

THE INFLUENCE OF REWARD MANAGEMENT PRACTICES ON
EMPLOYEE PERFORMANCE: A CASE STUDY OF COMMERCIAL BANK
OF ETHIOPIA WEST ADDIS DISTRICT, GURAGE ZONE

By

ELIAS ESHETU WAKITOLA

A THESIS SUBMITTED TO THE DEPARTMENT OF MANAGEMENT,
COLLEGE OF BUSINESS AND ECONOMICS, SCHOOL OF GRADUATE
STUDIES WOLKITE UNIVERSITY IN PARTIALS FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION

JUNE, 2018

WOLKITE, ETHIOPIA



**WOLKITE UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

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APPROVAL SHEET-1

SCHOOL OF GRADUATE STUDIES

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ADVISORS' APPROVAL SHEET

This is to certify that the thesis entitled **“The influence of reward management practices on employee performance: A case study of commercial bank of Ethiopia, West Addis district Gurage zone”** submitted in partial fulfillment of the requirements for the degree of Master of Business Administration, College of Business and Economics school of graduate studies, and is a record of original research carried out by ELIAS ESHETU ID. No. GSE/137/08, under my supervision, and no part of the thesis has been submitted for any other degree or diploma.

The assistance and help received during the course of this investigation have been duly acknowledged. Therefore, I recommend that it can be accepted as fulfilling the thesis requirements.

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We, the undersigned, members of the Board of Examiners of the final open defense by ELIAS ESHETU have read and evaluated his/her thesis entitled “The influence of reward management practices on employee performance: A case study of commercial bank of Ethiopia, West Addis district Gurage zone” and examined the candidate. This is, therefore, to certify that the thesis has been accepted in partial fulfillment of the requirements for the degree of master of business administration.

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STATEMENT OF THE AUTHOR

By the signature below, I declare and confirm that this thesis is my own work. I solemnly declare that this thesis is not submitted to any other institution anywhere for the award of any academic degree, diploma, or certificate.

Brief quotations from this thesis is may be made without special permission provided that accurate and complete acknowledgement of source is made.

By: ELIAS ESHETU

Signature_____

Date of submission: June, 2018

LIST OF ACRONYMS AND ABBREVIATIONS

ANOVA Analysis Of Variance

CBE Commercial Bank of Ethiopia

HR Human Resource

HRM Human Resource Management

PCA Pearson Correlation Analysis

SPSS Statistical Package for Social Sciences

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ABSTRACT

The purpose is to examine the effect of reward systems on the dimensions of employees' perceived performance. This study also attempted to investigate what types of reward system; financial or non-financial contribute to the employees' better performance. Both qualitative and quantitative research methods were applied. In order to select the respondents from the total population of 317, random sampling method was applied. The sample size determination comes with 177 samples to be taken in to the study. Survey data collected from respondent's analyzed using descriptive and inferential analysis using the Statistical Package for Social Sciences (SPSS). The data was presented using tables. The findings of the study indicated that there was a significant relationship between reward system and employee performance in general and financial and non-financial rewards in particular. The result shows that, the most determinant factor of employee performance which scored low mean deviation was work condition ($M=2.744$, $SD=1.036$). While the high mean deviation scored for Performance based bonus ($M=4.27$, $SD=0.688$), followed by recognition ($M=3.993$, $SD=0.802$) career development ($M=3.881$, $SD=.823$), base Pay/salary ($M=3.305$, $SD=0.815$), benefit ($M=3.063$, $SD=1.059$). From this the researcher inferred that relatively low score work condition affects/determines employee performance. In addition, the findings of the study revealed that financial rewards ($M=3.7875$, $SD= .755$) strongly affect employees' perceived performance than non-financial rewards ($M=3.42$, $SD=0.93$). Finally, of the total respondents agreed that, know what expected from them and what intends to do their performance based on the plan/target cascaded for them.

Key words: *Financial rewards, Non-financial rewards, base pay, performance based bonus benefit, recognition, career development, working condition and employees' perceived performance*

CHAPTER ONE

Introduction

1.1 Background of the study

Reward had been seen to be a vital instrument in employee performance. A well rewarded employee feels that he/she is being valued by the company that he/she is working for. They are also encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self -development are also being honed and taken care of by their company. Employees are the engine of organization vehicles while reward is the fuel. No organization can achieve its stated objectives without its employees. Akerele,(2012) blamed employer's failure to provide adequate compensation for hard work and the indiscipline of the privileged class that arrogantly displays their wealth, which is very demoralizing to working class and consequently reduced their productivity. Markova and Ford (2011) mentions that the real success of companies originate from employees' willingness to use their creativity, abilities and know-how in favor of the company and it is organization's task to encourage and nourish these positive employee inputs by putting effective reward practices in place.

In a globalized world characterized by competition, access to latest technologies and communication system, and an unfettered access to financial markets around the world, the ability to attract and retain qualitative workforce, as well as keep them highly motivated has however become a great challenge. Employers now require their employees to do more with less, while employees on their part, are asking for more incentives. This requires that organizations should device a system that will strike a balance, if they want to continue to have increased performance. Puwanenthiren (2011) noted that organizations are increasingly realizing that they have to establish an equitable balance between the employee's contribution to the organization and the organization's contribution to the employee. He went further to say that 'establishing this balance is one of the main reasons to reward employees.'

Organizations provide rewards to members in the form of wages and salaries, promotions, long service awards and certificates, end of the year bonus and other fringe benefits. These rewards are to motivate behavior that will contribute to the achievement of the goals of organizations.

Employee rewards system refers to programmed by different organizations to reward performance and motivate employees on individual and/or group level. In designing a reward system, the organization should specify group or organizational goals to be achieved and the specific behaviors or performance that will attract rewards. Rewards systems have a critical role in determining the organization's ability to attract high potential employees and to retain high performing employees to achieve greater levels of quality and performance Armstrong (2009).

Reward management is seen as largely about managing expectations, which is what employees expect from their employers in return for their contribution and what employers expect from their employees in return for their pay and the opportunity to work and develop their skills. In addition, it is 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 by increasing their motivation and commitment, is of utmost importance to firms today because recent developments in the business world have seen to it that people have become a firm's most valuable resource. Moreover, in this competitive environment organizations are highly realizing that they have to establish an equitable balance between the employee's contribution to the organization and the organization's contribution to the employee. Establishing this balance is one of the main reasons to reward employees and achieve high organizational performance through them (Berridge, 2001).

The term performance describes how an employee carries out the tasks that make up the job. Good performance results from efforts, ability and direction. Employee performance can therefore be defined as the totality of the financial and other non-financial rewards that an employee receives in return for his labour or services. It includes his basic pay and other numerous financial and non-financial benefits and incentives. The totality of which determines how well he lives in the society (Fagbamiye, 2000).

Employee Performance is the quantity and quality of work which is expected from an employee. (Business dictionary) An employee's performance is directly influenced by the quality of rewards provided by the organization. An organization's performance is directly linked with an employee's performance. The job related activities of an employee and how he/she performs them is very vital in determining a company's performance.

1.1.1 Background of the Organization

From different literatures reviewed for the purpose of this study there are variations what type of reward can help to perform their jobbing. These differences happen due to factors like: type of industry/sector, demographic variables, level of development of the country. Therefore the paper tries to find out possible relationships that exist between reward and employee performance in Commercial Bank of Ethiopia west Addis district Gurage Zone. In this study, it is recognized that, the employees' performance is typically the main explore productivity of Commercial Bank of Ethiopia.

Commercial Bank of Ethiopia (CBE) was legally established and took its shape as a share company in 1963. CBE took over the commercial banking activity of the then state bank of Ethiopia which was originally founded in 1942. The state bank of Ethiopia had been responsibly engaged in performing the duties of both commercial and central banking (CBE 2008/09). Commercial bank of Ethiopia is a state owned bank. CBE plays an important role in the country's economy and dominates the market in terms of asset, deposit, capital, and customer base and branch network. While CBE faces a growing competition in the banking industry from private banks, it still stands in the leading position with its long year bank service experience (CBE 2008/09). The rich experience of the bank in the service market & its strong capital base and large branch network enabled CBE to attract and overcome extremely high demand from both private and public companies and gave the bank the opportunity to increase its revenue in a sustainable base (CBE 2008/9).

VISION

CBE's vision is "TO BECOME A WORLD-CLASS COMMERCIAL BANK BY THE YEAR 2025"

MISSION

CBE is committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting national development priorities, by deploying highly motivated, skilled and disciplined employees reward system as well as state-of-the-art technology. CBE strongly believe that winning the public confidence is the bases of its success.

At Present, CBE has 15 Districts and more than 1160 branches stretched across the country with a total deposit of more than 67.2 billion birr, with a total asset of birr 384.6 billion and more than 2 million account holders throughout the branches, CBE combines a wide capital base with more

than 30,000 talented and committed employees, (**Annual Report of 2009/2010**). In CBE there is a need for organization to reward its employees for creating a successful competitive environment. This is one of the essential for the organizations to achieve high work performance and commercial bank of Ethiopia ought to implement different reward structures aimed to attract, retain and motivate employees to achieve organizational goals.

1.2 Statement of the Problem

The way organizations managed their reward determined or influenced the attitudes of employees towards work, as well as their performance. He also theorizes that employee's rewards policy in any organization controls the behavior and pattern of work hence a major driving force towards organizational development. Roberts (2015) descriptively affirmed that a proper understanding of the effect of reward process on employee performance helps to enhance organizational performance.

The chartered institute of personal and development (CIPD) reward management survey of 520 organizations found that private sector service firms (Banking Industry) were most likely evaluate 40%, followed by manufacturing and production companies 30%, public service organization 25%, and voluntary sector employers 19% evaluate reward management . Larger firms were more likely to carry out an assessment of their reward practice than smaller employers. 50% of employers with more than 5000 staff carried out such a study compared with only 29% of organization with fewer than 50 staff.

In banking industry, it is very important for organizations to stay focused on employee performance and seek ways to enhance it. While employees are assets in any organization, the importance of an employee in banking industry is more significant because the industry is by nature manpower intensive. Most of the employee activity and behavior in the banking industry involves direct contact with customers. Performance is a major multi-dimensional construct aimed at achieving results. It has strong links to an organization's strategic goals. Employee performance encompasses the activities related to a job and how well these activities are executed by employees (Berridge, 2001).

On the other hand, researchers (Nnaji&Nnadozie 2015) do not agree on predictable influence the impact of reward management practice on individual behavior. They assert that employee

performance is not only subjected to reward process. Some environmental factors which include leadership, organizational culture, training and development, rewards and incentives and stress may help to boost or demolish determined result.

Other numerous factors besides rewards influence employee performance; these include employee working conditions, employees' relationships with their employer, job security, training and development, and the policies that guide rewards for employees.

As it is the objective of every organization to make profits, it is important to establish the influence of employee-employer relations at work place because poor relations between employer and employees can have a negative impact in the organization. For example, there could be unrests and unnecessary tensions which would engulf the hearts and minds of the employers and employees instead of putting all the efforts in achieving organizational goals. Organizational disharmony between employers and employees could result to economic loss and economic depression Armstrong (2009).

Competition has moved from the fixed resources to the human resources and specifically the intangible resources. As a result, employee performance has been of concern to organizations in the current competitive environment since it is now commonly accepted that employees create an important source of competitive advantage for firms. The importance of reward management is heightened by its important role in enhancing employee performance. As a result a special area of concern for Human resource managers has been the reward management and with special emphasis to its effect on employee performance, (Armstrong & Murlis, 2007). Efforts have therefore been made by human resources management theorists to try to establish the relationship between reward management and employee performance in various sectors of the economy. Expectations are built into the employment relationship, the starting-point of which, from the reward point of view, is a undertaking by an employee to provide effort and skill to the employer, in return for which the employer provides the employee with a salary or a wage, this then raises the performance of the employee whose expectations would have been met, (Armstrong & Taylor, 2014).

Even though there are different financial and non-financial rewards including fuel allowance, hardship allowance, medical coverage, representing allowance, annual bounces, insurance benefit, emergency loan, consumer loan and housing allowance in CBE, there is no any

empirical evidence as to how this reward practices affect employee performance in particular and bank performance in general. However, job security and loyalty to the commercial banks of Ethiopia west Addis district are challenged by external market pressure and changing social norms for employees performance.

Therefore, this is why the study intends to bridge knowledge gap by probing into examined, the problems of employee performance in commercial banks of Ethiopia particularly at West Addis District Gurage zone. Thus, the study intended to find out “What are the factors that drive these talented or good employees to give in their best?”

1.3 Research Questions

The main emphasis of the research is to investigate the influence of reward system (independent Variable) on employees’ performance (dependent variable) as per the questions listed below

1. To what extent do reward practice related to employee performance in CBE?
2. What is the performance level of employees in CBE?
3. To what extent base pay/salary, performance based bonus, benefits, recognition, work - condition, and career development in CBE lead to better employee performance?

1.4 Objectives of the Study

1.4.1 General objective

The aim of this study is to assess the influence of rewards on the performance of employee with Commercial Bank of Ethiopia being used as West Addis district Gurage Zone a case study.

1.4.2 Specific objective

From the above general objective, the study had the following specific objectives.

- Investigate the level of effect of reward system on employee’s performance in CBE.
- To investigate the effect of the base pay/salary, performance based bonus, benefit, Recognition, working condition, and career development on the performance of employees in CBE.

1.5 Significance of the Study

Firstly, the findings of this research are expected to help any concerned body/ stakeholders at different levels by creating and developing awareness on the relationship between reward system and employee performance.

- **For Manager of the Bank:** They use it to design a reward system which has high positive effect on employee's performance. And to avoid useless reward practice from their organization
- **For Policy Maker:** it will be useful to formulate reward and compensation policy. By considering different situational and demographic factors.
- **For Academicians:** The study is expected to be a stepping stone for further research on the area.
- **Furthermore,** In view of the study objectives, findings of this study will have some practical relevance. It will provide a deeper understanding of the appropriate reward systems that required to be adopted by commercial bank of Ethiopia to influence employees work performance.

1.6 Scope of the Study

To make this research manageable, the scope of the study is limited to employees of the Commercial Bank of Ethiopia West Addis District Gurage Zone. In addition, study only confined to reward system particularly financial and non-financial rewards. Financial rewards focus only salary/base pay, performance based cash bonuses and benefits while none financial rewards focus work condition/autonomy, Recognition and career development.

1.7 Limitation of the Study

For the quality and specialization and to cope with the available time, resource constraints, and able to easily access the required information this study focuses only on CBE West Addis district Gurage Zone employees. This will limit the generalizing of the findings to other 15 CBE districts and other commercial banks. In addition, shortage of time, skill on research and few employees refusal to fill the questioner is other potential limitation of the study makes me not to do much more than what I have done.

1.8 Organization of the Research

The paper is organized in five chapters i.e. the first chapter includes an introduction section which consists of background of the study, statement of the problem, research question, objectives, significance, scope, hypothesis, and limitation of the study. Chapter two include: review of related literature which has theoretical and empirical review part. Chapter Three: presents research design and methodology the researcher employed to investigate the problem under study. Furthermore, data from respondents also presented, analyzed, interpreted and discussed in the fourth chapter. The last section of the thesis contains summary of results, concluding remarks and recommendations used for the bank.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 The Concept of Reward and Reward Management

Reward system is an important tool that management can use to channel employee performance in desired ways. In other words, reward systems seek to attract people to join the organization to keep them coming to work, and motivate them to perform to high levels. The reward system consists of all organization components including people processes rules and decision making activities involved in the allocation of compensation and benefits to employees in exchange for their contribution to the organization. (Micheal Armstrong 2010).

In order for an organization to meet its obligations to shareholders, employees and society, its top management must develop a relationship between the organization and employees that will fulfill the continually changing needs of both parties. At a minimum the organization expects employees to perform reliably the tasks assigned to them and at the standards set for them, and to follow the rules that have been established to govern the workplace. Management often expects more that employees take initiative, supervise themselves, continue to learn new skills, and be responsive to business needs. At a minimum, employees expect their organization to provide fair pay, safe working conditions, and fair treatment. Like management, employees often expect more, depending on the strength of their needs for security, status, involvement, challenge, power, and responsibility. Just how ambitious the expectations of each party are, vary from organization to organization.

Reward management is concerned with the formulation and implementation of strategies and policy that aim to reward people fairly, equitably and consistently in accordance with their value to the organization (Armstrong & Murlis 2004). Besides, according to them reward Management deals with the design, implementation and maintenance of reward processes and practices that are geared to the improvement of organizational, team and individual performance.

The strategic aim of reward management is to develop and implement the reward policies, processes and practices required to support the achievement of the organizations business goals.

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

Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (Micheal Armstrong 2010).

2.1.1 Reward Management Philosophy

Reward management philosophy advocate that, if human resource management (HRM) is about investing in human capital from which a reasonable return is required, then, it is proper to reward people differentially according to their contribution. The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve.

Reward strategies and the processes that are required to implement them have to flow from the business strategy (Armstrong 2007).

According to (Nelson 1997) reward strategy should be assessed from the aspect of its objective, alignment with the business strategy, competitiveness both internally and externally, its contribution, and transparency and openness. To be effective, the reward system needs to be based on sound reward management principles.

Armstrong (2007) mentioned some basic points that enable organizations to develop effective reward management program. Some of these are to:

- Align reward strategies with the business strategy; align reward policies with the culture of the organization and use them to underpin that culture and, as required, help to change it, value employees according to their competence, skill and contribution.
- Ensure that reward processes are transparent and that employees are treated as stake holders.
- Adopt an integrative approach which ensures that no innovations take place and no practices are changed without considering how they relate to other aspects of human resource management so that they can become mutually supportive.
- Provide line managers with their authority and skills needed to use rewards to help achieve their goals, but ensure that they are given the training, guidance and continuing support required to develop and use these skills well.

The organization's reward policies and practices need to express what the organization values and is prepared to pay for- they are driven by the need to reward the right things to convey the right message about what is important.

Reward management is based on a well-articulated philosophy a set of beliefs and guiding principles that are consistent with the values of the organization which help to enact them. The philosophy recognizes that, if human resource management (HRM) is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (i.e. value added) Armstrong (2007).

The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy Armstrong (2007).

Reward management adopts a total reward approach, which emphasizes the importance of considering all aspects of reward as a coherent whole that is linked to other HR initiatives designed to achieve the motivation, commitment, engagement and development of employees. This requires the integration of reward strategies with other HRM strategies, including talent management and human resource development. Reward management is an integral part of an HRM approach to managing people Armstrong (2007).

2.1.2 Concept of Reward System

Reward management system contains the organizations policies, processes and practices for rewarding its employees in accordance with their contribution, abilities and artifice. It is progressed within the organizations reward philosophy, strategies and policies, and includes agreements in the form of processes, practices, structures and procedures which will provide appropriate types and levels of pay, benefits and other forms of reward. Employee performance management depends on good systems that offer financial and non- financial rewards (non-monetary rewards). Many employees seek other employment. Many are also seeking more balance in their life. Many are disengaged from their workplace. Rewards and remuneration must be scrutinized. Employee motivation and performance are critical. Non- monetary rewards can be as important as monetary rewards. Employees at all levels need to have confidence in the

salary administration system. Employees want the rewards to be shared fairly and equitably (Danish & Usman 2010).

A good rewards and remuneration system ensures that each person receives appropriate financial and nonfinancial recognition to account for the personal contribution they are making and the overall value of their position to the organization.

Reward system deals with all about strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders. The overall objective is to reward people fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organizations strategic goals (Armstrong & Stephens 2005).

The rewards systems are comprised of two main elements: financial and non-financial rewards. The financial rewards include rewards strategies such as merit-pay, market-based pay, profit-related pay, while non-financial rewards focus on the needs of people for recognition, achievement, responsibility and personal growth Van Buren H.J. (2008).

According to (Lawler (2000) one of the most fundamental debates in the field of rewards management, concerns the extent to which employees are motivated by money. At that point there is an extensive discussion about whether or not money is a motivator and can influence the levels of job satisfaction.

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

2.1.3 The Aims of Reward management

Armstrong & Stephens (2005) remark that the aims of reward management are to reward people according to the value they create, align reward practices with business goals and with employee values and needs, reward the right things to convey the right message about what is important in terms of behaviors and outcomes, help to attract and retain the high-quality people the organization needs, motivate people and obtain their engagement and commitment and develop a high-performance culture.

The aims of reward management are achieved by developing and implementing strategies, policies, processes and practices that are founded on a philosophy, operate in accordance with the principles of distributive and natural justice, function fairly, equitably, consistently and transparently, are aligned to the business strategy, fit the context and culture of the organization are fit for purpose and help to develop a high-performance culture of employees from the employment environment and the work itself, are linked together (Armstrong & Murlis 2004).

2.1.4 The Concept of Total Reward

According to Armstrong and Murlis (2004), total reward concept emphasizes the importance of considering all aspects of reward as an integrated and coherent whole. Each of the elements of total reward, namely base pay, pay contingent on performance, competence or contribution, employee benefits and non-financial rewards, which include intrinsic rewards from the employment environment and the work itself, are linked together.

Losey (2005) summarizes total reward approach as holistic; reliance is not placed on one or two reward mechanisms or levers operating in isolation. Account is taken of all the ways in which people can be rewarded and obtain satisfaction through their work. The aim is to offer a value proposition and maximize the combined impact of a wide range of reward initiatives on motivation, commitment and job engagement. The rewards systems are comprised of two main elements: financial and non-financial rewards. The financial rewards include rewards strategies such as merit-pay, market-based pay, profit-related pay, while non-financial rewards focus on the needs of people for recognition, achievement, responsibility and personal growth.

According to Lawler (2000) one of the most fundamental debates in the field of rewards management, concerns the extent to which employees are motivated by money. At that point there is an extensive discussion about whether or not money is a motivator and can influence the levels of job satisfaction.

2.1.5 Elements of Reward System

2.1.5.1 Reward strategy and policy

The reward strategy flows from an analysis of the business drivers. The reward strategy will define longer-term intentions in such areas as pay structures, contingent pay, employee benefits, and steps to increase performance and adopting a total reward approach (Armstrong 2007).

2.1.5.2 Financial Rewards

Financial rewards are monetary incentives that an employee earns as a result of good performance. These rewards are aligned with organizational goals. When an employee helps an organization in the achievement of its goals, a reward often follows. All financial rewards are extrinsic.

Financial rewards consist of the value of all cash payments such as base pay, contingent pay and allowances. And the starting point of the reward system is the business strategy of the organization. This identifies the business drivers and sets out the business goals. The drivers are unique to any organization but will often include items such as high performance (Armstrong 2007).

2.1.5.3 Base or Basic Pay

The base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or, for shop floor workers, the level of skill required. Base pay will be influenced by internal and external relativities. The internal relativities may be measured by some form of job evaluation. External relativities (going rates) are assessed by tracking market rates. Alternatively, levels of pay may be agreed through collective bargaining with trade unions or by reaching individual agreements.

Base pay may be expressed as an annual, weekly or hourly rate. This is sometimes referred to as a time rate system of payment. Contingent pay or allowances as described later may be added to base pay. The rate may be adjusted to reflect increases in the cost of living or market rates by the organization unilaterally or by agreement with a trade union (Armstrong 2007).

2.1.5.4 Contingent Pay

Additional financial rewards may be provided that are related to performance, competence, contribution, skill or experience. These are referred to as „contingent pay“. Contingent payments may be added to base pay, i.e. „consolidated“. If such payments are not consolidated (i.e. paid as cash bonuses) they are described as „variable pay“ (Losey 2005).

2.1.5.5 Representation Allowances

Allowances are paid in addition to basic pay for special circumstances or features of employment. They may be determined unilaterally by the organization but they are often the subject of negotiation. The main types of allowances are location allowances, overtime

payments, shift payments, working conditions allowances and stand-by or call-out allowances made to those who have to be available to come into work when required (Losey 2005).

2.1.5.6 Non-Financial Rewards

Non-financial rewards do not involve any direct payments and often arise from the work itself, for example achievement, autonomy, recognition, scope to use and develop skills, training, career development opportunities and high-quality leaders (Nelson 1997)

2.1.5.7 Employee benefits

Employee benefits include pensions, sick pay, insurance cover, company cars and a number of other perks. They consist of elements of remuneration additional to the various forms of cash pay and also include provisions for employees that are not strictly remuneration, such as annual holidays (Nelson 1997)

2.2 Intrinsic, Extrinsic Rewards and organizational Commitment

Intrinsic rewards are those which are non-cash rewards or not having any physical existence. For example, employee recognition, acknowledgement, professional growth, authority to immediate tasks, respect and appreciation are intrinsic rewards. On other side, extrinsic rewards are those which have physical existence and cash based rewards are lie under the category of extrinsic rewards. Examples office pay, salary, bonuses and such indirect forms of payment as flexibility in time. According to Lawler (2000) quoted porter, commitment is a belief and perception of employee about the receiving of organizational values and goals as their own goals and values, employees shows acceptance to organizational policies and values to keep themselves attach with organization. Extrinsic compensation includes wages, promotion at job, social climate of organization, and job security, bonuses, increments, and overtime payments also comes under the domain of extrinsic rewards Lawler (2000). The organizational commitment positive relation with the organizational performance Lack of committed employees could decrease the performance of organizational and make less productive outcomes. Commitment could be raised by different types of incentives. The definition of the commitment as a relation with rewards system that the intrinsic rewards had the great importance to integrate the commitment in employees (ibid).

Organization provided the opportunities to employees by their performance for the recognition and acknowledgement as rewards and in result the employee emotionally attached with

organization due to being recognized. The intrinsic rewards and social rewards found more helpful for employers to develop and construct the emotional attachment among employees towards organization goals and objectives. The supportive nature of employers has more committed employees because of social recognition given to them. According to Agimal et al (2015) description if management are connected to employees in well-organized manner and paid them recognition and acknowledgement in return of their effective performance the employees are found more emotionally integrated in work and released more trust towards their job and remain loyal to organization.

2.3 Employer-Employee Relations

The relationship between employer and employee is a central one in the world of business. While an important relationship, it is often a source of tension for the workplace.

Employers are seemingly in constant mistrust of workers; while workers often look upon their bosses as “less competent”, Borowski P.J. (1998) The Employer-Employee relation is a mutually beneficial relationship, but also a delicate one. Labour laws are enacted to protect employees from individuals or corporations from taking advantage of them. The main areas that the management often takes advantage of the employees include; hours of work, overtime pay, benefit, working condition up to and including labour relations problems from collective bargaining to employment discrimination and wrongful termination. On the other hand, labour laws to an employer grants equal protection from inept, negligent and even ill-intentioned employees. Sound employee relations are based on effective mechanisms for communication and participation, a safe and effective work environment and commitment and motivation of all staff. Employees’ perception of the existence of a covenantal relationship between themselves and their employer indicates that they believe there a mutual commitment to shared values and the welfare of the other party in the relationship. Schubert. E et al (2002). One of the essential ethical issues in the employment relationship is the loss of employee voice. Many of the ways employees have previously exercised voice in employment relationships have been rendered less effective by: The changing nature of work, employer preferences for flexibility that often work to the disadvantage of the employees and changes in public policy and institutional systems that have failed to protect workers. Van Buren H.J. (2008)

A company that is interested in growth and profits must establish relationships with employees based on trust. Improvement of the employer-employee relationship is important to both parties

for several reasons. First, employee productivity increases when employers treat their employees with respect. McGregor (1960) Second, employees may find that ethical behavior in their part actually results in higher compensation. Employees who perform their jobs conscientiously and diligently are frequently rewarded with higher wages. Third, even if there is no material gain, ethically appropriate behavior provides an intrinsic sense of self-satisfaction Bhide (1990). Therefore it is advantageous for every organization to maintain high ethical standards and thereby foster trust between a company and its employees.

2.4 Employee Performance

Employee performance is originally what an employee does or does not do. Performance of employees could include: quantity of output, quality of output, timeliness of output, presence at work, cooperativeness

To perform is to take a complex series of actions that integrate skills and knowledge to produce a valuable result. A performer can be an individual or a group of people engaging in a collaborative effort (Abdul H., 2014) stated that employees' performance is depending on the willingness and also the openness of the employees itself on doing their job. He also stated that by having this willingness and openness of the employees in doing their job, it could increase the employees' productivity which also leads to the performance.

(Beer & Cannon, 2004), also explained that to have a standard performance, employers have to get the employees task to be done on track as to achieve the organization goal or target. By having the work or job done on track, employers could be able to monitor their employees and help them to improve their performance.

Furthermore, a reward system should be implemented based on the performance of the employees. This is to motivate the employees in order to perform more on their task.

There are several factors that being described by (Beer & Cannon, 2004). Towards the success of the employees' performance. The factors are such as physical work environment, equipment, meaningful work, performance expectation, and feedback on performance, reward for good or bad system, standard operating procedures, knowledge, skills and attitudes.

Franco et al (2002) defined performance that relies on internal motivation but presence of internal factors such as necessary skills, intellectual capacity and resources to do the job clearly have an impact. As a consequence employers are supposed to provide appropriate working conditions in order to make sure the performance of employees meet the required standards.

2.4.1 Theory of Employee Performance

2.4.1.1 The Goal Setting Theory

It suggests that the individual goals established by an employee play an important role in motivating employee performance. It helps employees to keep following their goals. If goals are not achieved, they either improve their performance or modify the goals and make them more realistic. In case the performance improves it will result in achievement of the performance management system aims (Guest 2002).

The goal-setting theory had been proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee play an important role in motivating him for superior performance. Skills required include the ability to engage employees in mutual goal setting clarify role expectations and provide regular performance feedback. Time and energy will also need to be given to providing relevant performance incentives, managing processes, providing adequate resources and workplace training. It also advice that in order to drive the organization to peak performance managers and supervisors must put out front the human face of their organization. Principle here is the human-to-human interaction through providing individualized support and encouragement to each and every employee (Abdul H., 2014).

Employee performance is a major multidimensional construct aimed to achieve results and has a strong link with planned goals of an organization. Performance is the key multi character factor intended to attain outcomes which has a major connection with planned objectives of the organization. Employee's goals achievement in this theory is by creating of work environment attractive, comfortable, satisfactory and motivating to employees so as to give them a sense of pride and purpose in what they do. How working environment is designed and occupied affects not only how people feel, but also their work performance, commitment to their employer, and the creation of new knowledge in the organization (Abdul H., 2014).

2.4.1.2 The Expectance Theory

It is based on the hypothesis that employees adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The employees modify their behavior in such a way which is most likely to lead them to attain these goals. The theory underlies the

concept of performance management as it is believed that performance is influenced by the expectations concerning future events (Guest 2002).

The most widely accepted explanations of motivation have been propounded by Victor Vroom. His theory is commonly known as expectancy theory. The theory argues that the strength of a tendency to act in a specific way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual to make this simple. Expectancy theory says that an employee can be motivated to perform better when there is a belief that the better performance will lead to good performance appraisal and shall result into realization of personal goal in form of some reward future events. The theory focuses on three things efforts and performance relationship, performance and reward relationship, rewards and personal goal relationship (Salaman et al, 2005).

This theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. In order for employees to perform in this theory is by making sure each employee's workplace goals and values are aligned with the organization's mission and vision is important for creating and maintaining a high level of motivation. That can lead to higher productivity, improve employee performance, reduce the chances of low employee morale, encourage teamwork and instill a positive attitude during challenging times.

According to Shields (2007) indicator of high level performances are:

Quality increases: results or products are more effective in meeting or exceeding the expectations of stakeholder's

Cost decreases: amount of effort or financial resources to produce a result goes down; amount of waste goes down.

Capability increases: ability to tackle more challenging performances or projects increases.

Capacity increases: ability to generate more output increases.

Knowledge increases: depth and breadth of knowledge increases.

Skills increase: abilities to set goals persist; maintain a positive outlook, etc. increase in breadth of application and in effectiveness.

Identity and motivation increases: individuals develop more sense of who they are as professionals; organizations develop their essence.

2.4.2 Pay System and Employee Performance

According to (Abdul H., 2014 Pay System) are basic rate systems, where the worker receives a fixed rate per hour/week/month with no additional payment. There are systems related in whole or part to individual or group performance or profit. There are systems based in part on the worker gaining and using additional skills or competencies. Pay systems provide the bases on which an organization rewards workers for their individual contribution, skill and performance. Pay structures are different they are used to determine specific pay rates for particular jobs, usually based on the nature of the job, its content and requirements. A pay structure provides the framework within which the organization places the pay rates for its various jobs or groups of jobs. Pay systems fall into two main categories: those where pay does not vary in relation to achievements or performance, (basic rate systems), and those where pay, or part pay, does vary in relation to results/profits/performance (Beer & Cannon, 2004).

There are also systems where pay, and any enhancement, is related to the gaining of extra skills or competencies. These systems can provide opportunities for greater job satisfaction allowing workers to carry out a wider range of work, or work at a higher level. Basic rate systems are the easiest to operate, and apply to many workers in the organization. The worker receives a fixed rate per hour, week or month. Substantial numbers of workers however, have part (though generally not all) of their pay based on incentive, or variable, systems. Their earnings can therefore vary according to their own performance, that of their team or group, or perhaps that of the enterprise as a whole. Relativities and pay differentials between individuals or groups of workers are, of course, also of fundamental importance. These are generally determined by the wage or salary structure of the organization, rather than by the pay system, but they may be affected by changes in the pay system. The selection of an organization's pay system is often determined by negotiations between management and worker representatives. In theory these negotiations can be kept quite separate from negotiations over payment structures and levels or amounts of pay; but in practice negotiations often embrace all pay-related issues.

Why have different types of pay systems?

- Basic rate schemes, while clear, may not offer incentives for increased or improved performance or quality, nor for recruitment and retention of workers
- Incentive schemes may be individual or group based, short or long term

Productivity or efficiency gains may be required if a scheme is to be 'self-financing'

□ Organizations may use a combination of systems to meet their particular requirements

□ **Basic rate schemes**

Basic rate schemes tend to be job-based (i.e. the rate for the job). A grading structure may be developed through a job evaluation scheme which is used to put jobs into an appropriate grade or band in the organization. Pay increases may then depend on moving up a scale, skill development, promotion to another grade, or a general up rating of pay levels.

□ **Incentive schemes**

According to (Beer & Cannon, 2004) Incentive schemes may be short- or long-term. Schemes based on individual performance, such as weekly or monthly production bonuses or commission on sales, generally offer a short-term incentive. Longer-term schemes such as profit sharing and share option schemes may not provide as much incentive to individual workers as schemes based on personal performance. They can, however, help to generate in workers a long-term interest in the success of the organization. Pay is not the only factor that might produce enhanced performance. As well as the job-related factors mentioned earlier, additional payments, non-contributory pension schemes, and non-cash benefits such as cars, life insurance, and assistance towards child care (e.g. workplace nurseries/crèches) may all play a part. Nevertheless, the prospect of higher pay for increased output/quality often provides an incentive and many schemes are introduced in the clear expectation that performance will thereby be improved. Increases in pay are often linked to productivity or 'self-financing' pay schemes, especially where organizations have no 'new' money to put into the pay rates. In such systems the results of increases in productivity and efficiency can be shared between the employer and workers to their mutual benefit

There is an increasing trend for organizations to build a quality factor into incentive scheme calculations, offering additional payments for reductions in waste, better quality goods or services and increased customer satisfaction.

Productivity and efficiency schemes can be based on individual, group or organization performance dependent upon the needs of the organization and the availability of suitable performance measures. Organizations often use a combination of systems to provide greater flexibility in the pay package to address particular needs. For instance they may have a basic rate for the job, with a top-up increase that is self-financing, and an element for individual performance.

2.4.3 Recognition and Employee Performance

According to (Abdul H., 2014 Pay System) although money receives the most attention as a reinforce and incentive motivator, and is even equated with reward systems by practicing managers, there is increasing evidence that contingently administered recognition can be a powerful reinforce to increase employee performance.

Recognition is the identification or acknowledgement given for something or it can be defined as communication between management and employees which rewards them for reaching specific goals or producing high quality results in the workplace. Recognizing or honoring employees for high level of service is meant to encourage repeat actions, through reinforcing the behavior to see repeated.

Recognition considered as one of the most powerful motivators. The recognition processes in an organization can be integrated with financial rewards through performance management and pay-for performance schemes. The importance of recognition can be defined as a key part of the value set of the organization and this would be reinforced by education, training and performance management.

According to (Beer & Cannon, 2004), examples of contingent rewards are appreciation, recognition and rewards for good work. Employee dissatisfaction may result if an employee perceives that their efforts are not recognized or that their rewards are not equitable tied to their performance or tailored to their needs (Robbins 1993). Contingent rewards support the reinforcement theory of motivation, in terms of which performance-relevant behaviors will increase in frequency if rewarded found that there are different dimensions of work motivation, and satisfaction that are significantly correlated and reward and recognition greater impact on performance of the employees (Beer & Cannon, 2004).

In addition, Employees participation in the decision making process will made them more courageous and enthusiastic towards working in the organization on the other side the periodically salary increments, allowances, bonuses, fringe benefits and other compensations on regular and specific periods keeps their morale high and makes them more motivated to accomplish the given task.

As a reward for employee performance, recognition is defined as acknowledgement, approval and genuine appreciation (not phony praise). This recognition can be set up on a formal basis (e.g., employee of the month or million dollars in sales round table) or informally used by a

supervisor/team leader in managing individual employee or team behavior. It can be administered on a public (staff meeting, newsletter, or banquet) or on a one-on-one private level, verbally or written. There is a fine line between recognition as defined here and other positive reinforces or rewards such as money and feedback. For example, providing a merit increase in pay or a bonus and feedback about performance can be considered forms of recognition. However, this paper focuses on nonfinancial recognition and does not necessarily contain information about performance, although some formal recognition programs may involve prizes, dinners or plaques that cost money and both formal and informal recognition may sometimes include information about performance. The broad appeal of recognition is that most practicing managers believe it applies to everyone (top to bottom in the organization), no one gets too much of it (no satiation principle here), it is available to everyone to use, and it doesn't cost anything. To demonstrate these claims, simply ask yourself, are you or anyone you know suffering from too much recognition? Besides this common-sense appeal of recognition as a powerful, but still not wisely used, positive reinforce for employee performance, there is also considerable theory and research supporting its effectiveness.

2.4.4 Working Condition and Employee Performance

Lekha P., & Dr. R. Magesh, (2016) defines working environment as an entirety which comprises the totality of forces, actions and other influential factors that are currently and, or potentially contending with the employee's activities and performance. Working environment is the sum of the interrelationship that exists within the employees and the environment in which the employees work. Working environment is a composite of three major sub-environments: the technical environment, the human environment and the organizational environment. Technical environment refers to tools, equipment, technological infrastructure and other physical or technical elements. The technical environment creates elements that enable employees perform their respective responsibilities and activities. The human environment refers to peers, others with whom employees relates, team and work groups, interactional issues, the leadership and management. This environment is designed in such a way that encourages informal interaction in the work place so that the opportunity to share knowledge and exchange ideas could be enhanced. This is a basis to attain maximum productivity. Organizational environment include systems, procedures, practices, values and philosophies.

Management has control over organizational environment. Measurement system where people are rewarded on quantity, hence workers will have little interest in helping those workers who are trying to improve quality. Thus, issues of organizational environment influence employee's productivity.

Working Condition covers a broad range of topics and issues, from working time (hours of work, rest periods, and work schedules) to remuneration, as well as the physical conditions and mental demands that exist in the workplace.

The conditions under which a job is performed can be different from those completely comfortable to those very difficult and dangerous to employees' life and health. Difficult working conditions can be influenced by: (1) external factors that include climate meteorological conditions, temperature, humidity, drafts, lighting in the workplace, noise and interference, gases, radiation, dust, smoke and other harmful factors; (2) subjective factors that include gender and age of the worker, fatigue, monotony, unfavorable posture during work, etc.; (3) factors related to the organization of production such as duration of the work shift, work schedule, working time, work pace, excessive strain etc.(Lekha P., & Dr. R. Magesh, 2016)

Working conditions are relevant to the environment impact, such as the space for operating and resting, criticality of the job, the degree of required technology and skill; equipment's situation and so on. Working conditions are hygiene factors to prevent dissatisfaction finds that working conditions, which are compatible with the individual's physical needs and work goals, are positively associated with job satisfaction

2.4.4.1 Working Environment Factors that Affect Employees Performance

An attractive and supportive working environment provide conditions that enable employees to perform effectively, making best use of their knowledge, skills and competences and the available resources in order to provide high-quality of organization service. Basing on this study the factors are explained below.

□ Supervisor Support

A supervisor is also known as a person with an experience leader, a person who can solve problem and also the role model at the first level of organizational management (Adair, 1988; Nijman, 2004). Therefore, as an experience leader, the supervisors had always being involved in conducting a training program.

The training program that is being conducted are such as establishing the objectives, selecting the trainer, developing a lesson plans, selecting the program method and techniques that is being used, preparing the materials, scheduling the program and also conduct a training needs analysis stated that, a supervisor could be a trainer to the employees, as the trainer will assist the employees in getting their job done by guiding employees on the operational process especially when it comes to a new operational procedure. A supervisor support could lead to the employees' performance but there is a case that the supervisor had failed in supporting their employees. For example, the miscommunication between employees and the supervisor in term of delivering the information or process on the job to the employees in order to gain the employees performance, both party in between the employees and supervisor needs to play their part which is to commit with the relationship. If full commitment is given, it will leads to positive result to the performance from the employees Armstrong (2001).

□ **Job Aid**

Redman T. & Wilkinson A., (2005) stated that, the purpose of job aid is to direct and guide as to Enlighten the employee's performance. Job aid also helps in order to support the employee's performance. An example of a military performance had been reviewed by regarding the military reliance on job aids between 1958 and 1972 which is significant and positive contribution toward the military performance. He also stated that based on the results of military analysis, job aid saved money without jeopardizing employees work performance. There are three ways to increase performance based on the job aid. The first way is through the external support which means that the employees need to take leave from work and look for the source as for their reference to their job. The second way is through the extrinsic support. An extrinsic support means that the job aid is being given within the system itself. As for the third way, it is called the intrinsic support. An intrinsic support is an insider or software that is being used as for the efficiency of workflow.

□ **Physical Work Environment**

Physical working environment can result a person to fit or misfit to the environment of the workplace. A physical work environment can also be known as an ergonomic workplace. Researches on the workplace environment need to be done in order to get an ergonomic workplace for every each of the employees.

By having this ergonomic physical workplace at their workplace, it will help employees from not getting the nerve injury (Cooper & Dewe, 2004).

Furthermore, McCoy and Evans (2005) stated that the elements of working environment need to be proper so that the employees would not be stressed while getting their job done. In their article, they also stated that the physical element plays an important role in developing the network and relationship at workplace. Result of the employees' performance can be increased from five to ten percent depending on the improvement of the physical workplace design at their workplace (Brill, 1992).

Further (Beer & Cannon, 2004) mentions elements that related to the working environment. There are two main elements which are the office layout plan and also the office comfort. Amir (2010) also stated that a physical workplace is an area in an organization that is being arranged so that the goal of the organization could be achieved.

Performance Feedback

Performance feedback is an information exchange and conflict resolution process between the employee and supervisor. This consists of both positive feedback on what the employee is doing right as well as feedback on what requires improvement. Managers and supervisors will need to be comfortable with working with the whole range of workplace factors that influence employee performance. While the supervisor gives his/her feedback and requirements, the employee enables to give his her feedback regarding his/her requirements. Although this process is formal, it could be managed informally by gaining closer relations for two sides (Abdul H., 2014 Pay System).

Workplace Incentives

The organization determines what motivates its employees and sets up formal and informal structures for rewarding employees behaving in the way required. Rewards may consist of a mix of internal rewards, such as challenging assignments, and external rewards, such as higher compensation and peer recognition (Abdul H., 2014 Pay System) Performance of professional employees is poor not only due to working environment factors but also due to lack of human resource management aspect such as recognition of employees who performs well, poor working condition, absence of performance appraisal system and poor feedback on performance outcome .Therefore significant changes in promotions, compensation and benefits helps in keeping employees satisfied and in turn increases production.

2.4.5 Career Development and Employee Performance

The term career in the context of the workplace can be seen most simply as the sequence of work experiences an employee may have over time. Work experiences may involve moving from one job to another, but also the changing nature of work within a single job and the experience of working on different projects. Career mobility in organizations are very often sideways rather than upwards, and may cross-departmental, geographical or functional boundaries (Price, 2009). Career development is the lifelong process of managing progression in learning and work. The quality of this process significantly determines the nature and quality of individuals, lives: the kind of people they become, the sense of purpose they have, the income at their disposal. It also determines the social and economic contribution they make to the communities and societies of which they are part.

Career development holds out the possibility of growing critical skills within the organization, which are often not available on the external labor market; of improved deployment of people in jobs where their talents are well used; of an improved ability to attract good people and possibly retain them; and of improved flexibility in the workforce and therefore the ability to respond to business change.

By attending employees as people, the nature of the employment relationship shifts to one of higher engagement and higher performance. "Talent management" is high on the agenda of large organizations and tends to focus on very senior people and those with the potential for such roles. Career development is embraced more enthusiastically here, and individuals often receive considerable personal career attention Armstrong (2001).

Career advancement normally entails a clearly marked path of progression through the ranks of an organization. It is based on merit without regard for race, gender, age or ethnicity.

Deserving cases become eligible for advancement. When employees get to know that each one of them has an equal chance of succeeding, it becomes easy for them to put in their best.

Redman T. & Wilkinson A., (2005) agree and note that the prospect of career advancement might in itself motivate employees to work hard and also confirm that employees aspire to progress steadily in organizations for which they work.

Under common belief, career advancement would involve the existence of alternative career paths based on the individual employees and organizational needs. As (Redman T. (2005) point

out lack of advancement, for any reason may damage a managers chance to ascending the ranks within an organization.

Career advancement is significant to this study and employees involved as it presents them with the opportunity for long term success, higher pay, job security and job satisfaction. A commitment to career advancement will enable steps toward achieving a better motivated workforce and a high performing organization. It also presents employees with opportunities to further their education and undergo training, thus strengthening employees skill sets to receive consideration for a promotion and advance their career.

According to Armstrong (2001) career development is of great importance to both the individual employee and the organization. This is so because there is interaction between the organization for which he/she works and the development of the organization through the employees' career. An employee develops his/her career through a continuous acquisition of managerial or professional skills and experience which may bring about rewards and promotion. Agree with this and contend that career development involves higher status and responsibilities which can take place in one organization or through movement between organizations or a combination of both. Employees could move from one institution to another not necessarily in the same career, but probably from one field to another or from one level to another.

In today's competitive market, successful businesses regardless of size need employees who have the necessary knowledge and skills to make an effective contribution as drivers towards achieving a competitive edge. Therefore, vision of a competent, confident, loyal and valued workforce delivering high quality, person-centered services is rightly ambitious. Armstrong (2001) agrees and points out, that today's dynamic environment requires continuous professional and managerial development. Stakeholders should put in place, if not already available, a range of structures and processes to support the development of the workforce we need now and for the future. (Seung M & Mustafa K (2002) concur and argue that training and development of employees should be seen as an investment, not a cost; and that bad performance, ignorance and low commitment to duty are very costly barriers in business. It is pointed out that the key to high levels of performance lies in having employees who are willing to work, are well managed, well led, well-motivated and are always re-skilling. Career development covers an employees working life. It starts with, for example staff orientation, on-job training, experience, short courses, professional courses, post graduate degrees or diplomas.

2.4.5.1 Career Advancement

Career advancement normally entails a clearly marked path of progression through the ranks of an organization. It is based on merit without regard for race, gender, age or ethnicity. Deserving cases become eligible for advancement. When employees get to know that each one of them has an equal chance of making it to the top, it becomes easy for them to put in their best.

Redman T. & Wilkinson A., (2005) agrees and notes that the prospect of career advancement might in it motivate employees to work hard and also confirm that employees aspire to progress steadily in organizations for which they work.

2.4.6 Reward Management, Demographic Factor and Employee Performance

Changes in demography are one of the factors that affect work performance but only few studies try to investigate the relationship between demographic factors and employee performance. A very few researchers have shown that various demographic characteristics of employees (such as age, gender, marital status and income) have relevance to their level of job satisfaction as well as performance.

2.4.6.1 Gender and Employee Performance

One difficulty encountered by investigators of sex differences and performance among workers in organizational settings is the difficulty of comparing the performance of men and women carrying out exactly the same job owing to gender segregation in the allocation of work tasks Ismail B. (2013).

Men and women differ significantly in their characteristics. Although sex refers to the biological differences between male and females, the list of actual differences is potentially long. Obviously, males and females differ automatically. As a rule, males are more physically active than females. Females tend to be more verbal than males. Men value independence and achievement, women value intimacy and attachment. While men are action oriented “they take care of the business”, while women are people oriented they take care of others.

In many countries of the world, these differences cause government labor regulating agencies to regulate the employment of women. For example the employment of women on night work or underground is severely limited in the US. Hence, some of these restrictions among others mean that other things being equal, an employer who is faced with the choice of hiring either a male or

a female for a job would choose the male. It is therefore not so much a matter of “gender discrimination” as some writers have argued but one of economic logic.

To a high degree, the job market is still segregated by gender. The world of “men’s work” and “women’s work” are as different as east and west; they are vastly unequal in power, pay and prestige. This has made comparison of performance between the two genders to come late. Schuler, R.S. (1975) believes that women were as able as men if given similar exposure. Although according to Smith, P. C. (1955) men were seen as more powerful than women and viewed good performance as a male characteristic.

In a similar way (Seung M & Mustafa K (2002) studied the relationship between gender and job performance among brokerage firm equity analysts. The study found significant gender-based differences in performance on various dimension. Although it added that women are significantly more likely than men to be designated as All-Stars, which indicates that, they outperform men in other aspects of job performance.

Ismail B. (2013) concluded that males, who consider themselves underpaid, to be less performer as well as less satisfied. He used a comparison income variable measured as the difference among difference income level (pay grade structure). He found that the higher an individual’s income relative to the low earners, the higher the job performed. Moreover he concludes that rents or temporary wage differentials have a positive but small effect on employee performance.

2.4.6.2 Age and Employee Performance

According to Beer & Cannon (2004) old employees more concerned with health, mentoring others, job security and place a higher value on leisure activities. In addition, they have low job demand, job variety and feedback, lowered motivation drive when it comes to performing new tasks. They are less motivated by training prospects, reduced concern for career advancement and forming new relationship. Generally, relatively older worker are less motivated, flexible, cost more and able to learn. This ultimately affects their performance.

Ismail B. (2013) suggests performance may decline in jobs where certain skills are needed (e.g., psychomotor skills) and performance may decline where executive functions are needed (e.g., monitoring information). Moreover, learning may decline. But years of work experience and wisdom likely compensates for these possible declines. Learning appears to be a bit slower initially for older workers but then catches up. He also elaborate that age is less important than

individual skill. There is more variability in work performance within age groups than between age groups.

On the other hand, Ismail B. (2013) argues those relatively older employees are full of cognitive skills, fluid intelligence or working memory, abstract reasoning, attention, processing novel information, broad educational or accumulated knowledge (“Wisdom”) decrease cost of training and supervision. Besides, he pointed out that Age more closely related to non-financial reward (promotions and the work itself) rather than financial reward (paid in cash).

This determinate factor for better performance increases through middle-age and beyond. And it is important to note that there is strong evidence that work is generally good for physical and mental health and well-being for people of all age groups but effects of ageing on health and employability is only with little evidence that chronological age is a strong determinant of health, cognitive or physical abilities, sickness absence, work-related injuries or productivity. Seem to be evidence of age-related declines; these do not generally have an adverse effect on performance or productivity.

2.4.6.3 Marital Status and Job Performance

Some studies have found that women who held both work and family roles reported better physical, mental health and consequently better job performance than was reported by women who stayed at home or single. Traditional conceptions of marriage as entailing greater social responsibilities outside the workplace for women to promote perceptions of married women as less suitable for employment compared to single women. (Seung M & Mustafa K (2002)

Due to the assumption that women are less likely to be relied upon as the primary breadwinner for a married couple, people might expect married female employees to be less dedicated to their jobs compared to their single counterparts (who must provide their own income), whereas people might expect male employees to be more motivated in their jobs if married

A study by Seung M & Mustafa K (2002) remark that married male officers receives higher supervisor evaluation scores and promote at higher rates than single male officers. Moreover, the analysis of the effects of marital status shows that married officers achieved better performance than single officers.

Researchers Lekha P., & Magesh(2016) pointed out that employees who are married are treated less suitable for the employment especially the female employees when compared to male employees, but in general both male and female employees faces difference in their performance

even they are married, unmarried , divorced. They also states situations that face when a single after marriage. He/she starts managing both family and work life. Even in many industries married women are not preferred much as single women.

There is also another study by (Heilman M.,1980) that shows the ultimate necessity and concentration to run a family financially and with secured job makes a married male motivated to earn even more profit and on- job- productivity. And house hold women experiences low level of participation in financially helping a family since they concentrates more on bearing and raising their children. This can be found reverse in situation where both male and female acts as a bread-winner of a family, where both have to concentrate on running their family as well as in raising their children. Whereas an unmarried male or female employee can spend enough time and space, as well as can experience and enjoy both financially and secured job to run their life, because they are concentrated only towards their job and hence other distracting factors are not observed much in case of unmarried employees so this shows that the performance level of unmarried and married employees may differ in many aspects.

Finally he concludes both married and unmarried employees are treated and given same level of work pressure that is to be done. The only place where the performance of a marital status of an employee differs depends on one's capability in handling the situations and the distracting factors which an employee faces in workplace and family life.

2.5 Theoretical Literature on the Influence of Reward Management on Employee Performance

There were a number of scholars who conducted research studies on an employee performance in the workplace. According to most of these theorists, such performance can actually be predicted, explained and influenced. One of these scholars is Nelson (1997) who established different reward way and relates with employee satisfaction and employee performance. The better satisfied employee expected to perform well.

In any competitive business environment, both locally and globally, it is common for companies to offer employees attractive, lucrative and competitive remuneration packages. These are directly linked or inter-related to improving individual's job competency, retaining high achievers and finally achieving the organizational performances and goals. An attractive remuneration package has been a norm of any employment contract. The appraisal and rewards systems for employees are now closely linked to the performance measurement indicators of the companies. If such reward does not commensurate with their job performance, this can lead to low motivation and high attrition, finally affecting service delivery (Thum & Sardana, 2012).

Remuneration and rewards are thus very important to ensure that adequate benefits and rewards packages can significantly increase the motivation of an individual to increase their work performance. Rewards systems have traditionally been designed to attract and retain productive employees as well as to motivate them to increase their effort and output towards achieving the organizational goals (Phillips and Fox 2003).

Reward has therefore been seen to be a vital instrument in employee performance. This is because a well rewarded employee feels valued by the company. The employee is thus encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self-development are also being taken care of by their company thus increasing employee performance, (Condly et al, 2005)

Moreover, Markova & Ford (2011) mentions that the real success of companies originate from employees' willingness to use their creativity, abilities and know-how in favor of the company and it is organization's task to encourage and nourish these positive employee inputs by putting effective reward practices in place.

Lotta, (2012) also contends that motivated employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low

levels of motivation. Mendonca, (2002) also sees reward and compensation system that is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive there is a strong link between their performance and the reward they receive. Guest, (2002) is of the opinion that reward is one of the keys that motivate employees to perform as expected. Performance-related schemes reward a group or team of employees with a cash payment for achieving an agreed target. These schemes are all designed to enhance company performance by aligning the interests of employees with the financial performance of their companies.

According to Armstrong (2000), reward strategy is the policy that provides specific directions for the organization to develop and design programs which will ensure its rewards the performance outcomes supporting the achievement of its business goals. Furthermore, reward strategy gives specific direction to how the company will design its individual reward programs. This rises from the fact that a reward strategy is seen as the deliberate utilization of the pay system as an essential integrating mechanism through which the efforts of various sub-units and individuals are directed toward the achievement of an organization's strategic objectives.

Total reward could be used to manage and motivate people by thoroughly understanding the relative significance placed on the various aspects of the reward proposition and applied the well-designed total reward strategy effectively. According to Armstrong & Stephens, (2006) total reward is seen as the combination of both the financial and non-financial rewards made available to the employees. It includes all type of rewards, direct and indirect, as well as intrinsic and extrinsic. Each aspect of rewards is being linked together as an integrated and rational whole. Chen & Hsieh (2006) have shown the trend of reward method is changing from a simplex to a multiplex context due to the rapidly changing environment. The adoption of total reward system is believed to help in retaining the best worker and ensure the organization stay in a best positioned for future success. This is depicted into five elements that are compensation, benefit, work-life, performance and recognition, and development and career opportunities; they also take into concern of the external influences on a business, such as legal or regulatory issues, cultural influences and practices, and competition

In addition, equal pay system is seen as a reaction to the job analysis and the grade pay structures which are seen by the low paid groups as a de-motivator from a feeling of being less valued than their colleagues in the same organization. The system thus proposes a flat rate pay for all

employees known as equal pay, (Bloom, 1999). The system however has a weakness whereby more skilled and experienced employees would feel despised by getting the same pay as the other employees. This would thus go against the expectancy theory as the said employees had specific expectations based on their level of education and level of experience, (Pierce et al, and 2004)

This system was however modified as a result of this dissatisfaction by Phillip's (2009) proposal that brought in an aspect of allowances and bonuses for the more skilled and experience employees as well as employees with greater responsibilities to bridge the dissent gap. In the Banking industry, such a system would first address equity of employees before making adjustments to various employees based on their levels of competence.

Furthermore, job analysis can be said to a process in which information about jobs is systematically collected, evaluated and organized. Data about each job but not about every person is gathered in an organization. It can also be said to be a descriptive process of breaking down a specific job into its component by using a collection of tools and techniques to establish job requirements. That the job description outlines the job tasks, duties and responsibilities and serves as a guide for the recruitment and selection process going forward In general, a job description can be seen as relating to all the technical, administrative and managerial aspects of the job, the job title, job summary, job duties, tasks and outputs.

Amos et al., (2004) adds that job specification deals with the personal aspects of the job and education or qualification background, skills, knowledge and ability. In a layman human resources term, the job description can be associated with the hard issues whilst the job specification may focus some soft issues. Job evaluation is another aspect of job analysis which is a systematic procedure to determine the relative worth of jobs. Although different approaches to job analysis exist, there is a general feeling that job analysis should consider the responsibilities, skill, knowledge, abilities and working conditions inherent in the job in order to determine which jobs are worth more to the organization than others, (Markova & Ford, 2011)

Ojiambo (2012) argues that this would become a better means of determining employee reward as it covers all aspects of the job and the employee such as the employee academic qualifications and level of experience and skills as well as the level of performance the employee is expected to attain. This is balanced with the importance of the task in the organization to come up with a fair reward for the employee. This is in agreement with the equity theory which states that employees

often desire to get from their organizations value perceived to be equivalent to their input in term of academic qualification, skills and experience as well as the value of the task they do to the overall organization objectives.

Furthermore a grade/pay structure reward system is a reward practice which comes up with different pay schemes for different professions in the same organization such as B/manager, CSM, Accountants, Auditor, Makers, and Non Clerical staff, earning different pay schemes which are uniform within the specific job specification, Ojiambo (2012). Apeyusu (2012) also argues that such a reward system gives employees a sense of fairness which according to Herzberg's theory is one of the motivators to employees as they feel accepted and appreciated in the organization. The reward system leads to some form of friction within employee circles leading to clubs of super employees and across department sabotages where a group of employees feel less valued than a more rewarded group and constantly engage in negligence of duty either to express displeasure or from a feeling that the group rewarded more should do more work thus they should do less work.

Besides, grade structures are needed to provide a logically designed framework within which an organization's pay policies can be implemented. Structures enable an organization to determine where jobs should be placed in a hierarchy, to define pay levels and the scope for pay progression and provide the basis on which relativities can be managed, equal pay can be achieved and the processes of monitoring and controlling the implementation of pay practices can take place. A grade and pay structure is also a medium through which the organization can communicate the career and pay opportunities available to employees (Armstrong & Murlis, 2005).

Sturman et al (2011) views a grade system as a system where groups of employees are put on hierarchical arrangement based on skills, experience and responsibility from which pay or reward boundaries are set. As a result pays of employees within the same grade are very close with a few differences due to other factors. In such a system, progression from one pay grade to the other is based on merit measured through a balance of experience, skills and performance. Some institutions give more prominence to experience for promotion while a few give prominences to additional educational qualification while most organizations base their promotions on performance.

Cherotich (2012) argues that promotions to the next grade in most organization is through a competitive interview where employees have to show evidence of higher performance than their colleagues competing for the same promotion in order to qualify for the promotion. Sandilyan et al (2012) also asserts that grade structure provides promotion as a very strong motivation for employees to perform highly and attain the non-cash rewards such as recommendations, testimonials, certificates and other non-cash tangible awards which they accumulate to give them a better chance in promotion to the next job grade. Mokaya et al (2013) adds that grade system is a source of non-ending rewards since employees remain motivated at all times and are out for opportunities to shine and attain a recognition which they would keep in order to attain a promotion. Wekesa & Nyaroo (2013) also argue that this is a super reward as it gives value to all the other rewards especially the tangible non cash rewards.

On the other hand, the principle of contingent pay is the wage incentive which ties an employee's financial reward directly to performance which in this case is measured by output by paying the employee a fixed rate per unit of output made by the employee. In the service industry the base rate is often expressed in terms of input such as rate per given period of time. Osterman (2006) also modified the contingent pay structure to include rate as expressed in job rating units. According to Bohnstedt (2008), banks put high value on sales and service and for this reason performance-based management systems are used, increasingly tying remuneration to performance, with a differentiated reward system. The system works very well with production plants where output is very tangible and quantifiable and with sales teams where volume of sales is easy to determine but not in the service industry such as the Banking industry, (Freeman, 2011).

Cherotich (2012) however found this system quite impractical to use given that output is a result of so many intervening variables and not an adequate measure of employee performance. This would thus motivate employees who work hard but produce low yield due to factors beyond their control and would encourage employees who are not equally hard working but produce high yields due to circumstantial factors.

Finally, a market rate reward system is where an organization does an industry analysis to determine what the other players within the industry and more specifically its competitors gives as a reward to its employees in order to determine how to reward it employees. Such an organization in most cases sets its reward either at par with its competitors or above its

competitors, (Condly et al, 2005). Osterman (2006) argues that a reward at par with the competitors would keep the employees satisfied but not motivated as this would be the bare minimum to keep the employees from seeking higher rewards by moving to the competitors. The argument is that rewards lower than that offered by the market would lower both employee satisfaction and motivation to work as employees would seek to move to the organizations that pay higher.

Rehman (2009) asserts that higher rewards would motivate the employees as they would feel more appreciated than their colleagues of the same qualification working in other firms and this high satisfaction would be translated to higher performance. Besides on organization paying higher rewards that other in an industry becomes an employer of choice thus there is high competition of prospective employees who would wish to be employed by the organization. This puts pressure on the existing employees Cherotich (2012).

2.6 Empirical Literature Review

In this section empirical evidence supporting the Influence of reward management system on employee performance has been presented.

Employee performance management depends on good systems that offer financial and non-financial rewards (non-monetary rewards). Many employees seek other employment. Many are also seeking more balance in their life. Many are disengaged from their workplace. Rewards and remuneration must be scrutinized. Employee motivation and performance are critical. Non-monetary rewards can be as important as monetary rewards. Employees at all levels need to have confidence in the salary administration system. Employees want the rewards to be shared fairly and equitably (Danish & Usman 2010).

A research by (Pinar Güngör, 2011) focuses on the relationship between the reward management system applications and employee performance of bank employees on global banks in Istanbul. He concludes that employee performance effectiveness is determined on reward systems. In addition perceived level of rewards and motivation has significant relationship among the private sector employees and the monetary rewards had a significant effect on employee motivation than the non-monetary rewards.

Abdul Hameed (2014) conducted a research on impact of compensation on employee performance in the banking sector of Pakistani. A questionnaire was designed to collect the data on the factors related to compensation like salary, rewards, indirect compensation and employee performance. The data was collected from different banks of Pakistan. The data collected were analyzed in SPSS 17.0 Version. Findings were Compensation has positive impact on employee performance. It is proved from correlation analysis that all the independent variables have weak or moderate positive relationship to each other. Regression analysis shows that all the independent variables have insignificant and positive impact on employee performance. Descriptive analysis also reveals that all the independent variables have positive impact on employee performance.

A study in South Asian country of Bangladesh, on the title of the “Impact of Rewards on Employee Performance in Commercial Banks of Bangladesh indicated that there is a statistical significant relationship between all of the independent variables with dependent variables employee work performance and all the independent variables have a positive influence on employee work performance. Based on result of the study, it showed that only extrinsic or

intrinsic rewards are not sufficient to motivate employee to perform work highly. The results of correlation matrix, there was a positive relationship among extrinsic rewards, intrinsic rewards and employees' performance. There is also strongly relationship between extrinsic rewards and intrinsic rewards. Basic pay was a highly significant factor which affected employee performance than performance bonus. Challenging work was a highly significant factor which affected employees' performance (Aktar, Sachu and Ali, 2012).

A study in the Kenyan Country Government studied on the title of "Influence of Compensation and Reward on Performance of Employees at Nakuru County Government showed that there was a strong relationship between compensation and reward on employee performance in the county government of Nakuru. There was a weak positive relationship between compensation and reward and employee performance ($r=0.290$). The overall findings revealed appreciable influence of the compensation & reward on employee performance. The adopted pay strategy of basing compensation to knowledge was effective and had rippled the effects of motivating employees to further their studies which would in turn enhance employee performance (Njoroge & Kwasira, 2015).

In Jimma, survey conducted on the effect of compensation on employees' motivation in Jimma University academic staff showed that payment, promotion, recognition, working conditions, and payment influence work motivation. The study also indicated there was significant and positive relationship between compensation and work motivation. The study has shown that Jimma University staffs were not motivated and satisfied in payment system of the university. The findings of this study also indicated that there was a relationship between compensation and its components and employee work motivation. Moreover, money they earned from their job was not satisfactory and staffs dissatisfied with the assignment of responsibility in the university and fairness promotion is in appropriate (Negash, Zewude, Megersa, 2014).

Based on the literature reviewed above in this chapter the researcher has got a clear insight about the concept and overview of employee performance management system. The researcher has reviewed a number of performance management literature and almost all the literatures agree that performance management is concerned with identification of organizational visions, missions and objectives, bringing managers and employees on the same direction towards the achievement of organizational strategic objectives/alignment, creating shared understanding, provision of coaching and periodic performance review, final performance evaluation, attaching

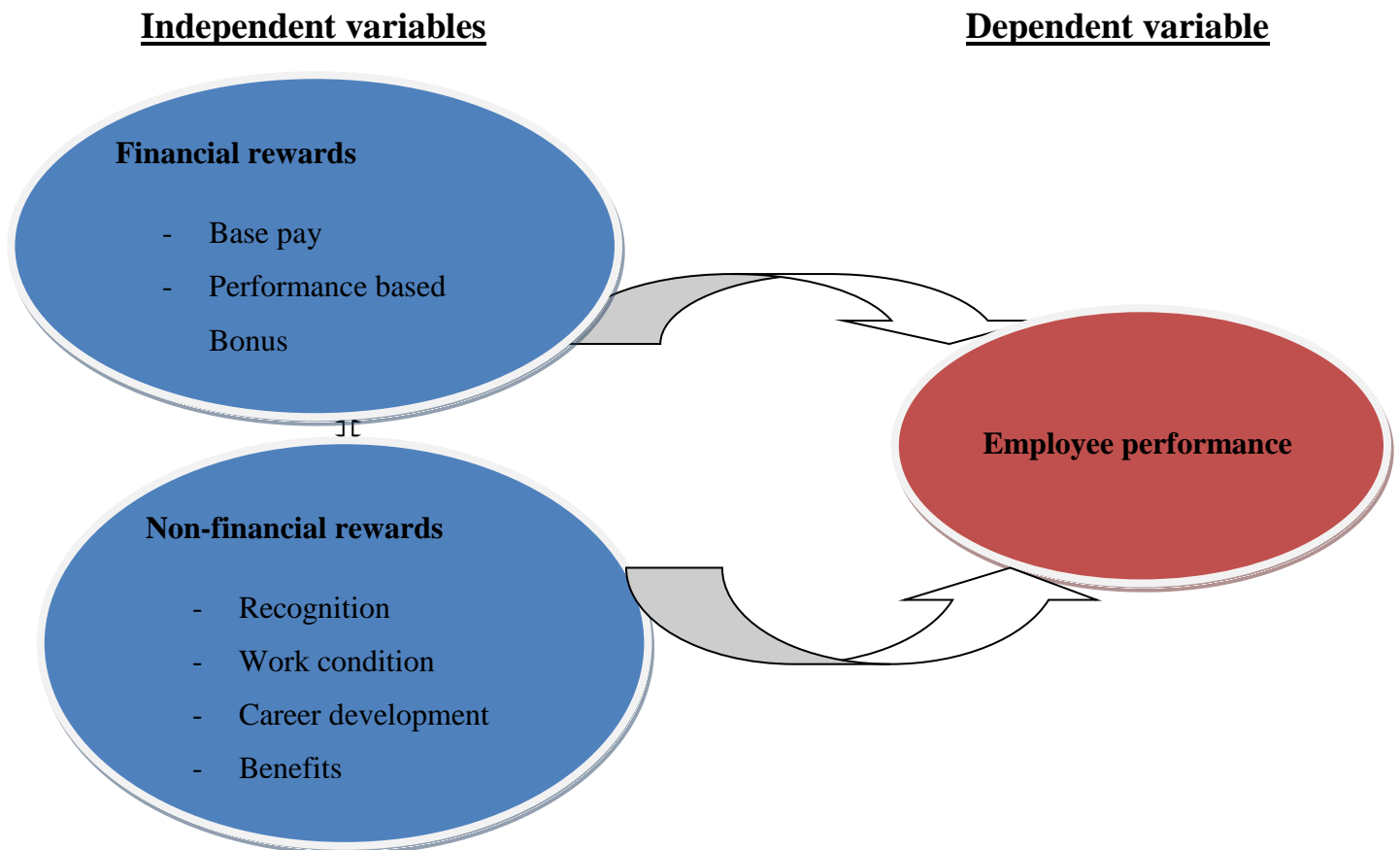
results with reward system depending on the nature of result and creating a felt fair atmosphere in the mind of all employees.

Therefore the researcher is interested to see the main influence of employee performance management system in commercial bank of Ethiopia west Addis district Gurage zone.

2.7 Conceptual Frame Work

The independent variables are financial rewards, non-financial reward, and dependent variable employee performance level influences. The relationship between reward system (financial and non-financial) will explain both quantitatively and descriptively.

Table 2.1 Conceptual framework



Source: Adopted from (Aktar, Sachu and Ali, 2012) with a modification to fit with the title

CHAPTER THREE

3. Research Design and Methodology

This Chapter of the study deals with the research design and methodology the researcher that has been employed for data gathering as well as the relevant statistical analysis tools that have been employed for analyzing the survey results that has been gathered during the study.

3.1 Research Design

This study has used a descriptive type of research through surveys to assess the influence of reward management practice on employee performance, a case study of commercial bank of Ethiopia west Addis district (Gurage zone). This type of research helps to portray accurately the characteristics of a particular individual, Situation or a group. The descriptive survey research design is appropriate choice, because the study is aimed at assessing the influence of reward management practice on employee performance.

This study has applied both qualitative and quantitative approach (mixed method approach). The core argument for a mixed methods approach is that the combination of both forms of data provides a better understanding of a research problem than either quantitative or qualitative data by itself. Mixed methods designs are procedures for collecting, analyzing, and mixing both quantitative and qualitative data in a single study or in a multiphase series of studies. Hence, by applying the mixed method the researcher has to ensure the strength of the findings towards being more objective and generalize to the entire population.

3.2 Types of Data Collection

The study used both primary and secondary sources of data. The primary data are those which are gathered for the first time and afresh and thus collected for the case at hand. Secondary data is a data collected by someone else and there is a great deal available to researchers from books, libraries and on the web. For the purpose of this study in order to obtain relevant information both primary and secondary data were used.

Primary data has collected using questionnaires and interviews from the employees of the Commercial Bank of Ethiopia. The questionnaire was based on the mentioned research questions. This is because questionnaires are advantageous in collecting large number of data from large number of respondents and help respondents to fill the questionnaires at their convenient time without the interviewer bias. And the study also has used interview because

interview have a higher response rate and it clarify the questions well if the questions are not clear, since questionnaire doesn't.

The secondary data sources were collected from different published and unpublished materials such as reference books, journals and the internet. In addition company reports, annual reports, and HR manuals of the bank.

3.3 Method of Data Collection

The researcher used different data collecting instruments such as Questionnaires and Interviews. Because these instruments are believed to suit to the data needed. The questionnaire has included closed-ended questions that has been measured by a five-point Likert scale (from strongly Agree to strongly disagree) and some open ended questions to elicit the respondents feeling.

The researcher prepared questionnaires for workers in CBE west Addis district (Gurage zone) branches. The some part of questioners involved a Likert Scale ranking (5-point likert scale) while some questioners involve open ended explanations about the overall reward system.

Likert Scale is a psychometric scale commonly involved in research that employs questionnaires. It is the most widely used approach to scaling responses in survey research. A Likert scale is the sum of responses on several Likert items. In likerst scale, 5 stand for strongly agree, 4 agree, 3 neutral, 2 disagree and 1 strongly disagrees. In case of ordinal, questioner, respondents will invite to level on the given alternatives.

First the reliability and validity of research instrument has been checked, then after questionnaires have been distributed to the participants of the study. After the questionnaires are carefully filled, the researcher personally has collected and arranged the completed questionnaires and compiled for data discussion and analysis. Semi structured interview has also been scheduled to gather information on the subject from CBE staff. As a final point the result has been summarized, tabulated and interpreted appropriately and lastly conclusions and recommendations has also been forwarded.

3.4 Sampling Design and Sampling Techniques

3.4.1 Target population

As discussed above, this research is aimed at assessing the influence of reward management practice on employee performance, a case study of commercial bank of Ethiopia west Addis district (Gurage zone). So the total population of the study was employees of the bank found in CBE West Addis district Gurage zone which is 317 working in 16 branches stretched across Gurage zone. Though, incorporating all employees' idea on the analysis would have been better for conclusion and generalization, economically and operationally it would be very difficult to contact all employees in the research. Therefore, taking a respective sample of the population of the employees' has found to be feasible.

3.4.2 Sampling Method

Because of that the target population of the study was employees of commercial bank of Ethiopia found in Gurage zone, the intention of the study is to assess the influence of reward management practice on employee performance. The researcher used random sampling method in determining sampling population that is selected from west Addis Gurage zone. Random selection is a procedure through which a sample of participants is chosen from the population of interest in such a way that each member of the population has an equal probability of being selected to participate in the study.

3.4.3 Sample Size

The total population of this research is employees of CBE in west district that are in Gurage zone. From the total population of around 317 the researcher used around 177 sample employees at 95% confidence level. The sample population was calculated from total population of employee of west Addis district in Gurage zone. The researcher distributed Questionnaire to samples in all selected branches. Therefore, In order to determine the sample size of the population, the study used Yamane's (1967) formula with 95% confidence and 5% acceptable sampling error. Based on the following formula 177 employees were taken as a sample.

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

Where, n= is the required sample size

N= is the population size

e= the acceptable sampling error (Yamane Taro, 1967).

$$n = \frac{317}{1 + 317 * (0.05)^2}$$

n= 176.85 \approx 177

Table 3.1 Samples taken from branches

No	Branches	Sample Employees	Sampling distribution
1	Wolkite	42	23
2	Bekur	19	11
3	Agena	16	9
4	Dargee	16	9
5	Kosie	14	8
6	Gubre	16	9
7	Butajira	40	22
8	Eresha	20	11
9	Erenzaf	21	12
10	Kella	15	8
11	Buee	17	10
12	Enseno	16	9
13	Koshe	16	9
14	Gunjire	15	8
15	Yejoka	19	11
16	Tolay	15	8
	Total	317	177

Source: *Survey Result (2018)*

3.5 Methods of Data Analysis

Once the required data are collected from the primary and secondary sources, it was analyzed through quantitative and qualitative data analysis methods. And, descriptive statistic helps to describe the general level of agreement of respondents. It reveals the conformity of respondents' response about employee reward management system in CBE. In addition, frequency and percentage was used to present the data. And table and charts have also used to ensure easy

understanding of the analysis. Finally, the result of statistics analysis have been summarized, tabulated and interpreted appropriately.

Responses found from the interview have been reported in line with the questions forward to the interviewees. And then these findings have combined and summarized together with the quantitative data findings to triangulate the results accordingly.

3.6 Validity and Reliability of the instrument

3.6.1 Validity

Validity highlights the need to eliminate or minimize the effects of extraneous influences, variables, and explanations that might detract from a study's ultimate findings. By saying this so, the researcher discussed with the advisor about the questionnaires to check the questionnaires represent the relationship between dependent and independent variable before it had been distributed. The researcher provided explanations concerning on the questions to the respondents before they had given answer for it. This confirms the reliability of the available data.

3.6.2 Reliability

It estimates the consistency of the measurement or more simply, the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects. Reliability is essentially about consistency. To make sure that the data collection methods were error free and to minimize the instruments' biases the researcher undertook the following:

1. The researcher has made a pilot test on 25 employees and got a result of Cronbach's Alpha .84 before questionnaire has been distributed to all sample size.

Table 3.2 Reliability Statistics

No.	Variables	Cronbach's Alpha
1	Base pay/salary	0.87
2	Performance based bonus	0.91
3	Benefit	0.82
4	Recognition	0.85
5	Work condition	0.78
6	Career development	0.86
7	Employee performance	0.79
	Grand	0.84

Source: *Survey Result (2018)*

2. Some important questions have been re-asked in different place in a different order.
3. The researcher, when collecting the questionnaires, has tried to make sure that it is the respondents who have complete the questionnaire through making the distribution and collection time gap short an as much as possible.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

Introduction

This Chapter presents the demographic characteristics of the respondents and the research findings from the study. It analyses the data systematically focusing on the study objective: the influence of reward management practice on employee performance.

4. Response Rate

The questionnaire is distributed to 177 employees and out of these employees only 165 (93.22%) employees filled and returned the questionnaire. Therefore the analysis is made based on the 165 respondents' data only. The data collected through questionnaire, interview and secondary data sources is analyzed using descriptive analysis method. The output of the data is presented using tables in order to make the topic more understandable.

4.1 Demographic Data

The demographic information of respondent gathered for the studies were gender, age, marital status, monthly gross salary, working experience, educational status and current position.

Table 4.1 Summery Of Demographic Factors

Demographic Variables		Frequency	Percent	Valid Percent	Cumulative Percent
Employee Gender	Male	107	64.85	64.85	64.85
	Female	58	35.15	35.15	100
Employee age	18-25	77	46.67	46.67	46.67
	26-30	68	41.21	41.21	87.88
	31-35	14	8.48	8.48	96.36
	36-40	6	3.64	3.64	100
	41-45	-	-	-	-
	46	-	-	-	-
Marital Status	Married	118	71.52	71.52	71.52
	Separated	6	3.63	3.63	75.15
	Single	38	23.03	23.03	98.18
	Widowed	1	0.61	0.61	98.79

	Divorced	2	1.21	1.21	100
Income Level/Gross Monthly Salary	3501-6000	69	41.82	41.82	41.82
	6001-9500	31	18.79	18.79	60.61
	9501-12500	24	14.55	14.55	75.16
	12501-15000	25	15.15	15.15	90.31
	15000	16	9.69	9.69	100
Experience	1-3	62	37.58	37.58	37.58
	4-6	57	34.55	34.55	72.13
	7-10	16	9.69	9.69	81.82
	11-14	18	10.91	10.91	92.73
	15-18	12	7.27	7.27	100
	19	-	-	-	-
Educational status	Diploma	16	9.70	9.70	9.70
	Degree	129	78.18	78.18	87.88
	MA	20	12.12	12.12	100
	Other	-	0		
Current position	Manager	16	9.7	9.7	9.7
	A/manager	15	9.09	9.09	18.79
	Supervisor	-	0	0	18.79
	Accountant	16	9.7	9.7	28.49
	Controller	16	9.7	9.7	38.19
	Cashier	16	9.7	9.7	47.89
	Maker	86	52.11	52.11	100
	Other	-	0	0	100

Source: *Survey Result (2018)*

4.1.1 Gender of Respondents

The study involved gender distribution of respondents in order to answer the questionnaires provided as shown on the table 1. The following table depicts that respondents of male and female answered the questionnaires distributed. Out of 165 respondents 107 (64.85%) were male while 58 (35.15%) were females. This indicates that majority of the commercial bank of Ethiopia

west Addis district, Gurage zone employees are male. This implies that the male population of the bank has the chance to be represented in every matter.

4.1.2 Age of Respondents

In this study, age of the respondents was considered to be important in finding the effect of reward variables on employee's performance at Commercial Bank of Ethiopia west Addis district Gurage zone.

When we look at the age group of respondents, the larger number of employees is between the ages of 18-25 which adds to 77 respondents representing to 46.67% of the total respondents.

Second largest age groups which constitute 41.21% of the respondents are 26-30 years of age. The rest covers 12.12% of the population which accounts 31-40 and above.

From this result we can observe that the majority of employees (87.9%) of the bank are at the productive age group energetic and productive manpower that can be able to transform the mission and vision of the organization into reality. in addition, there are no many senior employees in the bank.

4.1.3 Marital Status

With regard to respondents marital status, 47(28.48%) are unmarried, 118(71.52%) are married. Research conducted on this area consistently indicates that married employees are ready to accept responsibility and to perform more with compared to unmarried. The reason may be marriage imposes increased responsibilities that may make a steady job more valuable and important.

4.1.4 Gross Monthly Salary of Employees

From the above figure we can observe that the majority of the respondents are earning 3501-6000 birr per month which accounts for 41.82% of the sample. The second largest respondents of the study are between 6001-9500 salary groups which is 18.79 % of the sample. The rest 39.39% of the respondent salary are above 9501 birr. This implies that all salary group of the bank has been included and the researcher was not face difficulties to generalize its study for all salary groups.

4.1.5 Work Experience of Employees

With regard to service years of respondents in commercial bank of Ethiopia west Addis district, Gurage zone the majority of the respondents have a service years of 1-3 years (37.58 %) followed by above 4-6 years of service respondents with 34.55%. The last groups of the respondents are employees with above 15 years of experience.

As the majority of the employees worked for more between 1-3 years of experience, the information obtained from the respondents can be trusted to conduct meaningful analysis. The existence of few senior employees indicate that the existence of high turnover in the bank.

4.1.6 Educational status

Regarding the employees' educational qualification, clearly indicated that majority of the work forces (78.18%) acquired their first degree and Master degree holders constitute (12.12%) of the respondent while the rest (9.7 %) of the respondents are Diploma holders. This shows that majority of the employees are degree holders because the company adopted a recruitment policy of young fresh graduate and a minimum of bachelor degree is required to join the workforce of CBE.

4.1.7 Current position

The management staffs accounts (18.79%) and professional employees' represented by 81.21%. The category of the position is not proportionate because the structure of the bank had many Customer Service Officers than other job category. Categorizing the employees in such a way helps the researcher to determine whether the performance of the employees vary from the management and the professionals.

4.2 Descriptive Analysis

In this section, the collected data was entered and reported using SPSS. The mean value of each performance factor with respect to respondent's category is analyzed and presented in a relative frequency analysis format.

1. Base pay/Salary

Table: 4.2 CBE employee's responses to base pay/salary

	N	Mean	Std. Deviation
My salary is sufficient in relation to what I perform	165	1.85	.548
Salary increments are made based on employee performance	165	3.32	1.387
Salary increment made for high performer would encourage others to perform better	165	4.75	.512
	Total	3.305	0.815

Source: *Survey Result (2018)*

Base pay/salary systems provide the bases on which an organization rewards workers for their individual contribution, encourage their skill and performance. The findings illustrated by the above table show that, the majority of respondents (M=4.75 and SD= .512) answer Salary increment made for high performer would encourage others to perform better, followed by (M=3.32 and SD=1.387) stated that Salary increments are made based on employee performance are slightly above the average (i.e. 3) this means the company with the mentioned variable is satisfactory but the mean value of (M=1.85 SD= .548) My salary is sufficient in relation to what I perform are below average this indicate that the company with this regard it is not satisfactory. When the aggregate mean result (3.305) seen the base pay/salary system of the company is satisfactory.

Base pay/Salary system tie compensation directly specific business goals and objectives through competitive pay for competitive level of performance, it's critical to link base pay/salary increment to overall business strategy. You must be able to identify the direction the organization needs to move and communicate the desired action to get there. How satisfied to correlates with how much money you make all the way up the income spectrum the influence that earnings have on employee performance.

Some critics argue that pay is not a major motivator in the work place, the job itself is the source of high performance, and also gaps for performance based pay/salary it's difficult to design an objective and fair measure of performance that does not emphasis the individuals effort at the expense of that of the team.

2. Performance based bonus

Table: 4.3 CBE employee's responses to performance based bonus

	N	Mean	Std. Deviation
The bank's bonus payment is Performance based	165	4.636	.606
The bonus plan encourages to perform better	165	4.497	.786
If I perform well, I am certain that amount of bonus increase	165	3.679	.672
Total		4.27	0.688

Source: *Survey Result (2018)*

The response result of survey statements state the importance of performance based bonus for CBE staff, (M=4.497, SD= .786) of respondents responses stated that the bonus plan encourages to perform better, (M=4.636, SD= .606) the bank's bonus payment is Performance based and also (M=3.679, SD= .672) answer If I perform well, I am certain that amount of bonus increase. The response of the respondent for those variables of performance based bonus questionnaires is slightly above average (4.27). This implies that the employees of the company are highly motivated to perform their job. Performance based bonus additional compensation paid to an employee as a reward for achieving specific goals, bonus for CBE employees following the banks productive in terms of profit encourage employees to perform better.

3. Benefit

Table: 4.4 CBE employee's responses to benefit

	N	Mean	Std. Deviation
I am satisfied with the benefits I receive	165	2.776	1.050
The benefits are as good as most other private banks offer	165	3.085	1.062
The benefit package of the bank is equitable	165	3.327	1.066
Total		3.063	1.059

Source: *Survey Result (2018)*

Consist of elements of remuneration additional to the various forms of cash pay and also include provisions for employees that are not strictly remuneration the majority of respondents preferred, According to the above table, answer for I am satisfied with the benefits I receive (2.78) is not satisfactory because the mean result is below average. But all other variables the benefit package of the bank is equitable (M=3.327, SD= 1.066), and the benefits are as good as most other private banks offer (M=3.085, SD= 1.062) are satisfactory since the mean result slightly above average. When it is also seen aggregate result the benefit reward system of the company is satisfactory (3.06).

Employee benefits indicate that the employee benefit is all forms of consideration given by an organization in exchange for service render by employees. Respondents of the questionnaire are survey lined up items by their importance rating. The benefit packages of the bank affect employee performance to hard work.

4. **Recognition**

Table: 4.5 CBE employee’s responses to recognition

	N	Mean	Std. Deviation
I receive positive recognition for what I perform better	165	4.146	.597
When I do a good job I receive a recognition for that	165	4.618	.685
I feel that my job receives enough attention from my company	165	3.667	1.201
Proper recognition of high Performer will encourage low performer to work hard	165	4.752	.433
I receive positive recognition for reaching specific goals	165	2.782	1.094
Total		3.993	0.802

Source: *Survey Result (2018)*

The identification or acknowledgement given for something or it can be a communication between management and employees which rewards them for reaching specific goals or producing high quality results in the workplace, from the above table the survey statement (M= 4.752, MD= .433) Proper recognition of high Performer will encourage low performer to work hard, (M= 4.618, MD= .685 When I do a good job I receive a recognition for that, (M= 4.146,

MD= .597), I receive positive recognition for what I perform better and (M= 3.667, MD= 1.201) I feel that my job receives enough attention from my company, As indicated in the above table, the mean values of questions are slightly above the average this means the reward system of the company with the above regards is satisfactory. But the mean value for of (M= 2.782, MD= 1.094) I receive positive recognition for reaching specific goals are below average this indicate that the company reward system with this regard it is not satisfactory. When the aggregate mean result (3.99) seen the recognition based reward system of the company is satisfactory.

Employee’s recognition of their good work is valued by their company because when employees and their work are valued by their company, employee performance, satisfaction and productivity rises to maintain promotion for high performers. Recognizing employees for their level of service is meant to encourage repeat action and increase morale and positive work place attitude.

5. Work Condition

Table: 4.6 CBE employee’s responses to work condition

	N	Mean	Std. Deviation
I have freedom to try new methods of doing in my job	165	2.533	1.085
Company rules and procedures are conducive for work	165	2.867	1.182
There are high varieties of jobs in my work	165	1.503	.786
I have reasonable work autonomy in my job	165	4.073	1.091
Total		2.744	1.036

Source: *Survey Result (2018)*

As an entirety which comprises the totality of forces, actions and other influential factors that are currently and, or potentially contending with the employee’s activities and performance, Employees working condition covers a broad range of physical conditions and mental demands that exists in the work place. The degree of autonomy of job tends CBE employees to boost their performance and policies and procedures that outline the organizational structure that essential to the health of branch operation. The response on the survey statement of the respondents said, (M= 4.073, MD= 1.094) I have reasonable work autonomy in my job, is satisfactory since the mean result slightly above average. Company rules and procedures are conducive for work, (M=

2.533, MD= 1.085) I have freedom to try new methods of doing in my job and (M= 1.503, MD= .786) There are high varieties of jobs in my work. The mean result of the company is not satisfactory because the mean result is below average. When it is also seen the aggregate result of work condition of the company is not satisfactory (2.74).

6. Career Development

Table: 4.7 CBE employee’s responses to career development

	N	Mean	Std. Deviation
The bank has a clear career Development procedure	165	3.816	.862
The bank applies performance based career development	165	3.618	1.003
Within my profession, there are Opportunities for more advancement	165	4.218	.606
Total		3.881	0.823

Source: *Survey Result (2018)*

The possibility of growing critical skills within the organization, which are often not available on the external labor market; of improved deployment of people in jobs where their talents are well used; of an improved ability to attract good people and possibly retain them; and of improved flexibility in the workforce and therefore the ability to respond to business change Beside from the above table survey statement, The response of the respondent for those dependent variable of career development questionnaires is slightly above average Within my profession, there are Opportunities for more advancement (M= 4.218, MD= .606) , The bank has a clear career Development procedure (M= 3.816, MD= .862) and The bank applies performance based career development (M= 3.618, MD= 1.003). When the aggregate mean result (3.88) seen the career development reward system of the company is satisfactory.

A set of guidelines that shows employees how they can move between jobs within the organization. CBE career development procedure, that takes you from choosing an occupation to becoming employed in CBE to reaching long term career goal. The bank applies to be a tool those employees achieving their individual career goal and each employee to assess their skill and qualities in order to maximize and realize their potential for advancement.

7. Employee performance

Table: 4.8 CBE employee's responses to employee performance

	N	Mean	Std. Deviation
The company encourages employees to work to the best of their abilities	165	4.497	.770
The company is able to maximize employee potential	165	4.539	.676
My job enables me to make use of my skills and abilities	165	3.873	.691
I get a sense of personal accomplishment from my work	165	4.485	.721
I know how the company measures my performance	165	4.667	.684
I am held accountable for achieving specific results	165	4.800	.484
Non-performing employees are held accountable	165	2.333	.799
Pay decisions are linked to performance achievements	165	3.727	.693
Positive financial and non financial consequences of performance (e.g. salary adjustments, recognition) are utilized Effectively	165	2.733	.863
Knowing my objective helped me to concentrate on my work and hence better performance	165	4.127	.576
The feedback helped me to continuously improve my mistakes	165	4.691	.621
The performance management system of the company improved my work performance	165	4.200	.496
My career opportunities are much better due to my improved work performance	165	4.491	.762
I love my work and I am motivated to complete the tasks that are assigned to me always	165	4.581	.681
I cooperate well with my colleagues in office	165	4.794	.535
My performance level has direct effect on my salary level	165	3.982	.579
I am given an opportunity to improve my performance through learning more skills	165	4.327	.699
I feel my performance contributes for the growth of my organization	165	4.939	.239
Total		4.21	0.643

Source: Survey Result (2018)

we can see that majority of the respondents with the highest mean score of (M= 4.939, MD= .239), (M= 4.800, MD= .484), (M= 4.794, MD= .535) (M= 4.691, MD= .621) is I feel my performance contributes for the growth of my organization, followed by I am held accountable for achieving specific results, I cooperate well with my colleagues in office, and The feedback helped me to continuously improve my mistakes respectively. Response each I know how the company measures my performance (M= 4.667, MD= .684). (M= 4.581, MD= .681) answer I love my work and I am motivated to complete the tasks that are assigned to me always, (M= 4.539, MD= .676) of employees feels that The company is able to maximize employee potential, (M= 4.497, MD= .770) The company encourages employees to work to the best of their abilities, and (M= 4.491, MD= .762) My career opportunities are much better due to my improved work performance (M= 4.485, MD= .721) also answer I get a sense of personal accomplishment from my work, and (M= 4.327, MD= .699) I am given an opportunity to improve my performance through learning more skills, The employee performance management system of the bank improved my work performance the company encourages employees and maximizes employee potential and the coaching activities of the Bank has positive implication on their performance.

From the total respondents, The performance management system of the company improved my work performance (M= 4.200, MD= .496), Knowing my objective helped me to concentrate on my work and hence better performance, My performance level has direct effect on my salary level, My job enables me to make use of my skills and abilities, and Pay decisions are linked to performance achievements, of the respondents feel that , (M= 4.127, MD= .576), , (M= 3.982, MD= .579), (M= 3.873, MD= .691) and (M= 3.727, MD= .693). According to the above table, except (M= 2.733, MD= .863) and (M= 2.333, MD= .799) answer Positive financial and non financial consequences of performance (e.g. salary adjustments, recognition) are utilized effectively and Pay decisions are linked to performance achievements is not satisfactory because the mean result is below average. But all other employee performance variables are satisfactory since the mean result slightly above average. When it is also seen aggregate result regarding employee performance system of the company is satisfactory (4.21).

That relies on internal motivation but presence of internal factors such as necessary skills; intellectual capacity and resources to do the job clearly have an impact the percentage response result of survey statements of the above table, Company influences the job performance of

employees; the results indicate that the dimensions of organizational commitment have relationships with performance of employees.

Make sure that CBE employees are aware of what expect from them by setting clear goals and expectations through communicating clear goals and expectations.

Table: 4.9 Mean Distribution of Control Variables

		Base/pay	Performance based bonus	benefit	recognition	work condition	career development
N	Valid	165	165	165	165	165	165
	Missing	0	0	0	0	0	0
Mean		3.305	4.27	3.063	3.993	2.744	3.881
Std. Deviation		0.815	0.688	1.059	0.802	1.036	0.823

Source: *Survey Result (2018)*

The above table shows the means and standard deviations of reward variables such as base pay, Performance based bonus, employee benefits, recognition, working condition and career development rated by respondents.

Descriptively, the average or mean level of employee performance was (M=3.54, SD=0.87) on a five-point Likert Scale. This implies that, on the average, the employees of commercial bank of Ethiopia west Addis district Gurage zone employees were good performer in return for any kind of reward.

The result from this study shows that high mean result for Performance based bonus (M=4.27, SD=0.688), moderate for other variables like recognition (M=3.993, SD=0.802) career development (M=3.881, SD=.823), base Pay/salary (M=3.305, SD=0.815), benefit (M=3.063, SD=1.059) to less mean scoring variables such as work condition (M=2.744, SD=1.036). From the above table it is observed that financial rewards (base Pay and performance based bonus) have a mean value of (M=3.7875, SD= .755) and non-financial rewards have (M=3.42, SD=0.93).This implies that the majority of the employees were relatively perform better due to financial rewards.

4.2. Regression Analysis

Regression and correlation are closely related. Both techniques involve the relationship between two variables, and they both utilize the same set of paired scores taken from the same subjects. However, whereas correlation is concerned with the magnitude and direction of the relationship, regression focuses on using the relationship for prediction. In terms of prediction, if two variables were correlated perfectly, then knowing the value of one score permits a perfect prediction of the score on the second variable. Generally, whenever two variables are significantly correlated, the researcher may use the score on one variable to predict the score on the second. Since from the correlation analysis, we found that the reward systems have significant relationship with employee performance though it is high relationship in CBE. Then, to find out how significantly it affects the employee performance a regression analysis was conducted.

4.3 The Relationship between Reward and Employee Performance

The Pearson's Product Movement Correlation Coefficient was computed to determine the relationships between payment, benefit, recognition, promotion, nature of job and working condition with job satisfaction. Correlation analysis is a useful way of exploiting relation (association) among variables. The value of the coefficient (r) ranges from -1 to +1. The value of coefficient of correlation (r) indicates both the strength and direction of the relationship. If $r = -1$ there is perfectly negative correlation between the variables. If $r = 0$ there is no relationship between the variables and if $r = +1$ there is perfectly positive relationship between the variables. For values of r between +1 and 0 or between 0 and -1, the different scholars have proposed different interpretations with slight difference. For this study diction rule given by Bartz (1999) was used. Bartz (1999) described the strength of association among variables as mentioned in following table

Table 4.10 Interpretation of R

Interpretation of r value of r	Description
0.80 or higher	Very high
0.6 to 0.8	Strong
0.4 to 0.6	Moderate
0.2 to 0.4	Low
0.2 or lower	Very low

Table 4.11 the Correlation among Employee Performance and Independent Variables

		Employee performance	Base pay/salary	Performance based bonus	Benefit	Recognition	Work condition	Career development
P C	Employee performance	1.000	.888	.947	.835	.933	.832	.848
	Base pay/salary	.888	1.000	.928	.918	.902	.937	.821
	Performance based bonus	.947	.928	1.000	.839	.908	.887	.835
	Benefit	.835	.918	.839	1.000	.862	.925	.815
	Recognition	.933	.902	.908	.862	1.000	.849	.881
	Work condi.	.832	.937	.887	.925	.849	1.000	.843
	Career deve.	.848	.821	.835	.815	.881	.843	1.000

Source: Survey Result (2018)

Firstly, referring to table the Pearson Correlation Analysis (PCA) evaluated the employee performance with base pay/salary, performance based bonus, benefit, recognition, work condition and career development have strong correlation with employee performance with a p value 0.001 and with a Pearson R. The strength of association among variables indicates that Significant correlation existed between career development and Performance based bonus ($r=0.947$, $p<0.01$). This implies that increase or decrease in the adjustment of performance based bonus path is associated with similar change in employee's performance.

There was also significant relationship between Recognition and employee performance ($r=0.933$, $p<0.01$), the correlation analysis indicates that there is a significant relationship exist between recognition and employee performance. The correlation analysis indicates that there is a significant relationship exist between Base pay/salary and employee performance ($r=0.888$, $p<0.01$) this implies that increase or decrease in payment or salary amount is associated with similar change in employees' performance quality.

Career development has significant relation with employee performance ($r=0.848$, $p<0.01$). From this correlation we can observe that designing Career development system has positive influence on employees' performance. The correlation of employee benefit with performance has ($r=0.835$, $p<0.01$). It shows the existence of significant relation with dependent variable employee performance. In addition, there is also a significant relationship between work condition and employee performance ($r=0.832$, $p<0.01$).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.967 ^a	.935	.933	.24645	.935	378.614	6	158	.000

a. Predictors: (Constant), Career development, Benefit, Performance based bonus, Recognition, Work condition, Base pay/salary

4.12 ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	137.979	6	22.997	378.614	.000 ^a
	Residual	9.597	158	.061		
	Total	147.576	164			

a. Predictors: (Constant), Career development, Benefit, Performance based bonus, Recognition, Work condition, Base pay/salary

b. Dependent Variable: Employee performance

Source: Survey Result (2018)

Results of Multiple Regressions

Correlation and multiple regression analyses were conducted to examine the effect of Base pay/Salary; Performance based bonus, benefit, recognition, work conditions and career development on employee performance. The multiple regression model used to predict the employee performance will be,

$$ep = B_0 + B_1BPS + B_2PBB + B_3B + B_4R + B_5WC + B_6CD + E$$

Where

ep =employee performance which is the dependent variable

β_0 =average performance, BPS = base pay/salary, PBB=performance based bonus, B= benefits

R=recognition, WC=work condition and CD= career advancement

4.13 Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.712	.202		-3.520	.001
	Base pay/salary	-.052	.053	-.082	-.975	.331
	Performance based bonus	.838	.075	.718	11.107	.000
	Benefit	.166	.055	.190	3.045	.003
	Recognition	.293	.055	.346	5.327	.000
	Work condition	-.179	.050	-.262	-3.556	.000
	Career development	.084	.052	.077	1.606	.110
a. Dependent Variable: Employee performance						

Source: Survey Result (2018)

Influence of reward management practice in Commercial Bank of Ethiopia Performance based bonus, Recognition, Benefit, and Career development have positive significant effect on employee performance $B_2 = .838$, $B_4 = .293$, $B_3 = .166$ and $B_6 = .084$ respectively. Base pay/salary and Work condition of the bank had negative significant effect on the performance of employees $B_1 = -.052$ and $B_5 = -.179$. From the result of multiple regressions analysis presented in above table the researcher concluded that performance based reward system of CBE has stronger effect on employee performance than the other independent variables.

The model analysis includes the independent variables (base Pay/salary, Benefit, Performance based bonus, Recognition, career development, Working Condition) and dependent variable (employee performance). As indicated in the above model summary and ANOVA table, the linear combination of the independent variable was significantly related to the dependent variable, $R=.967$, adjusted R square= $.933$, $F=378.614$ ($p=0.000$). An estimated 93.3% of total variation in the dependent variable, employee performance of commercial bank of Ethiopia west Addis district, Gurage zone employees is jointly explained by the predictors, i.e., base pay, benefit, bonus, recognition, career development and working condition where as 6.7 % is explained by other factors. Therefore the reward practice of the bank has very high determining power than other unexplained variables.

This analysis section used to analyze Response found from the interviewees with commercial bank of Ethiopia West Addis district, Gurage zone employees. The interview questions provided to answer their preference on the reward package, rate your working performance in the bank, to provide their suggestion on what to be done to enhance their level of working performance concerning reward system and what has to be done by the company to increase employee's performance.

Response found from the interviewees with commercial bank of Ethiopia West Addis district, Gurage zone total respondents agreed that, they believe an excellent working performance. This shows that employees of the bank know what expected from them and what intends to do their performance is regularly assessed based on the plan/target cascaded for them.

Items related to policy and procedure more than 50% of the respondents are blaming on the implementation of existing policy and procedure thus the bank has poor implementation and execution of the reward system in clear and reasonable manner.

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

The study aimed to investigate the effect of reward system on commercial bank of Ethiopian west Addis district Gurage zone employees, based on the questionnaire of randomly selected employee of 165. From the distributed 177 questionnaire 165 were returned and the response rate 93.22% which acceptable for data analysis and discussion of the study.

In the descriptive analysis most of the respondents are male which are 107(64.85%), 88% young's in category of (18- 30), 118(71.52 %) of the respondents are Married in their marital status, Gross Monthly Salary of Employees observe that the majority of the respondents are earning 3501- 6000 birr 69(41.82%) of the sample, 62(37.58 %) employees worked for more between 1-3 years of experience, 129(78.18%) of the work forces acquired their first degree and professional employees' represented by 134(81.21%).

The result of the central tendency also shows that, the most determine factor of employee performance which scored low mean deviation was as work condition ($M=2.744$, $SD=1.036$) while the high mean deviation scored in for Performance based bonus ($M=4.27$, $SD=0.688$), followed by recognition ($M=3.993$, $SD=0.802$), career development ($M=3.881$, $SD=.823$), base Pay/salary ($M=3.305$, $SD=0.815$), and benefit ($M=3.063$, $SD=1.059$). From this the researcher inferred that relatively low score in non financial rewards affects/determines employee performance.

Results from Pearson's Product Moment Correlation Coefficient and as per Bartz (1999) interpretation of r value were used to discuss the relationship between dependent variable (employee performance) and an independent variables base pay/salary, employee benefit, recognition, performance based bonus, career development and working conditions.

The relation between dependent and independent variable shows that there is statistically significant relationship exist between all variables of rewards and employee performance. Though both financial and non-financial reward has positive and significant relationship with performance, financial reward variables have high degree of relationship with performance of employee's than non financial reward variables in the study financial reward ($M=3.7875$, $SD=$

.755).while non financial reward (M=3.42, SD=0.93). The researcher infers that reward dimensions could determine employee performance of the bank.

Based on the findings of this study financial reward in general is a major determinant for effective employee performance at commercial bank of Ethiopia West Addis district, Gurage zone employees, specifically work condition were not strict determinant of employee performance of the bank. Therefore adjustment in non financial reward system is major areas of concern for the bank.

The Pearson Correlation Analysis evaluated the employee performance with base pay/salary, performance based bonus, benefit, recognition, work condition and career developments have strong correlation with employee performance.

Response found from the interviewees confirmed that, of the total respondents agreed that, Employees of the bank know what expected from them and what intends to do their performance is regularly assessed based on the plan/target cascaded for them. procedure more than 50% of the respondents are blaming on the implementation of existing policy and procedure thus the bank has poor implementation and execution of the reward system in clear and reasonable manner.

5.2 Conclusion

Based on the findings of the study related demographic data and research variable analysis, the following conclusion is drawn:

- Reward system plays a vital role in motivating employees to perform their assigned job. Since non- financial reward are a main motivator in encouraging the employee's performance required in today's competitive business environment. The ability to attract, keep and motivate high- performance is becoming increasingly important in today's competitive organizational environments. The study also revealed that employee's will improve their performance if the all reward package problems identified and tackled by the management
- Employees are valuable resource of any organization. The vision, mission and objectives set could not attain without full effort as well as participation of employees. According to the findings of the study many positions are occupied by male employees more than half of the employees are married, high numbers of sampled employees have first degree and significant numbers of employees have few service years of experience cause of turn over that is inefficient reward package should be improved.
- There was statistically positive significant relationship between basic pay/salary, benefit, recognition, performance based bonus, career development and work condition with employee performance in CBE. Moreover, both financial and non-financial rewards have significant relationship with employee performance in Commercial Bank of Ethiopia. However, the significance level of the financial reward on employee performance is statistically significant positive relationship.
- In general, the research study achieved its aims of defining and assessing the influence of reward management system on employee performance in Commercial bank of Ethiopia west Addis district Gurage zone employees.

5.3 Recommendations

In considering the major findings of the study and the conclusions drawn, efforts were made to forward possible recommendations by the researcher for the attainment of a better result. Therefore, organizations need to cope up with needs of the employee so as to motivate them by designing effective compensation and rewards. There are high productive age employees in the bank, indirectly it indicates that lack of skilled and experienced work force or may be the existence of high turnover in the bank. Therefore, the bank should study the existing working conditions and create conducive, exciting and attractive working atmosphere to motivate its staff and enhance their performance.

The bank redesign its reward system in general and its salary scale and payment structure in particular based on the work load of employees, the inflation rate as well as market condition(industry scale). Because the highest influential factor for employee performance were financial reward in the bank. There must be an appropriate, clearly known and visible career path as well as objective measurement of appraisal evaluation, promotion scheme policy and procedure which have to be fairly and equitably apply for all the employees.

The compensation and reward compared to other private commercial banks are low. This implies there are other private banks offering better benefit packages even having the least market share in the country. Therefore, CBE has to design effective compensation and reward system to improve employee performance even by making the employees to that of employee engagement level.

Based on employee's performance and nature of the job the bank should introduce job enlargement, job enrichment and job rotation to reduce the ambiguity in career path structure as well as avoiding unfair reward packages

The bank should conduct a continuous appraisal measurement based on its vision and mission to know the existing level of performance by external or internal professionals and effectively implement the areas of improvement pointed by its employees. This will enhance the working relation and maximize the productivity of employee as well as the fairness of career path to reward them.

The findings of this study shows majority of employees are more concerned with financial rewards. Thus the bank should continually review and adjust the non- financial rewards

especially work condition to its employees and implementation of existing policy and procedure thus the bank has poor implementation and execution of the reward system.

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Appendix
Wolkite University Faculty of Business and Economics
Department of MBA

Questionnaires to be filled by permanent employees of Commercial Bank of Ethiopia

Dear Respondents,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, **“The influence of reward management practice on employee performance, a case study of commercial bank of Ethiopia west Addis district (Gurage zone)** as partial fulfillment to the completion of the award of the degree of master of business administration (MBA) at Wolkite University.

This study is purely for academic purpose and in no ways that affects the respondent’s personality. It will be kept confidential. So that, you’re genuine view, frank opinion & timely responses are very valuable in determining the success of the study. Therefore you are kindly requested to extend your cooperation honestly by providing relevant information and filling out the following questionnaires that are prepared for this intention.

General Instructions

No need to write your name.

.In all cases where answer options are available please tick [] in appropriate box.

Elias Eshetu

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Part I. General information (Demographic Information)

- | | | | | |
|-------------------|-----------|-----|----------|-----|
| 1. Gender | Male | [] | Female | [] |
| 2. Age in year | 18-25 | [] | 26-30 | [] |
| | 36-40 | [] | 41-45 | [] |
| | | | >46 | [] |
| 3. Marital status | Married | [] | widowed | [] |
| | Separated | [] | divorced | [] |
| | Single | [] | | |

	C. Benefits					
7	I am satisfied with the benefits I receive.					
8	The benefits are as good as most other private banks offer.					
9	The benefit package of the bank is equitable.					
	D. Recognition					
10	I receive positive recognition for what I perform better					
11	When I do a good job I receive a recognition for that					
12	I feel that my job receives enough attention from my company					
13	Proper recognition of high Performer will encourage low performer to work hard.					
14	I receive positive recognition for reaching specific goals					
	E. Work Condition					
15	I have freedom to try new methods of doing in my job					
16	Company rules and procedures are conducive for work					
17	There are high varieties of jobs in my work					
18	I have reasonable work autonomy in my job					
	F. Career Development					
19	The bank has a clear career Development procedure.					
20	The bank applies performance					

	based career development					
21	Within my profession, there are Opportunities for more advancement					
	G. Employee performance					
22	The company encourages employees to work to the best of their abilities					
23	The company is able to maximize employee potential					
24	My job enables me to make use of my skills and abilities					
25	I get a sense of personal accomplishment from my work					
26	I know how the company measures my performance					
27	I am held accountable for achieving specific results					
28	Non-performing employees are held accountable					
29	Pay decisions are linked to performance achievements					
30	Positive and negative financial and non financial consequences of performance (e.g. salary adjustments, recognition) are utilized Effectively					
31	Knowing my objective helped me to concentrate on my work and hence better performance					
32	The feedback helped me to continuously improve my mistakes					
33	The performance management system of the company improved my work performance					

34	My career opportunities are much better due to my improved work performance					
35	I love my work and I am motivated to complete the tasks that are assigned to me always.					
36	I cooperate well with my colleagues in office.					
37	My performance level has direct effect on my salary level					
38	I am given an opportunity to improve my performance through learning more skills					
39	I feel my performance contributes for the growth of my organization.					

Part II: Interview questions

1. How do you rate your working performance in the bank? Low, Good or Excellent
Is it equivalent or not from what you rewarded? Please explain. _____

2. What do you suggest for the overall process of reward system in the bank? (Base pay/salary, benefits, recognition, promotion, over time payment and working condition) _____

Thank you, for your cooperation and timely response in advance!!!!