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**THE EFFECT OF REWARD SYSTEM ON CRATIVITY OF EMPLOYEE IN OROMIA
CREDIT AND SAVING SHARE COMPANY: THE CASE OF EAST SHEWA ZONE
BRANCHES.**

By

Nishan Chemere Zewdie

Under the Supervision of Habtamu Abebaw (PHD).

A Thesis submitted to St. Mary's University School of Graduate Studies In partial fulfillment
of the requirement for award of the degree of Masters in Business Administration.

December, 2021

ADDIS ABABA, ETHIOPIA

STATEMENTS OF DECLARATION

I, the undersigned, declare that this thesis is my original work and has not been submitted partially or wholly for any other person for a purpose of earning degree in any other institution and that all sources of materials used for this thesis' has been dully acknowledged.

Declared By:

Presenter Name Nishan Chemere Zewdie

Signature.....

This Thesis has been submitted for examination with my approval as a University supervisor.

Approved by:

Advisor Name: Habtamu Abebaw (PHD).

Signature.....

Date.....

ACKNOWLEDGEMENT

I would like to extend my first and most gratitude to almighty God, from whom all knowledge, intelligence, sympathetic and blessings flow. I give Him all the Glory, admiration, dignity, admire and esteem for His love that never end and for seeing me through this study.

I would like also to forward my special thanks go to my advisor **Habtamu Amebas (PHD)** Who has diligently offered the necessary supervision, analysis and the needed academic impetus to the precision and achievement of this work. His optimistic support changed what initially thought was a complicated task to interesting and truly memorable experiences.

Last but not least, without your prayers, support, encouragement, guidance and patience this study would not have been completed. Thank you all for believing in me and supporting my efforts to accomplish my dream. God bless you all!

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LIST OF ACRONYMS

ACA	American Compensation Association
ACSI	Amhara Credit & Saving Institution
OCSSCO	Oromia Credit & Saving Share Company
DECSI	Debit Credit & Saving Institution
ECD	Organization of Economic Cooperation Development
ER	Extrinsic Reward
MFI	Micro finance Institutions
SD	Standard Deviation
SPSS	Statistical Package for Social Science
IR	Intrinsic Reward
OECD	Organization of Economic Cooperation and Development
OSHO	Oromo self - Help Organization

ABSTRACT

Reward system is an important tool that management uses to channel employee's motivation in desired ways such as better functionality and further improve company performance. The overall purpose of this research was to investigate the effect of reward system on employee creativity in Oromia Credit and Saving Share Company (OCSSCO) the case of East Shewa Zone Branches. The study population comprised a total of 250 employees from various functions. Simple random sampling technique was used to draw a sample size of 144 respondents. The data collection instrument was open and closed ended questionnaire developed by the researcher along with the researcher was using Statistical Package for Social Scientists (SPSS) version 21 for data operation and analysis. The result of descriptive statistics indicated that practice level of both intrinsic & extrinsic rewards in OCSSCO is low. Furthermore, the outcome of Pearson correlation shows there is a significant and positive relationship between extrinsic reward, Intrinsic reward & employee creativity. Also, the results obtained from the regression analysis indicate almost 83.3% of employee creativity is explained by extrinsic & intrinsic rewards. Similarly, the result indicates intrinsic reward is more contributing factor to employee creativity than extrinsic reward. It concludes that in addressing employee creativity for accomplishment of organizational goal, it is important for the management to make effective use of both extrinsic and intrinsic reward system for their employees. What is more, the management needs to appraise reward practice of identical institutions & formulate essential fine-tuning.

Keywords: *Effect, Employee Creativity, Reward, Intrinsic, Extrinsic*

CHAPTER ONE

1.1 Introduction

This research investigates the effect of reward systems on employee creativity in Oromia Credit and Saving Share Company (OCSSCO) the case of East Shewa Zone Branches. It is an introduction chapter to the study. The chapter begins with background of the study, followed by statement of research problem, research questions, and research objectives. It also presents the significance and justification of the research, scope and delimitation of the study. Finally it gives key definitions used in this research and conceptual framework.

1.2 Back Ground of the Study

The ultimate goal of most organizations from different industries across the globe is to achieve sustainability and long term success. In today's global business environment, obtaining competitive advantage and achieving long term success has become a challenging goal for organizations. As a result, organizations direct tremendous efforts and budgets to foster employees' creativity. Understanding the ways of enhancing employees creativity is believed to be fruitful for organizations success as well as for the economic growth of a country as stated by the Organization of Economic Cooperation and Development (OECD, 2010), such that the innovation of a country branches from the innovation of its organizations which constitute of people, therefore, enhancing employees creativity is key. In the same context, fostering employees' creativity has its own set of benefits to the employees themselves, especially that the mechanisms used to enhance creativity could include rewards and incentives for creative employees.

The rationale behind the use of rewards to employees is that motivated employees become satisfied in terms of fulfilling their wants, both financial and non-financial. Failure to do so, employees had been tempted to leave the organization. (Azasu, 2009). On one hand, employees prefer receiving intrinsic rewards in terms of praise and recognition for certain work accomplishments, while other employees are happy with extrinsic reward in terms of salaries, bonus and incentive offered to employees (Lawler, 2008, Sajuyigbe, Bosede and Adeyemi, 2013).

A reward system according to Tella, Ayeni & Popoola (2007) is an essential aspect of any organization. They can actively engage and renew the overall sense of community and mission of an organization. A properly administered system of rewards can provide incentive for quality workmanship and staff performance. Similarly, a badly managed reward system can lead to low

morale, uncreative performance, and even lead to an elevated percentage of staff turnover. Rewarding and recognizing employees is a ticklish business. It can also encourage people to explore more effective ways to carry out their career or it can absolutely discourage such efforts. For any organization to experience effective functioning and quality performance, it should have an in-depth understanding of its employee's needs that should inform the organization's appropriate reward systems.

Hafiza et al (2011) argued that due to the fact that organizations have to perform optimally and compete effectively, they must make best use of on the resources they have. One of which is the human asset, this is the most important asset any organization can possess. In order to achieve the required performance standards from the human resource, employee motivation is necessary.

Employees can peg their performance to the feeling of trust that their efforts had been rewarded by the authority. According to Armstrong (2012) reward management is the means of getting better results by understanding and managing employees within an agreed framework of planned goals, standards and competency requirements. On the other hand, a desired aim and target may only be achieved effectively if the workforce gets a sense of mutual gain from the organization with the achievement of a defined performance target. It's against this background that an organization must strategically set to evaluate the effect of reward system on the motivational level of employee's productivity at all levels and reward them effectively.

The real success of companies originate from employees' would be access to use their creativity, abilities and knowledge in favor of and as a result motivational factor of employees lies in their performance (Markova and Fored , 2011). Similarly, Danish and Usman (2010) suggested that effective reward system leads to increased satisfaction for employees; recognition of accomplishments; a desire to attain high standards; a means to achieve personal and social goals; high productivity and feeling of competence and freedom. Consequently, the overall aim of reward system is to support the objectives by helping the organization to have the skilled, committed and well-motivated work force it needs.

This could be likely why Herman (2009) remarked that an effective reward system is one that seeks to meet the employees' specific needs. Though, for an employee who has already

achieved his/her basic needs through monetary reward, then he/she can tend to value rewards that reinforce his or her self-actualization and hence had been more motivated by relational rewards. Also, in various organizations staffs have shown that they have diverse needs that require a comprehensive total reward system to meet.

As a result, the management has been faced with the challenge of put into practice and offering competitive rewards to the workforce for the purpose of enhancing performance. Human resource managers must try to develop human resource programs that improve productivity and enhance organizational effectiveness (Shaw, 2006).

One popular approach to enhancing productivity has been linking rewards to performance through various forms of incentive pay such as special recognition to acknowledge outstanding individual or team achievements with small cash awards, individual performance rewards based on specific employee performance criteria and stock ownership rewards to professionals who meet specific goals.

The research carried out by Bashir et al., (2014) find out that there is relationship between employee motivation and Employee performance. In addition, the study find out that intrinsic reward and employee perceived training effectiveness leads to employee motivation & performance. For this reason, the study cited by these researchers failed to consider extrinsic rewards which may affect employee motivation and performance.

Therefore, this study investigated what type of reward that can contribute the highest level of employee's creativity. The findings of this study would enhance understanding on the issues of reward system among employers which can influence the effectiveness of employee creativity. It has given more opportunities to the employees to improve themselves to get more reward. Next, with the reward given by the company, it can affect the employee's creativity towards their job performance. Finally, this study had been beneficial to the management in putting more efforts to increase their employees' creativity. OCSSO is a transformation of Oromia credit and saving schemes development project that was organized and operated under the Oromo self - Help Organization (OSHO) the scheme was transformed to the company in August 1997 under the proclamation No 40/1996 issued for licensing and supervision of the business of Micro finances.

1.3 Statement of the Problem

A major challenge confronting managers in the 21st century is how to use the potential capabilities of employees to enhance and accelerate organizational innovation. To achieve this goal, employees can use their intellectual capabilities to activate positive organizational changes by using their knowledge and creativity to empower such changes (Alirezaei & Tavalaei, 2008).

Vance (2012) states that there is increasingly a strong need for organization to be in a position of understanding appropriate rewarding system that motivates their employees for higher organization performance. The reward management system includes intrinsic rewards and extrinsic rewards like salary, bonuses, recognition, praise, flexible working hours, and social rights (Skaggs et al., 1991). With the help of a reward management system, enterprises can appeal, retain, and motivate employees to attain high performance of the employee (Liu et al. 2008). Gabriel et al. (2016) examined the relationship between effective management of rewards on the performance of employees in the public service sector of Anambra state, Nigeria. They concluded that intrinsic rewards like employee development, recognition, and pay/salary have a significant and positive effect on the performance of employees in the public service of Anambra. They further deduced that the motivation of employees is one of the significant factors for all firms because it enhances the performance of the employee and the performance of the firm.

The study by Ramita et al. (2015) find out that providing employee with extrinsic rewards is relatively straightforward as compared to intrinsic in building Employees' creativity in the short-term by motivating them to work towards one specific organizational goal. However, the focus would be industrial employees at managerial level ignoring the majority operational staff members who are the main actors in profitability of the organization. On the other hand, managerial staffs are the decision makers and less concerned with reward system as they are part of system builders. A number of studies on reward systems and employee performance have conducted, in different countries of the world for example in Pakistan cement industry (Quresh, Zaman and Shah, 2010), Nigerian manufacturing industry (Sajuyigbe, Bosede and Adeyemi, 2013), Bangladesh commercial banks (Aktar, Sachu & Ali, 2012) and Malaysian universities (Jalaini et al., 2013). These studies indicated in today's environment, employees

including Oromia Credit and Saving Share Company employees are motivated by both intrinsic and extrinsic rewards for greater organization performance and that none of the two sets of reward systems should be overlooked by managers when motivating employees for higher performance. That is, in most of these studies, each factor within both extrinsic and intrinsic reward was a highly significant factor which affects employees' creativity. Though, most of these studies were conducted outside Ethiopia. Moreover, the studies conducted in Ethiopia did not examine in detail the impact of different extrinsic and intrinsic rewards on organization performance. This research was intended to fill this gap. Therefore, this study aimed at investigating the effect of reward system on employee creativity in Oromia Credit and Saving Share Company case of East Showa Zone Branches. On the other hand, in Oromia Credit & Saving S.Co reward system is hardly attached to quality and individual contribution, benefit packages and working facilities in the company are unattractive & promotion system of the company is very much complained.

As clearly stated in OCSSCO third strategic plan (2015/16-2019/20), there is in appropriate staffs' performance evaluation was focusing on behavioral appraisal rather than performance and resultbasedevaluation.Rewardalwaysgowiththesizeofoperationateachbranchand hardly attached to quality and individual contribution. In addition, there has been tremendous increase in well experienced staff turnover from time to time. According to OCSSCO's June30, 2015 annual report, 213 staffs in 2013/14 and 418 staffs in 2014/15 were left the company. Besides, there are in adequate staff's capacity development, lack of clear circumstances for staff promotion and absence of adequate benefit schemes are among the existing problems of the company.

1.4 Research Question

The following research questions guided this study

1. What is the effect of intrinsic rewards on employee creativity?
2. What is the effect of extrinsic rewards on Employee creativity?
3. What are the effects of intrinsic and extrinsic rewards on employee creativity?

1.5 Objectives of the Study

In this section, the main purpose and specific objectives of the study were present on the effect of reward system related with employee creativity relationship was examined.

1.5.1 General Objective

The main objective of this study is to investigate the effect of reward systems on employee creativities in Oromia Credit and Saving Share Company the case of East Shewa Zone Branches.

1.5.2 Specific Objective of the Study

In order to realize this general objective, the study focuses on the following specific objectives;

1. To evaluate the effect of intrinsic reward and Employee creativity.
2. To assess the effect of extrinsic reward and Employee creativity.
3. To examine the effects of intrinsic and extrinsic rewards on employee creativity.

1.6 Research Hypotheses

Based on the overall objective of this study on the effect of reward system on employee creativity in Oromia Credit and Saving Share Company (OCSSCO) the case of East Shewa Zone Branches and specific objectives mentioned above, the following hypothesis are developed to be tested.

- H1. There is relationship between intrinsic reward and employee creativity.
- H2. There is relationship between extrinsic reward and Employee creativity.
- H3. Extrinsic reward has positive effect on employee creativity.
- H4. Intrinsic reward has positive effect on employee creativity.

1.7 Significance of the Study

This research is relevant in many aspects: for one it expected to benefit Oromia Credit and saving Share Company the case of East Showa Zone by providing a deeper understanding of the appropriate reward systems that required to be adopted to influence employees work performance.

Second, the findings of the study can help the planners of Human Resource rewarding system on how to implement appropriate reward strategies within the organization to enhance work performance. The study can also help employees to evaluate the current reward system in the

organization and its competitiveness in the market. The study can help Oromia Credit and saving Share Company the case of East Showa Zone management to reflect more on the purpose and benefits of rewarding employees in line with work performance. Lastly, the study was provides experience in conducting a research and uses for the partial fulfillment

1.8 Scope and Delimitation of the Study

This research was conducted in Oromia Credit and saving Share Company the case of East Showa Zone and specifically focused on to investigate the effect of reward systems one employee creativities. The study analyzes the relationship between Extrinsic, intrinsic and creativity contribution of employees toward organizational performance level. The research covers a period of six years (2015-2020) may be affected by different non modeled variables in the state of the economy.

1.9 Limitation of the study

This research was conducted in OCSSCO East Shewa Zone branches and specifically focused on effect of reward system on employee creativity in Oromia Credit and Saving Share Company the case of East Shewa Zone Branches. Sample taken for the study was too small & limited to employees who have been working in OCSSCO east shewa Zone branches for at least six years and who were expected to have experience of reward system practice in the company. In this case, it is too difficult to scientifically generalize about the total population from these samples because it would not be representative enough. In addition, the methodology used in the study is only quantitative research approach and descriptive research design.

1.10 Operational Definitions

Rewards systems: Reward represents what the individual want to obtain from work or what They perceive from cash payments to working conditions (ur Reham et al., 2010). It defined as a company policy it provides guidelines on approaches to managing rewards. They are practices that provide financial and non-financial rewards and process concerned with evaluating the relative size of jobs and assessing individual's performance.

Intrinsic Rewards: These are rewards that do not involve any direct payments and often arise from the work itself.

Extrinsic Reward: also called as tangible reward that is given by manager or top management to employees, so that the employees can increase level of motivation in job performance.

Creativity: is defined as the production of novel, useful ideas or problem solutions. According to (Amabile 2005, p. 368) it refers to both the process of idea generation or problem solving and the actual idea or solution.

Fringe Benefits: Any property or service provided by an employer to an employee as compensation for the employee's performance.

Employee Creativity: This is considered to be a personal characteristic with features that include broad areas of interest and high energy levels which fundamentally contribute to organizational innovation, effectiveness, and survival.

Pay/Salary: is a fixed amount of money or compensation paid to an employee by an employer in return of work done (Idrees, Xinping, Shafi, Hua & Nazeer, 2015).

1.11 Organization of the study.

This section gives a structure of every chapter with in this research thesis. The research paper consists five chapters. Chapter one is introduction, it presents background of the study, statement of the problem, objective of the study, research questions, significance of the study, scope and limitation of the study and organization of the paper. Chapter two incorporates the literature review part and it includes the theoretical and empirical literature review. Chapter three demonstrates research design and methodology of the study, target population and sampling, data used in the research and sources of the study are indicated. Chapter four presents the result collected from the research output and presentation of the output and secondary data with presentation of the data analysis and interpretation of the result. Finally, the findings, recommendations and the conclusion of the study are completed in the fifth chapter. of the requirements for the award of a master's degree in finances and accounting.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter deals with theoretical parts, empirical reviews and conceptual framework of the related studies on the effect of reward system on employee creativity in Oromia Credit and Saving Share Company in the case of East Shewa Zone Branches. Furthermore the key concepts of the study are stated which is followed by the reward system dimension and employee creativity in detail.

2.2 Theoretical Review

The Concept of rewards

Reward play a vital role in determining the significant performance of an organization and it is positively associated with employee outcomes like engagement. Reward represents what the individual want to obtain from work or what they perceive from cash payments to working conditions (ur Reham et al., 2010). According to Luthans and Peter (2002), there are two basic types of rewards, i.e., extrinsic and intrinsic. Extrinsic reward (also known as financial or tangible or monetary) is majorly financial in nature. According to Karmai (2009) a reward is a thing given in recognition of service, effort, or achievements. It is also something given or received in return for a deed or service rendered. Technically, it is a management tool that hopefully contributes to firms' performance by influencing individual or group behavior. Reward system consists of an organization 'processes and practices for integral rewarding its employees in accordance with their contribution, skill and competence and their markets worth. It is developed within the framework of the organ philosophy, strategies and policies and contains arrangements in the form of processes, practices, structures and procedures which would provide and maintain appropriate types and levels of pay, benefits and other form of reward (Armstrong, 2001). Likewise, reward system according to Obisi (2003) is a prize given to employees as an inducement towards their performance. Robert (2005) also defined reward system as the process of developing and implementing strategies, policies and systems which help the organization to achieve its objectives by obtaining and keeping the people it needs and increasing their motivation and commitment.

Furthermore, Johnson et al. (2010) outlines the aims of reward system to include: attract, retain and motivate employee, to support the short term objectives by helping to ensure that it has the skilled, competent, committed and well-motivated work force it needs, to meet the expectations

of employees that they would be treated equitably, fairly and consistently in relation to the work they do and their contribution. An effective reward program may have three components: immediate, short-term and long term. This means immediate recognition of a good performance, short-term rewards for performance could be offered monthly or quarterly and long-term rewards are given for showing loyalty over the years (Schoeffler, 2005). Immediate rewards are given to employees repetitively so that they can be aware of their outstanding performance. Immediate rewards include being praised by an immediate supervisor or it could be a tangible reward. Short term rewards are made either monthly or quarterly basis depending on performance. Examples of such rewards include cash benefits or special gifts for exceptional performance. These rewards are very strategic for retaining the best human resources (Yokoyama, 2010). Similarly, Harris (2012) defined a reward as an object or event that induces approach and consummator behavior Neckermann and Kosfeld (2008) draw a distinction between two basic types of rewards namely: Intrinsic rewards and extrinsic rewards.

Hence, it seems that the reward system should be effective and efficient so that such actions are realized in the organization and this system should be designed in a way that creates maximum return both for the organization and the personnel (Karami, 2008). Paying attention to the principal needs of the individual and enjoying fair reward distribution inside and outside of the organization are among the major principles in any reward system (Laler et al., 2005). The reward system is basic to human resource management performance and compensation management since its basic task is to design and execute employees' wage and benefit systems (Bernardin & Russell, 2003). There are two kinds of rewards: Extrinsic and Intrinsic Rewards. Extrinsic rewards are actually tangible rewards presented to the employees by the management. They could be in various forms like pay rises, promotion, bonuses and respective benefits. The rewards are termed as extrinsic because they external to the work itself, Thomas (2009).

2.2.1 Intrinsic Rewards

Intrinsic rewards often called non-financial rewards are inherent of an activity and their administration is not dependent upon the presence or actions of any other person or thing. Intrinsic is concerned about the feeling of being recognized, praised for a job well done and participation in whatever we do. On the other hand, intrinsic reward is a psychological reward that employees get from doing meaningful work and performing it well (Thomas, 2008).

Intrinsic reward is simply the internal feelings of satisfaction, growth, autonomy and self-competence an individual experience during his/her career. According to Allen et al. (2004) it comprises achievement, challenge, autonomy, responsibility, variety, personal and professional growth, status recognition, praise from supervisors and co-workers, personal satisfaction, feeling of self-esteem, self-discernment, creativity, opportunity to use one's skills efficiently and ability feedbacks.

The effect of non-monetary incentives has employees —empirically been job proven. Lewis (2013) posits that praise and recognition are effective ways of motivating employee behavior in the organization as they are considered the most important rewards. Aktar et al.(2012) contend that nonmonetary incentives which are represented by recognition, learning opportunities, challenging work and career advancement, have been found to be an effective tool in motivating workers and consequently increase their performance. This incentive is highly appreciated probably due the opportunity it offers in terms of skill development of the workers which in the long run could be translated to higher monetary reward. The following are considered intrinsic rewards:

Recognition: is to acknowledge someone before their peers for desired behavior or even for accomplishments achieved, actions taken or having a positive attitude. Appreciation on the other hand centers on showing gratitude to an employee for his or her action. Such rewards help employees to gauge their performance and know whether they are doing good or bad (Sarvadi, 2010). Singe et al. (2009) provides advice to any leader of change as being one of the most important tasks when they to recognize state: —learn and appreciate pro refer to an attitude adjustment in starting to recognize any and all achievements of all employees in an organization, and call it. According to the Carrot Principle by Gostick and Elton (2009) the most successful managers provide their employees with frequent and effective recognition. You get people to do more by rewarding their good work than by punishing their bad behavior, and employees who feel appreciated are less likely to be disloyal or to leave the organization.

Empowerment: Empowerment has been implicitly defined in the literature under different terms such as participative decision making (Lawler, 1992), job enrichment (Hackman & Oldham, 1980), delegation (Chen & Aryee, 2007). For more illustration, employees would be psychologically empowered and motivated by empowering leaders' practices and behavior. Put another way, empowering leaders provide autonomy to their employees in the workplace, which

in turn make employees to recognize that they are autonomous and have a freedom to produce novel and creative ideas (Gange & Deci, 2005). Personal growth opportunities: Employees at all levels of organization recognize the importance of continually upgrading their skills and of progressively developing their careers. This is the philosophy of continuous development. Many people now regard access to training as a key element in the overall reward package. The availability of learning opportunities, the selection for training courses and programs and emphasis placed by the organization on the acquisition of new skills as well as the enhancement of existing ones, can all act as powerful motivator. Workers who are more involved in their jobs design display more work commitment and experience lower turnover (Jauch & Sekaran, 1978). **Praise:** According to Tom et.al, (2004) the concepts of "recognition" and "praise" are two critical components for creating positive emotions in organizations. Employee appreciation centers on showing gratitude to an employee for his or her action. Such rewards help employees to gauge their performance and know whether they are doing good or bad (Sarvadi, 2010). Besides, the need to feel appreciated is deeply ingrained in all employees. Being appreciated through praise helps employees develop a positive self-concept and it meets their needs for esteem, self-actualization, growth and achievement (Lussier, 1997). Similarly, Avalos (2007) feels recognition is emerging in this changing universe as a critical linchpin in the rewards platform. She believes that employees work for much more than a pay check. They want to be recognized for their efforts. Therefore, employers should show appreciation and give employees credit for their work. Praise for a job well done is probably the most powerful, yet least costly and most underused.

2.2.2 Extrinsic rewards

Extrinsic Reward also called as tangible reward that is given by manager or top management to employees, so that the employees can increase level of motivation in job performance. Example of extrinsic reward is health insurance and paid time off (Richard, 2000). the following are considered intrinsic rewards:

Pay: paying is a vital factor which affects employee's creativity Kahn et al.(2010). Different motivating elements like promotion and bonuses, and suitable payment compensation have significant connection with higher performance (Oyebanju, 2009). Similarly, McNamara (2006) outlined compensation to include issues regarding wage and/ or salary programs and structures accruing from job descriptions, merit-based programs, bonus-based programs, commission

based programs and so on, while benefits typically refers to retirement plans, health life insurance, disability insurance, vacation, employee stock ownership plan and so on.

Bonuses bonus is form of reward that organizations use to reward employees for exemplary performance that is if they have performed higher or exceed their set targets, this hence makes them eligible. (Finkle, 2011) it is usually annually, Bonuses motivate the employee to put in all activities and efforts during the year to achieve more than a satisfactory appraisal that increases the chance of earning several salaries as lump sum. The scheme of bonuses varies within organizations; some organizations ensure fixed bonuses which eliminate the element of asymmetric information, conversely, other organizations deal with bonuses in terms of performance which is subjective and may develop some sort of bias which may discourage employees and create setback. Therefore, managers must be extra cautious and unbiased.

Promotion: Quite similar to the former type of reward. Promotions tend to effect the long-term satisfaction of employees. This can be done by elevating the employee to a higher stage and offering a title with increased accountability and responsibility due to employee efforts, behavior and period serving a specific organization. This type of reward is vital for the main reason of redundancy and routine. The employee is motivated in this type of reward to contribute all his efforts in order to gain managements trust and acquire their delegation and responsibility. The issue revolved around promotion is adverse selection and managers must be fair and reasonable in promoting their employees. Heath field (2005) viewed promotion as desirable by employees because of the impact it has on pay, authority, responsibility, and the ability to influence broader organizational decision making.

Fringe Benefits:

A benefit that workforce is given with their job in addition to pay are called fringe benefits. The employee creativity is influenced by the availability of fringe benefits. The provision of fringe benefits would be create an optimistic, creative work environment and increases output and sales. Creative workforce would be lead to organizational excellence, prosperity, excellent quality and cost control. In fact fringe benefits play a significant role to motivate employees because they compel the workforce to put extra efforts as much as the incentive of money does. No doubt money is a big factor to motivate the employee, but the fringe benefits have their own importance. According Heath field (2005 it is important for managers to realize that the

employees must be given the better working conditions along with the fringe benefits so that they give their best.

2.2.3 Rewards and Employee Creativity

Behaviorist approaches maintain that reward has increase creativity so long as the reward is valued by the recipient and the nature of the contingency can be readily discriminated. Thus, in most studies of creativity the reward is based on repeated creative performance, and this contingency is communicated to participants by verbal instructions. This is deemed necessary because participants who are simply told they can receive a reward may not receive enough experience with the reward contingency to understand the reward depends on creativity and thus would fail to display novel performance. Reward is a broad construct that has been said to represent anything that an employee may value that an employer is willing to offer in exchange for his or her contributions (Chiang and Birtch, 2008). The lack of rewards can create an unpleasant environment, thus diminishing Employees' work efforts and may cause them to withdraw from their jobs. For these reasons, rewards are increasingly important. The main objectives of rewards are to attract and retain Employees, to motivate employees to achieve high levels of performance, and to elicit and reinforce desired behavior of the employees.

The different perspectives of —utilitarian different emphases on intrinsic or extrinsic rewards system toward the effectiveness of employee's innovation never focus those of —total rewards framework combines both equilibrium in rewards management. The total reward model presented by ACA in 2006 not only includes monetary reward and security benefits, but also emphasizes on intrinsic motivations such as performance recognition, work-life balance, and employee development. Additionally, the newest work on reward systems by Kerr (2008) emphasizes the optimal mix of multiple types of financial, prestige and job content rewards for strong responsibilities and contributions.

Ram and Prabhakar (2011) investigated the antecedents and consequences of employee engagement in Jordanian industry. They found that a combination of extrinsic rewards to prevent dissatisfaction amongst employees with recognition, appreciation, advancement, growth opportunities, and interesting work result in a committed work force. They also found that perceived organizational support had a strong relation to employee engagement. They further

found that intrinsic and extrinsic rewards had a positive relationship with employee engagement.

Aktar et al. (2012) examined the impact of rewards on employee performance in commercial banks in Bangladesh. They found that non-monetary rewards represented by recognition, learning opportunities, challenging work and career advancement was highly appreciated due to the opportunity it offers in terms of skill development of the workers which in the long run could be translated into higher monetary rewards. Muchai and Mwanyi (2012) studied the effect of employee rewards and recognition on job performance in Kenya public sector. They found that recognition is one of the leading employee engagement drivers.

They also found that engaging employees through total rewards had reduced employee complaints about pay fairness and equity and reduced general employee problems. Sanhari (2014) examined the relationship of health workers' engagement with their work in Tanzania. They study found that health workers perceived support from the immediate supervisors and perceived adequacy of competencies to perform influenced their engagement positively. It was also found that perceived adequacy of inputs (resources) was a potential factor but was not found to influence engagement.

According to Mumford (2000) a combination of extrinsic and intrinsic rewards might be the most effective way of boosting creativity: independence, providing time to pursue topics of personal professional interest, or reducing administrative burdens, may prove useful reward strategies particularly when accompanied by pay incentives, bonuses, and patent right. Moreover, rewards and incentives have an additional benefit: They indicate to employees what kind of performance is desired by the management and are thus valuable means of communicating corporate values and goals to individual employees (Wong, 2003). Reio and Callahon (2004) concluded that both intrinsic and extrinsic rewards motivate the employees towards actualization of organizational goals.

2.2.4 The significance of reward system to employees' creativity

The effect of promised reward on creativity has been a popular topic in scientific circles since the 1980s (Friedman, 2009); (Byron and Khazanchi, 2012). Previous research has found out there is a significant relationship between reward system and the employees' creativity. A

financial reward believed is not the most motivating factor (Perry, Mesch, & Paarlber, 2006) and financial results have a de-motivating effect among employees (Srivastava, 2001). Similarly, Managing people performance, monetary value (extrinsic) is not the only way to retain and attract employees as the other Human Resource practices also affect the individual's performance. Human resources have been considered as an important strategic source to achieve and sustain competitive advantages (Wright and McMahan, 1992).

On other hand, Sarrah (2002) claimed that employees become motivated by not only a cash salary but also by how their work fits into their life as a whole, companies are re-examining the way they reward staff and the procedures they use to assess performance. Therefore, the employers must be effective in retaining their key players to make the organizations capture the competitive advantage among other competitors. Likewise, the organizations also need to create flexible rewards for their employees to ensure the employees satisfaction and motivation. There are studies that claim if extrinsic motives such as performance-based compensation undermine the intrinsic motivation from doing an enjoyable task, quantity incentives can actually prove harmful at the margin (Deci, Koestner, and Ryan (1999). Human Resource strategic management acts as a main factor to ensure the organizations' survival. This can be seen when many of the potential employees see compensation plan as a key factor to work creatively for the organization. In other words, a firm's compensation plan is crucial to recruit, motivate and retain employees which play a major role to build a durable advantage (Kerr, 1985).

2.2. Employee Creativity

One performance dimension that has received increasing interest among practitioners and a researcher alike is the creative performance of employees (Coelho et.al, 2011). Creative performance is defined as the generation of “products, ideas, or procedures that satisfy two conditions, namely, they are novel or original, and they are potentially relevant for, or useful to, an Organization” (Oldham & Cummings, 1996, P.608). Likewise, creativity is an important phenomenon on to ensure a firm's survival and growth. There is wide spread consensus that ‘innovation is power and success’ (Drachetal, 2004). However, firms need creative employees to initiate organizational innovation .Creative employees are more likely to discover customers' hidden needs, to develop a good rapport with customers, and to solve their service problems creatively and effectively, ultimately creating a superior experience.

Moreover, Organizations require employees to take initiative and responsibility, adapt to the customer needs, provide creative solutions, share knowledge and work with other teams in the organization to be successful (Cruz, Perez & Cantero, 2009; Pink, 2009; Markova & Ford, 2011). Jobs in the growing knowledge and service-based sectors often require high levels of employee innovation, knowledge and creativity (Markova & Ford, 2011). In addition, as organizations seek to harness the ideas and suggestions of their employees, it is axiomatic that the process of idea generation and implementation has become a source of distinct competitive advantage (Anderson et al., 2004; Zhou & Shalley, 2003). George (2007) stated that creativity has become a critical factor for organizations in today's rapidly changing business environment. As a result, Managers increasingly focus their attention and resources on enhancing employee creativity as they strive to build organizations capable of responding to dynamic competitive conditions in an effective and innovative manner (Shalley et al., 2009). Similarly, there is general consensus that high profit companies of our time seriously rely heavily on innovation to maintain their efficiency and survivability, without innovation being defined as the process for the introduction of an novelty into the market (Mumford, 2002) and (Basadur, 2004). Recent management accounting literature has identified an important role for management control systems in highly uncertain situations and has documented the positive impact of management control systems on creative exploration and innovation activities in settings such as new product development and knowledge-intensive firms (Davila et al., 2009).

2.2.1. Nature of creativity

Due to its undisputable relevance to individual, groups and organizations, the concept of creativity has been widely discussed over the last decades in a variety of disciplines including psychology, sociology, organizational behavior, and IS (Styhre and Sundgren, 2005). It is an alliterative scheme that divides creative studies into the following categories: person, process, press, and product. The person category includes research on personal characteristics. These may reflect personality, for example, and there has been copious research on the traits that characterize creative persons (Runco, 2004). Even so, environmental changes have forced organizations to think creatively to help ensure their survival (Sadegi et al. 2010). According to Boden (1998), there are three main types of creativity, involving different ways of generating

the novel ideas: a) the “combinational” creativity that involves new combinations of familiar ideas) The “exploratory” creativity that involves the generation of new ideas by the exploration of structured concepts. c) The “transformational” creativity that involves the transformation of some dimension of the structure, so that new structures can be generated. Also, Ekvall (1996) appoints 10 dimensions of climate which are characteristics of climate in a way they reflect the possibility for certain, creative behavior that enables

Change/innovation:

Challenge (How emotionally involved, and committed are employees to the work), Freedom (How free employees are to decide how to do their job), Idea time (The amount of time employees have to elaborate ideas), Trust and openness (Do employees feel safe speaking their minds and offering different points of view?). Dynamism (The eventfulness of life in the organization). Playfulness (How relaxed is the work place), Debates (To what degree do people engage in lively debates about the issues), Conflicts (To what degree does people engage in interpersonal conflicts) and Risk-taking (The promptness of response to emerging opportunities. Developing creativity involves the following four elements such as understanding the process of creative thinking, Identifying blocks to creative thinking and the skills individuals can use, and managers can foster, to increase creative responses, using methods to get fresher ideas and solutions more often and allowing a personal creative drive and life-long creative vision that can help individuals, including managers, to achieve their personal and professional goals (Mauzy, 2006).

In an overview of creativity and what it entailed, Barrett, et al. (2005) described four overlapping themes: Characteristics for personal creativity (e.g. curiosity, openness), Creative process (e.g., properly defining problem or opportunity), Outcomes or products (e.g., focus on clients', donors', ultimate users' needs), Context or climate (e.g., workplace that encourages individual, group, and organizational creativity). Creative individuals have several features that distinguish them from their less creative peers, that is, they have a rich body of domain-relevant knowledge and well-developed skills; they find their work intrinsically motivating; they tend to be independent, unconventional, and greater risk takers; and they have wide interests and greater openness to new experiences (Simonton, 2000). Many studies have identified creativity as an outcome that focuses on new and uses full ideas (Shalley and Gilson,

2004). Individual creativity consists of: 1) Need for achievement; 2) Locus of control; 3) Encounter to ambiguity conditions; and 4) Creativity-related skills (Shilling, 2008).

2.3 Review of Empirical Literature

The study by Ramita et al. (2015), found out that providing employees with extrinsic rewards is relatively straightforward as compared to intrinsic in building Employees' creativity in the short-term by motivating them to work towards one specific organizational goal. However, the focus was industrial employees at managerial level ignoring the majority of operational staff members who are the main actors in profitability of the organization. On the other hand, managerial staffs are the decision makers and less concerned with reward system as they are part of system builders. Similarly, Munir, Lodhi, Sabir and Khan (2016) examined the impact of rewards (intrinsic and extrinsic) on employee performance with special reference to courier companies of Faisalabad City. The study was designed as a descriptive survey. The result shows there is a strong relationship between both types of reward and employee performance. The study concludes that both intrinsic and extrinsic rewards positively influence employees' performance in the organization. In another study, Bello and Adebayo (2014) examined reward system and employees performance in Lagos State, using selected public secondary schools as the study area. The study adopted descriptive survey design using a sample of 200 people; the study found that significant relationship exists between employees' performance and salary package, employee job allowances and in-service training. The study concludes that adequate salary, allowances in terms of housing, health, hazard, transfer, involvement of teachers in decision making, establishment of teachers' salary in line with other professions, can enhance the performance of teachers in secondary schools in Lagos State. According to Karanja (2009) the effects of rewards system on employee performance a case of Cooperative Bank Headquarters Nairobi, Kenya found that motivation, creativity, job satisfaction and team work had a positive and significant effect on employee performance. Furthermore, research carried out by Bashir et al. (2014) find out that there is relationship between employee motivation & Employee performance. In addition, the study by these scholars find out that intrinsic reward & employee perceived training effectiveness leads to employee motivation & performance. However, these studies by these scholars failed to consider extrinsic rewards which may affect employee motivation and performance. During the supervision time, the supervisors should be alert to identify the real gap that becomes a

hindrance to the creativity of employees. That may give an insight into how the workers can create new ways and techniques for the bank (Hassan et al., [2013](#)). This study result is similar to the finding of An et al. ([2015](#)) because their finding and this study supervisor's support positively affects the creativity of workers with statistical significant level.

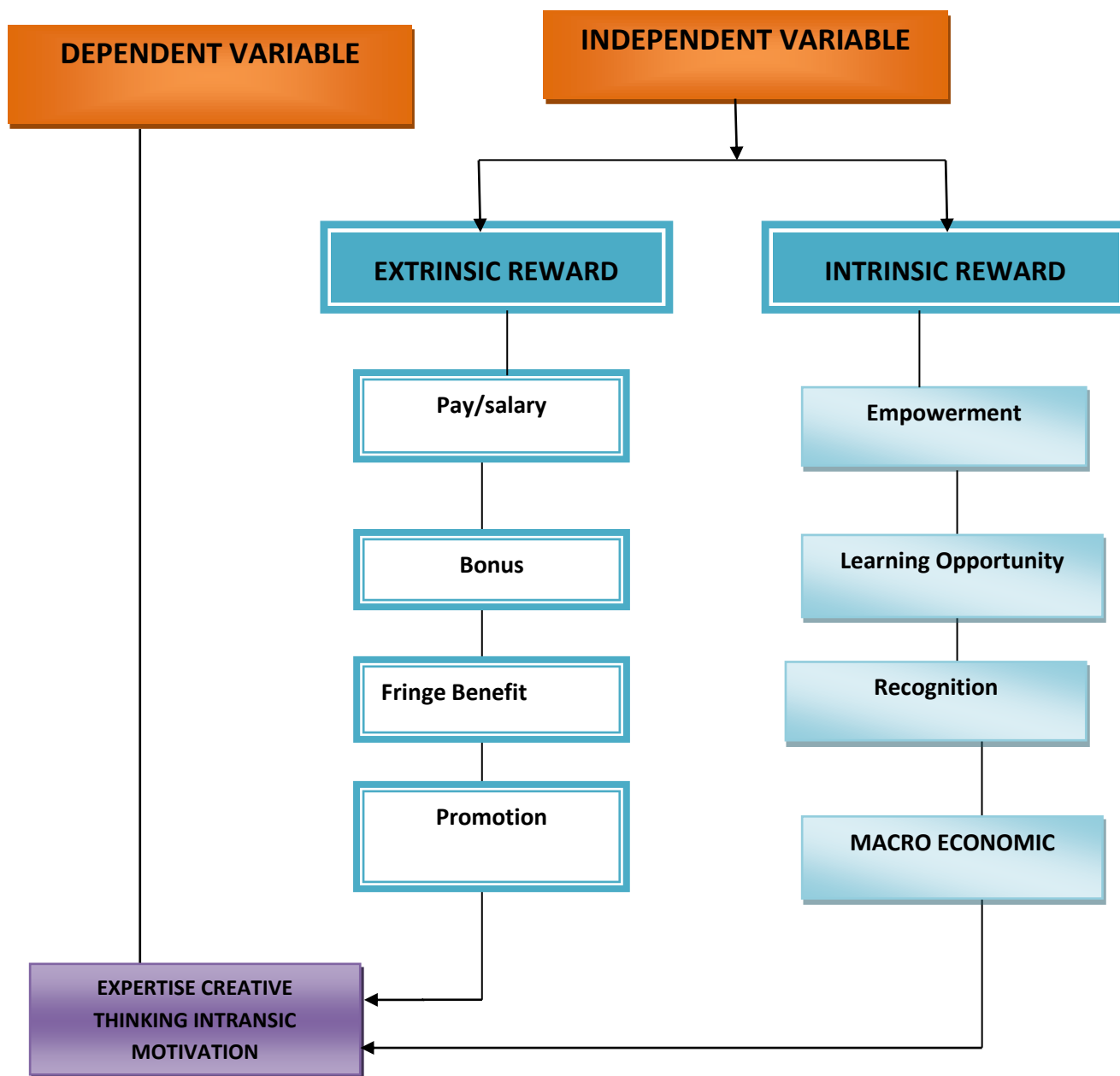
2.4 Conceptual Framework

According to Reichel & Ramey (2007) a conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. It is a research tool intended to assist a researcher to develop awareness and understanding of the situations under security and communicate it. A conceptual framework increasingly strengthens and keeps the research study on track (Goetz and Lecompte (2009)). The conceptual framework of the study includes independent variables namely extrinsic and an intrinsic human resources rewards practice which includes variables pay, Bonus, Profit sharing, stock options, group based reward system, praise and recognition. The dependent variables such as creativity, incorrect the innovate behavior of employees. According to Amabile (1997) conventional wisdom creativity is something that creative people have or do. Creative individuals have several features that distinguish them from their less creative peers that are they have a rich body of domain-relevant knowledge and well-developed skills, they find their work intrinsically motivating, they have wide interests and a greater openness to new experiences (Simonton, 2000). Considerable evidence indicates that employee creativity can fundamentally contribute to organizational innovation, effectiveness, and survival (Shalley et al., 2004). Independent variables are the factors that the researcher think explains the variation i.e. causes. Dependent Variable is the result, it the variable the researcher attempts t predict (Orodho & Kombo, 2002). In order to study the effect rewards system on employee's creativity in Oromia Credit and Saving Share Company (OCSSCO) in the case of East Shewa Zone Branches measured by employee creativity, the model below was constructed as follows

2.5 Research gaps

This study discussed important factors that contribute to enhance employees' creativity at Oromia Credit and Saving Share Company (OCSSCO) in the case of East Shewa Zone Branches. Thus, this study aims to fill this gap and examine the influence of other significant external variables and internal variables that cover aspects within the organizational factors

that may influence employees' creativity. Supporting with above discussion and since the current study focuses on Oromia Credit and Saving Share Company (OCSSCO).



Source: Developed from literature review

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

In order to analyze the effect of rewards system on employee's creativity, the researcher could have used a research methodology. In defining the term 'methodology' it can be said to refer to the sets of structured procedures and instruments used in conducting a research. This chapter discusses procedures and activities undertaken, focusing on namely the study's research design, data collection, sampling and sampling techniques, data processing and analysis, validity and reliability of instrument development and ethical consideration. A framework within which to record facts, document them and interpret them in a piece of research. Two fundamental approaches exist to the methodology of a research. They are the qualitative and the quantitative methods. According to Ghauri and Grönhaug (2005) qualitative research is more descriptive and quantitative research more often draws inferences based on statistical procedures and often makes use of graphical presentations and figures in its analysis. In addition, they explained in recent times researchers commonly employed the use of both qualitative and quantitative Method in a single research.

3.2 Research Approach

Generally, there are two main types of research approaches which describe the relationship between theory and the research process, deductive and inductive. In the deductive approach the researcher bases their research on already existing theories in order to create a number of hypotheses which later would be tested against empirical data. The next step is either to confirm or reject the stated hypothesis based on the findings. Two important factors in the deductive approach is that the researcher is independent from what is being studied and sample size have to be sufficient in order to be able to generalize the findings (Bryman & Bell 2007 p.11-14 as cited by Wubshet 2012). The other major research approach is the inductive one which in contrast to the deductive approach bases the research on empirical data that is used in order to create a theory. Some academics argue that the inductive approach creates a higher level of understanding compared to the deductive approach which can be seen as a more descriptive approach. The main difference between the two approaches is that the deductive tests already existing theories while the inductive approach tries to generate new theories based on the empirical data (Saunders et.al 2009 p.125). In order to answer the stated research questions, the collected data were processed Statistical Package for Social Scientists (SPSS).

3.3 Research design

The design of the study is explanatory. Mixed research approaches with concurrent data triangulation both quantitative and qualitative methods are employed to analyze the data concurrently in the analysis part. The rationale behind selecting the mixed method is the study needs to be explained in words and it also analyzed in figures. The study systematically captures information and assessing the target subject. Data collection tools were administered accordingly.

3.3.1 Target Population

According to Sekaran (2005) a target population consists of the entire of people, events or things of interest that the researcher who wish to describe using our sample. This study was targeted 258 employees of OCSSCO stationed at East Showa Zone Branches. In which the managerial staff of OCSSCO comprised of Seventeen employees and operational employees comprised of two Hundred Fourth One numbers of employees.

3.3.2 Sample Size

The sample consisted of the employees working in OCSSCO stationed at East Showa Zone Branches. Sampling method was used to collect the primary data. A sample of 152 respondents out of 258 was used. The categories of respondents were included management, and operational employees.

3.3.3. Sampling Technique

The choice of sampling techniques or design by the researcher depends on the type of research and type of conclusion that she/he would like to draw (Kothari, 1995). Thus, the research used simple random sampling technique, examining the effect of reward systems in creativity of employee's needs skill or familiarity to the actual activities which was used to conduct all population; because it helped the researcher to apply his judgment to select or pick only those who best meet the purpose of the study to get more information.

3.4. Research Techniques

In this paper, in order to achieve its objectives and respond the research questions, a survey method of data collection technique were adopted; these are questionnaire. The researcher collected data from different sources using various data collection tools. He was using both qualitative and quantitative data so that the data combination would result in a relatively consistent and cross checked results.

Questionnaire: Questionnaires distributed to randomly selected managers in the OCSSCO at East shewa branch. In addition, questionnaires also distributed to other operational staffs with intent of obtaining view of effect of reward systems on the creativity of employees within the organization. Secondary data was also collected through desk research to clarify most of the issues. Reports, journals and research papers also used to carry out the study. The data collection methods and instruments that were used mainly utilized closed ended and some opened-ended questions and documentary analysis as well as predetermined approaches which as survey questionnaires. To collect relevant data for the study, the researcher was followed the following procedure: Before distributing questionnaires to respondents, the researcher seeks the consent of respondents. Accordingly, the researcher clarified the purpose of the research, why the information is needed and give assurance that information collected kept confidential and used solely for this research. The questionnaires were arranged in standardized Likert scale, and in order to acquire additional information free format questions provided to respondents.

Questionnaires pre-tested on small number of respondents before distributing to all respondents. The distribution of questionnaires to employees equally shared for the reason that, there is no plausible ground to differentiate the number of questionnaires among these them.

3.4.1. Sources of data

In order to undertake this research and address the main objectives of the study, both primary and secondary data were collected. The main part of the information for the study was obtained from primary data, which are presented as follows.

3.4.2 Primary data sources

In this research basically, primary sources was used for firsthand information to achieve the objectives of the research. The primary data sources were obtained through distributing questionnaires (both open and closed-ended questions) for informants (managers and other operational staffs).

3.4.3. Secondary data sources

Secondary data collected through desk research to identify the extendibility dimension on the research construct and to clarify and substantiate the result from the primary data. Research papers available on examining the effect of reward system in crating employee creativity were used to carry out the study.

3.5 Internal Consistency Reliability Analysis

In order to assure that developed scales measure consistently what is intended to be measured, the Cronbach's coefficient alpha was employed to test their reliability of scales. Therefore, as shown in the table below the alpha coefficients for the two scales developed for the effect of reward system on the employee creativity appraisal process difficult were more than 0.70 alpha coefficients. According to Cooper & Schindler (2008) a higher value shows a more reliable generated scale. Thus, this clearly indicates that the variables used in this research were highly reliable and acceptable. The following table summarizes Cronach's Alpha of main variables which was measured by Linkert Scale. A higher value shows a more reliable generated scale.

Table 3.5. Cronbach's Alpha Comparison between Variables

Variables	Cronbach's alpha	Number of items
Extrinsic Reward	0.854	13
Intrinsic Reward	0.793	7
Employee creativity	0.846	6

3.6. Data analysis and interpretation

On data analysis, primarily the data were organized categorically and chronologically. Second, the data had been screened and treated for errors and missing values. Then, the data could first be analyzed with a descriptive statistical analysis to provide data for frequency and percentage of the existing effect of reward system in creativity of employees practices and status. Further, mean and standard deviation would be computed for the interpretation of responding company's characteristics to identify the main challenges, the most commonly used method of reward system and to make comparison between the two reward systems. Eventually, interpretation of data and discussions of the findings were followed. Data analyses were made by using SPSS 21 statistical program. In order to reduce the possibility of getting wrong answers, different actions were taken to ensure the soundness of the study.

- a. Data were collected from reliable sources, from respondents, who are familiar with subject study
- b. The questionnaire were prepared based on literature review to ensure the soundness of the results,

- c. Data editing were made because to make editing in front of respondents had difficult with respect to time consuming work. Data presentation techniques were used depending on the nature of the data. In this research the data had been presented textually in a narrative descriptions form.

3.7. Ethical consideration

In this study, approval for this study was being formally obtained from selected company employees and formal consent was obtained from each participant/sampling unit before data collection being commenced. The researcher protected the rights of the respondent's by ensuring that none of the respondent not named during the research or subsequent thesis. In addition,

1. The researchers make sure that questions to be asked do not offend the respondents in any way.
2. Prior to actual interviews, appointments by telephone and personal visits were made in order to secure informed consents.
3. The personal rights and privacy of the respondents were protected by not using any personal information against their will or using personal information for analysis.
4. The names of respondents were kept anonymous and confidential. In this manner, the researcher managed to observe ethical principles and good research practice and moral behavior at all times.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETTION

4.1 Introduction

This chapter is about data presentation, analysis and interpretation of research findings. The analysis and discussions were done with understanding of research objectives which includes; the effects of rewarding system in employee creativity, in this section, the results of the study are discussed by triangulating the different sources results: questionnaire results, and in and background information.

4.2. Demographic Characteristics of the Respondents

Respondents were requested to indicate their sex in terms of male and female, education level as high school graduate, diploma, 1st degree and 2nd degree and their position or expertise on the company.

4.2.1. Gender of Respondents

Sex	Frequency	Percentage (%)
Male	102	71%
Female	42	29%
Total	144	100%

Source: Questionnaire (2021)

As shown on the above figure distribution of respondents by sex composition reveals that both male and female respondents were involved in the study. Accordingly from total 144 majority of respondents were male with a percentage of 102(71%) respondents and the rest were female with a percentage of 42(29%). Hence, here is huge gap on gender perspective on the company employee side on this research.

4.2.3 Distribution of respondents based on their Educational level

Educational Level	Frequency	Percentage (%)
High school graduate	4	2.8%
Diploma	87	60.4%
1 st degree	52	36.1%
2 nd Degree	1	0.70 %
Total	144	100%

Source: Questionnaire (2021)

As seen from the above table about 2.8 % of the respondent's High school graduate. From the total respondents 60.40% are diplomas holders. As the hierarchy goes up first degree holders represented 36.1 percent and 0.70 percent of the total respondents were even highly educated even if having master's degree were too less. This indicates that the majority of employees have capability in logically analyzing the questioner's at hand and in view of the fact that they are have academic knowledge them can provide important perspective about the effect of rewards on employees creativity.

4.2.4 Distribution of respondents based on their age and position

The findings summarized the respondents to their age and positions as follows:-

Age	Frequency	Percentage (%)
18-25	53	36.8%
26-35	86	59.7%
36-45	5	3.5%
Total	144	100 %
Position	Frequency	Percentage (%)
Manager	13	9.0%
Accountant	64	44.4%
Cashier	10	6.9%
Auditor	6	4.2%
Legal service	1	0.7%-
Customer service officer	38	26.39%
Others	12	8.41%
Total	144	100%

Source: Questionnaire (2021)

In interpreting respondents response for the request concerning their age (in years) compared to their position shows that most of the respondents counted for (36.8%) are aged 18-25 that are young and this might invite wrong implication as per their capability in adequately understanding the subject studied but the percentage of respondents about (59.7%) of them

including these young respondents have working experience of 26 to 35 years that is they are well acquainted about the subject under investigation. On the other hand 3.5% of the respondents are aged less than 45 years have acquired the skill, knowledge and competence in understanding overall company situation and the effect of reward system on employee creativity. On other hand, the response demonstrates that most of the respondents are comprised from accountant, customer service officer, manager, others, cashier, auditor and legal services substantiated with the result of 44.4%, 26.39%, 9%, 8.41%,6.9%, 4.2% and 0.70% respectively. Generally the demographic information of the respondents who were participated in this study indicates that they have better knowledge to provide significant & important information for issues of this study, and this was the good opportunity for the researcher to better findings & conclusion.

Table 4 Descriptive Statistics of Study variables

Statements	Mean	Standard Deviation
Extrinsic Reward		
▪ Salary payment by the company is according to individual contribution	1.89	1.032
▪ There is pay by organization for Overtime work done	1.43	951
▪ There is timely salary increment by the company	1.96	1.158
▪ Pay decisions are linked to organizational goal achievement	2.26	1.206
▪ The company pay competitive salary in relation to similar microfinance institutions	2.02	1.162
▪ There is individual based performance appraisal system in which pay increase with individual achievement in the organization	2.00	1.064

Cumulative pay	9.93	0.736
▪ There is bonus pay by the company for goal achievement on regular basis	1.55	.915
▪ There is competitive Bonus by the company in relation to similar microfinance institutions	1.62	0.939
Cumulative Bonus	1.55	.912
▪ There is attractive benefit package in the company	1.58	.857
▪ There is competitive Bonus by the company in relation to similar microfinance institutions	2.10	1.294
▪ Everyone in the company has an equal opportunity for promotion	2.23	1.233
Cumulative Fringe Benefits	1.60	.878
▪ There is advancement of an employee's rank or position in an organizational hierarchy system	1.95	1.090
▪ There is clear promotion system in the organization	2.53	1.158
Cumulative Promotion	2.09	1.023
Cumulative Extrinsic rewards	1.79	0.718
Intrinsic Reward		
Empowerment		

▪ There is certain degree of autonomy in planning & performing organizational activities	2.61	1.247
▪ There is certain degree of responsibility for decision making regarding specific organizational tasks	2.58	1.314
▪ There is possibility to share suggestion and ideas about your work and the organization as a whole	2.08	1.226
Cumulative Empowerment	2.57	1.038
▪ There are opportunities in the company to learn & grow	2.25	1.215
▪ There is skill-gap training by the company on regular basis	2.32	1.107
Cumulative Learning Opportunity	2.17	1.076
▪ There is acknowledgment system of an individual or team behavior, effort and accomplishment in the company	2.32	1.107
Cumulative Recognition	2.32	1.107
▪ There is regular expressions of appreciation for good work by manager/leader	2.42	1.232
Cumulative Praise	2.42	1.232
Cumulative Intrinsic Reward	2.37	0.882
Employee Creativity		
▪ There ward system in MFI enhance employees to generate creative ideas and solutions to problems that would increase MFI Success	3.10	0.738

▪ The reward system in MFI enhance employees to take extra role assignment to enable MFI efficiency	3.30	0.675
▪ There ward system in MFI is important in building value adding practice forMFI Efficiency	3.60	1.265
▪ There reward system in MFI is important in designing cost effective processthat would address the need of MFI	4.00	0.816
▪ There ward system in MFI is crucial in building effective working culture to address the need of MFI	3.80	1.135
▪ There reward system in MFI is crucial in implementing new system to increase MFI Economic use of resources	4.20	0.789
Cumulative employee Creativity	3.67	0.780

As shown on Table 4 above the grouping with the means and standard deviations of intrinsic reward, extrinsic reward & Employee creativity items. The means of extrinsic rewards, intrinsic rewards and employee creativity were 1.79, 2.37 and 3.67, respectively. It indicates means of extrinsic reward and intrinsic rewards are low in both intrinsic & extrinsic rewards using likert scale. The result shows, implementation level of extrinsic rewards in OCSSCO is below average in terms of PAY mean=1.93, SD=0.736, Bonus mean=1.55, SD=0.912, Fringe Benefits mean=1.6, SD=0.878 & Promotion mean = 2.09, SD= 1.023. This is an indication of poor extrinsic reward system practice existing in OCSSCO.

The result also presents, the practice level of Intrinsic rewards in OCSSCO is below average in terms of Learning Opportunity mean= 2.17,SD= 1.706, Recognition mean=2.32,SD=1.107, Empowerment mean= 2.57, SD= 1.038 & it is little above average in terms of only Praise mean= 2.37, SD= 0.882. This is also an indication of poor intrinsic reward system practice existing in OCSSCO.

However, Johnson & et al (2010) expressed the aims of reward system to include: attract, retain and motivate employee, to support the short term objectives by helping to ensure that it has the skilled, competent, committed and well-motivated work force it needs, to meet the expectations of employees that they would be treated Girma & Habtamu / *Journal of Higher Education Service Science and Management*. (2019). Vol 2–No 1 13 equitably, fairly and consistently in relation to the work they do and their contribution. Reio and Callahon (2004) concluded that both intrinsic and extrinsic rewards motivate the employees towards actualization of organizational goals. Furthermore, the respondents were also asked whether the current reward system of OCSSCO make them creative or not & their responses were near to neutral (mean

3.25, SD=0.675) indicating that there is some vagueness whether the reward system of OCSSCO formulate them creative or not.

Table 4.1 Descriptive Statistics Type of reward

This section highlights the results from the analysis of data on the most preferred reward between extrinsic and intrinsic reward that among employees of Oromia Credit & Saving S.Co (OCSSCO). The types of reward were arranged descending mean including standard deviation as shown in below:-

Statements	N	Mean	Standard
	Statics		Deviation
Extrinsic	144	2.37	0.882
Intrinsic	144	1.79	0.718

As shown in Table 4.1 Even despite the fact that practice level of both intrinsic & extrinsic rewards by OCSSCO is low, intrinsic reward is the more preferred types of reward that lead to employee's in the workplace with relatively higher mean (M=2.37) by having standard deviation (SD=0.882) than Extrinsic reward with (M=1.79) and (SD=0.718). But, the study conducted by Ramita et al. (2015) indicates extrinsic reward is the most preferred types of reward that lead to employee's creativity allowed by in intrinsic reward.

4.3 Correlation Analysis

Literature suggests that providing employees with intrinsic rewards has the potential to enhance creative performance, many managers continue to emphasize the use of extrinsic rewards (e.g., monetary incentives and recognition) in an effort to stimulate their employees' creativity (Fairbank & Williams, 2001; Frese, Teng, & Wijnen, 1999; Van Dijk & Van den Ende, 2002). Based on this the researcher's studies reveal that there was positive and significant relationships between intrinsic and extrinsic reward system.

H1. There is relationship between intrinsic reward and employee creativity.

H2. There is relationship between extrinsic reward and Employee creativity.

Relationship between extrinsic rewards, intrinsic reward and employee creativity variables all extrinsic reward variables i.e., pay, fringe benefits, promotions, bonuses are positive and significantly related with employee Creativity, and all intrinsic rewards i.e. Empowerment,

Learning Opportunity, and Recognition & Praise are positive and significant to employee creativity. Correlation coefficient between pay and employee creativity (0.767) is the highest among all the variables and is significant at .01 levels (2-tailed). Promotion (0.728) and Benefit (0.552) are also significant at .01 levels (2-tailed). Bonus has a weakest correlation among extrinsic rewards but it is significant at .01 levels (2-tailed). Among intrinsic reward variables Correlation coefficient between Praise and employee creativity (0.732) is the highest among all the variables and is significant at .01 levels (2-tailed). Employee Empowerment (0.669) and Recognition (0.666) are also significant at .01 levels (2-tailed). Learning Opportunities has a weakest correlation among intrinsic rewards but it is significant at .01 levels (2-tailed).

Table 4.2 Correlation between Extrinsic & Intrinsic Reward and Employee’s Creativity Correlations

Variable	CRET	PAY	BON	FRI	PRO	EMP	LOP	REC1	PRA1
CRET	1.000								
PAY	.767**	1.000							
BON	.562**	.583**	1.000						
FRI	.552**	.590**	.487**	1.000					
PRO	.728**	.702**	.397**	.500**	1.000				
EMP	.699**	.593**	.264**	.230**	.651**	1.000			
LOP	.732**	.568**	.415**	.387**	.566**	.563**	1.000		
REC1	.594**	.478**	.250**	.290**	.514**	.565**	.439**	1.000	
PRA1	.666**	.437**	.239**	.241**	.485**	.508**	.453**	.500**	1.000

NOTE

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

According to Madjar et al., (200) demographic differences between respondents could have independent effects on creativity and explain the direct and indirect effects observed in this

study. On other hand, the relationship between intrinsic reward & Employee creativity was investigated using Pearson product-moment correlation coefficient. The result of the study indicates there is a strong, Positive correlation between intrinsic reward & employee creativity [$r=0.699$, $n=144$, $p<.0001$], with high levels of intrinsic reward associated with high level of employee creativity. Moreover, the relationship between extrinsic reward & Employee creativity was investigated using Pearson product-moment correlation coefficient. The result of the study indicates there is a strong, Positive correlation between extrinsic reward & employee creativity [$r=.767$, $n=144$, $p<.0001$], with high levels of extrinsic reward associated with high level of employee creativity. The studies by Ramita et al. (2015) also support this finding.

4.3 Regression Analysis

Regression analysis is a statistical technique for estimating the relationship among variables which have reason and result relation. Main focus of univariate regression is analyze the relationship between a dependent variable and one independent variable and formulates the linear relation equation between dependent and independent variable. In this study, data for multiple regression analysis is occurred from Oromia Credit & Saving S.Co. Results from table 4. 2 reveal that there are positive relationships between extrinsic and intrinsic rewards and employee engagement. The results indicated support for the first hypothesis as the items of extrinsic rewards are significantly related with employee creativity at 0.01 levels. There was a strong positive relationship between extrinsic rewards and employee engagement ($r=0.699$, $p<0.01$). Similarly, a positive relationship was found between intrinsic rewards and employee creativity ($r=0.767$, $p<0.01$) for the sample. This would seem to imply that if the provision of intrinsic reward was to change, then employee engagement would change. Accordingly. This supported the second hypothesis postulated. Extrinsic and intrinsic rewards have a positive significant relationship with employee creativity ($r=0.767$; $p>0.01$).

The researcher also determined the percentage of variation among the variables using regression analysis. The results are indicated in table below:-

Table 4.3: Regression Analysis Model Summary

Model	R	R square	Adjusted R square	Std. Error of the estimate
1	0.641	0 .411	0.401	0.456
2	0 .698	0 .490	0 .481	0.423

Dependent variable: Employee creativity; $p<0.05$ (2-tailed)

Results in table 4.3 indicate the coefficients of determination, (r^2) obtained of 0.411 and .490 for extrinsic and intrinsic rewards respectively. There is a statistically significant linear relationship ($r^2=0.411$, adjusted R square=0.401, $p<0.05$) which exists between extrinsic rewards and employee engagement. This means 41.1 per cent in the employee engagement is explained by extrinsic reward. Hypothesis H1: Extrinsic reward has a positive effect on employee creativity is proved and accepted. Also there is a statistically significant linear relationship between intrinsic rewards and employee creativity ($r^2=0.490$, adjusted R square=0.481; $p<0.05$). This implies that 49 per cent of the variation in employee engagement is explained by intrinsic rewards. The remaining 51 per cent of the variation in employee creativity is explained by other factors. The results confirm the second hypothesis H2: Intrinsic reward positively influences employee creativity. The combined results for the two forms of rewards (i.e., $r^2=0.411$ and $r^2=0.490$) illustrates that they are significant predictors of employee engagement ($r^2=0.450$) which means 45 per cent of the variation in employee creativity is accounted for by the model.

4.5 Results and Discussion

The study was aimed to explore the effects of rewards system on employee creativity in the OCSSO east shewa branches. The result of the study indicates the contribution of extrinsic and intrinsic rewards to employee creativity OCCSSCO in east showa zone branch for its employee is low using likert scale i.e. Extrinsic reward has the average Mean of 1.79 and standard deviation of 0.718 and intrinsic reward has the average mean of 2.37 and standard deviation of 0.882. Another hand, with deficiency of fair reward system it is tricky too organization to use all benefits owned by workers such as creative ideas that enables them to achieve their business objectives and goals. The essence of this is well captured by Markova and Ford (2011) who mentioned that the real success of an organization originated from employees willingness to use their creativity, abilities and know-how in favor of the organization. In brief, the results about effect of intrinsic rewards on employee performance are in agreement with previous studies by Fairbank and Williams (2011) who found that the intrinsic rewards have the potential to enhance the creative performance among employees. Moreover, the result was consistent to empirical evidence in the literature (e.g., Silverman, 2004; Ozütku, 2012) which reported that most employees highly value intrinsic reward because they feel the organization cares for them. Importantly, intrinsic reward improves and commits employees to be more engaged to the organization.

Regarding the correlation results it indicated a strong positive relationship between extrinsic and intrinsic rewards and employee engagement explained with a variation of 45 per cent between the variables. And the postulated hypotheses were tested at 0.05 significant levels and proved to be true, i.e., H1: Extrinsic reward has a positive effect on employee creativity and H2: Intrinsic rewards positively effects employee creativity. These pointed to the fact that employees in OCCSSCO in east shewa zone branches felt if such rewards were provided to them they would be highly engaged to their work. Extrinsic and intrinsic reward has the strongest relationship with employee creativity. This indicates that employees placed great value on intrinsic reward. If they are provided with more intrinsic reward, they are more likely to be fully engaged. Sun (2013), providing employees with appropriate rewards drives them to be fully involved and committed to the organization.

Lastly in this study, the result of the study indicates there is a difference between the effect of intrinsic and extrinsic rewards on employee creativity. The result shows, intrinsic rewards are more contributing factors to the employee's than extrinsic rewards creativity among Employees of OCSSCO. This result is in line with Fairbank and William (2011) stated that the intrinsic reward has the potential to influence the creativity among the employees. Taljaard (2003) supported that the non-monetary reward generally motivate the employee because this kind of reward help organize the employee intrinsic needs. However, there are also other factors that contributed to employee creativity which have been studied by other researchers such as mental state (job insecurity) studied by Zhang Li, Bu Qiong and Sooyeon Wee (2014) in their research, leadership approach studied by Itaya (2014) and active effort studied by Shinohara, Fujimoto, Tanaka, and Nakataactive(2013).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMANDATIONS

5.1 Introduction

The purpose of the study was to examine the effect of reward systems on employee creativity on the effect of reward system on employee creativity in Oromia Credit and Saving Share Company (OCSSCO) the case of East Shewa Zone Branches. This chapter presents conclusion, recommendations and suggested areas for further research.

5.2 Conclusion

The reward is more important of any nature of business, organization, institution, schools, extremely beneficial for the employee's job performance. Since the issue of extrinsic and intrinsic rewards has been shown to be a problem of business sector of Ethiopia, this study successfully answered the objective. The purpose of the study was to examine the effect of rewards on employee creativity. From the descriptive statistics, correlation and regression results, it was found out that extrinsic and intrinsic rewards had a weak predicting role in determining employee creativity in Oromia Credit and Saving Share Company (OCSSCO) the case of East Shewa Zone Branches using a likert scale. Similarly, the research finding reveals that there is positive and significant relationship between extrinsic reward, intrinsic reward and employee's creativity.

Similarly, the finding of the study indicates 83.3 percent of employee creativity is explained by extrinsic & intrinsic rewards. Whereas, the remaining 16.7 percent could be due to the effect of extraneous variables, therefore, the positive relationship between extrinsic rewards provides a lot of advantages towards employee's creativity. The result of this study reveals that all extrinsic reward variables i.e., pay, fringe benefits, promotions; bonuses are positive related with employee Creativity. If extrinsic reward system of OCSSCO is improved, there would be a chance to increase employee creativity.

Finally, the result of the study indicates there is a difference between the effect of intrinsic and extrinsic rewards on employee creativity. The result shows, intrinsic rewards are more contributing factors to the employee's than extrinsic rewards creativity among Employees of OCSSCO. The main objective of this research is to investigating the effect of rewards on employee creativity. The findings it revealed that there is a positive relationship of the reward management system and employee creativity. This implies rewards and employee creativity have a direct positive relationship.

The researcher's major conclusions are that reward for creativity increases creativity when recipients clearly discriminate the necessary contingency. Rewards for high performance, not specifically creative performance, increases creativity to a lesser extent. In contrast, no contingent reward generally reduces creativity. We need more and better theory concerning why

and how these effects take place rather than a continuation of the ongoing disagreement concerning whether reward generally increase or decreases creativity.

5.3 Recommendations

The study proposes that rewards system in the organization should be designed with articulated strategies that should be embedded in the organization's culture; and management should identify employees' needs or preferences in developing their reward systems. This would help in the formulation of sustainable organizational reward policies that would spur employee's performance, retention and productivity in the organizations. On other hand has to enhancing employee's creativity. In an attempt to gain competitive advantage, organizations need to focus on enhancing their employee's creativity and not just focus on technical and skill purely. Nowadays, the roles of creativity in the workplace become the main subject in changing the world and economy. Top management may look for this creativity in their staff and need more creative employees to generate new ideas so that they can help the organization to get the highest rating in marketing and can improve productivity as well.

5.4 Recommendations for future research

The following are some of the recommendations for future studies:

- As it is mentioned in the first chapter of this study, the research on the investigating the effect of reward system on employee creativity are limited specially in our context and the result of the study limited only to the OCCSCO East Shewa zone branches only recommendations are therefore made for further research including all branches of MFI in order to broaden research in this industry.
- There are different models and framework that would help to study the effect of employee rewards on employee creativity like Hofstede's cultural dimensions theory, Edger Schein Model, O'Reilly, Chatman's and Caldwell model and others. This research study used Denison's Model, further research on the same organization can be done using a different framework of organizational culture as suggested above and interviewing the upper management which would get different point of view as compared to employees to bring depth understanding and outcome.

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APPENDICES

ST. MARY'S UNIVERSITY
SCHOOL OF POST GRADUATE STUDIES
DEPARTMENT OF ACCOUNTING AND
FINANCE MBA PROGRAM

Dear respondent,

Thank you in advance for your time and willingness to share your views on **effect of reward system on employee creativity in OCSSCO Case of East Shewa Branches**. This research is for academic purposes only. You are assured that any information given out will be accorded the necessary confidentiality.

Instruction 1: **Put a tick mark in the box provided**

Part I. Demographics

1. Gender Male Female

2. Age 18-25 25-35 36-45 46-above

3. Educational Level

High School graduate Diploma Degree Master's Degree

4. Marital Status Single Married

5. Experience 1-2 3-5 6-10 11-15 16-20

6. Position Manager Accountant Cashier Customer Service officer

Auditor Legal Service others

Instruction 2: **For each of the aspects shown below please rate your level of agreement using the following scales.**

1=strongly disagree, 2=Disagree,3=Neutral, 4=Agree,5=Strongly Agree i

		1	2	3	4	5
1	Extrinsic Reward					
	A. Pay/salary					
	<input type="checkbox"/> Salary payment by the company is according to individual contribution					
	<input type="checkbox"/> There is pay by organization for Overtime work done					
	<input type="checkbox"/> There is timely salary increment by the company					
	<input type="checkbox"/> Pay decisions are linked to organizational goal achievement					
	<input type="checkbox"/> The company pay competitive salary in relation to similar micro finance institutions					
	<input type="checkbox"/> There is individual based performance appraisal system in which pay increase with individual achievement in the organization					
	B. Bonus					
	<input type="checkbox"/> There is bonus pay by the company for goal achievement on regular basis					
	C. Fringe Benefits					
	<input type="checkbox"/> There is attractive benefit package in the company					
	<input type="checkbox"/> There is competitive Bonus by the company in relation to					
	D. Promotion					
	<input type="checkbox"/> Everyone in the company has an equal opportunity for promotion					
	<input type="checkbox"/> There is advancement of an employee's rank or position in an organizational hierarchy system					
	<input type="checkbox"/> There is clear promotion system in the organization					
2	Intrinsic Reward					
	A. Employee Empowerment					
	<input type="checkbox"/> There is certain degree of autonomy in planning & performing organizational activities					

		1	2	3	4	5
	<input type="checkbox"/> There is certain degree of responsibility for decision making regarding specific organizational tasks					
	<input type="checkbox"/> There is possibility to share suggestion and ideas about your work and the organization as a whole					
	B. Learning Opportunity					
	<input type="checkbox"/> There are opportunities in the company to learn & grow					
	<input type="checkbox"/> There is skill-gap training by the company on regular basis					
	C. Recognition					
	<input type="checkbox"/> There is acknowledgment system of an individual or team behavior, effort and accomplishment in the company					
	D. Praise					
	<input type="checkbox"/> There is regular expressions of appreciation for good work by manager/leader					
3	Employee Creativity					
	<input type="checkbox"/> There reward system in MFI enhance employees to generate creative ideas and solutions to problems that would increase MFI Success					
	<input type="checkbox"/> The reward system in MFI enhance employees to take extra role assignment to enable MFI efficiency					
	<input type="checkbox"/> There reward system in MFI is important in building value adding practice for MFI Efficiency					
	<input type="checkbox"/> There reward system in MFI is important in designing cost effective process that would address the need of MFI					
	<input type="checkbox"/> There reward system in MFI is crucial in building effective working culture to address the need of MFI					
	<input type="checkbox"/> There reward system in MFI is crucial in implementing new system to increase MFI Economic use of resources					

II-Open-ended questions

1. Do you think there is relationship between reward system & employee creativity?

A. Yes B.No

If yes what are your justifications?

If No what are your justifications?

2. Do you think there is equitable reward system in the company?

A. Yes B.No

If yes, would you express your view?

If No why?

3. Do you think current reward system of the company is capable of retaining the existing employees & attracting new employees?

A. Yes B.No

If yes, would you express your view?

If Not why?

4. How do you evaluate over all reward system of the company?

Thank you for your co-operation!

