



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**EMPLOYEES PERCEPTION, PREFERENCE AND THEIR
ROLE TOWARDS THE REWARD SYSTEM:
THE CASE OF DASHEN BANK S.C**

BY

EJEGAYEHU NESIBU

JUNE, 2018

ADDIS ABABA, ETHIOPIA

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**ST.MARY'SUNIVERSITY
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DECLARATION

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

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June, 2018

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

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June, 2018

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LIST OF ABBREVIATIONS/ACRONYMS/

ATM: Automatic Teller Machine

HRM: Human Resource Management

POS: Point-of-Sale

RII: Relative Importance Index

S.C.: Share Company

SD: Standard Deviation

SPSS: Statistical Product & Service Solutions.

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ABSTRACT

Reward attracts and retains good employees. The purpose of this research was to assess the employees' perception of the reward system at Dashen Bank S.C. who is working in Addis Ababa. The study used a mixed method design to investigate the employees' perception of reward systems. A quantitative survey was used to collect data from 317 participants which 231 returned and a qualitative interview from 12 managers at Dashen Bank. A probability sampling method of stratified random sampling was to select employees from Dashen Bank S.C Addis Ababa. While purposive sampling method was considered to select the interview participation. Descriptive statistics, particularly tabular and graphical method of data presentation, were used to characterize the participants and summarize their reward perception ratings. Further, the ranking of reward types was done using Relative Importance Index (RII). The findings indicated that financial rewards, particularly indirect financial rewards are mostly recognized by employees. The most preferred or favoured reward type is topped by financial rewards loan, salary and medical coverage followed by non-financial rewards freedom and autonomy, increased responsibility, recognition, learning and career development opportunity, as well as work-life balance. Regarding the association of reward with effort or performance, participants have indicated that those that are most likely to follow effort are non-financial rewards such as freedom and autonomy, increased responsibility, recognition, learning and career development opportunity and work-life balance, followed by financial rewards bonus and salary. A review of the reward policy document also showed that only benefit administration that mainly focused on indirect financial rewards (benefits) is covered while the detail procedure included direct financial rewards (remuneration). Finally based of the findings of the study, it is recommended that Dashen Bank should revise its reward policy and procedure manual that can include elements of total reward or non-financial rewards. The revision of the reward policy and procedure document should also consider the introduction of 'contingent' or conditional types of reward.

Keywords: *Perception of Reward, Financial Rewards, Non-financial Rewards*

CHAPTER ONE

INTRODUCTION

This is an introductory chapter presenting the reader with a comprehensive overview of the study. The first section gives a brief introduction to the subject matter and introduced the background of the study. The subsequent section will present the statement of the research problem and research questions followed by the objectives and the significance of the study. Finally, the scope of the study is given.

1.1. Background of the Study

In the current prevailing competitive environment, firms frequently realize that their employees are their overall most useful resource. When one thinks about it, this useful resource can only contribute to the success of the firm if motivated enough to do so. The success of firms depends on employees using their full talents. It is, therefore, a foregone conclusion that the ability to motivate, retain and develop talented employees is a key feature of a successful business (Sakovska, 2012).

Along with other organizational practices, motivating employees and optimizing their performance contributes to the organization's success. In this regard, reward is believed to play an integral role. Pfeffer and Davis-Blake's resource dependence theory suggests that HR strategies such as those concerned with reward are strongly influenced by the need to attract, retain and energize high-quality people (Pfeffer and Davis-Blake, 1992). In most cases, rewards are designed to attract and retain skilled employees to promote specific job behaviors appropriate for the high level of performance and motivate employees to work harder in return to help the company achieve its strategic goals (Balkin & Cardy, 2005; Kunango & Mendonca, 1994; Mume, 2000).

On the other hand, Armstrong (2006) defines reward as a benefit an employee receives from an organization for his or her service. Rahim and Daud (2012) also state that the purpose of reward is to recognize excellent job performance, provide feedback, make it easier to get work done, encourage employees to be more productive and help management achieve their goal. Reward is one of the important elements to motivate employees for contributing their best

effort to generate innovative ideas that lead to better business functionality and further improve company performance both financial and non-financially.

The rationale for the use of rewards is to motivate or induce certain behaviors among employees which are viewed as beneficial for enhanced performance (Eshun and Duah, 2011). Well-rewarded employees feel that they are being valued by their organization. Large number of studies exist in the literature describing impact of reward on various organizational outcomes like motivation, performance, commitment, job satisfaction, etc ... while noting the contextual differences in organizational culture and types of reward provided (Rahim and Daud, 2012; Pink, 2011; Kohn, 2009; Bhattacharya & Mukherjee, 2009).

Armstrong (2006) classifies rewards as extrinsic or intrinsic. Extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employee. Extrinsic rewards can be in terms of salary or pay, incentives, bonuses, promotions, job security, etc. On the other hand, intrinsic rewards are described as intangible rewards or psychological rewards like appreciation, meeting the new challenges, positive and caring attitude from the employer, and job rotation after attaining the goal (Hafiza et al., 2011). Intrinsic rewards are claimed to have a positive effect on knowledge sharing by many authors (Rahim and Daud, 2012). The debate about the influence of extrinsic and intrinsic rewards on motivation appears to be mixed (Tippet & Kluvers, 2009). Some research argues the need for extrinsic rewards over intrinsic rewards and vice-versa. But most importantly, Lawler (2003) points out that the success of reward provided is dependent on the employee's perception of the specific reward.

Perception is the process by which an employee organizes and interprets his/her impressions in order to give meaning to his/her environment and thus, it influences significantly his/her workplace behavior (Langton & Robbins, 2006). Perception is the attitude employees have towards policies concerned with pay, recognition, promotion and quality of working life, and the influence of the group with whom they identify (Armstrong, 2006). Otonde (2014) comment, research evidence has shown that people's avowed feelings and beliefs about someone or something seemed only loosely related to how they behaved towards it and thus the study of employees' perception is critical toward formulation and management of policies in an organization. Employees' perception of a reward system depends on their perception of its fairness to one's skills, knowledge and contribution, alignment with self-development

interests and relevance, as well as the link or contingency between their job performance and the rewards they receive (Dahlqvist and Matsson, 2013; Rahim and Daud, 2012; Kankanhalli, Tan & Wei, 2005).

The above points indicate that the design and implementation of reward systems should not only consider organizational objectives but also employees' perception of the system of reward. A mismatch, between organizational objectives of the reward system and the employees' perception of it, leads to failure to achieve the aims of reward system and may lead to various unintended outcomes like lack of motivation, poor performance, turnover, etc...To this end, Cameron and Pierce (2006) recommend ongoing evaluation of the employees' perception of the reward system and continual fine-tuning of the system. The banking industry in Ethiopia is currently facing a high level of staff turnover. Besides, rewards seem to be very similar across most banks. Taking Dashen Bank S.C., the purpose of this study was, therefore, to find out the employees' perception of the reward system in practice at selected branches in Addis Ababa.

1.1.1 Background of the Organization

Dashen Bank S.C. is one of the privately owned commercial banks in the country incorporated under the commercial code of Ethiopia 1960. It was established September 20, 1995, with 11 (eleven) businessmen and professionals as its founding members who agreed to combine their financial resources and expertise to form a new private bank. After one year, the bank obtained a banking license from NBE and went into operation with eleven area bank branches. In 2003 Dashen Bank S.C began rendering encashment service (for visa and master card) as the sole agent of Barclays Bank of London.

Dashen Bank posted four percent growth in net profits to 756.1 million Br, while its shareholders' return has been plummeting for five years in a row to 392 Br, almost 70 Br higher than the industry average. The 22-year old Bank was optimistic about its latest performance as it reported the second highest profit amongst all 16 private banks in the country / <https://addisbiz.com/business-news/>.

Dashen Bank, named after Mount Dashen that excels all other mountains in Ethiopia. Dashen Bank's vision is to continue to provide unparalleled service in banking services. Dashen Bank was established with a mission to "provide efficiently and customer focused domestic and international banking services, overcoming the continuous challenges for excellence through the application of appropriate technology". In line with that, the bank operates through a network of 303 Branches, nine dedicated Forex Bureaus, 220 ATMs and 958 plus Point-of-Sale (POS) terminals spread across the country (Dashen Bank S.C., 2017). On June 30, 2017, the Bank's staff strength (including long term and short-term contract employee) stood at 7,297 (Dashen Bank Annual Report, 2017). Dashen Bank has launched the first Dashen Bank American Express Gold Debit Card and Green Card. The Debit Cards are specifically designed for Ethiopian consumers based on their spending preferences. Consumers have the opportunity to choose between the Gold or Green Card based on their lifestyle and financial needs. Both cards offer retail and lifestyle benefits including access to special offers for selected local merchants on dining, entertainment, shopping, and gymnasium and spa facilities through American Express selects (Dashen Bank Annual Report, 2017).

1.2. Statement of the Problem

The current state of the business environments requires the organization to optimize the use of their resources to overcome increasing and dynamic competitive pressure to achieve their own strategic objectives. The human resource being an integral part of organizational resources, the organization's achievements depend on motivated and satisfied workforce. A reward is an important tool that organizations can use to channel employee motivation and performance in desired ways (Armstrong, 2014). Employees should be rewarded according to their performance and those who perform better should be rewarded according to their performance and those who perform better need to be offered a greater proportion of the available rewards and vice versa (Otonde, 2014).

Human beings by nature are not identical beings. The human nature of employees, therefore, dictates varied needs and aspirations as well as differing perceptions of what constitute appropriate rewards. The effectiveness of a reward is anchored in employees' perception of the rewards offered to be commensurate with the work they perform (Ismail and Ahmed, 2015). Thus, motivating employees requires an in-depth understanding of the human nature,

individual differences and perceptions of appropriate rewards and incentives, as well as a combination of extrinsic and intrinsic rewards (Kebir, 2012). The reward mix should therefore best align organizational and individual objectives.

Grant (1994) cited on Otonde (2014) highlights that the never-ending problem of high attrition rate has seen most organizations offer a number of rewards with the idea of attracting and then motivating the employees to stay in the organization. Despite that employees sometimes may not give their best effort or lack motivation for the reasons that their perception of the reward systems exercised by their organizations is poor or unsatisfying to them. According to McConnell (1994), what the employee perceives is generally what the employee believes and acts on. Thus, companies to bring out of their employee's potentials, they need to ensure that the employees' perception of the rewards offered is affirmative.

Although Dashen Bank S.C. provides different types of reward to its employees, the perception of employees on the reward system and its impact on their motivation is still not yet known. Recent research points out that there is high turnover in the bank. Lemma (2014), in his assessment of employee benefit package and turnover intention at Dashen Bank, has indicated that those showing turnover intention sighted poor benefits package as a reason. Further, a quick look at the HRM Policy and Manual document shows that the document only covers benefit administration policy and benefit administration procedures and leaves out all other forms for reward (Dashen Bank HRM Policy and Manual, 2016). This raises a serious question on the reward practice at Dashen Bank and how employees perceive it.

Further, Seifu (2017) indicated that lack of commensurate pay, fair promotion, and increasing turnover are concerns aired to the management at various meetings. Seifu (2017) also indicated that employees think that their current reward at the bank is not comparable with other similar banks and it is not enough to balance their spending. If nothing is done about this situation, it could lead to an exodus of competent employees from the bank and lead to poor performance for those remaining. To this end, Armstrong (2014) recommends evaluation of the reward system in order to determine whether the rewards offered by the organization are appropriate with the employee expectations which should be established by assessing the employee perception of the reward system. In light of these facts, the researcher assessed the employees'

perception of reward system at Dashen Bank S.C. in Addis Ababa with an aim of shading light on the practice and identifying improvement areas.

1.3. Research Questions

In light of the above-presented problem, this research tried to find answers to the question “What is the employees’ perception of the reward system at Dashen Bank S.C.?” Therefore, the research was guided by the following research questions:

- What does the existing reward system at Dashen Bank S.C include?
- What is the most preferred reward system by employees at the bank?
- What is the employee’s perception on the current reward system of the bank in terms of its association with effort?
- What is the role of employees in reward decisions?

1.4. Objectives of the Study

1.4.1 General Objective

The main aim of the study is to assess the perception of employees regarding reward practice at Dashen Bank.

1.4.2 Specific Objectives

The specific objectives were:

- To assess the existing reward system at Dashen Bank S.C,
- To describe the most preferred reward system by employees at Dashen Bank S.C,
- To determine the employees’ perception of current reward system of Dashen Bank S.C in terms of its association with effort, and
- To investigate the role of employees in reward decisions at Dashen Bank S.C.

1.5. Operational Definition

The main theme of this research is assessing the employees’ perception of the reward practice at Dashen Bank S.C. Accordingly, conceptual definitions of some relevant terms are given below:

Reward includes all forms of financial return, tangible services and benefits an employee receives as part of an employment relationship' (Malhotra et al., 2007).

Extrinsic rewards include all sort of external things that managers can provide that may serve as incentives for employees to increase productivity (Shanks, 2007). These include money, benefits, bonuses, promotions, flexible schedules etc.

Intrinsic rewards are inherent in the job itself, internal to the individual and are in many ways less tangible (Shanks, 2007).

Perception is the process by which an employee organizes and interprets his/her impressions in order to give meaning to his/her environment and thus, it influences significantly his/her workplace behavior (Langton and Robbins, 2006).

1.6. Significance of the Study

Importance of rewards system cannot be denied in any field of organizational life. If rewards system is designed and aligned properly to organizational and employee interests, it can motivate employees and result in better performance. On the contrary, poorly designed reward systems may also negatively affect performance as well as the commitment of employees. A research assessing the employees' perception of rewards can help the management of any organization to understand the effectiveness of the reward system in practice and how it could be effectively delivered to the employees to improve their motivation and performance. In this regard, this study will help the management of Dashen Bank S.C. to identify determinant factors that affect the perception of their employees and to improve the reward practice. Understanding employees' perception of the reward system, particularly understanding which elements of the reward system are most preferred by employees as well as their level of involvement in reward decisions gives the management of the bank more leverage and help them derive more out of their employees.

Further, studies into employees' perception of reward practices in the context of our country in general and the banking sector, in particular, are limited. This study can, therefore, serve as an input or reference to other researchers who want to make further investigations in the area and to conduct further research on the issues.

1.7. Scope of the Study

Research in the area of rewards can cover various aspects such as employee's preference as well as its impact on other organizational outcomes like motivation, performance, commitment, turnover, etc... The scope of this research, however, is limited to employees' perception of the existing reward system at Dashen Bank S.C.

In terms of methodology, this research is designed as a descriptive research and focuses on assessing the current perception of employees. Accordingly, the researcher used quantitative survey using questionnaire and qualitative interview method of data collection to save time and cost while gathering the data from the indicated sample size covering branches under the study.

Further, due to constraints of time and resources, this research covered only twenty-one selected branches of Dashen Bank S.C in Addis Ababa and twelve managers are interviewed. Therefore, the result of this study is generalizable only to the employees of the bank in those selected branches.

1.8. Organization of the Study

This research report contains five chapters. The first chapter presents the introductory part where the background, the problem, the research question, and objectives as well as the scope are discussed. The second chapter deals with the review of related literature covering both theoretical and empirical literature. Chapter three is concerned with the research design and methodology. Mainly, the third chapter covers the design of the research, sample and sampling techniques, source and instruments of data collection, procedures of data collection, and methods of data analysis are presented. Chapter four presents address the main body of the research where the findings are presented and discussed. The last chapter, chapter five, includes the summary of findings, conclusions, and recommendations based on the findings.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

This chapter presents a detailed discussion of topics relevant to the study; particularly reward and perception of reward are presented. Topics related to reward include its meaning and types of reward. Next, selected motivation theories that influence the appropriateness of reward are discussed. Further, the role and basic types of perception regarding reward are discussed before a review of empirical work is presented.

2.1 Theoretical Literature Review

2.1.1 Reward Defined

Reward is the compensation which an employee receives from an organization (mainly refer to enterprises) for his or her service. “Reward is the benefits that arise from performing a task, rendering a service or discharging a responsibility.” (Pitts, 1995, P. 11 (as cited in Carolina Mikander, 2010, P 16) Bartol and Locke (2000) also define a reward is defined as all of the monetary, non-monetary, and psychological payments that an organization provides for its employees. Not only direct currencies and other forms convertible to currencies, but also a comfortable office, favourable interpersonal relationship inside the organization, having access to decision-making involvement, the challenge and sense of achievement and preferable growth opportunities form part of a reward (Jiang, 2009).

A reward is presented after the occurrence of an action with the intent to cause the behavior to occur again. This is done by associating positive meaning to the behavior and it represents what the individuals want to obtain from work or what they perceive (Otonde, 2014). Rewards basically fall into two categories; extrinsic and intrinsic rewards. Shanks (2007) notes that extrinsic rewards are: ‘a host of external things that managers can provide that may serve as incentives for employees to increase productivity’ (2007, p.30). These include money, benefits,

bonuses, promotions, flexible schedules etc. On the other hand, intrinsic rewards are internal to the individual and are in many ways less tangible. In fact, they are highly subjective, in that they represent how the individual perceives and feels about work and its value' (Shanks, 2007: p. 30). Malhotra et al (2007) argue that intrinsic rewards are inherent in the content of the job itself and include motivational characteristics such as skill variety, autonomy, and feedback as well as employee participation in decision making and role clarity. Manion (2005) also notes five types of extrinsic rewards which can be summarized as healthy relationship, meaningful work, competence, progress, and choice.

2.1.2 Reward Objectives

Different writers present varying purpose of reward management. According to Capitolo (2007), the purpose of reward includes attracting and retaining good employee, reducing absenteeism, motivating enhanced performance, developing employee skills, facilitating organizational culture and strategic objectives, and defining and reinforcing the organizational structure. Among these, the idea of having or attracting and retaining good employee worth further enlightenment as many of the competitive advantages of firms in today's dynamic business environment lies more on having a good pool of human resources than technology, good system in place and other production tools.

Tinnirello (2001) puts the objective of reward as a means to appreciate and recognize people for the value they created (Armstrong & Murlis, 2004) and it shall help communicate the company's values and expectations (Armstrong, 2002). Moreover, reward should foster loyalty and pride so that employees prefer to stay and strive to do their best (Rose, 2014). Since rewards mean additional costs to the organization, the overall aim is providing "value for money" and contributing to organizational success (Armstrong, 2014:14). Rewards cannot directly affect success. The direct effect of rewards is on employees' motivation which will further result in all other desired outcomes.

Among many the aim of reward management are rewarding people according to what the organization values and wants to pay for; reward people for the value they create, convey the right message about what is important in terms of behaviors and outcomes, develop a performance culture, motivate people and obtain their commitment and engagement, help to attract and retain

the high-quality people the organization needs; create total reward processes that recognize the importance of both financial and non-financial rewards.

On the other hand, a reward system is an important tool that management can use to channel employee motivation in desired ways. In other words, reward systems seek to attract people to join the organization to keep them coming to work and motivate them to perform at 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 the employee in exchange for their contribution to the organization (Pratheepkanth, 2011).

Some organizations also develop a reward strategy that defines what an organization wants to do about reward in the next few years and how it intends to do it. It leads to the development of a reward system that consists of the interrelated processes and practices that combine to ensure that reward management is carried out to the benefit of the organization and the people who work there.

2.1.3 Reward Management and its Elements

Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. It deals with the design, implementation, and maintenance of reward processes and practices that are geared to the improvement of organizational, team and individual performance (Armstrong & Murlis, 2007).

Reward management is therefore based on a well-articulated philosophy – a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. These include beliefs in the need to achieve fairness, equity, consistency and transparency in operating the reward system. The philosophy recognizes that if human resource 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 (Armstrong, 2006).

The elements of reward management consist of reward policies, practices, processes, and procedures. Notably, reward policies address broad issues of the level of rewards, taking into

account, market stance, achieving equal pay, the relative importance attached to external competitiveness and internal equity, the approach to total reward, the scope for the use of contingent rewards related to performance, competence, contribution or skill, the role of line managers and transparency – the publication of information on reward structures and processes to employee (Armstrong & Murlis, 2007).

2.1.3.1 Reward Policies

According to Armstrong and Murlis (2007), reward policies provide guidelines for the implementation of reward strategies and design and management of reward processes. They will be influenced strongly by the guiding principles and reward philosophy of the organization. The reward policy will be concerned with, the level of rewards, the relative importance attached to market rates and equity, attraction, and retention of employees, the match between rewards and business performance, total reward policy, the need to communicate reward policies to employees and transparency.

2.1.3.2 Reward Practices

It consists of the grade and pay structures, techniques such as job evaluation, and schemes such as contingent pay used to implement reward strategy and policy. For example, the policy on pay levels will lead to the practice of collecting and analyzing market rate data and making pay adjustments that reflect market rate of increase.

2.1.3.3 Reward Philosophy

The reward philosophy advocates 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 (Armstrong, 2006). 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. According to Milkovich, et al, (2009), 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.

2.1.4 Total Reward Program

The total reward concept emphasizes the importance of considering all aspects of reward as an integrated and coherent whole. It emerged during the late 1990s as a means of maximizing the combined impact of the whole range of reward initiatives on motivation, commitment and job engagement. Total Reward is the combination of financial and non-financial rewards available to employees (Armstrong, 2006, p. 627; Cascio, 2003, p. 416; Torrington, Hall, & Taylor, 2008, p. 635).

It comprises of total remuneration (base or basic pay, job evaluation, market rate analysis, grade and pay structures, contingent pay, employee benefits, performance management and non-financial rewards - rewards that 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 leadership (Armstrong, 2006, P 623-636).

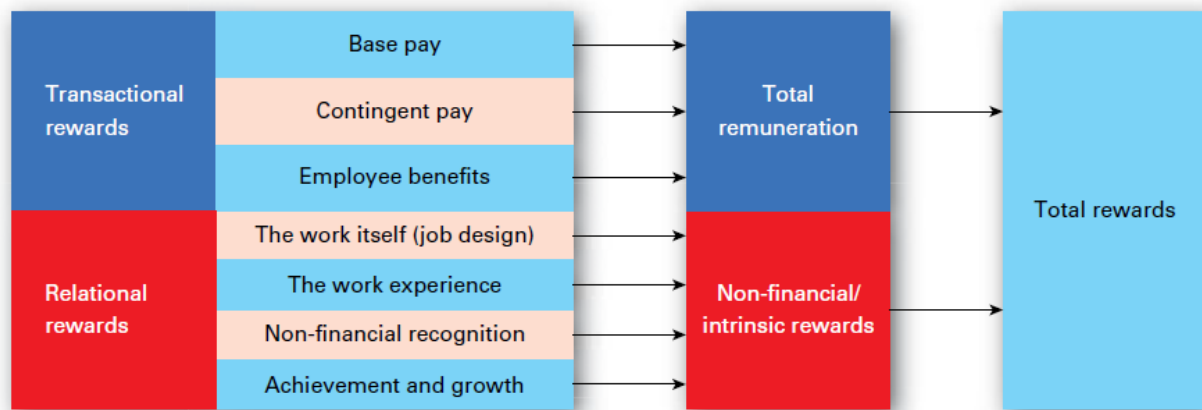


Figure 1: Elements of total reward

Source: Armstrong (2014, p.365)

2.1.4.1 Financial Rewards

The followings are types of rewards given in the form of monetary pay that may be given directly or indirectly to the employee. The direct form of payment incorporates base pay/salary, merit pay/cost of living adjustments, incentives, bonuses, and others, that are directly given to employee (Milkovich et al, 2009). On the other hand, indirect form of payment is provided in the form of employee benefits such as pensions, holidays, and varied fringe benefits such as medical cost coverage, cafeteria benefit, etc. They are also known as transactional rewards.

Base pay is the core payment made by the employer for work performed and usually tends to reflect the organizational value of either the work that the employee undertakes or the value of skill and competency who is undertaking the work. It is directly related to time and the rate is calculated in terms of number of hours, week or month that the employee performed the task given (Thorpe & Homan, 2000).

There are a number of assumptions that underpin the relationship of time to pay. One of these is that time beyond stated hours of work has more exchange value and therefore is paid at premium rates. The variation in premium rates reflects the differing value placed on different periods of time. For example, employees work at their day offs are paid double of their daily salary, those who work at night shift get additional of half of their hourly salary for each hours they worked, etc. The basis of base pay is the period of time an employee worked and normally not associated with productivity of an employee at a particular time.

Benefits: these are benefits given to employees in addition to their salary/wage. Such benefits are those monetary and non-monetary benefits given to the employees during and post-employment period which are connected with employment but not to the employee's contribution to the organization.

They are also known by the name fringe benefits. Authors like Cascio (2003), claim that fringe benefits cover bonus, social security measures, retirement benefits like provident fund, gratuity, pension workmen's compensation, housing medical, canteen, Co-operative credit, consumer stores educational facilities, recreational facilities financial advice and so on.

2.1.4.2 Non-Financial Rewards

Rewards that do not involve any direct payments and often arise from the work itself, for example, achievement, autonomy, recognition, promotion, scope to use and develop skills, training, career development opportunities, working condition and high-quality leadership (Armstrong and Murlis, 2005). Non-financial rewards can be focused on the needs most people have, although to different degrees, for achievement, recognition, responsibility, influence and personal growth.

Recognition, of work is the essence of securing good work. It is one of the most powerful motivators. Efficient people would naturally like to get recognition for their skill and excellence in their work. Such recognition can do many things that what a cash reward can do. Armstrong and Murlis (2005), underlined on the point that, recognition is supposed to be given judiciously. That is, it must be related to real achievements of employees. The recognition given will have a great impact if it is followed by provision of achievement bonuses awards.

Achievement: The other type of non-financial reward is achievement. Armstrong and Murlis (2005) defined achievement as the need for competitive success measured against a personal standard of excellence. This is one of the three major needs of employees at managerial position: achievement, power, and affiliation. Employees' achievement motivation can be raised by organizations through processes such as job design, performance management, and skill or competency-related pay schemes.

Responsibility: People can be motivated by being given more responsibility for their own work. This is essentially what empowerment is about and is in line with the concept of intrinsic motivation based on the content of the job. It is also related to the fundamental concept that individuals are motivated when they are provided with the means to achieve their goals. Armstrong and Murlis (2005) explain that the characteristics required in jobs if they are to be intrinsically motivating are that, first, individuals must receive meaningful feedback about their performance, preferably by evaluating their own performance and defining the feedback they require, second, the job must be perceived by individuals as requiring them to use abilities they value in order to perform the job effectively, and third, individuals must feel that they have a

high degree of self-control over setting their own goals and over defining the paths to these goals.

Providing motivation through increased responsibility is a matter of job design and the use of performance management processes. The philosophy behind motivating through responsibility was expressed as follows in McGregor's theory Y: 'The average human being learns, under proper conditions, not only to accept but also to seek responsibility.'

Personal growth: Individual employees irrespective of their current level want to upgrade themselves. This is the philosophy of continuous development. The availability of learning opportunities, the selection of individuals for high-prestige training courses and programs and the emphasis placed by the organization on the acquisition of new skills as well as the enhancement of existing ones, can all act as powerful motivators of employees to higher performance.

Working Condition: The conditions in which an individual or staff work including but not limited to such things as amenities, physical environment, stress and noise levels, the degree of safety or danger, and the like.

Influence: People can be motivated by the drive to exert influence or to exercise power. McClelland's research established that alongside the need for achievement, the need for power was a prime motivating force for managers, although the need for 'affiliation', i.e. warm, friendly relationships with others, was always present. The organization, through its policies for involvement, can provide motivation by putting people into situations where their views can be expressed, listened to and acted upon. This is another aspect of empowerment.

2.1.5 Reward and Motivation Theories

It is noted above that rewards are provided to induce a certain behavior on employees. A discussion on what kind of rewards work cannot ignore the relationship between reward and motivation. A study of what kind of rewards work should first look at what motivates employees to perform a certain task. The reward-motivation relationship and the nature of rewards, particularly workplace rewards, is complex. This complexity is particularly significant for reward-motivation research because there have been contradictory findings with respect to

reward and motivation. Below some of the motivational theories that explain the relevance and appropriateness of reward are presented.

2.1.5.1 Motivation theories advocating extrinsic rewards

“For as long as organizations have existed, rewards have been recognized as a major motivator of employees as well as an important tool and expense for organizations” (Werner & Ward, 2004, p. 201)

This view, that rewards are motivational, is largely undisputed within organizational psychology/behavior but there are many theoretical perspectives on the nature of the relationship. In this section, I will review some of the dominant theories of work motivation and their conclusions about the impact of reward types are discussed.

Needs theories: A number of theories postulate that needs form the basic motivating force for human behavior, including those by Murray (2007/1938), McClelland (1987), and White (1959). Two of the most influential needs theories with respect to practitioner perceptions of reward and motivation are Maslow’s (1943) ‘hierarchy of needs’ and Herzberg’s (1968) ‘two-factor theory’. Both of these theories broadly suggest that rewards satisfy lower order, hygiene needs and therefore motivate only as a basic survival function.

Far more influential for researchers, though, has been McClelland’s (1987) theory which suggests that people have three needs (or motives); for achievement, power and affiliation, which individuals possess in varying degrees. The strength of these motives then drives individual’s behavior. An important stream of research with respect to McClelland’s work concerns the role of implicit motives. Whereas explicit motives are conscious attributions for behavior, implicit motives are subconscious and aroused by situational cues, affective reactions or behavioral tendencies (Kehr, 2004). Importantly explicit and implicit motives appear to relate to different processes or aspects of the person. McClelland and colleagues (McClelland, Koestner, & Weinberger, 1989) suggest that discrepancies between implicit and explicit motives, therefore, lead to intrapersonal conflict.

Extending this, Kehr (2004) proposes a compensatory model whereby individual’s implicit motives, explicit motives, and perceived abilities interact. This research has important

implications for the reward–motivation relationship because McClelland et al (1989) found that implicit motives drive behavior for reasons intrinsic to the task whereas explicit, consciously attributed motives direct behavior due to extrinsic incentives.

This, alongside Kehr’s model would, therefore, suggest that extrinsic rewards can relate to positive motivational experience (intrinsic motivation or flow) if they are congruent with implicit motives. However, extrinsic rewards might lead to conflict if these are incongruous with implicit motives (Kehr, 2004). It is therefore not the extrinsic reward itself which is important but the extent to which it is congruent with implicit motives.

Goal-setting theory: Turning now to one of the most influential theories of work motivation: The central tenet of goal-setting theory is that goals which are specific and difficult will encourage more high performance than vague and/or ‘do your best’ goals (Locke & Latham, 1990). The theory further proposes that goals mediate the impact of various management interventions (including reward and performance feedback) on performance (Latham and Locke, 2007; Locke and Latham, 2002). This is through a ‘high-performance cycle’ in which challenging, meaningful goals, which are linked to contingent rewards, result in greater satisfaction, performance, and commitment (Locke and Latham, 1990). Although this theory has not been thoroughly tested (Latham and Locke, 2007), there does seem to be some empirical support for aspects of it (Bipp and Kleingeld, 2011), including the role of contingent reward (e.g. Selden and Brewer, 2000).

Goal-setting theory proposes that financial incentives connected to goal-completion encourage goal-acceptance and therefore performance (Latham and Yukl, 1975). This is illustrated by Locke (2004), who suggests four alternative methods for successfully combining goal setting with incentives. Firstly, need to set stretch goals with a substantial bonus to success but, no bonus if they are not successful. Second, that the goal includes incremental success layers (e.g. five) with bonuses at each level to recognize the relative stretch of the goal. The third method takes this one step further by having a linear connection between targets and bonuses, for example, 2% bonus for every 1% of sales. The final method proposes that performance goals should be set but, unlike the other methods, the level of reward is determined afterward thereby recognizing the level of effort as well as achievement. I am not aware of any empirical research testing these methods.

Expectancy theory: Expectancy theory is, along with goal-setting theory, one of the most popular and influential theories of motivation. The central belief of this theory is that individuals will evaluate potential courses of action in a given situation based on the extent to which the potential outcomes will maximize pleasure and avoid pain. Individuals make this evaluation based on three elements; valence, instrumentality, and expectancy (hence the alternative name for the theory; V-I-E).

Vroom (1964) defines *valence* as an individual's assessment of how much they value the potential outcomes (recognizing individual preferences for different outcomes); *instrumentality* describes the belief that a certain level of performance will lead to a secondary outcome (e.g. reward or recognition); finally, *expectancy* is the belief that exerting effort will lead to required level of performance in order to achieve the valiant outcome. These components provide a motivating force in that individuals will calculate the potential behaviors according to the extent to which these three components are satisfied. If anyone of these components is weak (e.g. the individual does not value the potential outcome) the motivational force will be weak. Expectancy theory defines motivation as the amount of effort expended on a task or activity (Pinder, 1998).

In relation to reward, Porter and Lawler (1968) theorize, based on empirical research that individuals will make an assessment of the value of the reward, and the probability that effort will lead to this reward. The theory distinguishes between intrinsic and extrinsic rewards. Porter and Lawler (1968) propose that intrinsic rewards are likely to have a stronger relationship with higher performance than extrinsic rewards because intrinsic rewards are inherent in the task whereas extrinsic rewards rely on someone else to administer and are therefore likely to have a lower expectation. Expectancy theory sees intrinsic and extrinsic rewards as an additive so adding extrinsic rewards to an already intrinsically rewarding task will increase the motivating force.

2.1.5.2 Motivation theories discouraging extrinsic rewards

Crowding-out Theory: Crowding-out theory, unlike traditional economic theories, utilizes the psychological distinction between intrinsic and extrinsic motivation and proposes that individuals' intrinsic motivation, which is seen as desirable, can be 'crowded-out' by the

presence of salient extrinsic rewards (Frey, 1997). Two theoretical explanations are offered for this. Firstly, as with the over-justification hypothesis outlined above, that this is due to a shift in preference brought about by the introduction of an external incentive because of attention shifts from the task to the incentive when it is particularly salient (Frey and Jegen, 2001). Secondly, that contingent rewards tend to be used as compensation for completing tasks which are not interesting so the application of a reward to an interesting task gives the impression that it is not interesting (Bénabou & Tirole, 2003).

Reward, intrinsic motivation and creativity: Numerous studies have shown that there is a significant relationship between intrinsic (rather than extrinsic) motivation and creativity (e.g. Amabile, 1997; Amabile, 1985; Koestner, Ryan, Bernieri, & Holt, 1984). Although this is not a separate theory of motivation, there is a stream of research which has examined the relationship between reward, intrinsic motivation and creativity and found support for an undermining effect. A sample of these studies is briefly reviewed below as the findings are pertinent to this field.

Kruglanski, Friedman, & Zeevi (1971) carried out research to examine the impact of extrinsic reward on qualitative aspects of performance (including creativity). Subjects were children in their mid-teens. All participants were encouraged to volunteer with no mention of reward. Subjects were then divided into a no reward group and a reward group. Reward took the form of the promise of a tour of the psychology department, which the participants had expressed interest in. This was not contingent on a specific level of performance, only taking part in the task. Subjects completed 'creativity' tasks based on words (e.g. coming up with possible titles for a passage of text). Creativity was found to be higher in the no reward condition. Two self-report measures were used which can be seen as proxies to intrinsic motivation; task enjoyment and intention to repeat the activity. In both cases, these measures were higher for participants in the 'no reward' group.

Baer, Oldham, & Cummings (2003) tested the role of task context on the relationship between extrinsic rewards and creativity in an organizational setting. Reward was measured through self-report scales indicating the extent to which the organization rewarded creativity. Creativity was measured through manager reports. They also examined 'cognitive style' as an individual difference; individuals with an *adaptive* cognitive style tend to work within set procedures and

processes and those with an *innovative* cognitive style will tend to look for unique solutions and challenge what has come before. These authors found that extrinsic rewards enhanced creativity for relatively simple tasks for those individuals who have an adaptive cognitive style. They found a negative relationship between reward and those with an adaptive style working on complex jobs, and with an innovative style on simple jobs.

2.1.6 Employee's Perception on Reward

Perception is the process by which an employee organizes and interprets his/her impressions in order to give meaning to his/her environment and thus, it influences significantly his/her workplace behavior (Langton & Robbins, 2006). In employee relations, perception is as important as reality. What the employee perceives is generally what the employee believes and acts on (McConnell, 1994).

With regard to reward, perception determines the employees' attitude towards policies concerned with pay, recognition, promotion, and quality of working life, and the influence of the group with whom they identify (Armstrong, 2006). Research suggests that there is a strong relationship between how employees view their total rewards package and their overall engagement level. The effectiveness of a reward system depends on how it has induced a desired behavior which is dependent on the employees' perception of the reward. There is an increasing body of evidence that measuring and improving the effectiveness of reward practices as perceived by employees has major potential benefits for employers. Thus, employees' perception is critical toward formulation and management of policies in an organization (Arnold et al., 1991). Employees' perception of organizational rewards stems from many factors. Three commonly identified issues with employees' perception of rewards are perceived importance (desirability) of the reward to the employee, the perceived link between reward and their action, and the perceived fairness of the rewards provided.

2.1.6.1 Perceived Importance of the Reward

Expectancy theory explains 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 the form of some reward future events. On the other hand, goal setting theory suggests that the individual goals established by an employee play an important role in motivating employee performance. Motivation literature has long considered the importance of human needs relevant to the design and implementation of rewards (Kanungo and Mendonca, 1997). Content and process theories of motivation, for instance, argue that reward effectiveness relies very much on whether the reward is valued and meaningful to the recipient. If the reward provided does not address the achievement of those individual goals, the reward provided will not result in the desired behavior.

Since the nature of human beings is widely different, individuals set different goals and reward expectations. Porter and Lawler (1968) cited on Ismail and Ahmed (2015) based on empirical research, theorized that individuals make an assessment of the value of the reward to them forming their perception of it. Linz and Semykina (2010) also agree that the degree of desirability or relevance of a particular type of reward may have different consequences, depending upon whether the reward is intrinsic or extrinsic.

2.1.6.2 Perceived link between Reward and Effort

For any employee, it is not only the desirability of the reward provided that induces the preferred action, effort or behaviour; their belief that they can earn the rewards they desire through their own actions is equally important. Expectancy theory explains that individuals who believe the probability that action or effort will lead to an outcome are better committed to act. Hewett (2011) explains the same concept as salience of reward. According to Rebecca, the salience of reward impacts on the extent to which individuals attribute the causality for their actions to the reward. Similarly, Baker (2002) cited on Zakaria (2011) uses the term controllability describing the same idea. The definition of controllability according to Baker (2002) is the extent to which the employees are able to control or influence the outcome of reward.

2.1.6.3 Perceived Fairness of Reward

A reward's fairness perception is a result of the assessment of the size of the reward in relation to the effort and reward in relation to referent others (e.g. colleagues, people doing the same

job in other organizations, family members) (Linz and Semykina, 2010). Therefore, the perceived fairness is expected to have a positive relationship with the reward effectiveness (Zakaria, 2011). Fairness (also referred as organizational justice) theories are more concerned with the perceptions of employees in relation with the fairness on procedures used and consequences or outcomes (Welbourne, 1994). Organizational justice theories such as procedural justice theory and distributive justice theory are based on equity theory.

Procedural justice theory: deals with the fairness of the procedures that are employed on the assessment of the performance of a task or an activity done by individual employee. This implies that the employees' perception of the fairness of the process that leads to reward determines their level of motivation and exerted efforts (Donovan, 2001; Shields, 2007). According to Tyler and Bies (1990) cited on Armstrong (2014) the five factors that affect perceptions of procedural justice are: adequate consideration of an employee's viewpoint, suppression of personal bias towards an employee, applying criteria consistently across employees, providing early feedback to employees about the outcome of decisions and providing employees with an adequate explanation of decisions made.

Perceived procedural justice therefore determines the employees' belief that the probability that effort will lead to reward, hence, impacts the extent to which individuals attribute the causality for their actions to the reward.

Distributive justice theory: is the main theory related to employees' perception of the decision-making process of reward allocation, that is, how fair or unfair is the rewards they receive. The perception process that employees evaluate the fairness of the rewards they retain are either absolute – perception depending on their contribution on the job or comparative – perception of rewards in comparison to other employees in the organization, both of which results changes in employees' behavior in the job (Donovan, 2001; Shields, 2007).

Empirically, the theory formulated has been tested in practice and the results indicated not only its applicability but also additional dimensions were discovered. One best example is a survey conducted by Morehead et al. (1997) in Australia on 347,000 employees from different organizations and sectors were asked whether they are satisfied or not with the rewarded they receive as a result of their performance in their job. Besides identifying those who thought their

pay was fair or not, the results showed those unfairly rewarded employees indicated that their rewards were unfair either in relation to effort they contribute to the job or in comparison to others in the organization. The result was a very prestigious confirmation of the equity theory empirically (Morehead et al., 1997).

2.2 Empirical Literature Review

Various studies have looked at the effect of rewards on organizational outcomes such as performance, satisfaction, motivation, commitment, etc... However, when it comes to the impact and relevance of intrinsic and extrinsic rewards, researchers have indicated varying results. Below some are discussed with an aim of clarifying the empirical outcomes of those research.

Dahlqvist and Matsson (2013) study have provided implications that extrinsic rewards are to some extent old-fashioned and employees are nowadays searching for rewards beyond solely monetary rewards. Employees are to a larger extent motivated by intrinsic rewards. This study indicates that organizations should attempt to set the extrinsic rewards on an acceptable level and then shift their attention to intrinsic rewards. Furthermore, this study has indicated that there are clear distinctions between department managers and their employee's perception concerning how motivating different rewards are perceived and how much of these reward that are being offered. By offering employees more of the rewards that they prefer, will lead to a higher degree of motivation, which most likely will influence the organization performance.

Scott and McMullen (2010), discovered that base pay and benefits had the overall weakest relationship with the organization's ability to foster high levels of employee motivation compared to incentives, intangible rewards and quality of leadership on engagement. Quality of leadership had the strongest relationship with effectively motivating employees. As a result, compensation professionals should use pay packages to attract leaders who have demonstrated their ability to engage employees and think in terms of total rewards and not just financial rewards. Develop employee engagement resources that are directed toward work environment or organization climate, work-life balance and the nature of the job and quality of the work, and career opportunities.

Eshun and Duah (2011) studied various organizations in Ghana to ascertain whether rewards motivate employees, identify what kinds of rewards employees consider most beneficial and finally discuss some dilemmas and difficulties managers face in applying motivation theory to workplace setting. By using a qualitative approach conducting an interview with twenty (20) participants, suggests that efficient motivation program stems from a mixture of extrinsic and intrinsic rewards instead of focusing on any one particular one. Additionally, they concluded that most of the challenges managers face in motivating their employees can be eliminated or reduced when individual differences in terms of valence, preferences, and aspirations are incorporated.

Getachew (2017) conducted a study to assess the relationship between rewards in practice, reward management systems and motivation in Ethiopian Airlines. Getachew (2017) further investigated the role of reward management system as a moderating factor in the relationship between reward and motivation. Using a sample of 152 respondents, correlation and a regression model, the outcomes on the relationships between rewards in practice and motivation of employees showed a strong relationship. Hierarchical regression analysis also indicated that reward management has an enhancing power on rewards in practice and motivation relationship (R^2 -change rate of 1.9% with a statistical significance of $F(1, 148) = 4.8127$ of $p = 0.03$). This implies that reward management perceived equitable or otherwise impacts motivation.

Snelgar et al. (2013) set out with an aim of identifying certain categories of rewards that employees consider to be most important covering base pay, contingency pay, benefits, performance and career management, quality work environment, and work-home integration. The impact of these reward categories on an organization's ability to attract, motivate and retain employees was explored, together with the influence of demographic variables on reward preferences. A structured questionnaire, based on the total rewards model, was filled by 250 employees from 11 medium-sized to large-sized organizations. The results showed that base pay is deemed to be the most preferred reward component amongst respondents; however, they are most dissatisfied with the level at which this reward is provided by their current employers. Base pay is also the most important reward when attracting and retaining

employees. Differences between reward preferences and demographic variables, including age, gender and job level, were found.

Mottaz (2009) assessed the effects of three types of work rewards on work satisfaction. They are: intrinsic task rewards, extrinsic social rewards and extrinsic organizational rewards. Data from 1,385 workers representing five occupational groups suggest that intrinsic rewards followed by extrinsic social rewards, are powerful determinants of satisfaction across all occupational groups. Extrinsic organizational rewards appear to emerge as an important determinant only in lower-level occupations.

Linz and Semykina (2010) research in title “What Makes Workers Happy? Anticipated Rewards and Job Satisfaction” covered employees in Armenia, Kazakhstan, Kyrgyzstan, Russia, and Serbia, across a wide variety of workplaces and sectors, to identify the extrinsic and intrinsic rewards that workers desire and the desirability of rewards they expect to receive. Using regression analysis to evaluate the association between anticipated rewards and job satisfaction, hypothesizing that the desirability of the reward matters more for extrinsic than intrinsic rewards. The findings indicated that anticipated extrinsic rewards tend to have a greater influence on job satisfaction if these rewards are important to that particular worker. Anticipated intrinsic rewards appear to be equally beneficial to all workers, regardless of their desirability. Anticipated rewards which have the largest effect on job satisfaction include additional pay, respect of co-workers, and more freedom on the job.

Zakaria et al., (2011) conducted a study to investigate the relationship between employees’ perception on transparency, fairness, controllability and the reward values of reward practice and employees’ performances at TOYOTA 3S Centre. The study used non-probability convenience sampling to select 82 participants as well as descriptive and correlation to analyze their finding. Interestingly, their findings indicate that there was no significant relationship between employees’ perception on transparency of reward practice and employees’ performances while employees’ perception on fairness of reward practice and employees’ perception on controllability of reward practice were found to have a significant relationship with their performance.

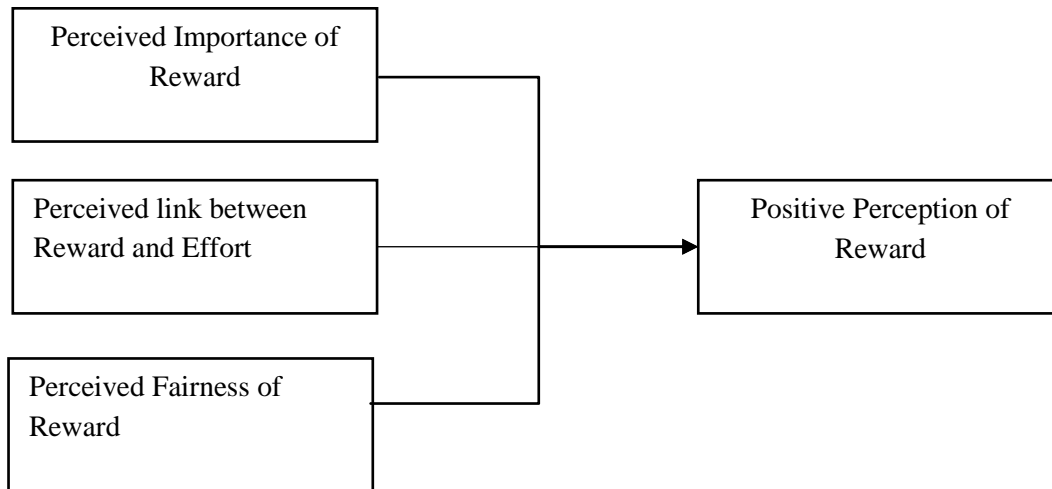


Figure 2: Theoretical Framework

Source: Developed based on theoretical review

CHAPTER THREE:

RESEARCH DESIGN AND METHODOLOGY

In this chapter, the research design and methodology to be used in conducting this research is discussed. Specifically, the research design, sample size, and sampling techniques, source and instrument of data collection as well as the methods of data analysis that will be used are presented.

3.1 Research Design and Approach

A research design is the plan and structure of investigation so conceived as to obtain answers to research questions (Cooper and Schindler, 2014). Research design constitutes the blueprint for the collection, measurement, and analysis of data. This research intended to assess the employees' perception and role of the reward system in terms of its relevance and fairness to the employee's at Dashen Bank S.C. To this end, it was designed as a descriptive research with a mixed approach from both quantitative and qualitative data was used. Teddlie and Tashakkori (2010) define mixed methods as 'research in which the investigator collects, analyses, mixes, and draws inferences from both quantitative and qualitative data in a single study or a program of inquiry'.

As the title of the study indicates, the employees' perception of reward systems was first assessed using the quantitative method of data collection using close-ended questionnaire. This was followed up with a qualitative interview so that the findings of the quantitative phase are better understood and interpreted.

3.2 Sampling Technique

The target population of this research covered Dashen Bank employees in selected branches in Addis Ababa. As per the data from human resource department of Dashen Bank S.C., the full list of branches and employees under the four districts in twenty-one branches in Addis Ababa indicate a total of 1783 employees (excluding branches in nearby cities managed under districts in Addis Ababa). In conducting a research, however, Cooper and Schindler (2014) point out

that it is not possible, practical and sometimes expensive to gather data by considering entire population. Therefore, a small portion of the population that is assumed to be representative is used.

Using a 95% confidence level and a 5% acceptable margin of error (common in management studies), Krejcie and Morgan Table (see annex) suggests a sample of 317 is appropriate (Krejcie and Morgan, 1970). This research, therefore, use a sample size of 317.

Table 1: Proportionate Stratified Sampling

Branches from each District	Current Size	Proportionate Sample
Premier Branch	25	15
Imperial Akababi (East)	30	18
Bole (East)	25	15
GurdSholla (East)	25	15
Bole Medhanealem (East)	24	14
Meskel Flower (East)	20	12
West Addis District Office (West)	39	23
Tana (West)	29	17
Messalemia (West)	29	17
Sebeta (West)	25	15
Mexico (West)	23	14
Golla (North)	29	17
Megenagna (North)	26	15
Piazza (North)	24	14
TikurAnbessa (North)	19	11
WuhaLimat (North)	19	11
Kera (South)	28	17
South Addis District Office (South)	26	15
Africa Andinet (South)	24	14
Kality (South)	24	14
Saris (South)	20	12
Total	533	317

Using the full list of employees at each branch as a framework, the research used a probability sampling method of stratified random sampling. Anderson, Sweeney, and Williams, (2008) clarify that a stratified sampling segregates the population into several mutually exclusive subpopulations or strata from where elements of the sample are picked. The three reasons given for choosing a stratified random sample are (1) to increase a sample's statistical efficiency, (2) to provide adequate data for analyzing the various subpopulations or strata, and (3) to enable different research methods and procedures to be used in different strata (Cooper and Schindler, 2014). Using the largest five branches from each district as strata, proportionate stratified sampling where each stratum is properly represented so that the sample size drawn from the stratum is proportionate to the stratum's share was implemented (see table 1 above).

For the qualitative interview, however, selected branch managers and HR managers were used. Although qualitative studies could also benefit from as large a sample size as possible, it should not also suffer from an inability to undertake a deeper analysis due to bigger sample size. Guest, Bunce, and Johnson (2006) therefore recommend 12 participants for an interview in mixed methods design. This research, therefore, followed their recommendation and used twelve branch managers and HR managers were used for the interview. A purposive sampling method was considered to select the interview participation. The twelve participants were selected for their experience and knowledge. Their availability and willingness to take part in the interview was also a factor.

3.3 Sources of Data and Data Collection Tools

The research used primary data, collected using questionnaire from employees with experience of at least one year working in Dashen Bank and interview with selected managers. Quantitative data was collected using a five point-Likert scale questionnaire divided into five sections which measured the types of rewards offered to the employees of the bank as well as assess the perception of the employees towards the rewards system in practice. The questionnaire also included certain demographic variables to assess the profile of participants.

The first two sections of the questionnaire covered participant's brief profile and types of reward as identified in the theoretical literature. The remaining three parts containing thirty-three questions that cover participants perception of the reward system in terms of their

preference, association of reward with effort and their participation in reward decisions were developed based on Linz and Semykina (2010) research. Similarly, the researcher made interview with branch managers and HR managers to get primary data

3.4 Procedures of Data Collection

Once stratified sampling process identified the participants at the selected branches, the questionnaire instrument was distributed to all. After a total of 317 questionnaires were distributed to the identified branches, the completed copies were collected. The total completed and returned questioners were 240 of which 9 were deemed unusable resulting in 231 complete questionnaire which stands at 72.9% response rate. Survey Gizmo states that response rates could go very low with external surveys particularly when there is less incentive or little motivation to respond to the participant (Fryrear, 2015). Given the fact that participants only responded out of their own willingness, a 72.9% response rate is therefore acceptable.

The completed questionnaires were examined for completeness and encoded into SPSS 23.0 as well as MS Word 2013 for further analysis.

3.5 Methods of Data Analysis

Information obtained from both quantitative and qualitative data through questionnaires and interviews are respectively analyzed carefully. The data collected from participants were analyzed using descriptive statistics, particularly tabular and graphical method of data presentation, were used to characterize the participants and summarize their reward perception ratings. Descriptive statistics such as mean values and standard deviations were done to compare variables and measure the variability of participant's response.

Further, the ranking of reward types was done using Relative Importance Index (RII). According to Aibinu and Jagboro (2002), the Relative Importance Index (RII) is a favourite method for ranking factors rated in a survey. The following formula is used to calculate the RII: an example attached in the annex.

$$RII = \frac{\sum w}{(A.N)}$$

Where:

RII = relative importance index

W = weight given to each factor by respondents (ranging from 1 to 5)

A = highest weight (i.e., 5 in this case); and

N = total number of respondents.

3.6. Reliability and Validity of Instruments

The use of a questionnaire developed by a researcher requires addressing issues of validity and reliability.

3.6.1 Validity

Validity in general checks if the instrument has measured what it set out to measure. According to Bolarinwa (2016) validity expresses the degree to which a measurement measures what it purports to measure. To assure validity, adopting questions from previous studies is an acceptable and encouraged practice (Blair, Czaja and Blair, 2013). In line with this, basing the questionnaire on empirical literature and similar research as well as further conducting a pilot test before its application was considered to assure its validity in this research. Accordingly, after the pilot test was run, the response was examined for clarity and a total of four questions were dropped due to participant's uncertainty and difficulty to uniformly understand and complete the questions.

3.6.2 Reliability

Reliability, on the other hand, is concerned in the instrument's ability to produce a consistent outcome in measurement. According to Polit and Hungler (1999) reliability refers to the degree of consistency with which the instrument measures an attribute. One way of assuring the reliability of the instrument is using Cronbach's Alpha. Hence internal consistency of items incorporated in the instrument was checked by using Cronbach's Alpha. The Cronbach's alpha was 0.895 suggesting reliability of the instrument.

Table 2: Reliability test

Case Processing Summary				Reliability Statistics	
		N	%	Cronbach's Alpha	No. of Items
Cases	Valid	231	100.0	0.895	33
	Excluded ^a	0	.0		
	Total	231	100.0		
a. Listwise deletion based on all variables in the procedure.					

3.7. Ethical Considerations

All the data obtained from the respondents have been used only for the academic purpose. During the course of administering the questionnaires, names and any identifying remarks were avoided. Further, the confidentiality of the responses collected was also kept. Any other data gather acquired, such as the HRM policy and procedure manual, were only used for the purpose of this research, only for the purpose intended and will not be shared outside. In addition, the researcher solely conducted analysis purely based on the data collected and has kept keep personal opinions and beliefs out so that the results or meaning arrived.

CHAPTER FOUR:

DATA ANALYSIS AND INTERPRETATION

This chapter presents the data collected and the analysis carried out based on the methodology described in chapter three. The results are presented below starting with the participants' profile then moving on to the types of rewards currently being provided at the bank. The employees' perception of the reward at the bank is treated in terms of its importance to the employees, its association with their effort and finally, their involvement in the reward decision is presented and a discussion section is presented at the end.

4.1. Response Rate

As per the data from human resource department of Dashen Bank S.C., the full list of branches and employees under the four districts in twenty-one branches in Addis Ababa indicate a total of 1783 employees (excluding branches in nearby cities managed under districts in Addis Ababa). The total completed and returned questionnaires were 240 of which 9 were deemed unusable resulting in 231 complete questionnaire which stands at 72.9% response rate. Survey Gizmo states that response rates could go very low with external surveys particularly when there is less incentive or little motivation to respond to the participant (Fryrear, 2015). Given the fact that participants only responded out of their own willingness, a 72.9% response rate is therefore acceptable

4.2. Demographic Characteristics of the Respondents

The first part of the questionnaire consists of five items about demographic information of the respondents. It covers the personal data of respondents, such as age, gender, educational level, years of service in the bank and salary. The following table will reveal the total demographic characteristic of the respondents.

Table 3: Summary of participant's profile

	Gender	Frequency	Percent	Remark
1	Female	109	47.2%	
2	Male	122	52.8%	
	Total	<u>231</u>	100%	
	Age			
1	18-25	55	23.8%	
2	26-35	127	55.0%	
3	36-44	39	16.9%	
4	>45	10	4.3%	
	Total	<u>231</u>	100 %	
	Education			
1	Diploma	13	5.6%	
2	BA/BSc	177	76.6%	
3	MA	32	13.9%	
4	Other	9	3.9%	
	Total	<u>231</u>	100 %	
	Years of service			
1	<3	64	27.7%	
2	4-6	80	34.6%	
3	7-9	44	19.0%	
4	10-13	26	11.3%	
5	> 14	17	7.4%	
	Total	<u>231</u>	100 %	
	Salary Range			
1	3000-5000	31	13.4%	
2	5001-9000	98	42.4%	
3	9001-12000	64	27.7%	
4	12001-15000	21	9.1%	
5	> 15000	17	7.4%	
	Total	231	100%	

Source: Own Survey (2018)

The assessment of employee perception of the reward system at Dashen Bank was carried out based on the data collected from the bank's employees using a survey instrument. Table 3 above summarizes the demographic characteristic of participants. It can be observed from the table that the survey consisted a close composition with 47.2% female and 52.8% male. The age distribution of participant shows that the majority of the participants were between the age of 26 – 35 (55%) followed by 23.8% between 18-25. The other age groups 36 – 45 and above 45 contained 16.9% and 4.3% of the participants. Education wise, the significant majority, a 76.6% had a first degree while 13.9% had a masters level education. The most frequent year of service for participants was between 4 – 6 with 34.6% of the participants. This was closely followed by 27.7% for those who have a year of service less than 3 years and 19.0% for those who worked for 7-9 years. Looking at the salary range of participants, the majority 42.4% earned between 5001 -9000 whereas 27.7% earned between 9001-12000. Those who earned between 3000 – 5000 were 13.4% followed by 9.1% for 12,001-15,000 and only 7.4% earned above 15,000 (see table 3 for details).

4.3. Analysis of Data Collected for the Study

4.3.1 Reward Types Offered

The composition of reward at any organization could cover financial and non-financial rewards where the financial rewards are further grouped in to direct (base pay) and indirect (benefits). Participants at Dashen Bank were given a list of potential rewards and asked to identify those offered at the bank. The out of the total of seventeen options given (six direct financial, five indirect financial and six non-financial), financial rewards are the highest rewards recognized by employees as currently being offered at Dashen Bank (see fig. 3). Salary ranked first by being recognized by 99.1% of the respondents followed by medical coverage (95.1%) and PF/Pension (95.2%). The only two non-financial rewards to be included in the top ten are recognition (58.9%) and learning and career development opportunities (57.6%).

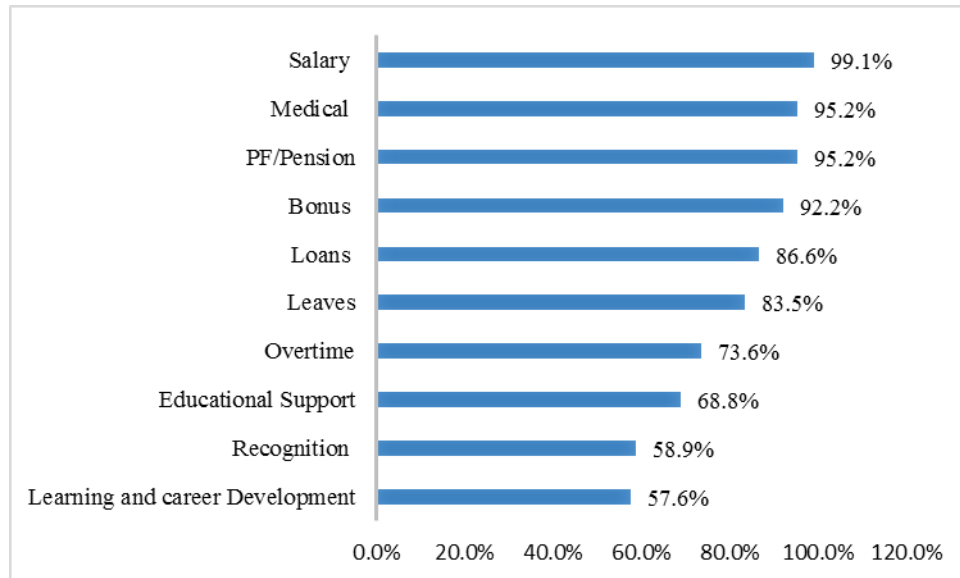


Figure 3: Top Ten Reward Types Recognized by Employees

Source: Own Survey (2018)

The reward types currently recognized as being offered at Dashen bank can also be categorized in to direct financial, indirect financial and non-financial. Out of the direct financial types of rewards, salary and bonuses are well recognized with 99.1% and 92.2% of the participants indicating they are currently being offered at Dashen Bank (see fig. 4). On the contrary, only 29% of the participants indicating ‘contingent pay’ is provided at Dashen Bank.

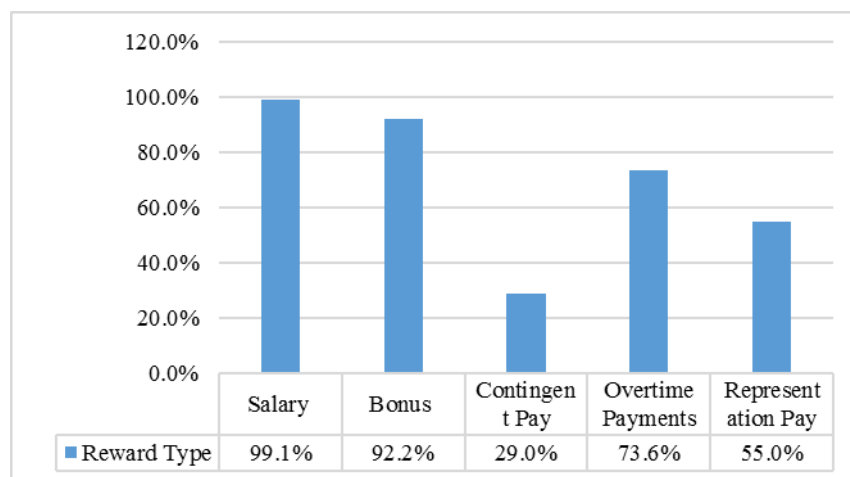


Figure 4: Direct Financial Rewards Offered

Source: Own survey (2018)

Compared to the direct financial rewards, almost all the indirect financial rewards (benefits) are considered to be provided at the bank. Except for educational support with 68.8%, more than 80% the participants indicated that all other indirect financial rewards are provided at the bank. ‘Pension/PF’ (95.2%) and ‘medical coverage’ (95.2%) were the highest two followed by ‘loans’ (86.6%) and ‘leaves’.

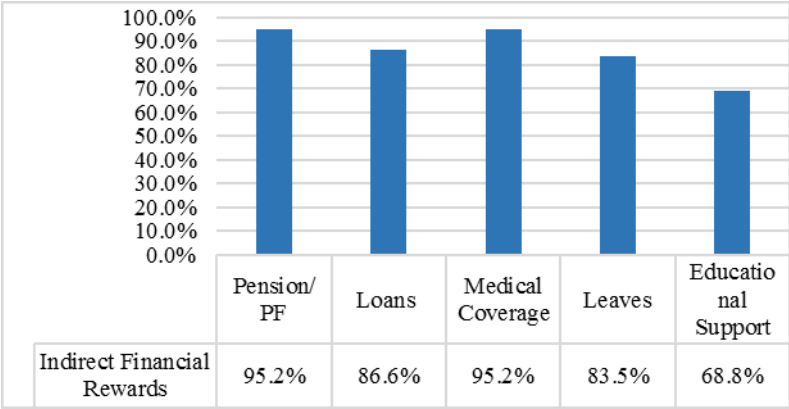


Figure 5: Indirect Financial Rewards Offered

Source: Own survey (2018)

Compared to financial rewards, a lesser number of participants indicated the provision of non-financial rewards. As shown in figure 5 only participants ranging from 46% to 58% indicated that non-financial rewards are given at Dashen Bank. ‘Recognition’ with 57.6% was the better of the others. ‘Learning and career development opportunity’ and ‘increased responsibility’ were second and third with 57.6% and 56.3% recognition as being practiced.

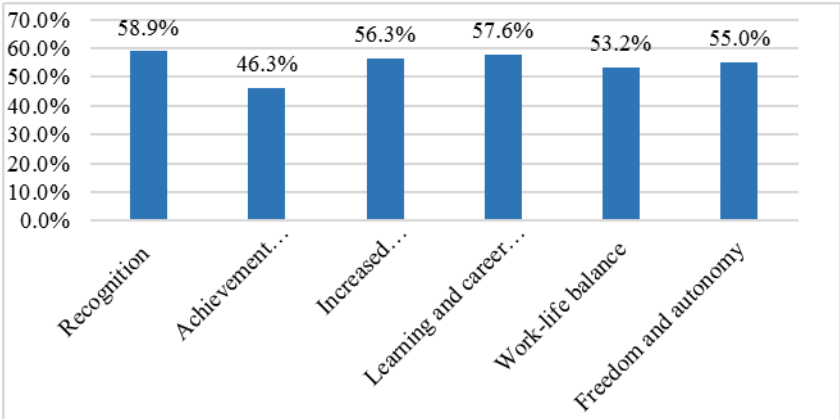


Figure 6: Non-financial Rewards Offered

Source: Own Survey (2018)

The above survey results on financial reward (direct and indirect) and non-financial reward shows, the majority of the participants asked to indicate types of rewards offered at Dashen Bank indicated that financial rewards are popular. The list of top ten types of rewards offered at the bank, only two types of non-financial rewards were included in the top ten. A look at the complete list also indicates that, except ‘contingent pay’ each of the direct financial rewards are recognized by more than seventy five percent of the participants is currently being offered at Dashen Bank. Similarly, indirect financial rewards, except educational support each of the rewards types are recognized by more than eighty three percent of the participants. In contrast to financial rewards, only forty five to fifty eight percent of the participants said that non-financial rewards are offered at the bank.

4.3.2 Favoured Reward Type

The importance of each reward type was asked to participants with an aim of identifying the **most favored** reward type at Dashen Bank. As can be seen in table 4 below, ‘loans’ are the highest favored reward type by participants with a relative importance index (RII) of 0.881 while ‘salary’ and ‘medical coverage’ followed closely with and RII of 0.827 and 0.802 respectively. Although, financial rewards ‘loan’, ‘salary’ and ‘medical coverage’ take the top three spots, the top ten favored/preferred reward types list feature five types of non-financial rewards with ‘freedom and autonomy’ on fourth, increased responsibility, recognition, learning and career development opportunity, as well as work-life balance ranking from six to ninth respectively.

Table 4: Top Ten Favoured Reward Types

S. No.	Reward Type	RII	Rank
1	Loans	0.881	1
2	Salary	0.827	2
3	Medical Coverage	0.802	3
4	Freedom and autonomy	0.763	4
5	Bonus	0.757	5
6	Increased Responsibility	0.757	6
7	Recognition	0.735	7
8	Learning and career Dev't Opp.	0.706	8
9	Work-life balance	0.700	9
10	Leaves	0.680	10

Source: Own survey (2018)

Favored or preferred list of reward types showed that participants favor, financial rewards loan, salary and medical coverage the highest. But the list of top ten favored or preferred reward types includes five of the six non-financial reward types as opposed to what is currently being offered at Dashen Bank. Looking at each reward type, it can be observed that participants opinions of direct financial reward salary and bonus, indirect financial rewards loan and medical coverage as well as non-financial rewards incremental responsibility show a smaller degree of variability as indicated by a standard deviation of less than one.

A close look at the importance of the reward types to participants within each category also provides further information. Out of the direct financial rewards, salary is the highest with mean 4.13 and standard deviation (SD) of 0.76. Bonus was second within the sub-category with a mean of 3.78 and a SD of 0.863. overtime and ‘allowance’ were third and fourth but it is important to notice that a standard deviation of 1.296 and 1.286 suggest a varying degree of opinion in the participants (see table 5).

Table 5: Importance of Direct Financial Rewards

S.No.	Reward types	Mean	Std. Deviation (sd)
1	Salary	4.13	0.760
2	Bonus	3.78	0.863
3	Overtime	2.87	1.296
4	Allowance	2.79	1.286
	Sub-category Mean	3.39	1.051

Source: Own Survey (2018)

Looking at the importance of reward types within the indirect financial rewards (benefits), ‘loans’ are the first with a mean of 4.41 and sd of 0.697 followed by medical coverage with 4.01 and sd of 0.969 indicating that participants opinion towards loans and medical coverage is mostly in agreement. On the other hand, ‘educational support’ was the least preferred with a mean of 3.39 and Sd of 1.309. However, an Sd of 1.309 suggests that the participant opinion seems to be significantly varied. First, although the purpose of rewards is to also create satisfaction on the employees both the remuneration and benefits sections fail to cover what is

called variable reward or contingent reward that is related to individual performance, contribution, competence or skill of the team.

Table 6: Importance of indirect financial rewards

S.No.	Reward types	Mean	Std. Deviation
1	PF or Pension	3.39	1.204
2	Loan	4.41	0.697
3	Medical	4.01	0.969
4	Leave	3.39	1.070
5	Educational Support	3.27	1.309
	Sub-category mean	3.67	1.059

Source: Own Survey (2018)

Of the non-financial rewards, freedom and autonomy is the most important having a mean of 3.84 and sd of 1.002. Incremental responsibility, recognition, learning new things, and work-life balance are ranked from second to fifth. Achievement of something worthwhile however is listed least with a mean of 3.35 and sd of 1.076 (See Table 7).

Table 7: Importance of non-financial rewards

S.No.	Reward Types	Mean	Std. Deviation
1	Recognition	3.68	1.109
2	Accomplishment	3.35	1.076
3	Incremental Responsibility	3.78	0.998
4	Learn New Things	3.53	1.160
5	Work-life balance	3.50	1.237
6	Freedom and autonomy	3.84	1.002
	Sub-category mean	3.61	1.097

Source: Own Survey (2018)

The importance of non-financial rewards shown in table 7 above also indicated that, except one item (incremental responsibility) all the items have a standard deviation of more than one. This suggests that the participant's opinion of importance have a higher level of variability between the participants. .

4.3.3 Association with Effort

Another important aspect of reward is its association with effort or performance. Participants were asked which of the rewards types would follow if they performed their tasks well. In other words, they were asked to identify the possibility of a certain type of reward being offered following their effort or performance. RII was used to rank the reward types in terms of their likelihood following an effort by an employee. It can be seen (Table 8) that the top ten list is dominated by non-financial rewards.

Table 8: The top ten reward types likely to follow the effort

S. No.	Reward Type	RII	Rank
1	Freedom and autonomy	0.830	1
2	Increased Responsibility	0.820	2
3	Recognition	0.782	3
4	Bonus	0.705	4
5	Learning and career Dev't Opp.	0.634	5
6	Work-life balance	0.623	6
7	Salary	0.619	7
8	Achieve Something Worthwhile	0.612	8
9	Medical Coverage	0.597	9
10	Loans	0.568	10

Source: Own survey (2018)

The survey shows that the most likely reward types that could follow an effort or performance are the non-financial types of reward freedom and autonomy, increased responsibility, recognition, learning and career development opportunity and work-life balance. Bonus and salary are also included in the top likely rewards that could follow effort but as indicated on the Banks policy, those are the result of organizational performance rather than individual performance

4.3.4. Participation of Employees in Reward Decision

Three questions were given to participants covering their participation in the reward decision. The first question asked if their viewpoints were considered in the first place (See Table 9). The result indicated that 31.6 % of the participants ‘disagreed’ while 11.26% strongly disagreed. Only 2.16% ‘strongly agreed’ while 21.71% ‘agreed’. Regarding the other question asking if ‘policies and procedures are consistent to all’, a significant proportion (77.9%) had a neutral to a strongly agree rating. Its only 4.8% of the participants that indicated a ‘strongly disagree’ and 17.3% that gave a ‘disagree’ response. The third question asked if participants were provided an adequate explanation on reward decisions. Participants’ reply to this question seems to be fairly equally distributed between those that disagree and those that agree. 34.2% indicated their disagreement with 13.4% ‘strongly disagree and 20.8% ‘disagree’ response. On the other hand, those that showed agreement were a 32.5% with 29.0% replying ‘agree’ and 3.5% replying ‘strongly agree’. A similar portion of the respondents, 33.3% also indicated a ‘neutral’ stance on the question.

Table 9: Employees participation in reward decisions

S. No.	Items	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	My view points are considered	11.3%	31.6%	27.3%	27.7%	2.2%
2	Consistency of policies and procedures	4.8%	17.3%	33.3%	30.3%	14.3%
3	Explanation on reward decisions	13.4%	20.8%	33.3%	29.0%	3.5%

Source: Own Survey (2018)

Regarding participation in reward decisions, more than seventy percent of the participants showed a neutral to a strong disagreement for consideration of their viewpoint in the rewards decision. Similarly, sixty seven percent indicated a neutral, disagree and strongly disagree rating in total for explanations on reward decisions. This issue is part of what is called

procedural justice theory, and any negative in this regard may result in questionability of the fairness of the reward decision.

4.4. Discussion

Dashen Banks has published an HRM Policy and Procedure Manual in 2016. Assessment of this document, however, shows that the focus of the document is financial rewards, particularly indirect financial reward types. The HRM policy includes a section titled ‘benefits administration policy’ and discusses nineteen bullet points. Out of the nineteen points, five discussed medical coverage, two discuss medical insurance, another two points related to leave and similarly two points covered educational support. Loans and assignment benefits are also discussed (Dashen Bank HRM Policy and Manual, 2016).

The procedure section, on the other hand, covers both direct financial (base pay or remuneration) as well as indirect financial (benefits) rewards. The remuneration part covers salary, salary increment, and bonuses while the benefits part addresses medical coverage, insurance, allowances, loans, education assistance, and various types of leaves. The procedure manual makes it clear that remuneration (salary, salary increment and bonuses) are conditional on the bank's profitability and approval at the board of directors level. This indicates that employee level performances (individual performances) do not result in increased direct financial rewards. Similarly, the list of benefits indicated also applies to all employees according to their level.

One can notice two glaring gaps in the reward policy and procedure document. First, although the purpose of rewards is to also create satisfaction on the employees both the remuneration and benefits sections fail to cover what is called variable reward or contingent reward that is related to individual performance, contribution, competence or skill of the team. As Armstrong (2014) indicates providing a reward that attract and retain people is a good start but incomplete if it does not help to develop a high-performance culture. Second, from a total reward perspective, the policy fails to cover or indicate the need for non-financial types of rewards to create a complete set of reward mechanism.

Coming back to the survey results, the majority of the participants asked to indicate types of rewards offered at Dashen Bank indicated that financial rewards are popular. The list of top ten

types of rewards offered at the bank, only two types of non-financial rewards were included in the top ten (recognition with 58.9% and learning and career development opportunities 57.6%). A look at the complete list also indicates that, except 'contingent pay' each of the direct financial rewards are recognized by more than 75% of the participants is currently being offered at Dashen Bank. Similarly, indirect financial rewards, except educational support (68.8%), each of the rewards types are recognized by more than 83% of the participants. In contrast to financial rewards, only 45-58% of the participants said that non-financial rewards are offered at the bank.

On the other hand, favored or preferred list of reward types showed that participants favour, financial rewards loan, salary and medical coverage the highest. But the list of top ten favoured or preferred reward types includes five of the six non-financial reward types as opposed to what is currently being offered at Dashen Bank. Looking at each reward type, it can be observed that participants opinions of direct financial reward salary and bonus, indirect financial rewards loan and medical coverage as well as non-financial rewards incremental responsibility show a smaller degree of variability as indicated by a standard deviation of less than one.

The difference between what is currently being offered as a reward and what is the participant's favoured or preferred reward type signals a need for improvement. As discussed in the literature, content and process theories of motivation, argue that reward effectiveness relies very much on whether the reward is valued and meaningful to the recipient. If the reward provided does not address the achievement of individual goals, the reward provided will not result in the desired behavior.

Association of reward to the effort is another important aspect of reward assessed. Expectancy theory explains that individuals who believe the probability that action or effort will lead to an outcome are better committed to acting. This is also signified the employees' ability to positively influence the outcome of reward through their effort. The survey shows that the most likely reward types that could follow an effort or performance are the non-financial types of reward freedom and autonomy, increased responsibility, recognition, learning and career development opportunity and work-life balance. Bonus and salary are also included in the top

likely rewards that could follow effort but as indicated on the Banks policy, those are the result of organizational performance rather than individual performance.

Regarding participation in reward decisions, more than 70% of the participants showed a neutral to a strong disagreement for consideration of their viewpoint in the rewards decision. Similarly, 67.5% indicated a neutral, disagree and strongly disagree rating in total for explanations on reward decisions. This issue is part of what is called procedural justice theory, and any negative in this regard may result in questionability of the fairness of the reward decision. Consistency wise, however, 44.6% of the participants agree or strongly agree that reward decisions are consistent across employees.

Interview Findings

The aim of the interview with branch managers and HR managers was further understand the reward perception of employees and the possible reasons behind some practices. The first question raised in the interview was concerning the content of financial rewards in the benefit and administration policy. Interview participants indicated that 'financial rewards cover a range of direct and indirect financial rewards' except contingency payments. Some of the interview participants however think the annual bonuses provided are a form of contingency pays that are conditional on the annual performance.

A follow up question raised to the interviewees was 'annual bonus' ability to reward organizational performance instead of individual performance. Some interviewees believe that annual bonuses allow managers to motivate employees within their departments and serve as a motivator as well as a reward for positive performance. Another question raised in the interviews was the practice of rewarding positive performances immediately on individual basis. Interview participants indicated that the policy as well as the procedure manual does not allow the use of financial rewards to reward a positive performance on an individual basis at the discretion of managers. However, interviewees have indicated that given the size of the company, standardization of the practice across the organization takes precedence. They further indicated that managers interested in rewarding individual performances can do so using non-financial rewards.

The interview participants were therefore asked to list non-financial rewards practiced at the bank. The participants indicated that the nomination of standout performers to get annual recognition is the only non-financial reward type practiced. They further indicated that any forms of non-financial rewards practiced at the bank are done so at the understanding and discretion of individual managers.

One follow-up question to this was, how managers are encouraged to use non-financial rewards frequently and if they are given any training to improve their skills in using non-financial rewards. Unfortunately, there is no mechanism in place currently to see the use of non-financial rewards by management and trainings in this regard are very few and far between.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary of major findings and conclusions made as per the findings of the research. Recommendations are also given subsequently.

5.1 Summary of Major Findings

This research set out with an aim of assessing employees' perception of the reward practice at Dashen Bank. Particularly, it aimed to understanding the existing reward policy at the Dashen Bank and employees' perception on the reward types from different perspectives. Specifically, employees' perception was examined from the perspective of what are the reward types currently being offered, what their preferred reward types are, and the association of rewards with effort and employees participation in the rewards decisions. Accordingly, the findings can be summarized as follows:

- The HRM policy document included a section on benefits administration that mainly focused on indirect financial rewards (benefits). The procedure section, however, includes direct financial rewards (remuneration). Two of the significant observations in the policy document is that it mainly focuses on financial rewards and fails to cover total reward as well as the fact that all types of rewards covered are related to organizational performance rather than individual performance failing to inspire a culture of high performance.
- Reward types currently recognized by employees as being offered at Dashen Bank are highly dominated by indirect financial rewards. The percentage of employees that indicated the use of non-financial rewards is significantly lower than the percentage that recognized the use of financial rewards.
- The most preferred or favoured reward type is topped by financial rewards loan, salary and medical coverage followed by non-financial rewards freedom and autonomy, increased responsibility, recognition, learning and career development opportunity, as well as work-life balance.

- Regarding the association of reward with effort or performance, participants have indicated that those that are most likely to follow effort are non-financial rewards such as freedom and autonomy, increased responsibility, recognition, learning and career development opportunity and work-life balance. Followed by financial rewards bonus and salary.
- Participation of employees in reward decisions as per the survey result is limited as the majority of the participant indicated their disagreement in consideration of their viewpoint in reward decisions as well as inadequate explanations of reward decisions. However, the majority of the participants have indicated that reward decisions and procedures are consistent across employees.

5.2 Conclusions

The research was conducted with an objective of assessing employees' perception of the reward practice at Dashen Bank S.C. Accordingly, the data collected and analyzed indicated positive elements of the reward practice as well as areas that need improvement as summarized above. In this section, conclusions or implications are briefly discussed on the findings summarized above.

- As pointed out in the summary above, the reward policy document only covers benefit administration that mainly focused on indirect financial rewards (benefits) while the detail procedure includes direct financial rewards (remuneration). The lack of consideration of non-financial rewards limits the use of potentially cheaper but significant reward type that could bring employee performance or increased engagement. This also implies that the use of non-financial rewards is only left for chance or use variably subject to managers' own understanding.
- In relation to direct financial reward types, the policy and procedure document dictates that only the board of directors can approve, salary increments and bonuses following the Bank's profitability. Although this brings uniformity across the bank, it lacks flexibility as well as limits the possibility of rewarding individual performances. In addition, the lack of 'contingent' rewards that are subject to a certain level of performance or achievement makes the provision of predefined direct financial rewards

monotonous. Indirect financial rewards (benefits), as per the reward policy and procedure document, are also available to all employees regardless of their level of performance which could create a sense of entitlement employees should wait for rather than work for.

- Looking at which types of reward are currently provided at Dashen Bank, a significant majority indicated that financial rewards, particularly indirect financial rewards are mostly recognized by participants. Although participants indicated the use of non-financial rewards types, compared to financial rewards, the percentage, however, is significantly less.
- In terms of favoured or preferred reward type, out of all the reward types provided, loan, medical coverage, and salary were found to be the top three. The three reward types are however followed by all the non-financial reward types. This coupled with the fact that the current reward practice is dominated by financial rewards suggests the need to design and introduce the efficient use of non-financial reward types. Although employees tend to focus on direct financial compensation when contemplating their rewards, for individuals who are relatively satisfied with their salary, it is the non-financial rewards that tend to be more effective in contributing to long-term employee engagement.
- Considering the relationship between reward and effort or performance, the survey showed that the most likely reward types that could follow an effort or performance are the non-financial types of reward freedom and autonomy, increased responsibility, recognition, learning and career development opportunity and work-life balance. Bonus and salary are the only financial rewards on the list of top ten reward types that could follow effort or performance. This, however, does not imply that non-financial rewards are common at Dashen Bank. Rather, it should be noted that the most common reward types provided at the Bank are financial rewards (as indicated above), however, the likelihood of a financial reward following effort or performance is rare. Instead, managers or supervisors are providing non-financial rewards. One possible explanation for this is that the Banks' policy shows direct financial rewards can only be provided

following organizational performance and board approval hence managers and supervisors provide the only form of reward that is at their discretion, which is a non-financial reward. However, if the provision of non-financial rewards following efforts was a well thought of exercise, it could possibly bring positive performance.

- Participation of employees in reward decisions as per the survey result is limited as the majority of the participant indicated their disagreement in consideration of their viewpoint in reward decisions as well as inadequate explanations of reward decisions. However, the majority of the participants have indicated that reward decisions and procedures are consistent across employees. Participation in reward decision and provision of feedback being part of a broader concept of procedural justice that could affect employees' perception of reward fairness, employees could deem the rewards provided as unfair due to the lack of participation and reward decision explanation. A reward perceived as unfair may create a climate of distrust and hostility as well as erode performance and employee commitment to the organization.

5.3 Recommendations

In this section, recommendations are suggested based on the findings and literature review conducted.

Practical Implications

It is a well-known fact that reward policies provide guidelines for the implementation of reward strategies and management of reward processes. Accordingly, any improvement in the reward practices should start at the reward policy level.

- Dashen Bank should revise its reward policy and procedure manual to clarify the banks intent on reward provision and include elements of total reward or non-financial rewards. The total reward policy should show that other forms of non-financial reward are equally importance.

- The revision of the reward policy and procedure document should also consider the introduction of ‘contingent’ or conditional types of reward so that employees would try their best to earn the conditional reward thereby creating a culture of high performance.
- Amendments made to the reward policy and procedure should also include the role of line manager. Line managers play a crucial role in administering rewards, and the policy should recognize this. The policy may cover the level of decisions managers can make, the guidance that should be made available to them and how consistency will be achieved. The training and ongoing support that line managers require to exercise judgments on reward could also be covered by the policy. This will improve the composition of rewards employees receive, the relationship between their effort and rewards as well as employees’ participation in reward decisions.
- The revised policy should also be well communicated to employees as well as managers so employees know what to expect and be eager to perform well. Effective communication of the reward offered not only demonstrates the Bank’s investment in its employees but can positively affect employee engagement.

5.4 Limitation of the Study

Due to limited time, this study is restricted to the assessment of employees’ perception of reward practice at the bank. It is important for further studies to be carried out covering a larger population and geographic area. Further, the study needs to expand in to the influence of employees’ perception on various other organizational variables like performance, motivation, commitment, and employee satisfaction.

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Appendix-I: Questionnaire

Saint Mary's University
School of Graduate Studies
Masters of Business Administration

Dear participant

My name is Ejegayehu Nesibu and I am a student at St. Mary's University, School of Graduate Studies (MBA PROGRAM). I am currently conducting a research entitled **“Employees perception of the reward system at Dashen Bank S.C.”**

The research is required as partial fulfillment to the completion of the Masters of Business Administration (MBA) at St. Mary's University. In this regard, I kindly request you to provide me with reliable information to the best of your knowledge so that the findings from the study would meet the intended purpose. Your prompt attention to this study will support me to achieve my MBA and will also support me to contribute to the reward practice at Dashen Bank S.C. Please note that your responses will be used for my research purpose only. Consequently, rest assured that any information you provide will be kept confidential. I also would like to express my gratitude to you for taking time and filling this questionnaire.

General Direction:

Please do not write your name on the questionnaire. The questionnaire has five parts where brief instructions are given for each. In case you have ambiguities on any of the questions, please do not hesitate to contact me through my mobile number 0911-424530.

Part I- Participants Profile

Here general questions regarding the participant's profile are given. Please indicate your choice by marking (✓) against your choice.

1. Age 18-25 26-35
36-44 45 & above
2. Gender
Female Male
3. Highest educational level obtained:
Diploma MA
BA/BSC Degree Other
4. Years of service in Dashen Bank S.C.
1-3 7-9
4-6 10-13 Above 14
5. Please indicate your current salary ranges.
3,000 – 6,000 12,001 – 15,000
5,001 – 9000 Above 15,000
9001 – 12000

Part II: Types of Reward

Below are different types of rewards organizations provide to their employees. Please indicate those that are practiced on a regular basis at Dashen Bank S.C. Please also indicate your preference by ranking them. (Mark all that apply and rank)

No.	Types of Reward	Mark if Offered (✓)
	Financial (Direct/Base Pay)	
1	Salary	
2	Wage	
3	Bonus	
4	Contingent (commission) pay	
5	Overtime payments and others	
6	Representation (Acting) pay	
	Financial (Indirect/Benefits)	
7	Provident funds/pension	
8	Various types of loans	
9	Medical provision	
10	Various types of leaves	
11	Educational support and others	
	Non-Financial	
12	Get recognition	
13	A chance to achievement something worthwhile	
14	Get increased responsibility	
15	Learning and career development opportunities	
16	Quality of work-life balance	
17	Freedom and autonomy	

Part III: Your perception of reward in terms of relevance (importance)

Different people want different things from their work. Below is a list of things a person could have on his or her job. How important (desirable) is each of the following to you? Circle the appropriate number.

	How important is...?	Not Important	Less important	Important	Very important	Extremely Important
1	The amount of pay you get	1	2	3	4	5
2	The amount of bonus you get	1	2	3	4	5
3	The amount of overtime you get	1	2	3	4	5
4	The amount of representation allowance you get	1	2	3	4	5
	How important is...?					
5	The amount of provident fund/pension you get	1	2	3	4	5
6	The type and amount of loan you get	1	2	3	4	5
7	The amount of medical provision you get	1	2	3	4	5
	The duration and type of leave you are entitled to	1	2	3	4	5
9	The amount of educational support you receive	1	2	3	4	5
	How important is...?					
10	The recognition you get due to my performance	1	2	3	4	5
11	The chance you have to accomplish something worthwhile	1	2	3	4	5
12	The level of incremental responsibility you are given	1	2	3	4	5
13	The chance you get to learn new things and upgrade your skills	1	2	3	4	5
14	Work environment (work–life balance) you work in	1	2	3	4	5
15	The amount of freedom and autonomy you have on your job	1	2	3	4	5

Part IV: Perception (Opinion) of reward in terms of relation with action (effort)

People work for a reward if they believe they can earn it through their efforts. How possible is it that each of these things would happen if you performed your job well? Circle the appropriate number.

	How Possible ...?	Not at all possible	Less possible	Possible	Very possible	Extremely possible
1	You will get a pay increase	1	2	3	4	5
2	You will receive a bonus	1	2	3	4	5
3	Get a chance to earn more overtime	1	2	3	4	5
4	Your representation allowance increases	1	2	3	4	5
	How Possible ...?					
5	Get a better provident fund/pension	1	2	3	4	5
6	You will get increased loan	1	2	3	4	5
7	You will get improved medical provision	1	2	3	4	5
8	You will have more leave	1	2	3	4	5
9	You will earn improved educational support	1	2	3	4	5
	How Possible ...?					
10	You get recognition by colleagues and supervisor	1	2	3	4	5
11	You feel you have accomplished something worthwhile	1	2	3	4	5
12	You will be given more responsibility	1	2	3	4	5
13	You will be given a chance to learn new things and upgrade your skills	1	2	3	4	5
14	your work environment (work–life balance) be more interesting	1	2	3	4	5
15	You will get more freedom and autonomy on your job	1	2	3	4	5

Part V: Fairness of the reward practice. Circle your choice number

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Procedural Justice					
1	My view points were considered in setting the conditions for a reward	1	2	3	4	5
2	Reward policies and procedures of the company equally and consistently apply to all employees	1	2	3	4	5
3	Adequate explanation of decisions made regarding reward is provided	1	2	3	4	5

Thank You!

Appendix-II: Interviews Questions

1. What are the contents of financial rewards in the benefit and administration policy?
Do you think it includes all the necessary types of financial rewards?
2. Do you think 'bonuses' can serve as a contingency pay?
3. Do you think 'annual bonus' reward an individual's performance or organisational?
4. What are the practices of rewarding positive performances immediately on individual basis?
5. Can you please list out the non-financial rewards practiced at the bank?
6. How are managers encouraged to use non-financial rewards frequently? Is there a mechanism to follow-up the use of non-financial rewards by managers?
7. What sorts of trainings are provided to managers to improve their skills of rewarding their stuff, especially in the use of non-financial rewards?

Appendix-III: Sample Size Determination Table

Table 3.1									
<i>Table for Determining Sample Size of a Known Population</i>									
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

Note: N is Population Size; S is Sample Size *Source: Krejcie & Morgan, 1970*

Appendix – IV: Sample Calculation of RII

$$\text{Relative Importance Index} = \frac{\sum w}{A.N} = \frac{1n_1 + 2n_2 + 3n_3 + 4n_4 + 5n_5}{5.N}$$

where w is the weighting given to each factor by the respondent, ranging from 1 to 5. For example, n_1 = number of respondents for little important, n_2 = number of respondents for some important, n_3 number of respondents for quite important, n_4 = number of respondents for important, n_5 = number of respondents for very important). A is the highest weight (i.e. 5 in the study) and N is the total number of respondents. the relative importance index ranges from 0 to 1 (Tam and Le, 2006).

For example, consider the following hypothetical example where the question was asked to 20 respondents. Number of respondents who picked each answer is given in the table.

How important is...?	Not Important	Less important	Important	Very important	Extremely Important
The amount of pay you get	1	2	3	4	5
The number of respondents who picked each rating	4	3	3	5	5

$$\begin{aligned} \text{Relative Importance Index} &= \frac{\sum w}{A.N} = \frac{1 \times 4 + 2 \times 3 + 3 \times 3 + 4 \times 5 + 5 \times 5}{5 \times 20} \\ &= 0.64 \end{aligned}$$