

ST. MARY'S UNIVERSITY

FACULTY OF BUSINESS

DEPARTMENT OF MANAGEMENT

**AN ASSESSMENT OF REWARD MANAGEMENT
PRACTICE
IN THE CASE OF
DASHEN BANK SHARE COMPANY**

BY:

MEHERET GEREMEW

June, 2014

SMU

ADDIS ABABA

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**IN THE CASE OF
DASHEN BANK SHARE COMPANY**

**A SENIOR ESSAY SUBMITTED TO THE
DEPARTMENT OF MANAGEMENT
BUSINESS FACULTY
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**IN PARTIAL FULFILLMENT OF THE REQUIRMENTS
FOR THE DEGREE OF BACHELOR OF ARTS IN
MANAGEMENT**

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CHAPTER ONE

1. INTRODUCTION

Background of the Study

Rewards are an ever-present and always controversial feature of organizational life. Some employees see their jobs as the source of a paycheck and little else. Others derive great pleasure from their jobs and association with coworkers. Even volunteers who donate their time to charitable organizations, such as the Red Cross, walk away with rewards in the form of social recognition and pride of having given unselfishly of their time. Hence, the subject of organizational rewards includes, but goes far beyond, monetary compensation. (Kreitner,2010: **255**). A good reward system should attract talented people and motivate and satisfy them once they have joined the organization. Further, a good reward system should foster personal growth and development and keep talented people from leaving (Kreitner, 2010:**257**).

Dashen Bank Share Company is a formal business organization that licensed by National Bank of Ethiopia and established in September 20, 1995 G.C. with a paid up capital of Birr 14.9 million by 11 share holders. The bank had a defined vision, mission, values and authority, reporting relationship, policy and procedure to accomplish their goal. The company is giving the banking service for eighteen years in Ethiopia by setting a vision of ‘as much as mountain Ras Dashen excels all other mountains in Ethiopia, Dashen Bank also to prove unpatrolled in banking service’. And mission of ‘provide efficient and customer focused domestic and international banking service, overcoming the continuous challenges for excellence through the application of appropriate technology’.

The number of employees in Dashen bank as of November 30, 2013 is 3,382. From this number 262 employees are in managerial position and the other one were clerical and non clerical staffs.

Currently the company has the total asset of ETB 19.7 Billion, total deposits, ETB 15.8 Billion, loans and advances ETB 8.8 Billion and profit before tax ETB. 809.8 million in the year 2013. Dashen Bank as an independent unit engages in the operations of deposit accounts, loans and advances, local money transfer services, International banking services, payment cards, mobile banking, E-Banking. But all these operations can be only achieved through motivated & committed employees. To this end the study focus on reward management practices of Dashen Bank.

1.2 Statement of the Problem

In our more heavily skilled & knowledge based economy, employees have become the most important determinant factors of the organizational success. Reward management policies should take account of employees' aspirations, expectations & need of employees as well as stakeholders in the organization. (Armstrong, 2007:7-24). Employees desire certain rewards through their respective jobs. Organizational systems that have tendency to reward employees' performance will have a great contribution on the productivity of employees. The purposes of reward management are to reward people fairly, equitably and consistently in accordance with their value to the organization and thus help the organization to achieve its strategic goals. Reward management practice deals with the design, implementation and maintenance of reward systems (processes, practices and procedures) that aim to meet the needs of both the organization and its stakeholders (Armstrong, 2006, 615).

However In Dashen Bank share Company employees complain that there is no thoroughly planned & consistent reward system, which considers employees aspiration & expectation. The only reward implemented are special benefits for higher level managers like sharing the annual benefit from the annual profit, telephone card with its apparatus, vehicle with its fuel allowance. (The telephone apparatus and the vehicle are returnable when they release the bank). The other reward is that provided annually for one employee from a department or a branch. This reward is provided when the managers let employee to select the one who is the best performer in the eye of employees. The only one from the department or from branch who find the greater number of selection, he/she gets some monetary reward. The third reward is given to those employees who stay ten years in the company regardless of whether he/she is the best performer or not.

Although, these rewards create initiatives to only some part of employees, it also creates a feeling of unfairness between employees and a negative work environment.

Therefore employees are not satisfied with the current reward system and there is a high amount of turnover. And according to the researcher's preliminary study, this might occur due to:

- No enough salary payment
- No balance b/n effort & reward
- No attention given to reward management practices from the management

Due to these reasons the student researcher was interested to undertake the study under such problem areas in order to deal with the possible solutions for the reward management problems.

1.3 Research Questions

Based on the above problem, the student researcher conducted based on five basic research questions.

1. What the reward system looks like?
2. To what extent the reward system is related to the Human Resource Policy?
3. What are the factors considered in the reward system?
4. To what extent does the reward system motivate the employees?
5. What are the major problems of the reward system?

1.4. Objectives of the study

1.4.1 General Objective

The general objective of the study was to assess and identify the organizations current reward system.

1.4.2. Specific Objectives

- To investigate what the reward system looks like.
- To identify the relationship between the reward system & the Human Resource policy.
- To identify the factors considered in reward system
- To determine whether the system empowers & motivates employees or not.
- To identify the major problems of the reward system

1.5. Delimitation of the study

The study was delimited only on reward management practices. However, Dashen Bank is a huge company having many branches in the city and all regions, collecting data from all branches is a very time and resource consuming. Therefore the study was focused on Head office. Especially in Human Resource Department one can get relevant & sufficient information as it acquires many motivational, promotional & benefit related questions from all employees of all branches and Departments. So the researcher believed that the information obtained from the samples from head office will reflect the feelings of other branches. The researcher was limited to use 5 years (2008-2013 G.C.) which is the recent annual reward period.

1.6. Significance of the study

The student researcher believed that this study will have the following benefits;

- Basically it enables the student researcher to have basic experience & knowledge.
- It is believed that it helps the management of Dashen Bank Share Company to realize major problem of areas related to reward management system and give due consideration to reward management practices.
- The researcher also believes that this study also helps other researchers who study on this issue.

1.7. Definition of terms

Extrinsic rewards:- Financial, Material and social Rewards that come from the environment.

Intrinsic/psychic Rewards:- Self granted, pleasures one can get from the task itself or experiences a sense of competence or self-determination.

1.8. Research Design & methodology

1.8.1. Research Design

The study used Descriptive research method to define the real problem and describe the factors considered in reward system, to identify major problems of the reward system and to see the relationship between the reward system and human resource policy.

1.8.2. Population & Sampling size and Sampling Techniques

The total number of employees in all Departments was **638**. As Dashen Bank has different Departments, the most appropriate method to conduct this study is stratified quota sampling technique in order to get equally representation of Department. Out of the population, 30%, which is **191**, will be taken as sample representative. Then, the strata were selected from each department using random sampling system.

Stratified Random Sampling process

1. Identify the sampling frame:- the population that is available and actually sampled (638)
2. Determine the desired size of sample:- the appropriate quota sample which equally represent (30% of 638 = 191)
3. Determine the sub-group or strata for which you want equal or proportional representation

$\frac{191}{638} = 0.299 = \underline{3}$,so I used hit and miss system that means I missed two persons and gave my questionnaire for the third person. And I decided to start from the third person. So for each number of sub group of strata I started from zero to the required no. (For example 0,1,2,3 4,5,6)

No	Departments	Number Of Employee	Percentage (%)	Number Of strata
1	Human Resource Management Department	121	30%	36
2	Information Technology Department	82	30%	25
3	Fund Management & Administration Dept.	124	30%	37
4	Controller Department	65	30%	20
5	Corporate Planning & Development Department	78	30%	23
6	International Banking Department	111	30%	33
7	Credit Department	57	30%	17
T O T A L		638	30%	191

1.8.3. Types of Data to be collected

The researcher collected primary data from direct response of the employees and secondary data from the company profile, reference books related to the subject matter of the study & from library books.

1.8.4. Methods of Data Collection

Primary data was collected through interviewing the managers & by distributing questionnaires to employees. Secondary data collected through reading of Dashen Banks profile, company's employee benefit manual, reference books & library publications.

1.8.5. Methods of Data Analysis

The data analysis was made by using descriptive analysis research method to summarize findings. Thus percentage was used to get the total picture of data collected from the questionnaire and responses through the interview. Then the collected data was summarized and in the form of tabulation.

1.9. Organization of the study

The study is organized and arranged in four chapters. The first chapter is consisting of the introductory part such as background of the study, statement of the problem, research question, and objective of the study, significance of the study, delimitation of the study, definition of terms, research design & methodology and organization of the study. The second chapter includes review of related literature. Chapter three is data presentation, analysis and interpretation. Chapter four includes summary, conclusion and recommendations. Finally bibliography & other important documents are attached.

CHAPTER TWO

LITERATURE REVIEW

2.1. REWARD AND REWARD MANAGEMENT OVERVIEW

Previously organizations used to reward the greater number of their staff on the basis of their knowledge, the physical energy they exert, the degree of their responsibility and the circumstances of their work stations. Nowadays, however, organizations go beyond these considerations in order to achieve success. Consequently, some vague sounding terms like Commitment and Involvement are given emphasis in recent times, as it is well accepted that “to everyone, work offers an opportunity to gain some type of tangible and intangible rewards” and not just a pay check (Henderson, 1976: 359).

Although good salary is essential in retaining highly desirable manpower, organizations need to go beyond throwing money at their employees. Repeated research results show that other non-monetary rewards such as meaningful work, an understanding employer etc. are as much or even more important reasons that make people stay in a work place (Kaye *et al*, 2002). Adequate compensation is in the mind of the receiver. (Mondy *et al*, 2002: 350) The implication of a reward package goes beyond just the money provided and this makes reward management a difficult task. Reward is the total of all compensation employee get for their contribution to an organization.

2.2. Types of Rewards as classified by different Authors

Rewards can be classified into two broad categories: extrinsic and intrinsic. (Mondey *et al* 2002□394). They define extrinsic rewards as “rewards external to the job, such as pay, promotion, or fringe benefits” and intrinsic rewards as “those

that are part of the job itself, such as the responsibility, challenge, and feedback characteristics of the job”.

Mondy *et al* also classify rewards as follows:

- a) **Direct financial compensation** – Is a type of reward obtained from salaries, bonuses and sales commission.
- b) **Indirect financial compensation** – is a type of reward that includes all financial benefits that are not part of direct compensation, like health care benefits.
- c) **Non-financial compensation** – is a type of reward that an employee gets from enjoying the type of job he is handling and/or from his work environment like being satisfied about his relationship with her/his work mates and supervisors and from liking the condition of his work circumstances.

Similarly, Handerson states two types of rewards-Monetary and non-monetary.

- a) Monetary Rewards: are rewards including base pay as well as other additional monetary incentives paid for extra performance over and above initially set requirements. This reward type includes most of the employee benefit schemes, which although not viewed as monetary nevertheless cost the origination cash and save money to the recipient. Included in this category are benefits like sick leave, vacation time, and educational and insurance programs.
- b) Non-monetary rewards; are any incentive programs aimed at rewarding increased productivity other than monetary remuneration. These include among other things, the opportunity to express creativity and initiative; the opportunity for public recognition, the freedom to establish one’s own work schedule etc (Henderson, 1976:433)

Total Reward

As defined by Armstrong, (2006:629) total reward includes all types of rewards – indirect as well as direct, and intrinsic as well as extrinsic. Each aspect of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole. Total reward combines the impact of the two major categories of reward as defined below –transactional rewards, and relational rewards.

Total reward combines the effects of the two main reward classifications also labeled as transactional and relational rewards.

- a) **Transactional rewards:** are tangible rewards concerned with exchanges that organizations and their work force make with regard to salary (base pay, contingent pay, cash bonuses) and employee benefits (Pension, health care, holiday).
- b) **Relational rewards:** are intangible rewards mainly concerned with inner aspects of job satisfaction, obtained from gaining experience, self improvement and advancement such as learning and development. Intangible rewards can also come from the work itself and/or the work environment such as leadership, employee voice, autonomy (*ibid*).

Transactional Rewards	Contingency Pay	Total Remuneration (Extrinsic rewards)	Total Reward
	Employee benefits		
Relational Rewards	Learning and Development	Non-financial (Intrinsic rewards)	
	The work experience		

Fig. 1. The components of Total Reward (Armstrong, 2006)

2.3. Purposes of the Reward

Reward could be done for the following purposes:-

- Reward people according to what the organization values and wants to pay for.
- Reward people for the value they create.
- Reward the right things to convey the right message about what is important in terms of behavior 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.
- Develop a positive employment relationship and psychological contact.
- Align reward practices with both business goals and employee values;
- Operate fairly-People feel that they are treated justly in accordance with what is due to them because of their value to the organization.

2.4. Performance and Rewards

Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements (Armstrong; 2006:495). Individuals receive financial rewards in the form of increases to basic pay or cash bonuses, which are linked to an assessment of performance, usually in relation to agreed objectives.

Aims of Performance Management

The overall aim of performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business process and for their own skills and contributions with a framework provided by effective leadership. (Armstrong; 2006:496)

Armstrong lists the aims of performance management as expressed by a variety of organizations. Some of them are:-

- Empowering, motivating and rewarding employees to do their best.
- Maximizing the potential of individuals and teams to benefit themselves and the organization, focusing on achievement of their objectives.
- Focusing employee's tasks on the right things and doing them right. Aligning everyone's individual goals to the goals of the organization.

2.5. Integration between Human Resource management & Rewards

According to Armstrong (2006:423), the role that HRM may play in organizations to remain competitive is based on three propositions:

1. That Human Resource practices can make a direct impact on employee's work behavior such as engagement, commitment, motivation, etc,
2. If employees have these characteristics, it is probable that organizational performance in terms of productivity, quality and the delivery of high levels of customer service will improve,
3. If such aspects of organizational performance improve, the financial results achieved by the organization will improve.

The notion is that HR practices influence employees' behavior, and, if the intended behavior is achieved, productivity, quality, and delivery of high levels of customer service will improve and eventually organizational performance improves.

2.6. The Relationship between Reward and Motivation

A precise definition of motivation is elusive since the concept involves numerous characteristics and perceptions of the employee & the current situation. But it is characterized by a certain level of willingness on the part of the employee to increase effort, to the extent that this exertion also satisfies some need or desire (**Beardwell, et al 2004:505**).

Motivating people to enable them reach their maximum productivity is the prominent purpose of reward management. An understanding of motivation is important within reward management and the development of reward strategies for a multitude of reasons. Firstly, it enables organizations to humanize work for employees so that work is inherently more satisfying, the assumption being that

organizations have a moral obligation to make work as satisfying and enjoyable as possible. Secondly, an appropriate understanding of motivation allows organizations to make the jobs more satisfying for employees within the company. The underlying assumption is clearly that if employees are happier at work, then they will be more productive.

2.6.1. The relevance of motivation theories

Motivation theories are the instruments that lay the foundation for the development of an effective reward system (Armstrong, 2002:422).

Motivation Theories

Motivational theories generally deal with what drives individuals to achieve some goal. People who are adequately motivated are people who have come to know their goals and their actions are directed to that end. Motivational theories are the foundations for developing effective reward management systems (Armstrong, 2002:423).

The prominent motivation theories are the following:

- Instrumentality behaviorist and reinforcement theories
- Maslow's needs theory
- Douglas McGregor's Theory X Theory Y
- Expectancy theory
- Goal theory and
- Equity theory

Instrumentality Theory

Instrumentality Theory is based on the idea that when we pay more we can achieve more. At its worst, this theory tends to conclude that as long as money is expended achievement can be assured

The basis of instrumentality theory comes from the concept of reinforcement which says that a need once fulfilled through one activity likely makes that activity desirable and repeatable while making other unproductive activities avoidable

Instrumentality theory is still used widely for motivation purposes and can show results in some situations. However as the theory generally prophesizes the use of external controls while neglecting internal aspirations of employees, fails to channel and address the informal interaction among workers to organizational objectives.

Following the failure of instrumentality theory in bringing full motivation, industry leaders had to look for other effective factors of motivation. The Hawthorne studies that led to spate of studies on human side of work were the results of such an effort. Consequently, the Hawthorne studies have become the corner stones in bringing insight and a paradigm shift in the work place from emphasis on external motivational factor such as work place settings to internal ones such as recognition, at recent times.

Needs Theory

Needs theory is based on the idea that all actions are motivated by some kind of need. Unsatisfied needs are likely to entail lack of equilibrium and this lack motivates the individual to set a goal to bring balance, and consequently triggers an action towards fulfilling that goal (Armstrong, 2002).

The most prominent proponent of needs theory is Abraham Maslow (1908 – 1970) who designed a pyramid to demonstrate the needs hierarchy.

Maslow’s theory makes three fundamental “assumptions”:

- (1) Human beings have needs
- (2) Once these needs are satisfied other motivational needs arise
- (3) Needs have their “hierarchy” although a superior need level can arise before a lesser level is fully satiated (Henderson, 1976).

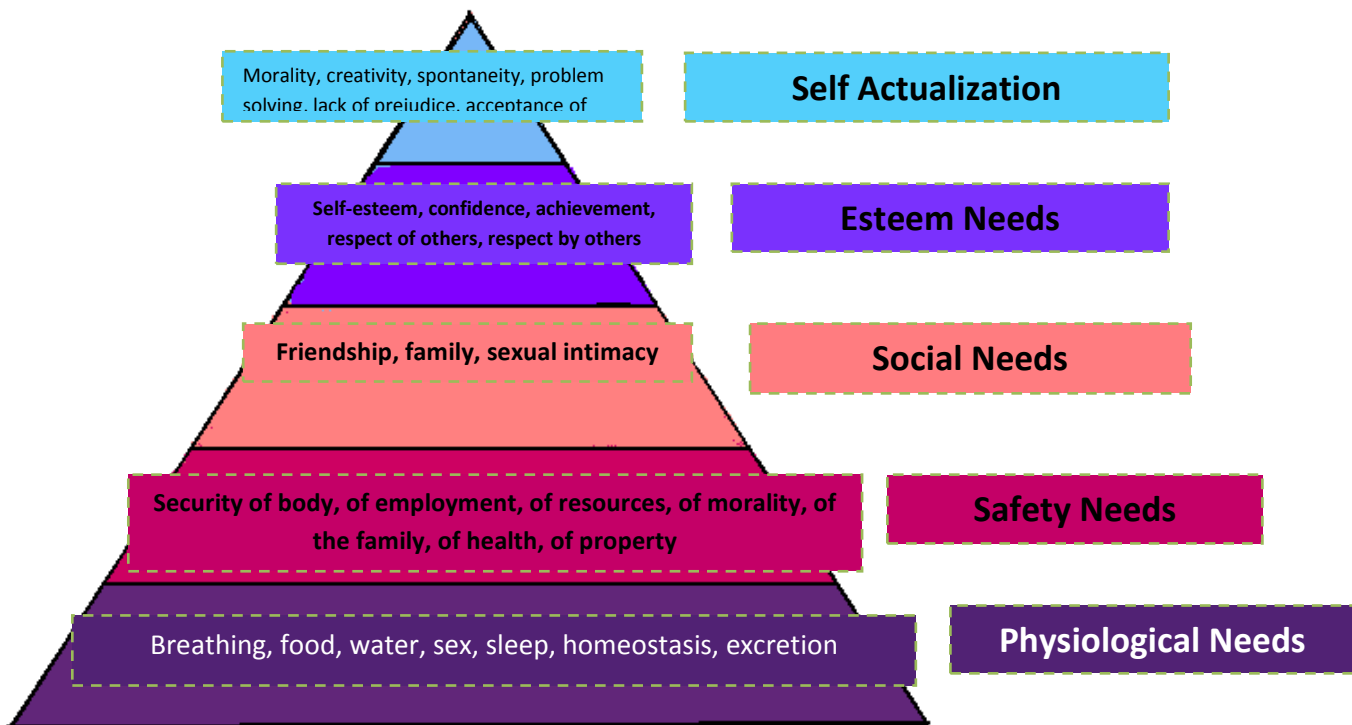


Fig 2. The needs as put in rising hierarchy from basic to highly developed.

Mc Gregor put two diametrically opposed group of assumptions on the basis of which managers tend to view and deal with employees. He called them theory X and theory Y.

A – Theory X

This theory assumes,

1. Human beings prefer to loaf than to work if it suits them.
2. Human beings need to be guided and supervised and driven by the threat of punishment in order for them to comply with organizational objectives.
3. People mostly prefer to work under a boss who oversees their performance, they tend to shirk responsibility and lack any motivation for their own improvement.

B – Theory Y (theory of integration)

McGregor in his Theory “Y” (theory of integration) emphatically states that both organizational need and the needs of employees can be addressed in a balanced way. By becoming to mutual understanding the two sides can team up for organizational goal achievement and can consequently fairly divide the gains between them (Bratton *et al*, 1999).

This theory assumes,

1. Man can get similar satisfaction from work as he gets from leisure, relaxation and enjoyment as work is as much natural to him.
2. Human beings are self controlled and self guiding and if they embrace an objective, they can fully dedicate themselves to its fulfillment and it would be unnecessary to impose control over them.
3. The type of rewards offered and the hope held for possible future rewards are directly related to the degree of dedication shown to organizational goals.

4. Individuals are willing to learn about responsibility and actively seek to accept it.
5. Creativity, inventiveness and imagination, qualities that help to advance organizational goals, are found in every individual and are evenly and proportionately distributed.
6. In today's modernized world the natural intelligences of the average worker are underutilized.

Expectancy Theory

Expectancy theory is one of the process or cognitive theories which also include goal and equity theories. These theories are known as process theories because they explain the psychological processes or forces that affect motivation, as well as basic needs. This theory is the core theory of process theories as the other theories base their assumptions on it or adjust to its proposition (Armstrong, 2002).

The concept of expectancy originates from Victor H. Vroom's formulation of the Valency – Instrumentality – Expectancy (VIE) theory.

Valency – represents value as an important personal goal.

Instrumentality – is the belief that if we do one thing it will lead to another.

Expectancy – is about the expectation of reaching a certain goal after taking some action in the form of an effort. People feel motivated only if there is a link between performance and outcome. When the performance results in the desired outcome then the outcome will be a means for satisfying the need.

For example, the bonus scheme which is one type of extrinsic financial motivation can motivate only if individuals who receive it can see that their hard work would bring the type of reward they desire, to level or amount they desire. This also shows why intrinsic motivation, where the individual influences the process of work and by consequence its outcome is more effective than extrinsic motivation.

Goal Theory

Goal theory formulated by Edwin Locke and Gary P. Latham states that motivation and performance are enhanced when:

- 1) People are assigned specific goals
- 2) These set goals are higher goals not easy ones and are commonly agreed upon
- 3) Feedback on performance is given than when not given (Armstrong, 2002).

Goal theory provides the foundation for some management processes like Management by Objective (MBO). MBO works by setting goals initially and by comparing them to set goals. In its very nature MBO is geared to quantitative targets, and proved to be bureaucratic. Even if it is no longer that popular currently it is still used in performance-related pay schemes (Armstrong, 2002).

Equity Theory

Equity theory which was developed by Adams, states that people are better motivated if they perceive that they are treated equitably. Also, they are likely to be demotivated if they feel that they are treated unequally.

Equity is not the same as equality. If everyone is treated equally and if there are some who deserve to be treated differently, then this can only be inequity and not equity .

Equity is a process that compares how fairly one is treated as opposed to others. In theory there are four popularly known “reference comparisons” that enable people to compare whether or not they feel that they are treated equitably, namely self internal, self external, other internal, other external.

2.6.2. Motivation and Financial Incentives

Armstrong says that money, in the form of pay or some other sort of remuneration is the most obvious extrinsic reward. Money provides the means to achieve a number of different ends. It is a powerful force because it is linked directly or indirectly to the satisfaction of many needs. It clearly satisfies basic needs for survival and security, self esteem, etc. it is a visible mark of appreciation (Armstrong: 2006, 267).

Do financial incentives motivate people? The answer is yes for those people who are strongly motivated by money and whose expectations that they will receive a financial reward are high. Pay is the dominant factor in the choice of employer and considerations of pay seem most powerful in binding people to their present job. Money can therefore provide positive motivation in the right circumstance, not only because people need and want money but also because it serves as a highly tangible means of recognition (Armstrong: 2006, 267).

2.7. Engagement & organizational Commitment

Engagement

Employee engagement takes place when people at work are interested in and positive, even excited about their jobs and are prepared to go the extra mile to get them done to the best of their ability. An engaged employee as defined by Bevan *et al* (1997) is someone ‘who is aware of business context, and works closely with colleagues to improve performance within the job for the benefit of the organization’. Interest in the notion of engagement was originally generated by The Hay Group which referred to it as ‘engaged performance’ is defined as A result that is achieved by stimulating employees’ enthusiasm for their work and directing it towards organizational success. This result can only be achieved when

employers offer an implied contract to their employees that elicit specific positive behaviors aligned with the organization's goals. This definition quite clearly focuses on performance in the job and not commitment to the organization.

Another form of management consultants, Towers Perrin(2007), adopts a similar approach when it defined employee engagement as “the extent to which employees put discretionary effort into their work, beyond the minimum to get the job done, in the form of extra time, brainpower or energy”.

Engagement is job-oriented and commitment is organization-oriented. This is a clear distinction but the terms are often confused. Confusion is further confounded when definitions of engagement are produced that make it synonymous with commitment. For example, porter et al (1974) Defined commitment as: “the relative strength of the individual's identification with and involvement in a particular organization”. But the well respected Conference Board in the United States defined employee engagement in 2006 as a heightened connection that an employee feels for his or her organization”. And the equally well respected Institute for Employment studies in the United Kingdom stated in that an engaged employee is someone who believes in, and identifies with, the organization.

Commitment

Commitment refers to attachment and loyalty. It is associated with the feelings of individuals about their organization. As defined by Mondy *et al* (1984), commitment is the relative strength of the individual's identification with, and involvement in, a particular organization. The three characteristics of commitment identified are:

1. A strong desire to remain a member of the organization.
2. A strong belief in and acceptance of, the values and goals of the organization.
3. A readiness to exert considerable effort on behalf of the organization.

An alternative, although closely related, definition of commitment emphasizes the importance of behavior in creating commitment. 'Commitment is a state of being in which an individual becomes bound by his actions to beliefs that sustain his activities and his own involvement.' Three features of behavior are important in binding individuals to their acts: the visibility of the acts, the extent to which the outcomes are irrevocable, and the degree to which the person undertakes the action voluntarily. Commitment can be increased and harnessed 'to obtain support for organizational ends and interests' through such plays as participation in decisions about actions.(Armstrong 2006:272)

The importance of Commitment

The importance of commitment was highlighted by Walton (1985a, 1985b). His theme was that improved performance would result if the organization moved away from the traditional control-oriented approach to workforce management, which relies upon establishing order, exercising control and 'achieving efficiency in the application of the workforce'. He proposed that this approach should be

replaced by a commitment strategy. Workers respond best – and most creatively – not when they are tightly controlled by management, placed in narrowly defined jobs, and treated like an unwelcome necessity, but, instead, when they are given broader responsibilities, encouraged to contribute and helped to achieve satisfaction in their work.

According to Walton (1985a, 1985b) in the commitment-based approach, jobs are designed to be broader than before, to combine planning and implementation, and to include efforts to upgrade operations, not just to maintain them. Individual responsibilities are expected to change as conditions change, and teams, not individuals, often are the organizational units accountable for performance. With management hierarchies relatively flat and differences in status minimized, control and lateral coordination depend on shared goals. And expertise rather than formal position determines influence.

Put like this, a commitment strategy may sound idealistic but does not appear to be a crude attempt to manipulate people to accept management's values and goals as some have suggested. In fact, Walton does not describe it as being instrumental in this manner. His prescription is for a broad HRM approach to the ways in which people are treated, jobs are designed and organizations are managed.

2.8. Types of Evaluation

Job evaluation is a systematic process for defining the relative worth or size of jobs within an organization in order to establish internal relativities. It provides the basis for designing an equitable grade and pay structure, grading jobs in the structure and managing job and pay relativities. (Armstrong ,2006:659)

Job evaluation can be analytical or non-analytical.

Analytical job Evaluation

Is the process of making decisions about the value or size of jobs, which are based on an analysis of the level at which various defined factors or elements are present in a job in order to establish relative job value. The set of factors used in a scheme is called the factor plan, which means each of the factors used and the levels within each factor. Analytical job evaluation is the most common approach to job evaluation.

Non - analytical job evaluation

Non analytical job evaluation compares whole jobs to place them in a grade or rank order they are not analyzed by reference to their elements or factors. Non analytical schemes do not meet the requirements of equal value law.

2.9. Types of grade and pay structure

According to Armstrong (2007:265) Grade and pay structure gives as a medium through which the organization communicates the Job and pay opportunities available to employees' grade. Structure consists of a sequence of grades, bands, or levels into which groups of jobs that are broadly comparable in size are placed.

Grade structure becomes pay structure when pay ranges, brackets or scales are attached to each grade, band or level, pay structure provide scope for pay progression in accordance with performance, competence, contribution or service.

The main types of grade and pay structure are

- **Narrow graded (multy- graded structure)**

Narrow graded is consisting of a sequence of job grades into which jobs of broadly equivalent value are placed. There may be 10 or more grades and long established structures.

- **Broad graded structures (fewer grades)**

Have six to nine grades. They may include “reference points” or “Market anchors” which indicate the rate of pay for a fully competent performer in the grade and are aligned to market rates in accordance with “Market stance” policy.

- **Broad Band structures**

Broad banded structures compress multi-graded structures into four or five “bands”. Broad banded structure contained no more than five bands.

- **Job family Structure**

Job families consist of jobs in a function of occupation such as marketing, operations, finance, IT, HR, administration or support services, which are related through the activities carried out and the basic knowledge and skills required, but in which the levels of responsibility, knowledge, skill or competence levels required differ.

2.10 Types of Compensation

According to Handerson (1976:297) compensation is the Human Resource Management function that deals with every type of reward individuals receive in exchange for performing organizational tasks. It is one of the major methods used to attract employees and motivate them for more effective performance. It is all forms of pay or reward going to employees and arising from their employment.

2.11 The impact of incentives on employee motivation

Armstrong clearly put that money, in the form of pay or some other sort of remuneration, like bonus, performance related pay ... is the most extrinsic reward. Doubts have been cast by Herzberg on the effectiveness of money because, they claimed, while the lack of it can cause dissatisfaction, its provision does not result in lasting satisfaction. For those people on fixed salaries or rates of pay who do not benefit directly from an incentive scheme, they may feel good when they get an increase; apart from the extra money it is a highly tangible form of recognition and an effective means of helping to feel that they are valued. But this feeling is rapidly died away. Armstrong also put that money in itself have no intrinsic meaning. (2006:267)

2.12. Challenges in the implementation of Reward Management Systems

The challenges of reward management strategy are less in accepting the idea and more in putting it into practice. It could take as long as a year on the average to develop and put a total reward system in practice. (Armstrong, 2002) Developing a total reward system requires a significant amount of time. It also requires the full support of management.

Some of the challenges in the implementation of reward Management System are

- Lack of responsibility for managing reward system.
- Managers may not do what HR expects them to design reward system and if they are compelled to- they may be half-hearted about it.
- This carelessness by managers puts tremendous burden on HR and Reward Specialists.

1.13 Overcoming the challenges of reward system

Actions to solve the challenges of reward system are:-

- Developing technology for specifying desirable behaviors
- Using evaluation procedures that recognize multidimensional nature of performance
- Training supervisors to use performance appraisal system appropriately and to understand potential sources of bias.
- Training managers to establish appropriate contingencies between rewards and performance.
- Administering the reward system consistently across employees.

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter deals with data presentation, analysis and interpretation on the basis of data obtained through questionnaires & interviewing the HEAD OF Human Resource Management Department of Dashen Bank S.C. To obtain the information for the study, the total of 191 questionnaires were distributed to employees. The respondents are randomly selected from 7 directorates. Out of 191,180 respondents correctly filled & returned, resulting in a rate of returning for questionnaires is 94%.

The data obtained from the respondents are summarized using descriptive statistics where by the raw data is computed in percentages. Response from interviews also summarized with date interpretations.

The summarized data are then analyzed applying descriptive analysis method using tables followed by detailed explanations.

Finally interpretation is made to demonstrate implication of the major findings concerning the subject of the study.

Table 3.1. Personal Information of Respondents

No	Item	Respondents	
		No	%
1	Age		
	20-30	27	15
	31-40	59	33
	41-50	53	29
	Above 50	41	23
	Total	180	100%
2	Sex		
	Male	112	62
	Female	68	38
	Total	180	100%
3	Educational Level		
	Below grade 12	--	--
	12 th complete	---	---
	Certificate	11	6
	Diploma	51	28
	Degree	66	37
	Above BA Degree	52	29
	Total	180	100%
4	Work Experience		
	> 2 years	---	---
	3-5 Years	23	13
	6-10 years	27	15
	11-15 years	41	23
	16-20 years	49	27
	Above 20	40	22
	Total	180	100%

As can be seen in table 3.1, item 1 the number of respondents 27(15%) were between the range of 20-30, 59(33%) of respondents were within the range of 31-40 years and 53(29%) were between 40-50 and also 41 (23%) of respondents are above 50. This implies that the majorities of respondents were productive & have desire to satisfy their multi needs. As a result they might want more motivational scheme so as to stay longer.

Regarding table 3.1 item number 2, out of total 180 respondents 112 (62%) were males and the remaining 68 (38%) were females. From this one can understand that there are a greater number of male employees in the organization. But as interview results and organizational document showed, no discrimination on gender whenever the organization hired employees.

Concerning the educational level of respondents in item 3 of the above table 11(6%) had certificate, 51(28%) of respondents had Diploma, the number of 1st Degree holder respondents is 66(37%), 52(29%) of Respondents are above BA Degree. This shows that majority of employees had sufficient educational background and academic maturity so as to provide sufficient information for this research.

Table 3.1 of item 4 shows employees' experience in Dashen Bank. As it is shown, 23(13%) of the respondents had 3-5 years of experience, 27(15%) of them had 6-10 years. Besides 41(23%) of respondents had 11-15 years, 49 (27%) of them had an experience between 16-20 years of experience. The rest 40 (22%) of them had above 20 years of experience in the Bank. This infers that most of respondents have a good experience in the bank & it was possible to get all levels of information from employees of different experience.

Table 3.2 Respondents' Response for questions directly related to the study

No	Item	Respondents	
		No	%
1	Reward Practice exists in your organization		
	Yes	---	---
	No	135	75
	I don't know	45	25
	Total	180	100%
2	You are satisfied with the existing reward system		
	Yes	---	---
	No	180	180
	I Don't know	---	---
	Total	180	100%
3	Does the reward system is fair in your organization		
	Yes	---	---
	No	180	180
	I don't know	---	---
	Total	180	100%
4	When compared to other financial institutions, the reward system include both financial & non financial Rewards		
	Yes	---	---
	No	152	84
	I don't know	28	16
	Total	180	100%

As can be seen from the table 3.2 item number 1, 135(75%) of respondents response was no for existence of reward management system, 45(25%) of respondents didn't know the existence of reward system. This implies that no satisfactory reward practice exists in the bank. This leads employees not to be motivated to do their job. The concerned interview with managers, The Human resource Manger said that the currently implementing reward system is going to be improved even though it is not comparative with other financial institutions.

Item 2 of table 3.2 revealed the satisfaction of employees with the existing reward system. 180(100%) of respondents disagreed that there is no satisfaction with the existing reward system. From this, it is possible to realize that the reward system is not satisfactory and inconsistent. This is because employees are on their way to leave the organization when time permits.

Item number 3 of table 3.2 shows the comparison of respondents concerning fairness of reward system in the organization. 180(100%) of respondents said no that there is no fair reward system at all. From this, one can imply that there is no fair reward system at all. And this unfairness of the current reward system results the failing of further engagement of employees in the bank. Managers also interviewed concerning the fairness of reward system. The Human resource Manager responded that there is a plan to implement the fair reward system even though employees may not succeed or perceive as it is fair.

Item 4 of the above 3.2 table, revealed the comparison of respondents' response concerning financial & non financial Rewards.152(84%) of respondents' response was no. 28(16%) respondents said that they don't know whether there are enough incentives of financial and non financial. From this, it can be seen that the reward system does not include both financial & non financial rewards so that employees are in need of both incentives to improve and upgrade their life.

Table 3.3 Respondents' response concerning integration of Human Resource and rewards.

No	Item	Respondents	
		No	%
1	What type of payment system is applied in your organization?		
	Time rate system	180	100
	Pay for performance	---	---
	Skill based pay	---	---
	Payment by result	---	---
	Companywide incentive	---	---
	Total	180	100
2	When compared to other financial institutions, you feel you are compensated enough in your organization		
	Yes	---	---
	No	163	91
	Not sure	17	9
	Total	180	100%
3	When compared to similar organizations, your organization invests in Human assets		
	Yes	---	---
	No	148	82
	I don't know	32	18
	Total	180	100
4	Your organization builds a greater employee morale		
	Yes	---	---
	No	180	100
	I don't know	---	---
	Total	180	100%
5	Employees become more productive when productive rewards are based on performance	No	%
	Yes	180	100
	No	---	---
	I don't know	---	---
	Total	180	100

Table 3.3 item 1 shows respondents' response for the type of payment system applied in Dashen Bank. As can be seen all 180 (100%) respondents respond that the payment system is time rate system.

Item 2 of table 3.3 revealed the comparison of respondents' response regarding compensation which is implemented in the organization. 163(91%) of the respondents said no that the current compensation they have got is not enough. 17(9%) of respondents response was not sure. From this one can infer that there is no enough compensation in the bank at all that the bank will lose its employees who are the means to reach its objectives.

Item number 3 of table 3.3 presents information regarding investment of the organization in human assets. 148(82%) of the respondents' response was no. 32(18%) of the respondents don't know about the investment of the bank for human assets. From this one can deduce that investment in human assets is not implementing in the bank.

The 4th item of table 3.3 exhibits information about respondents' response concerning the building employee morale. As can be seen 180(100%) of respondents' response was no. This implies that building employee morale is not implementing in the organization. This results for unproductively of employees to their organization

As can be seen in the item number 5 of table 3.3, the comparison of respondents' response concerning the degree of productivity of employee in type of rewards system is shown. 180(100%) respondents response was yes that they agree on rewards based on performance. From this one can deduce that employees prefer that they would be productive if the reward system was based on performance. For the reason of not existing performance based reward, employees are not well motivated. The Manager of Human Resource also interviewed how the organization integrates the reward policy and the human Resource Policy. They said that they because they did not have consistent reward policy, the two policies are apart. But the management is on its way to align reward policies with Human Resource policies.

Table 3.4 Respondents respond related to the impact of the reward on employee motivation

No	Item	Respondents	
		No	%
1	There is a motivation in the organization?		
	Yes	---	---
	No	180	100
	Not sure	--	--
	Total	180	100
2	The existing motivation has a positive impact for employees & organization		
	Yes	---	---
	No	180	100
	I don't know	---	---
	Total	180	100%
3	Do you believe you are committed & engaged to your organization		
	Yes	18	10
	No	162	90
	Total	180	100%

Item number 1 of table 3.4 reveals the comparison of respondents' response regarding employee motivation. As one can see in the table 3.4 item number 1, 180(100%) of respondents said no that they were not agree on the existence of motivation in the bank. From this, one can say that the motivation is not taking place in the Bank that employees are not well performers.

Regarding the impact of existing motivation on employees & for organization, item number 2 in table 3.4 shows the comparison of respondents' response. 180(100%) of employees said no that the existing motivation in the organization has no positive impact on employees & the organization. From this respondents' response, one can infer that employees would become more efficient if they were motivated by their organization.

Item Number 3 of table 3.4 shows the information regarding commitment & engagement of employee. 162(90%) of respondents responded No. 18(10%) of respondents said Yes. This implies that no motivation that make employees to commit & engage themselves to their job and the organization. Thus, the organization is continuously losing its experienced employees who are the main resources of the bank to reach its objective.

Table 3.5. Respondents respond regarding the factors affecting the reward system

No	Item	Respondents	
		No	%
1	You are rewarded based on the reward policy		
	Yes	---	--
	No	168	93
	I don't know	12	7
	Total	180	100
2	The reward system considers all employees & the organization		
	Yes	---	---
	No	180	100%
	I don't know	---	---
	Total	180	100%

As shown from above table 3.5 item number 1, 168 (93%) of respondents response was no that they were not rewarded based on organizational policy. 12(7%) of respondents don't know whether there is policy based reward or not. From this one can deduce that there is no consistent organizational reward implementation policy in the bank that employees also will not be consistent to stay for long time.

Regarding item no. 2 of table 3.5 180(100%) of respondents said no that there is no consideration of all employees. From this one can infer that there is no reward system which considers all employees of the organization at all. This shows the dishonesty of the organization to treat equally.

Table 3.6. Respondents’ response regarding challenges of the reward system

No	Item	Respondents	
		No.	%
1	Does the organization pay equal for equal jobs?		
	Yes	180	100
	No	---	---
	Total	180	100
2	Does the reward or incentive lead you for commitment to stay in the organization?		
	Yes	---	---
	No	180	100
	Total	180	100
3	Is there a high rate of turnover?		
	Yes	166	92
	No	14	8
	Total	180	100
4	If your answer is yes for the above question, in your opinion, what would be the case for high rate of turn over?		
	Less payment	58	35
	Less compensation	82	51
	No Promotion	26	14
	No recognition	---	---
	Total	166	100
5	Based on what factors employees are rewarded in your organization?		
	Performance		
	Contribution		
	Seniority	180	100
	Good relationship with the management		
	Effort		
	Total		
6	When compared to similar organizations, your compensation is?		
	High	---	---
	Same	---	---
	Less	180	100
	Total	180	100
7	What type of compensation you are provided by the organization		
	Bonus	180	100
	Transport fee	---	---
	House allowance	---	---
	Overtime	---	---
	Total	180	100

As can be seen in table 3.6 item number 1, 180(100%) of the respondents' respond was yes. So the payment is made equally for equal jobs

As item number 2 of table 3.6 reveals all the respondents response showed that no reward or incentive lead them for commitment & engagement to stay in the organization.

As shown on item 3 of table 3.6, 166 (92%) of the respondents respond that there is a high rate of turnover in the organization. 14 (8%) of respondents replied that there is no high turnover. This implies that there is a high rate of turnover in the bank so as to retain its employees, the organization should give due attention to implement reward practice.

Item number 4 of table 3.6 shows the comparison of respondents' response concerning the reason for employee turnover. 62(35%) of respondents responded that the turnover is because of less payment. 92 (51%) of respondents response shows that it because of very low compensation. 26 (14%) of respondents' response reveals that because there is no promotion. From this, one can infer that employees' turnover in a high rate because they are not satisfactory with the payment and compensation of the bank. So, unless the bank improves the salary scale and amount of compensation, it is unexpected to for Dashen Bank to reduce the continuous turnover of employees.

Item number 5 of table 3.6. shows the respondents' response based on factors employees are rewarded. 180(100%) of respondents respond that they are rewarded based on seniority. From this, one can deduce that employees are not rewarded based on other factors other than seniority. So employees will run away to other companies to look for payments & compensations by their performance.

Item number 6 of table 3.6 shows respondents' response regarding compensation. 180(100%) of respondents replied that their compensation is less compared to other organizations. So employees can't fulfill their basic needs & improve their living standard that they are complaining by the low compensation of the bank. Managers were asked about how they compare their organization with other financial institutions. The HR Manager said their organization is improving and going to do better from where it has been before.

Item 7 of table 3.6 reveals that majority or 180 (100%) respondents' response shows that they get few bonus but when compared to other companies, it is very minor. This implies that they are not satisfactory with the bonus they are providing.

CHAPTER FOUR

SUMMARY, CONCLUSION AND RECOMMENDATION

4.1. SUMMARY

From the analysis & interpretation made in the previous chapter the following summary conclusion & recommendations are drawn up.

- Concerning age 59(33%) or majorities of employees were between 31 – 40 years.
- With regard to work experience 49(27%) or most of employees were between 16-20 years.
- With regard to satisfaction with existing reward system, all or 180 (100%) opposed that they are not satisfied with reward system.
- All employees or 180(100%) felt that the reward system is not fair.
- Concerning compensation majority or 163(91%) of respondents felt that they are not compensated enough.
- With regard to building employee morale, all or 180(100%) were strongly disagreed that the bank is not building its employee morale.
- Regarding the productivity all or 180(100%) felt that the productivity will increase when based on performance.
- With regard to motivation majority or 125(69%) felt that motivation did not exist in the organization.
- Concerning the existing motivation in the organization, majority or 180 (100%) claim that it has no positive impact.
- Most of employees or 162(90%) claim that they are not engaged and committed to their organization.

- Majority or 168(93%) of employees claim that the organization reward employees based on seniority only.
- All or 180 (100%) of employees felt that the reward system doesn't consider all employees and the organization.
- With regard to turnover, majority or 166(92%) claimed that there is a high rate of turnover.
- Concerning the reason for employee turnover, majority or 82 (51%) claimed that it is because of less compensation.

CONCLUSION

- Workers basic needs, in addition to salary scale, are satisfied with financial rewards. Moreover, reward is one of the means that motivate employees to work hard. Unless need are satisfied, employees will not be motivated & may not stay in one organization for a long period of time. To this end, when compared to other financial organizations, Dashen Bank's salary scale is not adequate and the inconsistent reward practice is not satisfactory to fulfill their basic needs.
- People strive to show performance in their jobs because they think that such performance lead to promotion. Promotion is movement of employees to a higher pay & responsibilities. For employees to stay longer, there should be promotion. However the study shows that most workers of D.B. have not got promotional opportunities.
- In Dashen Bank, there is no integration of HR policy and Reward policy. Thus employees are not considered as stake holders and are not compensated enough. To this end, since the new policy is not implemented, there is no positive impact or no positive impact or no high performance of employees.
- The findings of the study revealed that there is no effective reward system. The study shows the fact that employees are not evaluated by the person who fits for the job. The study also shows the fact that there is no consistent reward system. As a result there is a high rate of turnover in Dashen Bank S.C.

RECOMMENDATION

Based on major findings and conclusions made, the student researcher learned that there were lots of issues that need improvement to reward and motivate employees of Dashen Bank. Therefore, the following recommendations are forwarded.

- Dashen Bank Share Company has to design a well organized and consistent reward system policy and make it implemented for employees.
- The organization should integrate the reward policy with Human Resource Policy because reward management is one of activities which need to be implemented in Human Resource Management.
- For the organization, to achieve its objectives, the reward system should be based on performance to get the return from employees as it is the most effective system in most organizations today.
- By considering employees as a resource and giving them responsibilities with chance to decide, they will feel that they are treated equally.
- The job rotation, transfer & promotion are considered as motivators, also they do have equivalent effect to retain employees, so Dashen Bank should transfer, rotate and promote its employees to possess adequate skill and develop their experience.
- The company should maintain the reward system which fulfills the expectation & aspiration of employees based on their benefits like health care, life insurance, trainings for the changing technology to ensure sustainability of employees so as to get their engagement & commitment for the achievement of the organization.

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Appendices

Appendix A –(I)
St.Marys University
Faculty of Business
Department of Management
Questionnaire to be filled by Dashen Bank Share Company employees

The objective of this questionnaire is to gather information about the reward management practice in Dashen Bank Share Company. Based on your response, the student researcher will conduct a study for academic purpose. To achieve this you are kindly requested to put (✓) on the answer of your choice.

1. Personal Information

1.1 Age

20-30 30-40 40-50 above 50

1.2 Sex

Male Female

1.3 Educational level

Below grade 12 12th Complete Certificate
Diploma Degree Above BA Degree

1.4 Work experience

> 2 3-5 6-10 11-15 16-20 Above 20

2. Questions directly related to the study

No	Description	Strongly Agree 5	Agree 4	Neutral 3	Disagree 2	Strongly Disagree 1
1	Reward practice exist in your organization					
2	You are satisfied with the existing reward system					
3	The reward system is fair in your organization					
4	The reward system include both financial & non financial Rewards					

2.1 Questions related to integration of HRM & Rewards

5. What type of payment system is applied in your organization?

Time rate system pay for performance Skill based pay
 Payment by result Company Wide incentive specify if any other

No	Description	Strongly Agree 5	Agree 4	Neutral 3	Disagree 2	Strongly Disagree 1
6	You feel you are compensated enough in your organization					
7	Your organization invests in human assets					
8	Your organization builds a greater employee morale					
9	Employees become more productive when productive rewards are based on performance					

2.2 Questions related Impact of the reward on employee motivation

No	Description	Strongly Agree 5	Agree 4	Neutral 3	Disagree 2	Strongly Disagree 1
10	There is a motivation on employees of the organization					
11	The motivation has a positive impact for employees & organization					

12. Do you believe you are committed & engaged to your organization?

Yes No

13. If no please specify your reasons below

2.3 Questions Related Factors affecting the reward system

No	Description	Strongly Agree 5	Agree 4	Neutral 3	Disagree 2	Strongly Disagree 1
14	You are rewarded based on the reward policy					
15	Does the management give due attention for reward management practice?					
16	The reward system considers all employees & the organization					

2.4. Questions related to challenges of the reward system

17 Is there a high rate of turnover?

Yes

No

18. If your answer is yes, in your opinion, what would be the reason for this high rate of turnover?

Less payment Less compensation No promotion no recognition

19. Based on what factors are you rewarded?

Performance

Contribution

Seniority

Good relationship with the management

Effort

20. When compared to similar organizations, your compensation is?

High same less

21. Does the organization pay equal for equal jobs?

Yes No

22. Does the compensation is fair for the job done?

Yes No

23. Of the following, which reward or incentive you obtained?

Bonus Promotion Recognition No

24. Does the reward or incentive lead you for further commitment to stay in the organization?

Yes No

25. If your answer is no please specify your reason.

Thank you!!

Appendix A – (II)
St Mary's University
Faculty of Business
Department of Management

Interview questions to managers of Dashen Bank Share Company

1. Does the Organization have Reward Management System?
2. How much fair the current Reward Management System?
3. How does the organization relate the Reward Policy with the Human Resource Policy?
4. What are the factors Considered in rewarding employee?
5. Does the current reward system motivate the employees of the organization?
6. What type of reward your organization mostly provide for employees?
7. What is the significance of rewarding employees?
8. What are the factors affecting the reward system in your organization?
9. How Much the current implementation of the reward system is effective in your organization?
10. When you compare the reward system of your organization with other companies, is it beneficial or not?

Thank you!!

Appendix B

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DECLARATION

Candidate's Declaration

I, the undersigned, declare that the senior essay is my original work prepared under the guidance of Ato Habte Zeberga. All sources of materials used to the manuscript have been dully acknowledged.

Name: _____

Signature: _____

Place of Submission: St.Mary's University

Date of Submission: June 27, 2006 E.C.

ADVISOR'S DECLARATION

The paper has been submitted for examination with my approval as an advisor.

Name: _____

Signature: _____

Date: _____