and always want to get the job done. Other people are motivated by a need for power through promotion and others need for affiliation.

According to Edwin R. Flippo (1988) management should not rely on the use of rewards such as increased pay, job security and good working environment or punishments such as dismissal, demotions or withholding rewards to motivate employees to achieve high performance. The manager must seek to understand the forces that energize workers behavior. The manager has the responsibility to develop an effective work environment that will make use of the enormous energy that is within every employee.

There are some employees who feel good by being recognized, asserts Armstrong (2008). A simple complement like “you look smart” can make some employees feel good and improve their performance. It can also make other workers who were working harder to improve so that next time they can be recognized

2.3.1 Monetary Rewards and Employee's Performance.

Although there are various monetary rewards a company can employ to motivate employees in enhancing their performance, this study will examine the common reward systems that are conventionally used within the context of the study. Accordingly, monetary rewards which include pay compensation and benefits that comprise increase, allowance increase, bonuses, stock, gift certificates, vacations and company car. Employee performance output is measured by quantity, quality, timeliness, absenteeism/tardiness, creativity and adherence to policy among others.

2.3.1.1 Compensation and Employee Performance

Compensation is output and the benefit that employee receive in the form of pay, wages and also same rewards like monetary exchange for the employee’s to increases the Performance, Salary, overtime, commissions, merit pay, profit-sharing and bonuses all fall under the category of compensation as a reward system. Salary and wages are rewards that satisfy an employee’s basic needs. Part of employee reward system should take into account the salary structure. Establishing a set of measureable objectives for each employee to meet is crucial. It is advisable to periodically evaluate employees to see how well they are meeting the objectives. Workers who meet the objectives for their job should receive the reward of a pay raise. According to Beard (2001), where basic pay is given to employee based on the employee's skill levels and on the experience. This will improve the employee productivity. Based on Henderson, (1997), there are 13 factors that will influence pay rate and these factors can influence and give effect between employee basic pay and employee productivity. Inadequate basic pay as a monetary reward also gives a great impact to the employee performance such as lateness, absenteeism, low performance, and feeling of grievances amongst others which can bring a major problem to the organization. (Omolayo, 2007; Owolabi, 2007) The 13 factors are;- types and levels of skills and knowledge required, type of business, union affiliation or no union affiliation, capital-intensive or labor-intensive, company size, management philosophy, complete compensation package, geographic location, labor supply and demand, company profitability, employment stability, gender difference and length of employment and job performance.

2.3.1.1.1 Merit Pay and Employee Performance

Based on study by Lowery, Beadles, Petty M. Amstler and Thompson (2002), merit is paid to the employee based on their performance which is distinguished in 4 ways such as: based on their past performance rather than employee future performance, based on the subjective rating of employee performance rather than organization objective measures, it is based on individual rather than a group performance, it is based on the employee assessment of long-term performance and the increase in the salary becomes permanent.

The implementation of the merit system had become one of the most challenging aspects in human resource management (Gabris and Ihrke, 2000). According to (Jenkins and Lawler, 1981; Bullock, 1983) in Lowery, Beadles, Petty M. Amstler and Thompson (2002), study stated that employee involvement or participation in merit pay plans, such as reward contingency, can influence job performance and job satisfaction. (Meyer, 1975; Cook, 1986; Johnson and Hobart, 1989; McGinty and Hanke, 1989; Meehan, 1992).

2.3.1.1.2 Compensation Systems

Employee compensation cannot be ignored because it is a key factors that power employee's return, employee's performance, and their productivity. Satisfied and committed workforce is regularly are supplier and player towards attractive organizational productivity. On the basis of above given literature it is evident that employee compensation has some positive impact on the employee's employment pleasure and organizational loyalty. Organizations that have better compensation management system put a very positive impact on their employees. Some of the researches has taken into account the performance of teachers and its influencing activities and concluded that there is a positive relationship between equity based compensation and the firm's performance (Frye (2004), cited in Shahzad et al). He argued that compensation play a crucial role in attracting and keeping hold on highly skilled and competitive employees in human intensive capital firms like universities. Incentive pay plans positively and extensively affect performance of workers if combined with innovative work practices like 'flexible job design, employee participation in problem-solving teams, training to provide workers with multiple skills, extensive screening and communication and employment security (Ichniowski et al., 1997, cited in Shahzad et al).(Shahzad, Bashir &Ramay,2008) had concluded in their research using methodologies of questionnaire, participants , procedure and statistical methods that compensation activities have positive and direct impact on employees performance of the educational institutes and because of this higher education commission have announced an attractive salary packages for the teachers in universities of Pakistan.(singh,2004) after his wide observation in cultural environment argued that compensation is a behavior aligning mechanism of employees with the business strategy of a firm.

Organizations which are interested in their growth through employee's participation must pay attention on compensation practices (Marwat et al). (wright et al, 2003) argued that if proper performance management is in place and is supported by compensation system then employees will exert discretionary efforts. Although compensation contribution in effecting employees' performances is low in banking sector of Pakistan but suggested in their studies after research that the factor of compensation should be taken into account in order to increase the employees working efficiency. Individual incentive plan pay off for individual performances. These plans have been the biggest trend in compensation administration in the United States.

Popular approaches included merit pay, piecework plans, time-saving bonuses, and commissions (Performance management key strategies and practical guidelines 3rd edition). (Tahir and Kaleem) concluded after their research study which was based on survey through questionnaires and statistical method on water & power development authority employees that they have explored incentive plans are a good way of bringing efficiency and better work outcome. It was suggested to in their research that additional incentive plans should be introduce in order to reduce the dissatisfaction of the employees of wapda due to overburden of work and to pay off for individual performance. In order to stay competitive and ensure that the company has a long-term future, it is important to improve the performances on an ongoing basis. The performances will only improve with the buy-in of the employees into higher levels of performance motivated by related rewards (Taljaard,2003).(Robbins, 2001) stated that when employees feel that their efforts are appreciated and the company introduced a system of fair compensation and satisfaction, the company has optimized the motivation.

By encouraging employee's motivation to work there was increased employee performance. Compensation benefits to the employees in such way that they become satisfied from their job, get motivated, it result in low absenteeism & low turnover. Compensation system increases the loyalty of employees, they feel piece of mind and their self-confidence increases. In an organization there should be more than financial reward given to employees in order to motivate them. Financial rewards most times is said to favor in short-term while non-financial reward favor long term goals. On- financial rewards provide significant levels of employee satisfaction at little or no cost and the least costly non-financial reward is “Thank You”. It has been noticed that most employees do not thank their employees enough for their efforts. Such non- financial rewards or compensation motivate employees and increase their performance. Compensation practices effect the faculty’s job satisfaction and thus influence the intentions to leave or retain.

Higher compensation leads to higher job satisfaction and retention rate. Enhanced reward system in organizations also enhances the satisfaction level (Boyt et al.,2000 cited in Nawab & Bhatti,2011).It was suggested to management of the universities in Pakistan after conducting research through mixed techniques (hypothesis, observations) Employees job satisfaction and their organizational commitment can be effected by compensation management. (Nawab and Bhatti, 2011).In their research attention was also drawn on the role of each component of financial & non-financial reward toward organizational commitment, which they can implement and increase their practices to maximize the employees contribution and production. They also revealed in their research study that educational setups in Pakistan normally focus on increasing the productivity without paying attention toward compensation and its significance. After highlighting the drawback they suggested to concentrate over different compensation plans to increase or decrease the size of both financial and non-financial rewards to achieve the desired result from workforce. Strong evidences in literature are available about the positive and significant relationship of compensation & reward with the employee behavior &organization performance.

2.3.1.2 Benefits and Employee Performance

Another type of extrinsic reward is the benefits package company offers each employee. While salary, overtime, commissions, merit pay, profit-sharing and bonuses all fall under the category of compensation, benefits are often less direct. They include such items as health insurance, retirement plans, and use of a company car, company mobile phone, expense accounts for meals and travel and an entertainment allowance. Benefits might also include subsidized housing, moving expenses and flexible working schedules. An attractive benefits package may help to motivate employees to perform well and to encourage them to stay in their employment.

Bonuses have strong relation with employee performance. According to Lingham, (2008) performance bonuses give an effect toward individual or team performance. More, bonus is allocated to the employees based on their performance and this performance is measured based on the achievement rate given by employer (Lowery, Petty, Thompson, 2002). Bonuses also have an advantage over merit increases and this will reflect to the employee performance (Lawler, 1990).

2.3.1.3 Job-Related Non-Monetary Incentives

Job-related non-monetary incentives concern the job-related issues that can motivate employees intrinsically. In other words, employees are motivated to exert more effort and go beyond the expectations because the nature of the job they do give them that pleasure to be more motivated. This may be possible because some aspects of job provide feelings of self-worth, accomplishment and pleasure from using and developing one's skills.

Job-related non-monetary incentives can contribute to the intrinsic motivation of the employees and they can provide many advantages (Steers and Mowday, 1977). First, it may reduce the need for extrinsic rewards that are costly to the organization. Employees were motivated to do their jobs because of the satisfaction they get from doing it. With a meaningful job which allows the employee to use various abilities and skills and in which he/she has some degree of autonomy and flexibility in terms of working hours, an employee may be motivated to exert more effort in the job without any need for an extrinsic incentive. Second, there is a reduced need to supervise task behavior since the motivation to perform at high levels has been internalized and initiated by the individual. Third, job-related non-monetary incentives such as promotion, participation in training program and international work trip opportunities are expected to be great motivators by satisfying employees' growth and esteem needs. Examples of job-related non-monetary incentives may include job rotation, job enlargement, job enrichment, empowerment, goal setting, participation in decision making, growth opportunities such as training programs, promotion, international work trip opportunities, flexible working hours and time-off. Some of these non-monetary incentives are discussed in the following paragraphs. The first three job-related non-monetary incentives can be analyzed under the concept of job redesign.

Job design is the "specification of the contents, methods, and relationship of jobs in order to satisfy technological and organizational requirements of the job holder" (Rush 1971, p.5). Jobs are redesigned to address both the need for productivity and the need for greater personal control and meaning in work. Job redesign may provide an opportunity to motivate employees by making job more pleasurable to them.

Job rotation is simply the process of moving employees from one department or position to another, centered about a core job. Through job rotation, the number of different tasks an employee performs is increased without increasing the complexity of any one job. For example, a car factory employee may install windshields one week and front bumper bars the next. Job rotation provides the employee a broad perspective of his position in the organization and the variety. It may be useful for compensating for routine tasks that have little inherent satisfaction and for training the employees.

Job enlargement is usually called “horizontal job loading”, meaning adding more task elements to an existing job. With job enlargement employees perform a large work unit involving a variety of task elements rather than a fragmented job. Task variety leads to a series of mental activations necessitating a variety of responses and thus reduces monotony. Also, by combining related task elements, the job is less fragmented and closer to a whole work unit and the employee is more likely to recognize his/her contributions to the realization of the task. Homans (1961) suggested that the enlarged job will have high motivational value if repeated activities lead up to the accomplishment of the final result. In addition to these, job enlargement may motivate employees by enabling them to use more skills and abilities contrary to simplified jobs that may be less motivating as they require low levels of ability and effort utilization. Enlarged jobs with optimum levels of complexity help to create a task situation that is challenging but attainable to the employees (Chung and Ross, 1977). Thus, it may be a response to the lower levels motivation among employees with oversimplified jobs. As an example of job enlargement practice, General Motors’ new assembly plants can be examined (Samson and Daft, 2002). There is a freewheeling, motorized carrier that carries each car independently through the assembly process. The carrier moves to a work-station, where it stops for a group of employees to perform some coordinated tasks, such as installing an engine and its accessories. Thus the employees’ job is enlarged by assigning a group of tasks in a stationary automobile, rather than a single task on a series of automobiles moving past them.

Job enrichment (vertical job loading) deals with creating a work that includes a greater variety of content, necessitating a higher level of knowledge and skill and providing the employee with more autonomy and responsibility for planning, directing and controlling his job. Usually this method also entails that the level of difficulty or complexity of the job is increased. In addition to job enlargement that changes the number and frequency of tasks, job enrichment involves high-level motivators by incorporating job responsibility, recognition, and opportunities for growth, learning and achievement into the job design. By enriching a job, employees are given a feeling of personal responsibility for their outputs and an opportunity to help plan their work objectives, make decisions on how to do the work, and experience personal growth.

Expectancy theory of motivation explains why job enrichment may lead to higher motivation (Staw, 1976). With job enrichment, employee has more autonomy and greater control over the process leading to the accomplishment of the task. There is less outside interference. Therefore, employees' beliefs that effort will lead to the desired task performance were higher in enriched jobs than for an employees with less autonomy. This means that E – P expectancy, the probability that putting effort into a task will lead to high performance, were high. Second, due to increased employee ownership of the task, performance-outcome expectancy (P - O), which concerns the relation between performance and the outcome, will increase. Third, in jobs with more autonomy, employees are likely to own the outcomes of their efforts. Thus, autonomy may increase the value of outcome (valence) which an employee attaches to successful task accomplishment since he/she would play a more central role in it. According to expectancy theory, an increase in these three components will lead to an increase in motivation.

As it is emphasized in theories of motivation, job characteristics by Hackman and Oldham (1980) supports the motivating potential of job enlargement and job enrichment. They argued that jobs with high score in terms of a combination of five job characteristics (task variety, task identity, task significance, autonomy and feedback) lead to higher job satisfaction and motivation. Job enlargement focuses on the variety, task identity and task significance dimensions by widening the range of activities maintained by the employee. Job enrichment promotes autonomy and feedback by giving the employee a sense of personal responsibility for his output and allowing him to evaluate his own performance.

All these arguments support the idea that job enrichment and enlargement as job-related non-monetary incentives can be effective in motivating the employees intrinsically. However, there are some points that need to be considered (Chung and Ross, 1977). First, job enlargement and enrichment may require considerable effort, time and training process.

Second, employees will not positively respond to these kinds of new job arrangements unless they are reasonably satisfied with economic well-being and affiliation.

Third, job enrichment may not be applicable to all employees in an organization. Employees with unsatisfied existence needs, lower desire for complex tasks and limited ability to perform them may be motivated with relatively simple tasks and job enrichment may be a liability for them. Reif and Luthans (1972) note that unskilled workers prefer routine tasks because these jobs provide them with opportunities to socialize or daydream. Thus, job enrichment is suggested to motivate employees with higher order needs such as achievement, recognition, responsibility and growth opportunity, who prefer challenge in performing complex tasks and have abilities to perform.

Fourth, employees were motivated to perform their tasks when these tasks have an intermediate level of difficulty because their perceptions of the E-P and P-O expectancies at this difficulty level were highly motivational. In other words, tasks should have a difficulty level that is challenging but attainable for most of the employees. Fifth, job enlargement may be more suitable to employees at lower levels of organizational hierarchy who are motivated by lower-order needs because such an enlarged job can be less boring and requires a minimum level of skill and responsibility. To conclude, individual differences should be taken into consideration in designing jobs.

It may be argued that, if job enlargement and enrichment is applied along with other non-monetary incentives of social and tangible in kind, majority of public employees in Turkey who have satisfying levels of wages, job security and fringe benefits may respond positively to these job-related non-monetary incentives in terms of motivation. Tangible and social non-monetary incentives may help to satisfy the lower level needs of employees, driving them to seek satisfaction for the higher level needs through job enlargement and job enrichment.

Another job-related non-monetary incentive is empowerment. Empowerment is the delegation of power or authority to employees in an organization. According to research most people have a need for the capacity to produce results or outcomes, to feel that they are effective (Conger and Kanungo, 1995). Empowerment allows the employees to improve their own effectiveness as they choose how to perform a task and it gives way to creativity. Empowerment may lead to motivation because it helps to meet self-actualization and esteem needs as the employees are intellectually challenged, provided with opportunities to use their minds and creativity, and given the power to make decisions that affect their work.

Empowerment is accomplished through the existence of the following four steps (Bowen and Lawler III, 1995): Employees receive information about organization’s performance such as finances, salaries of executives etc. Employees gain the knowledge and skills to contribute to organizational goals through training programs, workshops etc. and they are enabled to solve problems and make quality improvements on their own. Employees have the power to directly influence work procedures and organizational performance, often through quality circles or self-directed work teams.

Employees are rewarded to tie their efforts to organizational performance. Empowerment may be applied in varying degrees such as encouraging employees’ participation while retaining final authority for decisions or giving employees almost complete freedom and power to make decisions and exercise initiative and imagination. Similar to empowerment, participation in decision making is also an important non-monetary technique that may motivate public employees. It is a process where subordinates share a degree of decision-making power with their immediate superiors at the work group or organizational level. Through participation in decision making, employees feel that their ideas are valued and they are given the opportunity to affect the work process. It helps to make their job more interesting and meaningful. Moreover, it helps the organization to benefit from the knowledge and skills of employees whenever and wherever possible. Lawler (1990) (applied management techniques book), stated that participation affects motivation because it increases the amount of information that employees have on the expected outcomes of performance, it promotes that rewards have high valence for workers, and it helps employees to see the relationship between performance and outcomes. Moreover, as it was emphasized in explaining Goal Setting Theory, Locke (1996) argues that participation in setting individual goals improves goal commitment and this in turn increases motivation to achieve them.

Participation in decision making may be effective as a motivational technique in public sector but it is important to keep in mind that for it to be effectively realized, some conditions must be satisfied. There must be adequate time to participate, the issue in which employees participates must be relevant to their interests, employees must have the ability to participate, and the organization’s culture must support employee involvement. Participative decision making may be realized through teams, committees, group meetings and quality circles.
Promotion is another non-monetary incentive that is likely to motivate employees. It usually means an increase in prestige, self-respect and self-development for the employees, which satisfy their psychological needs. If it is explained by expectancy theory, promotion is

expected to motivate employees particularly when it is linked to performance. P-O expectancy is high in the perceptions of employees and the valance for the promotion were high since it is important in the satisfaction of employees' psychological needs. Thus, promotion opportunities should be provided in adequate levels in the organizations to motivate the employees with this job-related non-monetary incentive.

Goal setting as a job-related non-monetary incentive basically refers to establishing observable standards for employee performance and offering feedback to the employee about the extent to which the standards have been accomplished. Goal setting has many advantages for the organizations (Perry and Porter, 1982). First, it is an essential for the effective performance appraisal. Second, goal setting promotes personal significance reinforcement because it creates a mechanism by which individuals can observe their contributions to organizational success. Third, goal setting can be utilized successfully instead of monetary incentives which in the long run either could fail for lack of adequate financial rewards or might detract from public interest values. Moreover, it offers a high rate of return for quite limited investments. In light of declining budgets and resource scarcity, it is difficult to do that with monetary incentives. Thus, public organizations can benefit from this motivational tool.

However, there are some points that should be taken into consideration in designing goal setting techniques for public organizations (Perry and Porter, 1982). First and the most important is the vague and conflicting nature of governmental goals. Although examples supporting the belief that goal setting can indeed contribute to employee understanding of tasks and objectives might readily be obtained, the practical difficulty of creating concrete and precise goal statements in many situations is not changed. Also there is the problem that attempting to make goals more concrete may run the risk of making them simpler. In light of these considerations, it might be necessary to create highly flexible, decentralized goal setting techniques so that the task characteristics of the organization receive adequate attention. It also might be necessary to state goals in terms of organizational inputs or activities rather than outputs because of the difficulty of measuring success.

To sum up, if job-related non-monetary incentives can be utilized in public sector organizations in adequate levels, it may be expected that they can satisfy many higher level needs of the employees such as esteem and growth. Even if monetary incentives may satisfy many needs of employees, employees would still have some psychological needs such as a meaningful work in which various skills can be used, autonomy over work, development opportunities, prestige etc.

Monetary incentives are not likely to compensate for these needs. Moreover, job-related non-monetary incentives also help to create a more positive working atmosphere for the employees in which they would enjoy working for the sake of working. Therefore, job-related non-monetary incentives are important for the success of every organization, particularly public organizations. Job-related non-monetary incentives may help to motivate public employees even if they are not satisfied with their wage levels or the amount of monetary incentives they get.

2.3.2 Non-Monetary Rewards and Employee's Performance

2.3.2.1. Recognition and Employee Performance

As an example of recognition from private sector, Fine Host Corporation, a US food service company in Greenwich, Connecticut, regularly gives quality awards and posts workers' names in company buildings to recognize their good work. Also, employees receive framed certificates when they complete training courses.

Considering the appropriate ways of employee recognition in the sector, Gary Vikesland (2001) suggests the following recognition ideas that are simple and easy to operate:
Create recognition cards to give after an employee completes a difficult task, achieves his/her goals, make a useful suggestion, contributes to decrease costs, helps his/her peers in work place or after an employee receives special acknowledgement from a customer or co-worker. Recognition card is a business size card that a supervisor can carry with him/her at work. It can be either elaborately or simply designed. It is designed to have blank spaces where the supervisor writes the employee's name, the specific behavior being recognized, and a pre-printed statement telling the employee to bring the recognition card to their next performance review.

Create recognition memos on gold paper. A recognition memo is similar to the recognition card. It also has a blank space to fill-in the employee's name, specific behavior being recognized, and a pre-printed statement telling the employee to bring the memo to their next performance review. The difference is that, the recognition memo is read and signed by the CEO and all relevant department heads. To make recognition memos a successful motivational tool, all signers should sign the memo within 48-72 hours. A recognition memo that takes 3-4 weeks to get to an employee is not very effective in producing additional employee motivation.

In addition to these examples, there are many other ways to recognize employees for their good job without any monetary costs. Given the importance of recognition in the motivation of personnel, organizations should know how to integrate recognition to their daily operations to benefit from this free motivational tool. As Dee Hansford, an Orlando, Florida-based recognition consultant and founding board member of the Chicago-based National Association for Employee Recognition notes, giving personal praise is a basic skill that all people can learn (Davidson, 1999). It isn't something that comes naturally for everyone because it requires people to make a human connection on a very personal level. Thus, it is necessary to introduce this concept to organizations through seminars in order to enhance its practice and ensure that it is employed adequately. From time to time, employee surveys can be conducted in organizations to measure how well supervisors are doing in the area of employee recognition. When the situation of organizations in Turkey is considered with regard to superior/subordinate relationships, it may be difficult to say that there is an environment suitable for the establishment of recognition practices. Thus, for the social non-monetary incentives to be effective, it may be necessary to build an infrastructure through training the superiors and the employees on this issue. At this point, again it is also necessary to be careful about any possible perceived inequity situations in the workplace.

Recognition is one of the most powerful motivators. As McClelland said in his theory of Need for Achievement:" People with a high nAch want to accomplish reasonably challenging goal through their efforts. High need for achievement (nAch) people also desire unambiguous feedback and recognition for their success." The employee is motivated to give their best personal appraisal to give the best result through the personal development. Here the companies encourage them to develop their skills and abilities. By develop their skill it will help the companies to grow. Using develop skill and abilities, the companies through their line manager will do the performance review from there they will know how the progress from each staff from their attitude and they work that companies see usually once in a year. And from that review can give a feedback to the companies what the companies should do to make a better work environment at the office, cause it has effect to increase. Recognition serves as a psychological, or intrinsic, reward by acknowledging the accomplishments of an employee in front of his peers. This type of reward can be as simple as maintaining a "Wall of Fame" for employees who meet and exceed established goals. "Employee of the Month" is another type of recognition that you can create. The goals you establish for recognition can be short- or long-term or a combination of both. The reward can be physical, such as a gift certificate to a restaurant, or it can be something intangible, such as a day of paid leave. Any type of recognition is good as long as it is consistent and fair to all employees.

Learning opportunities provides benefits to both employee and employers. Successful employee in learning development gives an effect to the employee job productivity, and the employee's performance (Webster, 2011).

Challenging work gives effect to the individual's capability so that employees become more energetic in handling and performing their job and this will improve their employee performance.

Career advancement encompasses everything in the process to go a way up to achieve the highest position from the beginning of our career to the time until we retire. The examples of career advancement are job enrichment, promotion, job enlargement and others. Hi Feder(1999) study, she stated that job enrichment gives a great impact and improvement to the job performance. However promotion is the most important target for the employee career advancement as a way to improve their credibility and performance. According to Ewing, (2008) there are 7 ways to improve performance in way to get promotion such as work appreciation, be indispensable, be aware of changes at work, update resume, volunteer at work, plan personal financial and live simply.

2.3.2.2 Appreciation and Employee Performance

Appreciation is another intrinsic reward that you can show your employees. It's best to show appreciation personally, such as with a handwritten thank-you note. Another way to show appreciation is to stop by the employee's desk and say thanks for a job well done. Showing that a company appreciates the work the employee is performing for the company is a prime motivator for them to continue doing so.

A friendly greeting, a smile, a handshake, a pat on the back, a thank-you note by the superior mean a lot to most of the employees. They are all means of showing that employees are valued, cared and appreciated by their superiors. Also, employees whose ideas are taken into consideration, whose suggestions are appreciated, who feel themselves in on things and who gets feedback about their performance are more likely to try harder in their job. As McClelland's Acquired Needs Theory states, achievement motivated people like to get immediate feedback on how they have done so that they can enjoy the experience of making progress toward objectives. They may satisfy those needs with these kinds of social non-monetary incentives.

According to Bob Urichuck (2003) recognition and praise reinforces the employees' beliefs about themselves and helps make them think they are better than they thought they were. That is, it helps to build self-esteem. Employees with enhanced self-esteem can develop feelings of self-confidence, strength, making difference to the organization and being a valued member.

Clive (2004) emphasizes the significance of recognition in his article “Cashless Employee Motivation”. He points out that employees seek recognition for their accomplishments both inside and outside the organization and being respected for knowledge and skills is an important satisfier for them. While highlighting the importance of the phrase "Thank You" as the least costly non-financial incentive, he lists “articles in organization publications, postings on an employee information bulletin board, recognition at unit meetings, and other positive communications” as the other means to recognize employees. Moreover, he notes that social incentives such as the opportunity to speak with managers and executives provide employees a chance to address their concerns and comments directly to the top. If the organization takes immediate actions to resolve the issues, employee feels that the organization cares about them.

Some other suggestions for recognizing the employees socially can be stated as follows (Bussin and Christopher, 2002): “Praise employees for a job well done immediately, be specific regarding recognition, personalize by using the person’s first name, greet employees, give credit where due, start a yearbook with the names and photographs of outstanding employees, arrange “out-to-dinner” incentive programs to give individuals a sense of appreciation, arrange “behind the scenes” incentive programs for those whose actions are not usually in the limelight, recognize employees in front of their colleagues and spouses, co-ordinate a surprise celebration of the achievements of an employee or group of employees, thank employees for initiative, acknowledge a long relationship between a company and an individual, show personal interest in an employee’s development and career after a special achievement, asking how you can help him or her take the next step, send birthday cards to employees signed by the CEO, when you hear a positive remark about an individual, repeat it to that person as soon as possible, if you cannot meet, leave an e-mail or voice mail message, introduce peers and management to individuals and groups who have been making significant contributions as a way of acknowledging their work.”.

Organizations can benefit from the ideas and solutions offered by the employees. Employees can have progressive ideas for the efficiency of the work they perform. According to one study conducted by the Brooks consulting firm, of 12 companies in six different fields of work in United States, 64% of the workers believed they could contribute to reduce the costs of production if they were asked (Nelson, 2001). Consequently, if organizations seek their ideas, employees could come up with various useful ideas and in turn they would recognize their value to the organization by seeing how his/her efforts contribute to the overall success.

According to several studies, one of the best ways to encourage workers to help cost reduction for the organization is to provide them with public recognition for their efforts in reducing the costs (Nelson, 2001). If the organization has a mechanism to say the employees that their ideas are valued and recognize the contributions of employees to cost-cutting and efficiency, they would be more motivated towards doing their best. If they do not get any recognition besides their monthly salary, there won't probably be any reason for them to exert effort to improve the work or reduce the costs.

In the public sector there is hardly any incentive that can motivate employees to exert more effort besides job security, wage and fringe benefits. In fact, Herzberg classifies those items as hygiene factors that retain the public employees in the job rather than motivating them to exert extra effort. As it is emphasized before, public employees enjoy those privileges regardless of their work performance. In other words, there is no mechanism to differentiate superior performance from others, all are treated the same. Therefore recognition as a social non-monetary incentive is central to the motivation of employees in the public sector. It not only tells the employee that he/she makes a difference for the organization and is a valuable part of it, but also reinforces behaviors that benefit the public organization. More importantly, as it is mentioned in Equity Theory, failing to differentiate a job well-done from an average performance leads to a tension that can motivate individuals to bring equity into balance through altering effort, altering outcomes, changing how people think about inputs or outcomes and leaving the job. A public employee may think that he/she is performing well above the expectations but being treated the same as other employees who are just satisfying the expectations. Then, he or she may stop working hard to make things fair in his/her mind. Thus, recognition helps to bring equity to public organization work settings.

2.3.2.3 Independence and Autonomy and Employee Performance

Employees' ability to influence decisions at work is one of the most important factors affecting their motivation and psychological well-being. Employees want to be able to work independently. They do not want someone constantly watching over them and questioning their every move. They like to receive their assignments -preferable with the time frame required for completion and then have the independence to complete the work given the guidelines and framework you have set on their own merits. These benefits can go a long way in creating Employee/Employer loyalty and respect. This clearly demonstrates there are many points, besides money, to consider when you establish your management and employee policies.

Employees that feel empowered are happier, more motivated, more committed to their jobs, and less stressed. The latter is especially true for demanding workplaces since independence gives workers a sense of control in stressful situations. The benefits for business owners are clear: "[Greater autonomy] can lead to lower turnover and higher levels of creativity, innovation, and even performance," says Dustin Jundt, an organizational psychologist at Saint Louis University. (https://www.entrepreneur.com/article/223894).

Today, we "go to work" by turning on our computer or mobile device. We communicate by using Skype, screen-share, email, and text. We conduct meetings over the phone with people we never meet in person. It is a fundamental shift in the way organizations conduct business, thanks to the technology revolution. Technology has created the opportunity for a modern workplace that is more of *a* state of mind than *it is* a place. Like it or not: In the Information Age, how organizations run, and how employees interact to get work done has fundamentally changed. Rather than reward "attendance" — showing up for work, attending meetings, and executing the required work product — the modern workplace exploits the use of remote forms of communication. It allows employees to work in a way that best motivates and inspires performance goals around: Creativity, productivity and individual achievement that benefits the whole company. This new way of working requires organizations to redefine the rules of engagement at work. Many companies are adopting new systems around the concept of "autonomy" that lay out when it is appropriate to work independently or with a team; when to work remotely and when it is best to gather in-person.

We all are stimulated creatively by different environments. Some work best in a quiet, isolated space, while others enjoy the hum of an office, the clatter of a coffeehouse, or simply listening to music with a set of headphones. Others like to be stimulated by other people nearby—bouncing ideas back and forth, and building upon nascent ideas. Autonomy encourages employees to work in the most productive environments for them, and assumes that this "best environment" will drive higher productivity, creativity, and motivation.

The idea of "autonomy" as a motivational device within organization is well explained in author Daniel Pink's book *Drive.* He suggests that the current mode of doing business actually does not work the way we think it does, and the idea of a "modern workplace" is not simply more in vogue, but is in reality, more effective. When it comes to motivation, there's a gap between what science knows and what business does. Our current business operating system–which is built around external, carrot-and-stick motivators–doesn't work and often does harm.

2.3.3. Indicators of Employee Performance

Once an annual ritual, performance appraisal has become a continuous process by which an employee understands of a company's goals and his or her progress toward contributing to them are measured. Performance measurement is an ongoing activity for all managers and their subordinates. Performance measurement uses the following indicators of performance, as well as assessments of those indicators. First is quantity**:** The number of units produced, processed or sold is a good objective indicator of performance. Be careful of placing too much emphasis on quantity, lest quality suffer. Second is quality**:** The quality of work performed can be measured by several means. The percentage of work output that must be redone or is rejected is one such indicator. In a sales environment, the percentage of inquiries converted to sales is an indicator of salesmanship quality.

Timeliness is another important indicator**:** How fast work is performed is another performance indicator that should be used with caution. In field service, the average customer's downtime is a good indicator of timeliness. In manufacturing, it might be the number of units produced per hour. Cost-Effectiveness is another crucial indicator of performance**.** The cost of work performed should be used as a measure of performance only if the employee has some degree of control over costs. For example, a customer-service representative's performance is indicated by the percentage of calls that he or she must escalate to more experienced and expensive reps.

Absenteeism/Tardiness is very instrumental in determining employee performance**:** An employee is obviously not performing when he or she is not at work. Other employees' performance may be adversely impacted by absences, too. Creativity is equally a critical parameter of output for any organization in determining performance level. It can be difficult to quantify creativity as a performance indicator, but in many white-collar jobs, it is vitally important. Supervisors and employees should keep track of creative work examples and attempt to quantify them.

Adherence to Policy plays a leading role in determining performance**.** This may seem to be the opposite of creativity, but it is merely a boundary on creativity. Deviations from policy indicate an employee whose performance goals are not well aligned with those of the company. Gossip and Other Personal Habits**:** They may not seem performance-related to the employee, but some personal habits, like gossip, can detract from job performance and interfere with the performance of others. The specific behaviors should be defined, and goals should be set for reducing their frequency.

Personal Appearance/Grooming**:** Most people know how to dress for work, but in many organizations, there is at least one employee who needs to be told. Examples of inappropriate appearance and grooming should be spelled out, their effects upon the employee's performance and that of others explained, and corrective actions defined. Performance indicators must be assessed by some means in order to measure performance itself. Here are some of the ways in which performance is assessed from the aforementioned indicators. Manager Appraisal**:** A manager appraises the employee's performance and delivers the appraisal to the employee. Manager appraisal is by nature top-down and does not encourage the employee's active participation. It is often met with resistance, because the employee has no investment in its development. Self-Appraisal**:** The employee appraises his or her own performance, in many cases comparing the self-appraisal to management's review. Often, self-appraisals can highlight discrepancies between what the employee and management think are important performance factors and provide mutual feedback for meaningful adjustment of expectations.

Peer Appraisal**:** Employees in similar positions appraise an employee's performance. This method is based on the assumption that co-workers are most familiar with an employee's performance. Peer appraisal has long been used successfully in manufacturing environments, where objective criteria such as units produced prevail. Recently, peer appraisal has expanded to white-collar professions, where soft criteria such as "works well with others" can lead to ambiguous appraisals. Peer appraisals are often effective at focusing an employee's attention on undesirable behaviors and motivating change.

Team Appraisal: Similar to peer appraisal in that members of a team, who may hold different positions, are asked to appraise each other's work and work styles. This approach assumes that the team's objectives and each member's expected contribution have been clearly defined. Assessment Center**:** The employee is appraised by professional assessors who may evaluate simulated or actual work activities. Objectivity is one advantage of assessment centers, which produce reviews that are not clouded by personal relationships with employees.

360-Degree or "Full-Circle" Appraisal**:** The employee's performance is appraised by everyone with whom he or she interacts, including managers, peers, customers and members of other departments. This is the most comprehensive and expensive way to measure performance and it is generally reserved for key employees. MBO (Management by Objectives**):** The employee's achievement of objective goals set in concert with his or her manager is assessed. The MBO process begins with action statements such as, "reduce rejected parts to 5 percent." Ongoing monitoring and review of objectives keeps the employee focused on achieving goals. At the annual review, progress toward objectives is assessed, and new goals are set.

2.4. Conceptual framework

In this section, the researcher indicated the relationship between the independent variable and dependent variable.

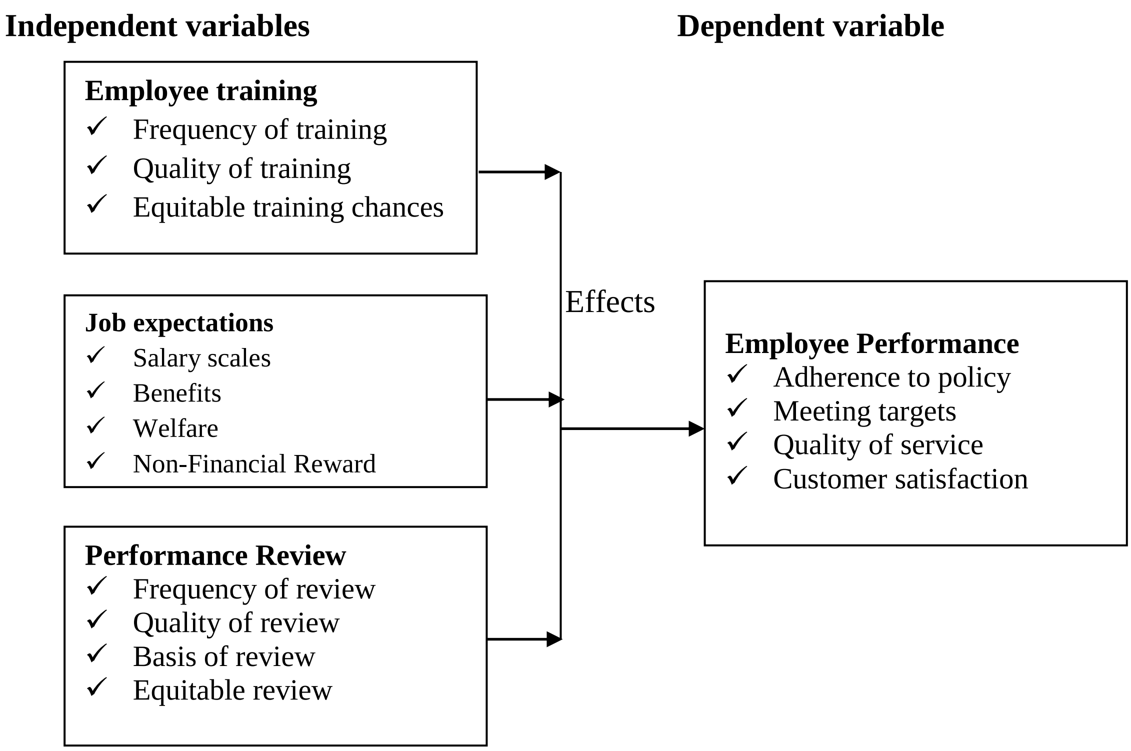


Figure 1: Conceptual Framework

Conceptual Framework on the relationship of reward system on employee's performance. This conceptual framework shows the relationship between the independent and dependent variables. This study is based on these variables that are propounded in the empirical study examination of this part. To motivates employees in terms of monetary reward through employee compensation and benefits company car, access to loans among others and motivating employees through non-monetary reward systems like recognition, appreciation and independence and autonomy among others will motivate employees to perform better.

Employee performance output is measured by quantity, quality, timeliness, absenteeism/tardiness, creativity and adherence to policy among others. Vice versa, where employees are given favorable rewards perform better in their respective roles. (http://tompkinscountyny.gov/files2/workforceny/16%20Ways%20to%20Measure%20Employee%20Performance.pdf).

2.4.1 Employees' Performance (Dependent Variable)

This study involves employees' performance as dependent variable, it encompasses 3 dimensions such as productivity, job quality and job accomplishment.

2.4.2 Reward Systems (Independent variables)

This study also involves both monetary and non-monetary rewards as independent variables; monetary reward includes 3 dimensions such as basic pay, merit pay and performance bonus. As for the non-monetary reward, it includes 4 dimensions such as recognition, learning opportunity, challenging work and career advancement.

2.5 Knowledge Gap

The literature review from different scholars of motivation as far as reward system is concerned has been covered by dividing the reward systems into two i.e. monetary rewards and non-monetary rewards.

Monetary rewards have been referred as tangible returns which include; cash compensation such as bonus, increment, short term incentive, long term incentive and other benefits such as income protection and allowances. While intangible returns/non-monetary rewards do include; movie tickets, Letter of appreciation, restaurant coupons, certificates, thanks from the bosses, flexible schedules, a day off, picnics, recognition of birthdays, and free lunches and promotions.

My study is set to fill the gap by providing the practical approach and knowledge that were of great help to the academic fraternity by highlighting the effect that is experienced on employee performance by the application of the reward systems to the case study of Commercial Bank of Ethiopia.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research design

The researcher used descriptive design to carry out the research. The major purpose of use of this design was to describe the state of affairs as they exist. It is a method of collecting information by interviewing or administering a questionnaire. The research design was helpful in collecting and analyzing data in order to answer research questions about the stated problem under investigation. The research study is explanatory as well as it will try to test the relationship between the variables of the study, it attempted to assess how reward systems affect employees' performance at commercial Bank of Ethiopia, East Addis Ababa District.

3.2 Population and Sampling Technique

The target population of the study refers to the number or group that the researcher would like to focus on. The researcher targeted management and non-management staff of Commercial Bank of Ethiopia placed at East Addis Ababa district.

The target population was as follows:

Table 1: Target population

Staff category	**Target**	**Percentage (%)**
Management	434	16
Non-management	2336	84
TOTAL	**2770**	**100**

Source Author (2019)

The researcher used simple random sampling for her research study. Simple random sampling is the basic sampling technique where we select a group of subjects (a sample) for study from a larger group (a population). Each individual is chosen entirely by chance and each member of the population has an equal chance of being included in the sample**.**

East Addis district of Commercial Bank of Ethiopia was selected as sample population. Out of total of 2770 employees of the districts sample size 350 management and non-management employees has been selected by using simple random sampling technique;

A Slovin's formula is used to take a sample from the population that considers the confidence levels and margins of error. As per the total population size, the study was adapted 95% confidence level (giving us an alpha level of 5%) that is the error tolerance, e, For example, in this study I wanted to be 95 percent confident that the data was going to be reflective of the entire population then:

1 – 0.95 = 0.05.

e = 0.05.

Then the sample

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

n= Number of samples

N=Total population

e=error tolerance (level)

$n=2770/\ (1+2770*(0.05)^{2})\ =2770/\ (1+2770*0.0025)\ =350$

Therefore, 350 staffs were used as sample for this study to gather date through questionnaire.

Table 2: Sample size

Staff category	**Target**	**Sample size**
Management	434	56
Non-management	2336	294
TOTAL	**2770**	**350**

Source Author (2019)

3.3 Instruments of Data Collection

The researcher used both primary and secondary sources of data. Primary data was collected mainly through use of questionnaires, observation and also interviews. The questionnaires for use were pre-determined questionnaires whereby the respondents were served with the questionnaires and given opportunity to answer.

3.3.1 Questionnaires

The research instrument used were developed through the adaptation and modifications of questionnaire from previous studies (Tower, 2010; Armstrong, Brown, and Reilly, 2011). It is the most inexpensive way to gather data from respondents. The researcher issued relevant questions related to reward system and employee productivity to the respondents. The questionnaires were well drafted and handed over to employees of Commercial Bank of Ethiopia East Addis district. The cost of preparing the questionnaires was minimal as compared to other methods. The questionnaires developed were aimed at capturing the data and information required to establish the parameters of the model and the relationship between the independent and dependent variables. It also examined and evaluates the final model and hypotheses.

3.3.2 Interviews

The researcher also involved use of oral interviews between the researcher and the respondents. Five employees of randomly selected has been interviewed. This was good data collection method since the researcher asked questions and has direct control of the interviewees. This gave the researcher clarity of answers from the respondents and also more additional information was sought.

3.4 Procedure of Data Collection

Questionnaires were hand delivered to the respondents and collected after five days. Data analysis method was SPSS social science software to analyze the findings and generate reports which were presented in frequency tables and charts.

3.4.1 Reliability and validity of data.

This entailed administering some questionnaires to a small number of respondents to test the reliability and validity of the research instruments.

3.4.1.1 Reliability

Reliability is about stability, consistency and dependability of data; this is when the measurements are not only accurate but also trustworthy, in such a way that somebody else using the same measuring instruments should obtain same or similar results. In other words, a reliable instrument is one, which if consistent produces the same results if used with same respondents on different occasions. Thus, reliable data is replicable; the study can be repeated and will yield same findings (Sapsford, 1999; Neumann, 1997; Babbie, 1979.

To measure reliability, five employees were requested to tick if the item in the questionnaire addressed the influence of variables. The responses were ascertained by using the Cronbachs' alpha reliability coefficient (α) of the data gathered from the pilot study. Field (2019) contended that Cronbach's alpha value that is at least 0.70 is for a reliable research instrument. In this study a threshold of 0.70 was used to establish the reliability of the data collection instrument. This was computed with the assistance of Statistical Package for Social Sciences (SPSS). A coefficient of above 0.70 was obtained and this indicated questionnaires were reliable instruments in gathering data on the topic under study.

3.4.2 Validity

Validity is the extent to which inferences made on the basis of numerical scores are appropriate, meaningful and useful. Validity of the study is assessed depending on the purpose, population and environmental characteristic in which measurement takes place (Cohen et al 2007). Kothari (2004), states that validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. Cohen et al. (2007) states that to demonstrate content validity the research instrument must show that it fairly and comprehensively covers the domain or items that it purports to cover.

To test the validity of the research instrument a pilot study was carried out to identify the research instrument that is ambiguous. This involved distributing a few samples of the research instrument to the respondents, hence the response and understanding of the questions analyzed. Ambiguity and irrelevant information noted in the questionnaire were modified for validity purpose. The respondents were also requested to respond on the clarity of the questions presented to them**.** As defined by Kothari (2004) reliability is the extent to which a research instrument yields measures that are consistent each time it is administered to the same individuals or yields consistent results.

Internal consistency reliability was done after all items had been constructed. A pilot study was carried out among 5 employees from the bank to identify some of the short comings likely to be experienced during the actual study and hence enhance reliability (Kombo & Tromp, 2006). Cronbanch Alpha formula in the SPSS was used to calculate the correlation coefficient. In this study if the alpha coefficient of correlation obtained is 0.6 and above then the questionnaire is accepted as reliable to be used in the study. The alpha coefficient of correlation obtained was 0.7 and hence the questionnaire was accepted as reliable and used in this study (Boudens and Abbott, 2005).

3.4.3 Reliability Analysis

To measure reliability, the 5 employees in the bank were requested to tick if the item in the questionnaire addressed the influence of reward. The responses were ascertained by using the Cronbachs' alpha reliability coefficient (α) of the data gathered from the pilot study. Kombo and Tromp (2006) contended that Cronbach's alpha value that is at least 0.70 is for a reliable research instrument. In this study a threshold of 0.70 was used to establish the reliability of the data collection instrument. This was computed with the assistance of Statistical Package for Social Sciences (SPSS). A coefficient of above 0.70 was obtained and this indicated questionnaires were reliable instruments in gathering data on the issue. Also, some corrections were made to address the sample size and sampling procedures. The results of the pilot were then be processed to feed into the final research design.

3.5 Method of Data Analysis

After data collection, all questionnaires were adequately checked; editing, coding and tabulation were carried out. Since the study is qualitative, the data was then analyzed using qualitative techniques.

In order to understand the relationship between the independent and depend variables as shown in the conceptual framework and articulated in the research objectives, the researcher conducted a correlation and multiple regression analysis so as to assess the relationship between the independent and depend variable; and an attempt was made to test the credibility of the model testing the three hypotheses formulated. The regression equation is as below:

$Y = \beta0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$

$\beta0$ = constant

Where Y = Employee performance

X_1 = Training,

X_2 =Job Expectation

X_3 = Performance Review

3.6 Ethical Issues in Research

The researcher was guided by an ethical code when conducting the research study. The researcher was expected to upheld high standards of behavior and act with integrity during the research study. The researcher also handled with confidentiality all the information acquired from the organization for the purpose of the study.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF FINDINGS

Data analysis entails separation of data into constituent elements and examining separately and in relation to the whole (Oso & Onen, 2009). According to Kombo & Tromp, (2006) data analysis refers to examination of what has been collected in order to make deduction and inference i.e. scrutinizing the acquired information and making inferences. Kavulya (2007) defines data analysis as the process of ordering and restructuring data from the field in order to grasp the overall meaning in relation to the hypothesis, the purpose of which is to illustrate the issues. This chapter presented the data and the analysis of the research findings and it presented them in tabular and graphic representations.

The findings of this study were subjected to both qualitative and quantitative data analysis using Statistical Package for Social Sciences (SPSS) computer package. Fifteen questionnaires were utilized for this study comprising of employees of Commercial Bank of Ethiopia, East Addis Ababa District.

4.1 Analysis of Response Rate

This part sought to establish the response rate of the respondents. From the total 350 Questionnaires distributed, only 280 Questionnaires were filled and returned but 70 were non-responded. The results were presented in the tables and figures below. The response rate was as follows:

Table 4.1: Response Rate

Rating	**Frequency**
Responded	280
Non-response	70
Total	350

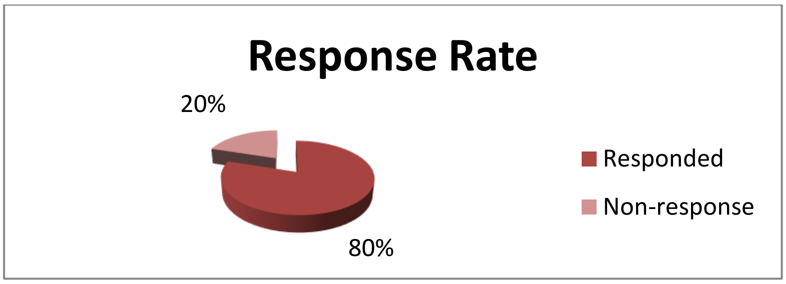


Figure 4.1: Response Rate

From the Table, the total number of questionnaires that were administered was 350 and out of them 280 questionnaires representing 80% were fully answered and returned. 20% never returned their questionnaires and this represented 20% out of the total. From the study it can concluded that the response rate was high to give credibility to the findings.

4.2 Social Demographic Information

This part presented the findings and the discussion of the study. It begins by presenting the social demographic information of the respondents. A total of 280 respondents were responded and their socio-demographic characteristics were summarized as indicated below.

4.2.1. Gender

This part sought to establish the gender of the respondents. The respondents were asked to indicate their gender. The results were presented in the tables and figures below**.**

4.2.1.1 Gender Representations

Gender	Frequency	Percentage (%)
Male	174	62
Female	106	38
Total	**280**	**100**

Source Author (2019)

Table 4.2: Gender Representations

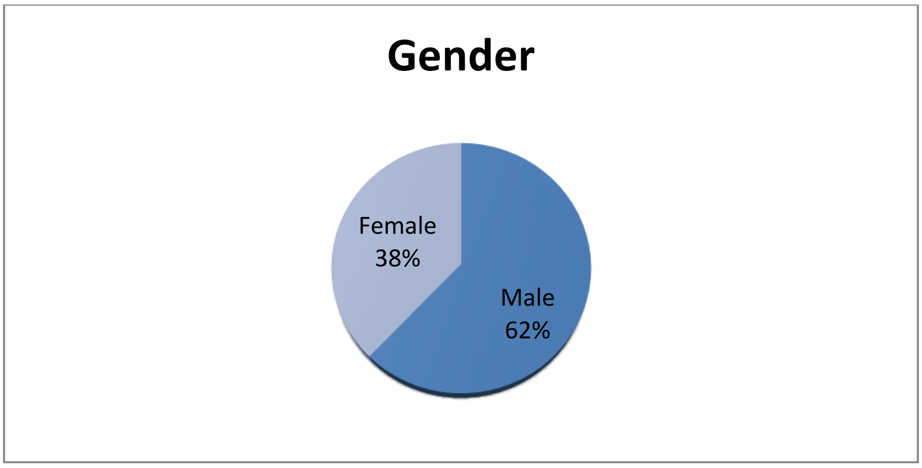


Figure 4.2: Gender Representation

From the table above, it emerged that 62 % of the respondents in the organization were male (174 men) employees whereas 38% of the respondents were female (106 women).

The information confirmed that the population dynamics is gender insensitive. The interpretation is that most respondents were male revealing the organization is gender insensitive, implying as their male counter parts. This is true as it is the male who are targeted in any initiative as they are conceived to be the strength of the society besides being given higher status and better employment opportunities in society.

Gender sensitivity improves the information that was obtained from the organization as it will not be biased out of insensitivity of gender. The organizations which are gender sensitive will look balanced in decision making as they consider all aspects of life out of the mix of employees and the end results will tend to be more perfected than the organization which have one sex more than the other.

4.2.2 Age

This part sought to establish the age of the respondents. The respondents were asked to indicate their age. The results were presented in the tables and figures below. The response on age was as follows:

Table 4.3: Age

Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 25	88	29.0	31.4	31.4
	26-35	115	38.0	41.1	72.5
	36-50	75	24.8	26.8	99.3
	Above 51	2	.7	.7	100.0
	Total	280	92.4	100.0	
Missing	System	23	7.6		
Total		303	100.0		

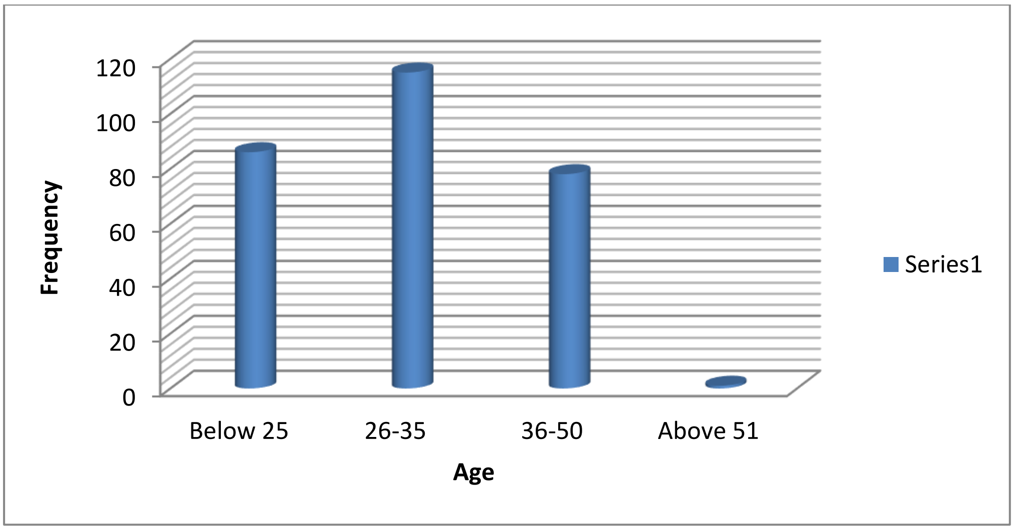


Figure 4.3: Age

The study further sought to find out the age groups of the respondents represented. The above Figure indicates that respondents with age of 26 to 35 formed the majority of the total, that representing 41.07 %(115) followed by 31.43 %(88) of respondents with age below 25. This indicates that the majority of the staffs are young with few years of experience. Those aged 36-50 years were 26.8 %(75), and those aged above 51 years represents 0.71 %(2) in this group of respondents. This is an indication that the bank couldn't retain the experienced staffs, those who are well experienced are leaving the bank for better salary and benefit packages to other commercial banks.

4.2.3 Respondents' Education Level.

This part sought to establish the respondents' education level**.** The respondents were asked to indicate their level of education. The results were as shown in the following table:

Table 4.4: Education Level of Respondents

Education level	**Frequency**	**Percent**
Diploma	22	7.9
Degree	202	72.14
Masters	56	20
TOTAL	**280**	**100**

Source Author (2019)

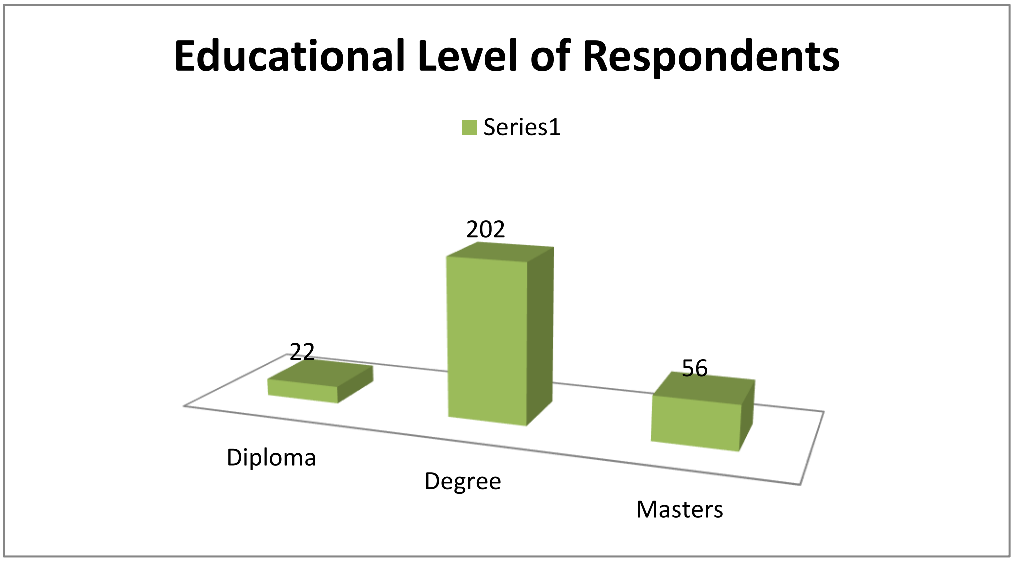


Figure 4.3: Education Level of Respondents

From the table above, it emerged that 22 employees from operations at the bank had attained Diploma level education. Within the operations tasks also it emerged that 202 employees were degree holders and 56 employees had attained Masters level education. This indicates that a majority of employees are educated.

The researcher also noted that at the Managerial posts, 32 employees were degree holders; whereas 170 employees from non managerial posts were degree holder, 56(20%) of the population) employees of the bank had post graduate qualifications. This was an indication that higher education and technical knowledge was a prerequisite in the organization and it is also an indication that there is a high competition among employees for promotion.

Figure 4.5 Years of experience of respondents at CBE

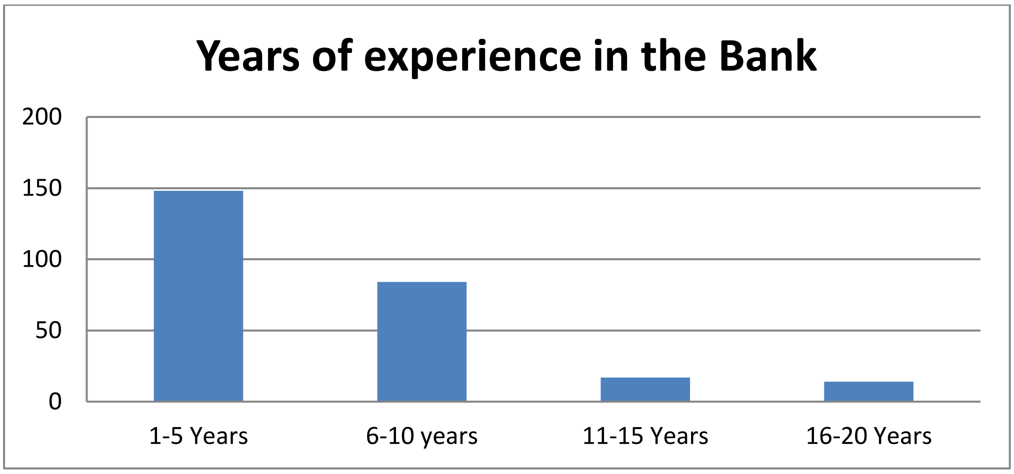


Figure 4.5 indicates that majority of employees that is 53% (148) of employees has been serving in CBE for less than 5 years, the other 30 % (84 employees) are working for the bank between six and ten years, 6 % (17 employees) are also working between eleven and fifteen years while 5% (14 employees) are serving the bank above sixteen years. The responses from the other 6% (17 employees) were missing.

Table 4.5: **Gender, Years of Experience versus Education Cross Tabulation**

	Educational Level			Total
Gender	Diploma	Degree	Masters	
Female Employees	13	77	16	106(38%)
Male Employees	9	126	40	174(62%)
Total	22	202	56	
Years of Experience				
1-5 Years	0	118	30	53%
6-10 Years	0	64	20	30%
11-15 Years	7	8	2	6%
16-20 Years	15	1	1	5%
Total	22	191	53	

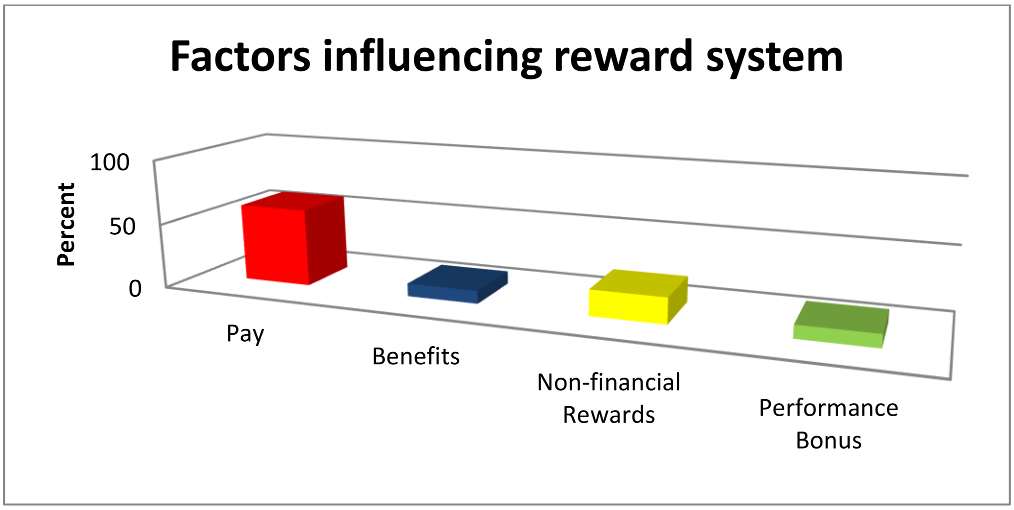
Source Author (2019)

4.3 Proposed Factor Influencing Reward System

Reward systems are very important in an organization as they contribute a great deal towards their motivation to perform better. The study therefore found it necessary to establish the proposed factors influencing reward system. The results were presented in the table below:

Table 4.6: Proposed Factor Influencing Reward System

Factors influencing Reward System	Frequency
Pay	168
Benefits	28
Performance Bonus	28
Non-financial Rewards	56



Source: Author (2019)

Figure 4.6: Proposed Factor Influencing Reward System

From the above findings, it emerged that 60% 0f the respondents agreed that pay was the factor that most employees feel improves their reward system, 20 % 0f the respondents agreed that non-financial rewards were the factor that improved their reward system most; whereas 10% of the respondents felt benefits as the factor and another 10% agreed Performance Bonus is the factor influenced their reward system.

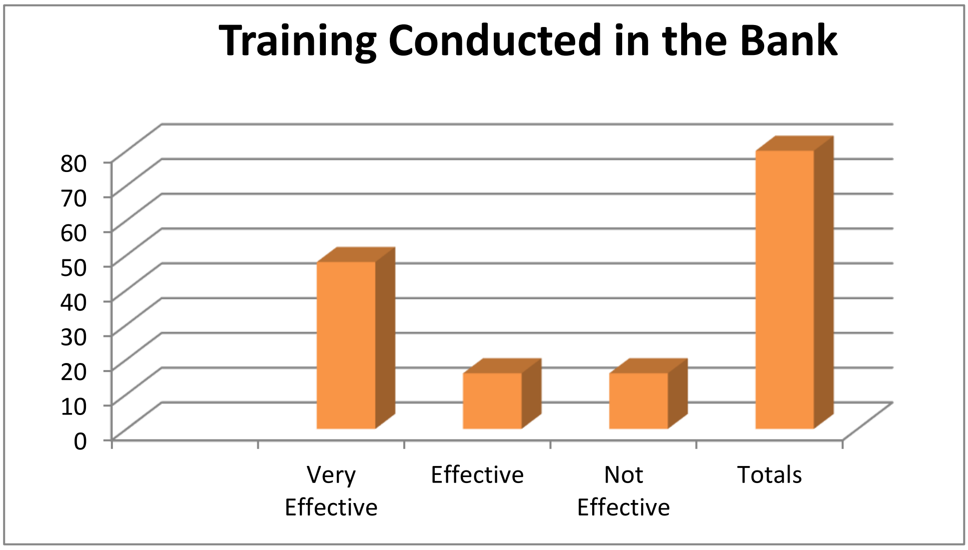
4.4 Training Conducted at the Organization

On the issue of training, it emerged that 60% of the respondents agreed that training was very effective at the organization, whereas 20% of the respondents felt it was good. 20% of the respondents indicated that they have never experienced on the job training.

Training of the organization's employees improves their effectiveness and overall performance to a great extent helping the organization achieve its overall objectives. The study sought to establish the effectiveness of training conducted in the organization. The results were presented in the table below.

Table 4.7: Training Conducted in the Organization

Training	Percentage (%)	Frequency
Very Effective	60	168
Effective	20	56
Not Effective	20	56
Totals	100	280



Source: Author (2019)

Figure 4.7: Training Conducted in the Organization

From the above table, it emerged that 60% of the respondents agreed that training was very effective in improving reward system of employee performance in the organization, whereas there was a tie of 20 % of the respondents (56 employees) indicated that training was effective and another 20% of them (56 employees) indicating training was not effective. From the research study, training was mentioned as very important and relevant to employee performance by all of the respondents.

4.5 Current Employees' Job Expectations

Job expectation of the employees was another aspect that the study sought to focus on. The respondents were asked to indicate whether the job met their expectations. The results are as displayed in the table below:

Table 4.8: Current Employees' Job Expectations

Current Employees' Job Expectations	Frequency
Met Job Expectation	210
Failed to meet Job Expectation	56
Absconded the Question	14

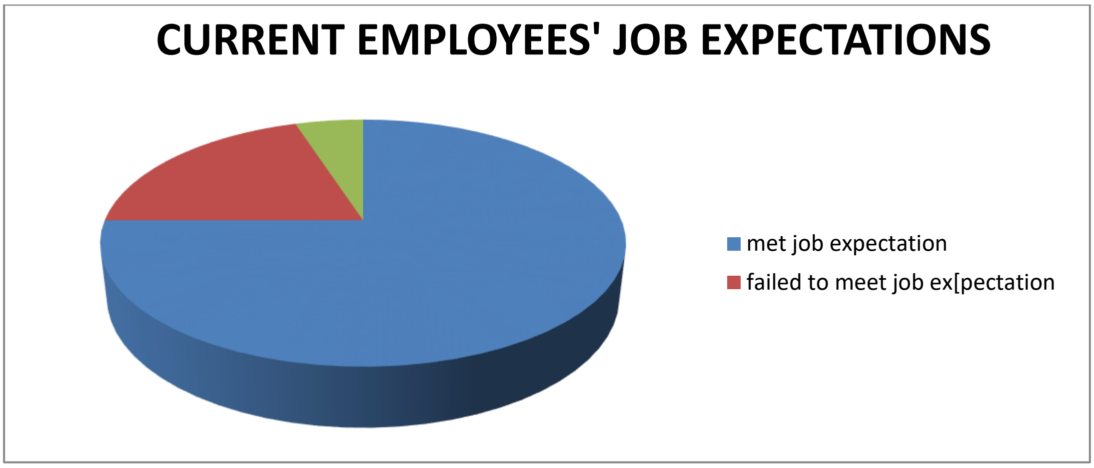


Figure 4.8: Current Employees' Job Expectations

From the table above, it clearly shown that the respondents strongly agreed that the current job has met their expectation, the current job met the needs of 75% of the respondents of the organization; It was also evident that only 20% of the respondents indicated that the current job has not met their current expectations, the 20% respondents showed their disagreement on job expectation and a mere 5% of the respondents absconded the question. This was an indication that the jobs at the organization were well suited to the needs of the employees and had met a majority of the needs of the employees. There was a clear indication that most employees were happy with their current tasks at the organization and this was helpful in improving employee performance at the bank.

4.6. Performance Review in the Organization

The study sought to establish how often employee performance was reviewed in the organization as it reflects on the contribution that they make towards the organization achieving its goals and objectives. The results were as displayed in the table below:

Table 4.9: Performance Review in the Organization

Indication Of Performance Review	Percentage (%)	Frequency
Quarterly	50	140
Semi- Annually	24	67
Annually	25	70
Absconded	1	3
Total	**100**	**280**

Performance Review in the Organization

Source Author (2019)

Figure 4.9: Performance Review in the Organization

On the issue of performance review, 50% of the respondents agreed that it must be conducted quarterly by the immediate supervisor. 25 % of the respondents indicated that performance review must be done every year whereas another 24% of the respondents agreed performance review was supposed to be conducted Semi-Annually. Slightly 1% of the respondents was absconded the response.

4.7 Sponsorship of Training

The study also focused on establishing on the sponsorship of training and development of the employees at all levels in the organization. The table shows the results from the respondents' answers:

Table 4.10: Sponsorship of Training

Respondents	**Self**	**Others**	**CBE**	**Frequency**
Total	137	3	140	280

Source Author (2019)

Figure 4.10: Sponsorship of Trainings

From the above table, it emerged that 50 % of the respondents (140 employees) received sponsorship to a training program by the organization. This indicated that the organization valued training of employees and this made them improve their performance at the organization. When employees of the organization received training in the organization, their performance increases and hence they become more productive.

4.8 Employee Performance

In any organization, it is of utmost importance to measure the overall employee performance in accordance to their job descriptions and the set targets. The study sought to establish employees' performance from different perspectives such as customer satisfaction, quality service, meeting targets and adherence to policy so as to establish how effective the performance was. The results are as displayed in the table below:

Table 4.11: Employee Performance

Employees Performance	**Frequency**
Adherence to Policy	74
Meeting Targets	35
Quality Service	97
Customer Satisfaction	120

From the figure above, it is evident that performance of employees in terms of customer satisfaction, quality service, meeting targets and adherence to policy is dissatisfactory. Asked to give reason for their answers, respondents attributed poor reward system to this poor employee performance. It can therefore be concluded that unfavorable reward system can influence employee performance.

4.9 Correlation and Multiple Regression Analysis

4.9.1 **Correlation Analysis**

Further the study applied correlation analysis to determine the strength of the relationship between reward systems and employee performance. The study findings are shown in Table 4.12 below;

Table 4.12: Correlation Analysis

Correlations

			Employee Training	Performance Review	Job Expectations	Employee Performance
Kendall's tau_b	Employee Training	Correlation Coefficient	1.000	-.235**	.126*	.111
		Sig. (2-tailed)	.	.000	.025	.052
		N	280	280	280	280
	Performance Review	Correlation Coefficient	-.235**	1.000	.472**	.524**
		Sig. (2-tailed)	.000	.	.000	.000
		N	280	280	280	280
	Job Expectations	Correlation Coefficient	.126*	.472**	1.000	.317**
		Sig. (2-tailed)	.025	.000	.	.000
		N	280	280	280	280
	Employee Performance	Correlation Coefficient	.111	.524**	.317**	1.000
		Sig. (2-tailed)	.052	.000	.000	.
		N	280	280	280	280

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The result from the above table showed that there is a positive relationship between employee performance and employee training, the correlation coefficient (r = 0.111, p=0.111). This implies that an increase in employee training will increase employee performance.

Furthermore, there was a significant positive relationship between performance review and employee performance with correlation coefficient (r=0.524**, p=.000) implying an increase in performance review will increase chances of employee performance.

Finally, the study findings showed that there is a significant positive relationship between employee performance and job expectation (r = 0.317**, p=.000). This implies that an increase in job expectation will increase the chances of employee performance.

4.9.2 Regression Analysis

Multi regression analysis was carried out to show the nature of the relationship between the dependent variable and independent variables. The model goodness of fit was tested using the F statistics (F=47.17 and P value <0.05) this implies at least one of the beta coefficient is not equal to zero therefore there is a significant relationship between the employee performance and employee training except job expectation with P-value>0.05; the relationship between employee performance and job expectation is insignificant with P-value greater than 0.05.

Table 4.13: Regression Coefficients

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.582[a]	.339	.332	.358	.339	47.171	3	276	.000

a. Predictors: (Constant), Job Expectations, Employee Training, Performance Review

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.020	.073		14.070	.000
	Employee Training	.137	.028	.252	4.864	.000
	Performance Review	.289	.029	.569	9.870	.000
	Job Expectations	-.007	.045	-.009	-.161	.872

a. Dependent Variable: Employee Performance

The results of the study showed that the model explanatory power (coefficient of determination (R^2)) was 33.9% which means that 33.9% of employee performance can be explained by employee training, job expectation and performance review when combined. The remaining percentage can be explained by other factors not included in the model.

The study findings indicate that there is a positive significant relationship between employee training and employee performance (β= 0.137, and P value <0.05). This implies that a unit increase/decrease in employee training is associated with 0.137 increase/decreases in employee performance. In addition, the study findings depicted that there is a positive significant relationship between performance review and employee performance (β=0.289 and P value<0.05), this implies that a unit increase in performance review is associated with 0.289 increases in employee performance.

Finally, results in Table 4.13 showed that job expectation has a negative and insignificant effect on employee performance (β= - 0.007 and P value>0.05).

4.10 Research Hypothesis Testing

There were three hypothesis formulated under the conceptual framework of the study so that the researcher conducted a correlation and multiple regression analysis which was calculated for testing the three hypothesis of this research and the test of these hypotheses leads to accomplish the objectives of this study. Correlation coefficient is a very useful way to summarize the relationship between two variables; with a single number that falls between -1 and +1. -1 indicates a perfect negative correlation, 0.0 indicates no correlation, and +1 indicates a perfect positive correlation.

Hypothesis I: Employees training has a positive and significant effect on CBE employees' performance.

The result shows that there is positive and significant relationship between training & employees performance in Commercial Bank of Ethiopia, this is due to the value of the correlation which is 0.111 and it is statistically significant at the level of $\alpha < 0.05$.

Hypotheses II: **Job expectation has a positive and significant effect on CBE employees' performance**.

It can be observed from the above correlation analysis that, there is a significant positive correlation between Job expectation and employees' performance in CBE, this is due to the value of the correlation which is 0.317 and it is statistically significant at the level of $\alpha = 0.05$.

Hypotheses III: **Performance review has a positive and significant effect on CBE employees' performance**.

The result indicates that there is significant positive correlation between Performance review and employees' performance this due to the value of the correlation and regression analysis which is $r=0.524$ and it is statistically significant at the level of $\alpha = 0.05$.

Based on the above analysis there is a significant relationship between reward system and employees performance in Commercial Bank of Ethiopia.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.

The objective of this study was to examine the effects of reward systems on employee performance a case study of Commercial Bank of Ethiopia.

The research design was descriptive in nature and the population of the study was 350 employees of Commercial Bank of Ethiopia, East Addis District. Both primary and secondary data was used in the study.

5.2 Summary of Findings.

The research sample comprised of 62% male and 38% female respondents and majority were operational staff members of the bank.

On the length of employment at the bank, it emerged that 53% of the respondents had served for between 1-5 years.

On the proposed factors to improve employee reward systems, it emerged that 60% of the respondents agreed that pay as the factor that would improve their reward system most. It emerged that majority of the respondents agreed that pay was the factor that most employees feel improves their reward system whereas 20 % 0f the respondents agreed that non-financial rewards were the factor that improved their reward system most.

On the issue of training conducted in the organization, it emerged that 60% of the respondents agreed that training was very effective; training improves their effectiveness and overall performance to a great extent helping the organization achieve its overall objectives. Training was also mentioned as very important and relevant to employee's performance by all respondents. The respondents agreed to have attended a training seminar related to the job and that it was relevant and useful to their job description. As said by the interviewees, the training conducted in the bank is effective however it requires some improvement regarding the content of the material, the capacity of the trainee.

The current job in the organization has met the needs of 75% of the respondents; this was an indication that the jobs at the organization were well suited to the needs of the employees and has met a majority of the needs of the employees. Most employees were happy with their current tasks at the organization and this was helpful in improving employee performance at the bank.

The researcher also found out that 58% of the respondents at the organization agreed that performance reviews were an important part of reward systems and that they should be undertaken quarterly by the immediate supervisors and results given to the employees being assessed.

The interviews suggested that the need for management and employees to work in collaboration to find appropriate reward system and structures to actually improve employees' performance. In addition to that, the interviews suggest the importance of both financial and non-financial rewards in motivating employees in turn improves employees' performance.

All the respondents agreed that reward systems indeed affected employee performance in the organization.

Among respondents most of them said that they had attended training at the organization ever since they were hired at the organization.

Regarding the sponsorship of the training the researcher found out that 50 % of the respondents (140 employees) received sponsorship to a training program by the organization. This indicated that the organization valued training of employees and this improved their performance at the organization. When employees of the organization received training in the organization, their performance increased and hence they will be more productive.

On the issue of performance review, 50% of the respondents agreed that it must be conducted quarterly by the immediate supervisor. 24 % of the respondents indicated that performance review must be done Semi-annually whereas another 25% of the respondents said annually. Slightly 1% of the respondents was absconded the response. According to the interview, the respondents suggested performance review to be clear and transparent, the employee should be given an opportunity to rate her/himself.

It was evident that performance review was of importance to the organization. Majority of the employees agreed that they appreciated the organization for conducting Quarterly performance reviews of all employees. But the interviewee suggested the review process to be transparent and unbiased. About the resources availability in the bank, majority of the respondents agreed that there was need to improve on the resources of employees engaged at the organization. According to the interview some of the resources in the organization have quality issues and they suggest that to be improved.

Regarding the overall employee performance in accordance to job descriptions and the set targets, the study found out that employees' performance from the perspectives of customer satisfaction, quality service, meeting targets and adherence to policy is dissatisfactory. The reason given by the respondents was poor reward system to this poor employee performance.

The respondents has suggested about the ways of improving employee reward system in the organization that the organization needed to involve them in decision making so that there must be agreement and smooth implementation of reward systems in the organization.

To sum up, Correlation and regression analysis were conducted to determine the relationships between the variables under the study. Correlation tests revealed a significant positive correlation between the three reward systems and employees performance in CBE with coefficients of 0.111, 0.524 and 0.317 respectively at P-value < 0.05 significance level.

Regression analysis revealed that an increase in employees training and performance review by one unit would increase employee performance by 0.137 and 0.289 units respectively whereas job expectation has a negative and insignificant effect on employee performance with regression coefficient at -0.007 and p-value>0.05.

5.3 Conclusions.

From the above research findings of the study at the organization, it has emerged clearly that reward systems indeed, affect employee performance.

Training of employees has evidently been pointed out as very important as regards to improving employee performance. Gives employees appropriate training to increase their knowledge and skills, establish reward systems in which outstanding job performance is rewarded through various financial and nonfinancial incentives.

Regarding employee overall performance from the perspectives of customer satisfaction, quality service, meeting targets and adherence to policy was dissatisfactory. The reason given by the respondents was poor reward system to this poor employee performance. It can therefore be concluded that unfavorable reward system can influence employee performance.
Based on Correlation analysis, we can conclude that there is a significant and positive relationship between the three reward systems and employees performance in CBE whereas

the regression analysis indicated that there is a significant relationship between the employee performance and employee training except job expectation with P-value>0.05.

In addition, the Regression analysis results of the study showed that the model explanatory power was 33.9% so that we can conclude that 33.9% of employee performance can be explained by employee training, job expectation and performance review when combined. The remaining percentage can be explained by other factors not included in the model.

5.4 Recommendations.

From the research study above, the researcher recommended the below:

Majority of the respondents agreed that ‘pay’ as the factor that improves their reward system so that the bank has to work toward improving its pay structure to influence employees’ performance.

As training was mentioned very importance in influencing employee’s performance so that the bank should improve the training materials and the capacity of the trainees by recruiting well experienced professionals in the industry.

Regarding the sponsorship of the training it would be good if all employees to get the chance to be sponsored by the bank.

As mentioned in the findings, the current job in the organization has met the needs of majority of the respondents; this is an opportunity for the bank to use it as an advantage to motivate employees for better performance.

Performance reviews in the bank was indicated as an important part of reward systems so that the bank should give the chance to the employee to rate themselves so that the employees engagement would in turn improves its reward system.

Finally, according to the study employee performance from the perspectives of customer satisfaction, quality service, meeting targets and adherence to policy were dissatisfactory. The reason given by the respondents was poor reward system to this poor employee performance.

The researcher recommended that the bank should take immediately action towards improving monetary and non-monetary reward systems in terms of better recognition, compensation, and career advancement among others. Then the bank would improve the reward system to be favorable.

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Questionnaire

I'm doing a research on effect of reward systems on employee performance in Commercial Bank of Ethiopia in an attempt to the bank to become more effective and efficient. The information that you will give is fully for research purposes and it will be kept confidential. Please be as candid as possible as you fill the questionnaire.

SECTION 1: GENERAL INFORMATION

a) Gender Male ☐ Female ☐
b) Age Below 25 ☐ 26-35 ☐ 36-50 ☐ Above 51 ☐
c) Education level: Diploma ☐ Bachelor Degree ☐ Master's Degree ☐ PhD ☐
d) Position ……………………………………………………………

☐ Managerial (Branch Manager, Customer Service Manager (CSM))

☐ Non-managerial (Senior Customer Service Officer, Customer Service Officer)

e) For how long have you worked for Commercial Bank of Ethiopia?
Tick where appropriately.

☐ Less than 5 year
☐ 6 – 10 years
☐ 11 – 15 years
☐ 16 – 20 years
☐ Over 20 years

SECTION 2: EMPLOYEE PERFORMANCE

1. The following factors improve your reward system (Check all that apply)

Rating → / **Indicator** ↓	**Strongly Satisfactory**	**Satisfactory**	**Dissatisfactory**	**Strongly Satisfactory**
Monetary Rewards:-				
Compensation				

Benefits				
Performance Bonus				
Non-Monetary Rewards:-				
Recognition				
Learning opportunity				
Challenging work				
Carrier advancement				

2. How would you rate the working environment in this organization?

Indicator → Rating ↓	Strongly Agree	Agree	Strongly Disagree	Disagree
Very conducive				
Conducive				
Not conducive				

3. Does monetary reward affect employee performance? Yes [ ] No [ ]

   Explain.

   ____

   ____

   ____

4. Does non-monetary reward affect employee performance? Yes [ ] No [ ]

   Explain.

   ____

   ____

   ____

SECTION 3: EMPLOYEE TRAINING

Please indicate your level of Agreement/Disagreement with statements in the box by putting a tick mark against the scale that best describes your choice:

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

5. How would you rate the level of learning in this organization?

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

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Very effective					
Effective					
Not effective					

6. Are your current duties relevant to your learning and experience?

☐ Yes ☐ No

7. Have you ever attended any training relevant to your job since you joined the bank?

Yes ☐ No ☐

8. Who sponsored the training?

☐ Self
☐ Others
☐ Commercial Bank of Ethiopia (CBE)

SECTION 4: PERFORMANCE REVIEW

9. How is the employees' performance appraisal conducted at CBE?

☐ Supervisor evaluates employee
☐ Employee evaluates supervisor
☐ The customers evaluate the employee
☐ All inclusive
☐ Others: …………………………………………………………………

10. How frequent is employee performance review carried out at CBE?

☐ Quarterly
☐ Semi-annually
☐ Once a year
☐

Every two years

☐ Randomly

☐ Not regular

11. Are you satisfied with the way employees are evaluated on the performance?

☐ Yes ☐ No

If No, what is the main reason? ____________________________________
____
____

12. In your opinion, how do you view the employee performance appraisal in CBE?

☐ Fair

☐ Good

☐ Poor

☐ Bad

13. How would you rate the performance of employees of your bank in terms of the following indicators of performance

1= Strongly Disagree 2= Disagree 3= Agree 4= Strongly Agree

Rating → **Indicator** ↓	**Strongly satisfactory**	**satisfactory**	**dissatisfactory**	**Strongly satisfactory**
Customer satisfaction				
Quality service				
Meeting targets				
Adherence to policy				

14. Suggest ways in which you think the appraisal (review process) can be used to link rewards to good employee performance and punishment for poor performance.

____

____

____

14. Do you think you have all the resources to enable you to perform efficiently and effectively?

☐ Yes ☐ No

15. Suggest ways of improving employee performance in this organization?

____

____

____

DECLARATION

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

Student name: Aynalem Kebede **Signature**