

**The Impact of Reward Systems on Corporate Performance: A
Case Study of Ghana Commercial Bank Limited**

By

Patrick Apeyusi (BSc. Administration)

KNUST

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DECLARATION

I hereby declare that this thesis is my own work towards the CEMBA and that, to the best of my knowledge, it contains no material previously published by another person or material which has been accepted for the award of any other degree by the university or any other university, except where due acknowledgment has been made in the context.

Patrick Apeyusi (PG2029508)

(Student's Name & ID)

Signature

Date

KNUST

Certified by:

Dr. Smile Dzisi

(Supervisor)

Signature

Date

Certified by:

..... ..

(Head of Department)

Signature

Date

ABSTRACT

Employees remain the greatest asset of any organization – whilst they provide performance, organizations offer rewards. A well designed system for rewarding labour greatly has a bearing on the output of employees and therefore impact on the performance of the organization as a whole. The study aimed at providing an objective view of organizations reward systems and its impact on corporate performance. It evaluated the reward systems of Ghana Commercial Bank Ltd. (GCB) and established whether their current reward systems have any bearing on corporate performance. The research gathered data from two main sources namely secondary and primary sources. The two main techniques employed in gathering the primary data were questionnaire survey and interviews. It was found out from the study that, there was a positive relationship between reward and corporate performance. Majority of respondents indicated that reward stimulates them to work harder and they are prepared to work harder if they are given more incentives or paid more. It was also revealed from the study that there were enormous reward packages in the organization but some of the respondents (staff members) were not aware. It was recommended that compensation packages should be linked to employee satisfaction. The rewards should provide value for money. In other words, more should be derived from the reward in terms of productivity and profitability than the cost of rewarding. Again, it was imperative on organizations to create extrinsic as well as intrinsic reward systems for the motivation and retention of the best calibre of staff. Employees should also be made aware of the reward components in their employment contract.

DEDICATION

This piece of work is dedicated to my dear wife Mrs. Beatrice Azuntaba for her unrelenting support and prayer towards a successful completion of this work. The work is also dedicated to my children Aiden Apeyusi and Raphael Apeyusi.

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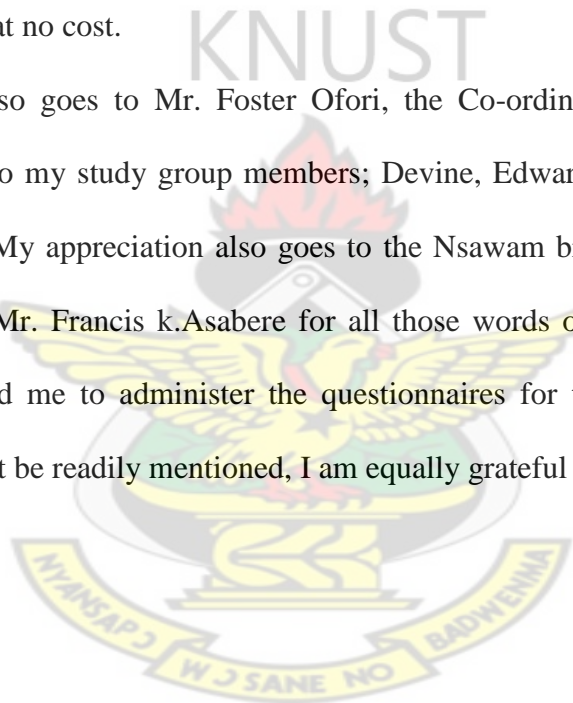


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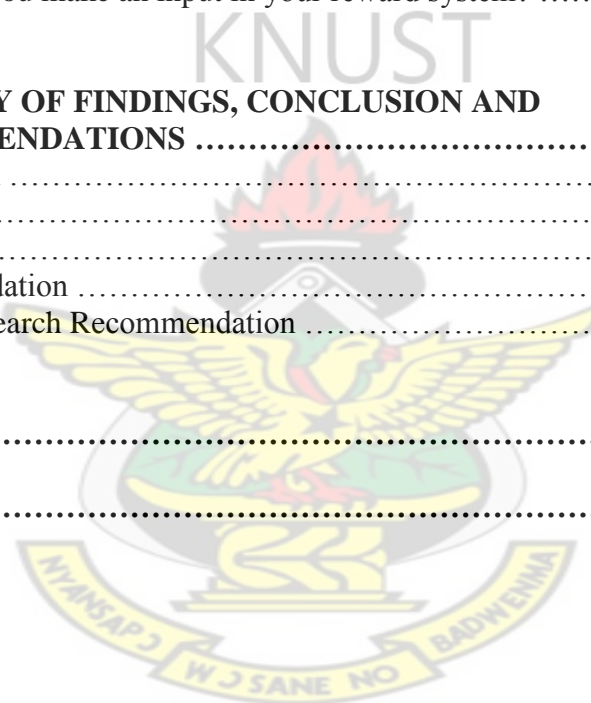
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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The current financial crisis the world is experiencing has made the reward system, with focus on bonuses and viable remuneration, a highly debated topic in media. Every company has some form of reward system. Reward systems are often used as a management tool for achieving desirable objectives. One of the most common purposes is to motivate employees to perform better (Ax et al, 2006).

In today's business culture, rewards, recognition and an enjoyable workplace have become extremely important for many reasons. Motivation is the key that gets people to do what they do. Armed with the knowledge of what is most important, creative solutions and the appropriate financial resources can be devoted to addressing the key issue. Without this knowledge, too much well-meaning effort might be expended trying to fix things that aren't all that important to employees (Kreitner, 1998). It is in the light of this that issues concerning the employees are considered the driving force of every organization and must be given the needed attention, as it will affect their performance and the organization at large. One of the key issues that concern every worker in an organization has to do with the reward or compensation for their effort.

Employees reward refers to "all forms of pay and rewards received by employees for the performance of their job" (Belcourt, 1999). Compensation includes employee wages and salaries, incentives, bonuses and commissions (Belcourt, 1999). The reward systems may differ from one organization to the other and may change from time to time. This arguably makes motivating employees the most complex of all management functions (Bowen & Radhakrishna, 1991). However, a basic feature of any reward system is that it must cause employees to give their best to the organization. As Lucey (1994), puts it 'a

properly organized and well planned reward system, benefits both the firm and its employees’.

We are all different; our needs, thoughts and experiences are different and we are all motivated by different things. Would it not be more correct if the rewards also were individualized? It is important for every employer to find what motivates each employee. In a perfect world, the company has resources to ensure that all employees have a meaningful job, but this is far from reality. People want to feel that what they do make sense. What motivates us will change over time. What was seen as meaningful 25 years ago may not feel as meaningful today. We are motivated by different things depending on where we are in our development. A young worker is likely to be keener on development possibilities, while an older one is more anxious about security and to be able to use his experience (Jagult, 2005).

People are the heart and soul of any business. In order for an organization to truly succeed, it is vital that they are managed effectively. For a business to succeed in today’s competitive global market place, it must have employees that perform at the top of their ability. This top performance can only be achieved when they are driven by enjoyment for the work itself. It is therefore an undeniable fact that the human resource of every organization remains the most important resource therefore every effort should be made to ensure their effectiveness since without them the organization cannot function.

Organizations are seeking ways to beat the competition and be profitable. Nothing is more critical to this goal than human energy – a strategic approach to motivating the total organization (The Executive Challenge, 1999).

Organization performance has been diversely defined by a wide-ranging experts and authorities with different attributes but is strongly linked to employee and corporate efficiency. Daft (2003) defines corporate performance as the organization’s ability to

attain its goals by using resources in an efficient and effective manner. Armstrong (2003) notes performance as a multi-dimensional construct, the measurement of which varies depending on a variety of factors.

Performance can be seen as a record of outcome achieved as well as a person's accomplishments. Performance can therefore be regarded as behavior – the way in which organizations, teams and individuals get work done. Armstrong (2003) concluded that when managing the performance of teams and individuals, both inputs (behavior) and output (results) need to be considered. That is, performance management cover competency levels and achievements as well as objective setting and review. Bourne *et al.* (2003) recognize employees as one of the most important stakeholders in their five facets of the performance prism. This supports Balmer and Gray's (2000) assertion that for today's knowledge organizations, the key to staying competitive is the ability to attract and retain skilled and motivated employees. Retaining rare skills and knowledge from the labour market requires employers to implement very good reward systems.

All organizations are concerned with what should be done to achieve sustained high levels of performance through people. This means giving close attention to how individuals can best be motivated through such means as incentives, rewards, leadership and importantly, the work they do and the organizations context within which they carry out that work. This research is a case study of the impact of reward systems on corporate performance in Ghana Commercial Bank Limited Ltd(GCB).

1.2 STATEMENT OF THE PROBLEM

Organizations are established to accomplish specific objectives. The organization that wishes to achieve these objectives must have a competitive and perhaps a comprehensive total reward system that is aligned with the organization's business strategy and that reflects the competitive reality of the labour market. In a world where people have

become more and more demanding about their lives and surroundings, the reward system could be used to motivate employees by satisfying these demands. However, there exists a lack of understanding in how to motivate all those high demanding individuals, making most of the reward systems sub-optimized. To create an optimal reward system, we need to better understand what really motivates, and what does not. The importance of reward systems on organizations performance or efficiency cannot be overemphasized. However there are a number of problems inherent in the operation of reward systems by organizations.

The reward types in most organizations usually are not performance based. Thus they are not linked in any way to business structure and employee recruitment, retention, motivation, performance, feedback and satisfaction. Moreover, the recipients of these rewards in most organizations do not participate in the planning and the implementation of the reward systems in organizations. Further, there are a number of loopholes in the administration of the various ways of rewarding employees in organizations. Again, most organizations view reward as only the monetary compensation given to employees to compensate them for their performance, whereas rewards should be everything that goes into motivating the individual employee to give out his best.

The study evaluated the reward systems of organizations as a whole by focusing on GCB. and established whether their current reward systems have any bearing on corporate performance.

1.3 OBJECTIVES OF THE STUDY

The objectives of this study are to:

- i. Identify the basic components of reward package in GCB.
- ii. Assess the relative strengths and weaknesses in the current reward systems of the bank.

- iii. Ascertain the extent and impact of relationship between the various reward systems and corporate performance.
- iv. Find out whether workers always participate in designing reward systems.
- v. Identify ways of improving the various reward systems to enhance corporate efficiency and effectiveness in GCB.

1.4 RESEARCH QUESTIONS

The following questions guided the study:

- i. What are the basic components of reward package in GCB?
- ii. What are the strengths and weaknesses in the current reward systems of the bank?
- iii. To what extent does the relationship between the various reward systems impact on corporate performance?
- iv. Do workers always participate in designing reward systems?
- v. In what ways can the various reward systems be improved to enhance corporate efficiency in GCB?

1.5 SIGNIFICANCE OF THE STUDY

This study will provide an insight into the meaning of reward systems as it pertains to organizations and as it is required to be. A well designed system for rewarding labour greatly has a bearing on the output of employees and therefore impact on the performance of the organization as a whole. Reward represents by far the most important and contentious element in the employment relationship, and is of equal interest to the employer and employee. To the employer because it represents a significant part of his costs, it is increasingly important to his employees' performance and to competitiveness, and affects his ability to recruit and retain a quality labour force. To the employee it is fundamental to his standard of living and is a measure of the value of his services or performance. The associated merits and demerits that accompany reward systems were

also examined. The results of this study would go a long way to create awareness about the weaknesses in the implementation of this system and the suggested way forward. It is thereby hoped that this study will contribute constructively towards increasing organizations as well as the employees understanding and acceptance of the impact of reward systems on individual performance and therefore the corporate performance in GCB.

1.6 SCOPE OF THE STUDY

The study focused on GCB as one of the financial institutions in Ghana. It is predicted on the assumption that good reward systems have bearings on corporate performance. It assessed the current systems and their limitations as well as advantages and the level of employee involvement in the design and implementation of such reward systems.

The study was limited to the Head Office and three branches of GCB – Koforidua, Akim Oda and Nsawam Branches. The choice of limiting the study to only three branches and the Head Office was for several reasons. One reason was to ensure that an in-depth and critical study was done, such that the results will provide useful information on the relationship between performance and reward systems. Results of this kind provide bases for generalization.

1.7 LIMITATIONS OF THE STUDY

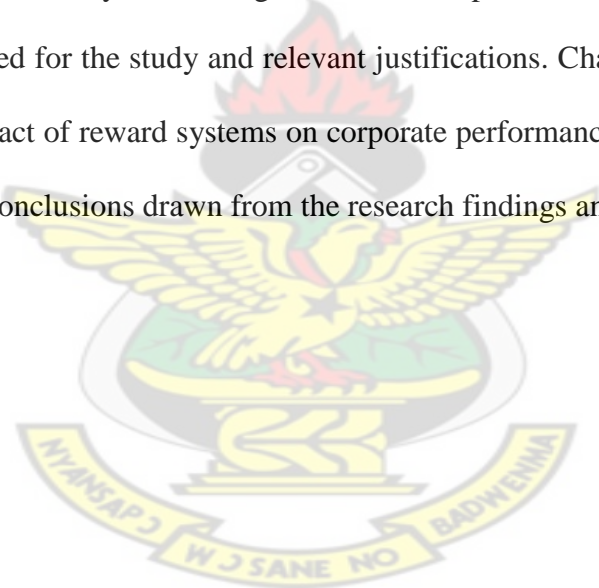
In as much as lots of commitment and zeal was employed in conducting an intensive and thorough study, certain impediments were encountered. A major problem encountered by the researcher during the data collection process was the reluctance of respondents to answer the questionnaire. This had been a problem in Ghana, where information flow could be tainted with excessive bureaucracy and suspicion and sometimes fears of victimization by superior officers. The schedule at the banking institutions made it difficult to serve out the questionnaires. They hardly adhere to their break times because

there is almost every time a customer to be served or work to be attended to. The unwillingness of Management to divulge strategic information in the name of confidentiality was a limitation to the study.

The other reason was due to time constraints, the period allotted for the study was not long enough to allow a vast study to be done.

1.8 ORGANISATION OF THE STUDY

The study was organized into five chapters. Chapter one introduced the study by giving the background information on the research problem, objectives, the scope and limitations of the study . Chapter two dealt with the review of relevant literature and the theoretical framework of the reward system in organizations. Chapter three discussed the research methodology adopted for the study and relevant justifications. Chapter four presented the findings on the impact of reward systems on corporate performance in GCB. Chapter five also presented the conclusions drawn from the research findings and recommendations.



CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter explored concepts from behavioral sciences as well as the physical sciences and draws out analogies to explain the phenomenon of reward systems and corporate efficiency. It also reviewed other research findings in the area of reward systems. It reviewed emerging and critical reward issues. It again raised issues such as the problem of measuring comparability and the issue of recognition programs.

2.1 THEORETICAL FRAMEWORK

2.1.1 The Concept of Motivation

Along with perception, personality, attitudes, and learning, motivation is a very important part of understanding behaviour. Luthans (1998) asserts that motivation should not be thought of as the only explanation of behaviour, since it interacts with and acts in conjunction with other mediating processes and with the environment. Luthans stress that, like the other cognitive process, motivation cannot be seen. All that can be seen is behaviour, and this should not be equated with causes of behaviour. While recognizing the central role of motivation, Evans (1998) states that many recent theories of organizational behaviour find it important for the field to reemphasize behaviour. Definitions of motivation abound. One thing these definitions have in common is the inclusion of words such as "desire", "want", "wishes", "aim", "goals", "needs", and "incentives". Luthans (1998) defines motivation as, "a process that starts with a physiological deficiency or need that activates a behaviour or a drive that is aimed at a goal incentive". Therefore, the key to understanding the process of motivation lies in the meaning of, and relationship among, needs, drives, and incentives. Relative to this,

Minner, Ebrahimi & Watchel (1995) state that in a system sense, motivation consists of these three interacting and interdependent elements, i.e., needs, drives, and incentives.

A motive is a reason for doing something. Motivation is concerned with the factors that influence people to behave in certain ways. The three components of motivation as listed by Arnold *et al* (1991) are:

- i. **Direction:** what a person is trying to do
- ii. **Effort:** how hard a person is trying
- iii. **Persistence:** how long a person keeps on trying

2.1.2 Types of Motivation

The types of motivation as originally identified by Herzberg *et al* (1957) include the following:

- i. **Intrinsic Motivation:** the self-generated factors that influence people to behave in a particular way or to move in a particular direction. These factors include responsibility (feeling that the work is important and having control over one's own resources), autonomy (freedom to act), scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement.
- ii. **Extrinsic Motivation:** what is done to or for people to motivate them. This includes rewards, such as increased pay, verbal appreciation or promotion and punishment, such as disciplinary action, withholding pay, or criticism. Extrinsic motivators can have an immediate and powerful effect, but it may not necessarily last long.

The most influential theories are classified as follows:

2.1.3 Instrumentality Theory

This theory states that rewards or punishments serve as the means of ensuring that people behave or act in desired ways. 'Instrumentality' is the belief that if we do one thing it

will lead to another. It assumes that a person will be motivated to work if rewards and penalties are tied directly to his or her performance, thus the awards are contingent upon effective performance. Instrumentality theory has its roots in Taylorism, i.e. the scientific management methods of Taylor (1911). Taylor noted that it is impossible, through any long period of time, to get workmen to work much harder than the average men around them unless they are assured a large and permanent increase in their pay. Motivation using this approach has been, and still is, widely adopted and can be successful in some circumstances. However, it is based exclusively on a system of external control and fails to recognize a number of other human needs.

2.1.4 Content Theory

This theory focuses on the content of motivation. It states that motivation is essentially about taking action to satisfy needs and identifies the main needs that influence behavior. Maslow (1954) talked about Needs theory, and in his two-factor model, Herzberg (1957) listed needs which he termed 'satisfiers'. These theories are explained as follows:

Maslow's Hierarchy of Needs

Maslow (1957) suggested that there are five major need categories which apply to people in general, starting from the fundamental physiological needs and leading through a hierarchy of safety, social and esteem needs to the need for self-fulfillment, the highest need of all. Maslow's hierarchy is as follows:

- i. Physiological: the need for oxygen, food, water and sex.
- ii. Safety: the need for protection against danger and the deprivation of physiological needs.
- iii. Social: the need for love, affection and acceptance as belonging to a group.
- iv. Esteem: the need to have a stable, firmly based, high evaluation of oneself (self-esteem) and to have the respect of others (prestige).

- v. Self-fulfillment (self-actualization): the need to develop potentialities and skills, to become what one believes one is capable of becoming. Maslow's theory of motivation states that when a lower need is satisfied, the next highest becomes dormant and the individual's attention is turned to satisfying this higher need.

The lower need still exist, even if temporarily dormant as motivators, and individuals constantly return to previously satisfied needs. One of the implications of Maslow's theory is that the higher-order needs for esteem and self-fulfillment provide the greatest impetus to motivation – they grow in strength when they are satisfied, while the lower needs decline in strength on satisfaction. But the jobs people do will not necessarily satisfy their needs, especially when they are routine or de-skilled. The basis of this theory is the belief that an unsatisfied need creates tension and a state of disequilibrium. To restore the balance, a goal that will satisfy the need is identified and a behavior is therefore motivated by unsatisfied needs.

Herzberg's Two-Factor Model

The two-factor model of satisfiers and dissatisfiers was developed by Herzberg *et al* (1957) following an investigation into the sources of job satisfaction and dissatisfaction of accountants and engineers. The main implications of this research, according to Herzberg are that the wants of employees are divided into two groups. One group revolves around the need to develop in one's occupation as a source of personal growth. The second group operates as an essential base to the first and is associated with fair treatment in compensation, supervision, working conditions and administrative practices. The fulfillment of the needs of the second group does not motivate the individual to high levels of job satisfaction and to extra performance on the job. In order to satisfy this second group of needs the prevention of dissatisfaction and poor job performance must be ensured.

Conversely, Herzberg's two-factor model has been criticized because no attempt was made to measure the relationship between satisfaction and performance. However, Herzberg had immense influence on the job enrichment movement, which sought to design jobs in a way that will maximize the opportunities to obtain intrinsic satisfaction from work and thus improve the quality of working life. His emphasis on the distinction between intrinsic and extrinsic motivation is also important.

2.1.5 Process Theory

This motivation theory focuses on the psychological processes which affect motivation, by reference to expectations (Vroom, 1964), goals (Latham and Locke, 1979) and perceptions of equity (Adams, 1965).

In process or cognitive theory, the emphasis is on the psychological processes or forces that affect motivation, basic needs as well as people's perceptions of their working environment and the way in which they interpret and understand it. Process or cognitive theory can certainly be more useful to managers than need theory because it provides more realistic guidance on motivation techniques. The processes are:

- i. Expectations (expectancy theory)
- ii. Goal achievement (goal theory)
- iii. Feelings about equity (equity theory).

These theories are explained below:

Expectancy Theory

The concept of expectancy was originally contained in the Valency-Instumentality-Expectancy (VIE) theory, which was formulated by Vroom (1994). Valency stands for value, Instrumentality is the belief that if we do one thing it will lead to another and Expectancy is the probability that action or effort will lead to an outcome. Motivation is only likely when a clearly perceived and usable relationship exists between performance

and outcome and the outcome is seen as a means of satisfying needs. This theory was developed by Porter and Lawler (1968) into a model which follows Vroom's ideas by suggestion that there are two factors determining the effort people put into their jobs:

- i. The value of the rewards to individuals in so far as they satisfy their needs for security, social esteem, autonomy and self-actualization.
- ii. The probability that rewards depend on effort, as perceived by individuals – in other words, their expectations about the relationships between effort and reward.

However, as Porter and Lawler emphasized, mere effort is not enough. It has to be effective effort if it is to produce the desired performance. The two variables additional to effort which affect task achievement are:

- i. *Ability*: individual characteristics such as intelligence, manual skills, know-how, etc.
- ii. *Role Perceptions*: what the individual wants to do or thinks he or she is required to do. These should ideally be linked to the overall strategic goals of the organization.

Goal Theory

Goal theory as developed by Latham and Locke (1979) states that motivation and performance are higher when individuals set specific goals, when goals are difficult but accepted, and when there is a feedback on performance. Erez and Zidon (1984) emphasized the need for acceptance of and commitment to goals. They found that, as long as they are agreed, demanding goals lead to better performance than easy ones. Goal theory, however, plays a key part in the performance management process which was evolved from the largely discredited management-by-objectives approach.

Equity Theory

Equity theory is concerned with the perception people have about how they are being treated as compared with others. Equity involves feelings and perceptions and is always a comparative process. It is not synonymous with equality, which means treating everyone the same. As suggested by Adams (1965), there are two forms of equity. Distributive equity which is concerned with the fairness with which people feel they are rewarded in accordance with their contribution and in comparison with others. Procedural equity or Procedural justice, which is concerned with the perceptions employees have about the fairness with which company procedures in such areas as performance appraisal, promotion and discipline are being operated. Interpersonal factors are closely linked to feelings about procedural fairness. Five factors that contribute to perceptions of procedural fairness have been identified by Tyler and Bies (1990). These are:

- i. Adequate considerations of an employee's viewpoint
- ii. Suppression of personal bias towards the employee
- iii. Applying criteria consistently across employees
- iv. Providing early feedback to employees concerning the outcome of decisions
- v. Providing employees with an adequate explanation of the decision made.

2.1.6 Reinforcement Theory

According to Noe *et al* (2003) the law of effect states that a response followed by a reward is more likely to recur in the future. The implication of this theory to compensation management is that high employee performance followed by a monetary reward or otherwise will make future high performances possible. This theory emphasizes the importance of a person's actual experience of rewards since a new graduate's expectation of reward will certainly be different from an elderly person.

2.1.7 Motivation and Money

Money, in the form of pay or some other sort of remuneration, is the most obvious extrinsic reward. Financial incentives motivate people, especially, for those people who are strongly motivated by money and whose expectations are that they will receive a financial reward that are high. However, less confident employees may not respond to incentives that they do not expect to achieve. Multiplicities of factors are involved in performance improvements and many of those factors are interdependent.

Jacques (1961) emphasized the need for such systems to be perceived as being fair and equitable (felt-fair principle). In other words, the reward should be clearly related to effort or level of responsibility and people should not receive less money that they deserve compared with their fellow workers.

However the use of money as a compensation package is to use it to satisfy the needs of the employee. Some employers however go beyond the mere offer of only money as a means of compensation and offer packages such as housing facility, cars, security allowances and even mobile telephones.

People are more likely to be motivated if they work in an environment in which they are valued for what they are and what they do. This means paying attention to the basic need for recognition. Organizations should encourage the development of performance management processes, which provide opportunities to agree expectations and give positive feedback on accomplishments. They should also develop reward systems, which provide opportunities for both financial and non-financial rewards to recognize achievements (Armstrong, 2001).

Lessons of expectancy, goal and equity theory need to be taken into account in designing and operating reward systems. The cultural environment of the organization in the shape of its values and norms will influence the impact of any attempts to motivate people by

direct or indirect means. The human resource contribution should center on advising on the development of a culture, which supports processes of valuing and rewarding employees (Armstrong, 2001).

2.2 AN OVERVIEW OF CORPORATE PERFORMANCE

Organization performance has been diversely defined by a wide-ranging experts and authorities with different attributes but is strongly linked to corporate efficiency. Daft (2003) defines corporate performance as the organization's ability to attain its goals by using resources in an efficient and effective manner. Armstrong (2003) noted that performance is a multi-dimensional construct, the measurement of which varies depending on a variety of factors.

Performance can be seen as a record of outcomes achieved as well as a person's accomplishments. Performance can therefore be regarded as behavior – the way in which organizations, teams and individuals get work done. Armstrong (2003) concludes that when managing the performance of teams and individuals both inputs (behavior) and output (results) need to be considered. This performance management covers competency levels and achievements as well as objective setting and review.

2.2.1 Performance Measures

Performance measures should allow progress against objectives to be measured. It should indicate what is expected and how well people are doing in attaining their objectives. Performance measures should be clear, concise, easy to collect and interpret, and relevant in that they should provide information that tells you and the organizations how well you are performing. The measures are usually related to efficiency (how quickly you deliver) effectiveness (how good, accurate or relevant the service delivery was to the customer), cost efficiency and cost effectiveness. Performance measures usually cover information relating to:

- i. Finance – cost as well as income
- ii. Customers – new and lost
- iii. Market – penetration thereof
- iv. Resources – consumed, saved or required
- v. Processes – how efficiently and effectively tasks and activities are accomplished
- vi. Deposits – how much money is well mobilized

Performance measures should be agreed between job holder and his or her manager and should be reviewed regularly. There are a number of benefits to the organization and the individual in terms of personal development and corporate achievement (Business: The Ultimate Resource, 2002). Some valid aspects for measuring performance in relation to reward systems include:

- i. Rate of customer growth and retention annually
- ii. Annual growth in company profits
- iii. Annual increase in the company's market share
- iv. Rate of employee turnover over a certain number of years
- v. Efficient and effective product and service spin-off and growth
- vi. Corporate expansion, opening of new branches and establishment of subsidiaries.

2.2.2 The Five Facets of the Performance Prism

Bourne *et al* (2003) relate the five facets of the performance prism under two major branches as:

The external facets of the performance prism:

- i. Stakeholder Satisfaction
- ii. Stakeholder Contribution

Stakeholders include: investors, customers and intermediaries, employees, regulators and communities suppliers.

The internal facets of the performance prism:

- i. Strategies: including corporate strategy, business unit strategy, brands/products/services strategy and operating strategy.
- ii. Processes: involves developing products and services, generating demand, fulfilling demand, planning and managing enterprises.
- iii. Capabilities: encompasses people, practices, technology and infrastructure.

Bourne *et al* (2003) observe further that there is a growing trend towards managing performance improvements through focusing on the underlying drivers of performance, whether they are improvements in the processes or the underlying resources that give these processes their capability. The past obsession with pure financial performance is decreasing and there is recognition that there is now a significant trade-off between hitting today's financial results and sustaining the capabilities and competencies that allow companies to compete effectively in the future. Companies are increasingly being asked to explain not only what their profitability is but also how they have achieved it.

2.2.3 Corporate Identity

Balmer and Gray (2000) stressed that in essence, corporate identity is the reality and uniqueness of an organization which is integrally related to its external and internal image and reputation through corporate communication. Corporate communication is the process through which stakeholders perceive that the company's identity and image and reputation are formed.

Retaining High Calibre Personnel: For today's knowledge organizations, the key to staying competitive is the ability to attract and retain skilled and motivated employees. A favourable reputation can play a major role in achieving this, because the organization's reputation provides a certain psychological income to the individual. Furthermore, high calibre personnel can play a prominent role both formally and informally in

communicating the firm's identity to the outside world. In today's volatile business environment corporate communication, when viewed and managed from a strategic perspective, can imbue many organizations with a distinct competitive advantage (Balmer and Gray, 2000). One sure way of retention of the right calibre of staff is by motivating them – and when we talk about motivation in the corporate world one sure thing that comes to mind is compensation or rewards.

2.2.4 Organizational climate and Employee Satisfaction

Organizational climate, as suggested by West *et al.* (1998), refers to the “perceptions that organization members share of fundamental elements of their organization” (p. 262). When perception by employees of greater involvement in decision making, information sharing and management support is favourable, then greater corporate effectiveness is also expected.

2.2.5 Employees as Stakeholders

Crowther (1996) identifies the perspective dimension of corporate performance as seeking to recognize stakeholders as having more than one perspective and that different stakeholder groups may have the same perspective.

Identifying Employees as stakeholders, he argued further that, “this reflects both the fact that employees are interested in the performance of the organization and that the organization is concerned with the performance of its employees in helping meet its objectives”. It is concerned, therefore, with the motivation of employees and the relationship between performance and rewards.

2.3 REWARD SYSTEM

Nelson and Peter (2005) stated “You get what you reward”. According to them, a reward system is the world's greatest management principal. If the organization rewards a certain kind of employee behavior good or bad, that is what the company will get more of

(Svensson, 2001). Every existing company has some form of reward system, whether it is outspoken or not, it exists (Jaghult, 2005). People correspond positively to praise, and praise in the right moment creates loyalty and affinity (Bernstein, 1998).

Rewards come in two different types. It can either be in a form of incentive motivation or personal growth motivation. The former is the kind that comes from within the individual, a feeling, being proud over something, feeling content and happy by something that you have done. The later is the type that is brought to you by another person or an organization (Kaplan and Atkinson, 1998), and is the one that will hold our focus through this study. Furthermore, extrinsic rewards can be monetary or non-monetary. The monetary is usually a variable compensation, separated from the salary it is received as a consequence for extraordinary performance or as an encouragement and it can be either individually based or group based. The conditions to obtain this reward should be set in advance and the performance needs to be measurable (Jaghult, 2005). There exists a variety of purpose of a reward system, one very common is to motivate employees to perform better, but also for keeping the employees (Ax, Christer and Kullven, 2005). For a reward system to be ideally motivational, the reward should satisfy a number of criteria; have value, be large enough to have impact, be understandable, be timely, the effect should be durable and finally the rewards should be cost efficient (Merchant, 2007).

2.3.1 Purpose

A reward system puts together employees' natural self-interests with the organization's objectives and provides three types of management control benefits, informational, motivational and personnel related. Firstly, rewards should catch the employees' attention and at the same time it works as a reminder for the person in charge of what results should be completed in different working areas. Organizations use reward systems to emphasize on which parameters their employees should exert the extra effort on by

including them in their reward program (Svensson, 2001). This is a good way to emphasize and convince the employees of which performance areas that are important and create goal congruence within the organization and signals how the employees should direct their efforts. To motivate is the second control benefit. People sometimes need an incentive to perform tasks well and work hard. Last but not least we have the personnel related control benefit. Organizations give rewards for many different reasons e.g. to improve recruitment and retention by offering a compensation package that is competitive on the market (Merchant, 2007).

Reward systems refer primarily to things that employees value. It is important to bear in mind that a reward system can contain both positive and negative rewards. The negative rewards, often seen as punishments, usually manifest themselves through an absence of positive rewards. Examples of positive rewards would be autonomy, power, salary increases, bonuses and some negative rewards would be interference in job from superiors, zero salary increase, and no promotion (Svensson, 2001).

2.3.2 Different parts of a reward system

While constructing a reward system there are certain criteria to consider, and commonly these are considered in most outspoken reward systems. A reward can be either an “add-on”, meaning that the employee has a normal salary, and the reward. Corporations have, just as humans, different life-stages, and depending on where the corporation is at the moment it has different needs and this affects the reward system, needing to create goal congruence. What goals the company have in regards of profitability and growth, are the parameters you measure to see if a reward should be paid or not. This usually requires a bread-down of the goals, making them easier to measure and more understandable for the employees, and there you also need to show them how their behavior affects the measured goals and parameters. Here the incentive system becomes a tool for

management control and the choice of which goals you measure is important, since these are the ones the employees will put their focus on. Sometimes a monetary reward is given based on individual or on departments' performance, although the company has losses. This can be avoided by adding a threshold requirement for the whole company, which then needs to be fulfilled before a bonus can be paid out in any departments. Factors such as when and how the reward should be paid out and if there should be a roof (a higher limit of the reward-amount) are things that always should be specified while designing the system (Jaghult, 2005).

Monetary

“It is certainly not the only form of reward, and it is not necessarily always the best one, but it's use is so common that it deserves special mention” (Merchant, 2007). People value money and therefore making money an important form of reward. Monetary reward systems can be classified into three main categories, performance-based salary increases, short-term incentive plans, and long-term incentive plans. The latter two rewards are common on managerial levels and are often linked to performance during a specific time period (Svensson, 2001). The first one is often considered to be the greatest motivational factor of them all (Samuelsson, 1999).

Each and every organization gives salary increase to employees' at all organizational levels. This is normally a small portion of an employee's salary, but has a significant value due to its long-term perspective (Merchant, 2007).

Short term incentives in some form are however commonly used in organizations. A cash bonus is usually based on performance measured on a time period of one year or less. Why a company primarily uses a variable pay is to differentiate it among the employees, so that the most successful employees will be rewarded. By recognizing the employee's contributions to the company it makes it easier for the organization to encourage excellent

performance. The employees appreciate the possibility of receiving a reward for their performance (Svensson, 2001). Using a variable pay can also be an advantage for the company in terms of risk-sharing. This means that the expense for compensation varies more with company performance when the total compensation is partly variable, making the cost lower when no profit is made and when there is a profit this can be shared with the employees.

Rewards based on performance measures over time periods larger than one year are long-term incentive rewards. By using this, a company can reward employees for their outstanding work performance to maximize the firm's long-term value. This also works to attract and retain key talented persons (Merchant, 2007). Types of these can be stock-option programs, restricted stock plans or by a reward that is put in a 'bonus-bank' that change according to result and runs over several years (Samuelsson, 1999).

A stock-option program is usually when a person is allowed to buy stocks in the future, but for today's price. This is an attractive way of rewarding a manager because the manager would want the value of the stock to increase and thus work harder on the long-term goals and commitments instead of focusing on short-term profits. Another advantage with this type of reward is, since the manager does not yet own the stock, he or she will still be taking risks with higher payoffs than they might had if they already owned them. There does, however, exist one great disadvantage though with the stock-option program. A manager does not have enough control over the value. Too many external and non-responsive factors influence the value, making it less appealing as an incentive (Kaplan and Atkinson, 1998).

A very popular type of long-term incentive is some form of a restricted stock plan. This reward is shares given as a bonus to the employee, however, they can only be sold after certain time period. After for instance one year, the employee will be able to sell one fifth

of the shares, after two years he or she will be able to sell two-fifths and after three years three-fifths etc. this is a way to retain competence within the company, not to motivate employees, since if they choose to end their employment before the fifth year, they will lose the remaining parts. Some firms take this even further by withdrawing the shares you already received (Merchant, 2007).

Non-monetary

Be given a thank you from your manager or to receive gratitude from your co-workers are both examples of non-monetary rewards (Jagult, 2005). Monetary rewards are often accused of being too short-termed, and not creating a long-term commitment which is normally what you want from your employees. To achieve long-lasting motivation for the employees the organization must pay attention to both the financial and the non-financial motivators, in order to provide the best mix (Armstrong, 1993).

Individual-based vs. group-based rewards

For a group reward to provide a direct incentive effect, the employee to whom the rewards are promised has to believe that they can influence the performance on which the rewards are based on to a significant extent (Merchant, 2007). Achieving something as part of a group usually strengthens the ties between co-workers. However, if someone has been part of the group without contributing in the same way as the rest, usually creates great dissatisfaction among the rest, and teaches employees that they get rewards without input. This phenomena is called the free-rider-problem. In many projects and companies, it is not possible to carry out a task by yourself but the task-completing-process is a process though the company, engaging many different people. In these cases a group-based reward is preferable since everyone has “pulled their weight”, although it is hard to see the individual impact.

Individual-based rewards often lead to sub-optimization. When introducing an individual-based reward system, employees tend to concentrate on their own performance instead of the company's performance as a whole. Asking co-workers and managers for help is suddenly something you think twice about, as you might need to share a future reward if you do. This leads to tasks fulfilled with an okay result, instead of a better result that might had sprung from a collaboration with co-workers more competent to the task or parts of the task, hence sub-optimization. However, an individual-based reward creates the greatest motivation and larger incentives for the individual (Jaghult, 2005).

Increasing the responsibility for an employee usually tends to also increase motivation. This because increased responsibility makes the employee feel more appreciated and skillful. When in a group, people learn from each other, creating more and more positive actions, and also gets more effective. Rewarding a group using a monetary reward, often creates an intrinsic reward for the group-members, as they feel satisfied belonging to a group that has performed something extraordinary (Jaghult, 2005). There is also a possibility to combine these two kinds of rewards (Samuelsson, 1999). This can be done by basing the total reward on group performance, and the individuals' shares of this reward on individual performance (Kaplan and Atkinson, 1998).

2.3.3 Performance measures and goal setting

The connection between performance and rewards are the goals set and the performance measured in contrast to these goals. There are two types of measures, financial and nonfinancial, although both are usually used, the financial reward is the most common. A company needs to understand what runs their returns to be able to manage the factors that create it. Financial measures, such as return on investment, tend to be short-term which makes them partially sub-optimized. The nonfinancial measures such as quality on the other hand, could be used by the company for long-run financial performance. Financial

measures are still however, very important since they correlate with the primary objective of companies, profit. A performance measure's purpose is to both make the employees focus on what is important, but also to be able to see and react when something is wrong. One way of connecting the non-financial measures and goals with the financial is by using a balanced scorecard for example (Kaplan and Atkinson, 1998).

One definition of a goal is a description of a wanted, future state. This is usually an overall vision, that gets broken-down to different levels in the company, and if this process functions as it should, even at the lowest level and in the tiniest goals, there exists congruence with the vision (Jacobsen and Thorsvik, 2008).

A theory developed in 1979 by Latham and Locke suggests that motivation and performance increases when people set specific and achievable goals, when the goals are difficult but accepted and when there is some kind of feedback on the performance. This makes the participation of goal setting important, giving the employee possibility to influence his goals (Armstrong, 1993).

2.4 COMPONENTS OF THE WAGE MIX

A combination of internal and external factors can influence, directly or indirectly, the rates at which employees are paid.

2.4.1 Internal Factors

The internal factors that influence wage rates are the employer's compensation policy, the worth of a job, an employee's relative worth in meeting job requirements and an employer's ability to pay.

Employer's Compensation Policy: as a minimum, both large and small employers should set pay policies reflecting (1) the internal way relationship among jobs and skills levels, (2) the external competition or an employer's pay position relative to what competitors are paying, (3) a policy of rewarding employee performance and (4)

administrative decision concerning elements of the pay system as overtime premiums, payment periods and short-term or long-term incentives (Milcovich and Newman, 1999).

Worth of a Job: organizations with formal compensation programs, however, are more likely to rely on a system of job evaluation to aid in rate determination. Even when rates are subject to collective bargaining, job evaluation can assist the organization in maintaining some degree of control over its wage structure. The jobs covered most frequently by job evaluation comprise clerical, technical and various blue-collar groups whereas those jobs covered least frequently are managerial and top-executive positions.

Employee's Relative Worth: in both hourly and salary jobs, employee performance can be recognized and rewarded through promotion and with various incentive systems. Superior performance can also be rewarded by granting merit raises on the basis of steps within a rate range established for a job class.

Employer's Ability to Pay: thus an organization's ability to pay is determined in part by the productivity of its employees. This productivity is a result not only of their performance, but also of the amount of capital the organization has invested in labour-saving equipment. Economic conditions and competition faced by employers can also significantly affect the rates they are able to pay.

2.4.2 External Factors

The major external factors that influence wage rates include labour market conditions, area wage rates, cost of living, and collective bargaining if the employer is unionized and legal requirements.

Labour Market Conditions: the labour market reflects the forces of supply and demand for qualified labour within an area. These forces help to influence the wage rates required to recruit or retain competent employees. However, there are 'counter forces' that can reduce the full impact of supply and demand on the labour market. The economic power

of unions, for example may prevent employers from lowering wage rates even when unemployment is high among union members.

Area Wage Rates: a formal wage structure should provide rates that are in line with those being paid by other employers for comparable jobs within the area. Importantly, data from area wage surveys can be used to prevent the rates for jobs from drifting too far above or below those of other employers in the region. Wage-survey data must also take into account indirect wages paid in the form of benefits.

Cost of Living: because of inflation, compensation rates have had to be adjusted upward periodically to help employees maintain their purchasing power. Employers make these changes with the help of the consumer price index (CPI). The CPI is a measure of the average change in prices over time in a fixed “market basket” of goods and services (CPI Detailed Report, 1996). Changes in the CPI can have important effects on pay rates. Unless adjustments are made periodically in employee base rates, the desired differential between higher and lower-paying jobs will gradually be reduced.

Collective Bargaining: one of the primary functions of a labour union is to bargain collectively over conditions of employment, the most important of which is compensation (Hansen, 1998). The union’s goal in each new agreement is to achieve increases in real wages – wage increases larger than the increase in the CPI thereby improving the purchasing power and standard of living of its members. The agreements negotiated by unions tend to establish rate patterns within the labour market.

2.5 JOB EVALUATION SYSTEM

Job evaluation is the systematic process of determining the relative worth of jobs in order to establish which jobs should be paid more than others in the organization. The relative worth of a job may be determined by comparing it with others within the organization or by comparing it with a scale that has been constructed for this purpose.

2.5.1 Job Ranking System

The simplest and oldest system of job evaluation is the job ranking system, which arrays jobs in the basis of their relative worth. A common approach to job ranking is the paired-comparison method. Raters compare each job with all other jobs by means of a paired-comparison ranking table that lists the jobs in both rows and columns. Differences in ranking should then be reconciled into a single rating for all jobs. The basic weakness of the job ranking system is that it does not provide a very refined measure of each job's worth. Its simplicity, however, makes it ideal for use by smaller employers.

2.5.2 Job Classification System

In the job classification system, jobs are classified and grouped according to a series of predetermined grades. Successive grades require increasing amounts of job responsibility, skill, knowledge, ability or other factors selected to compare jobs. The job classification system is widely used by municipal and state governments.

2.5.3 Point System

The point system is a quantitative job evaluation procedure that determines a job's relative value by calculating the total points assigned to it. The point system permits jobs to be evaluated quantitatively on the basis of factors or elements commonly called compensable factors that constitute the job. The skills, efforts, responsibilities and working conditions that a job usually entails are the more common or major compensable factors that serve to rank one job as more or less important than another. Once selected, compensable factors will be assigned weight according to their relative importance to the organization. The point manual is a handbook that contains a description of the compensable factors and the degrees to which these factors may exist within jobs. The point value assigned to a job represents the sum of the numerical degree values of each compensable factor that the job possesses.

2.5.4 Factor Comparison System

This is a type of job evaluation system that permits the evaluation process to be accomplished on a factor-by-factor basis by developing a factor comparison scale. It differs from the point system, however, in that the compensable factors of the jobs to be evaluated are compared against the compensable factors of key jobs within the organization that serve as the job evaluation scale. Key jobs can be defined as those jobs that are important for wage-setting purposes and are widely known in the labour market. Key jobs are evaluated against five compensable factors – skill, mental effort, physical effort, responsibility and working conditions – resulting in ranking of the different factors for each key job. Normally a committee is selected to rank the criteria across key jobs.

2.5.5 Job Evaluation for Management Positions

Because management positions are more difficult to evaluate and involve certain demands not found in jobs at the lower levels, some organizations do not attempt to include them in their job evaluation programs. Several systems have been developed especially for the evaluation of executive, managerial and professional positions. One that is well known is the Hay Profile Method, developed by Edward N. Hay. The three broad factors that constitute the evaluation in the “profile” include knowledge (or know-how), mental activity (or problem solving) and accountability (Henderson, 1996). The Hay method uses only three factors because it is assumed that these factors represent the most important aspects of all executive and managerial positions.

2.6 THE COMPENSATION STRUCTURE

To evaluate the work of each job in terms of its rank, class, points or monetary worth must be converted into an hourly, daily, weekly or monthly wage rate. The compensation toll used to set wages is the wage and salary survey.

2.6.1 Wage and Salary Survey

The wage and salary survey is a survey of the wages paid by employers in an organization's relevant labour market – local, regional or national depending on the job. It is the wage and salary survey that permits an organization to maintain external equity, that is, to pay its employees wage equivalent to the wages similar employees earn in other establishments.

2.6.2 Wage Surveys and Virtual Jobs

It is essential to develop creative pay surveys to match the organization's compensation strategy. For example, where employers pay employees on the basis of their competencies and skills, then pay surveys will need to address the compensation of core competencies that span all work and all jobs.

2.6.3 The Wage Curve

The relationship between the relative worth of jobs and their wage rates can be represented by means of a wage curve. This curve may indicate the rates currently paid for jobs within an organization, the new rates resulting from job evaluation, or the rates for similar jobs currently being paid by other organizations within the labour market. With wage rates plotted against Point Value of jobs, the wage curve can then be used to determine the relationship between the value of a job and its wage rate at any given point on the line.

2.6.4 Pay Grades

From an administration standpoint, it is generally preferable to group jobs into pay grades and to pay all jobs within a particular grade the same rate or rate range. The grades within a wage structure may vary in number due to the number of distribution of jobs within the structure among others.

2.6.5 Alternative to Traditional Job-Based Pay

The predominant approach to employee compensation is still the job-based system. Unfortunately, such a system often fails to reward the employees for their skills or the knowledge they possess or to encourage them to learn a new job-related skill. Skill-based pay, also referred to as knowledge-based pay, pay-for-knowledge or multi-skilled-based pay compensates employees for the different skills or increased knowledge they possess rather than for the job they hold in a designed job category. Regardless of the name, these pay plans encourage employees to earn higher base wages by learning and performing a wider variety of skills (or jobs) or displaying an array of competencies that can be applied to a variety of organizational requirements (Cira and Benjamin, 1998). The most frequently cited benefits of skill-based pay include greater productivity, increased employee learning and commitment to work, improved staffing flexibility to meet production or service demands, and the reduced effect of absenteeism and turnover since managers can assign employees where and when needed.

Unfortunately, skill-based pay plans may bring some long-term difficulties. For example, some plans limit the amount of compensation employees can earn, regardless of the new skills or competencies they acquire. Thus, after achieving the top wage, employees may be reluctant to continue their educational training.

Broad-banding: broad-banding simply collapses many traditional salary grades into a few wide salary bands (Hallett, 1995). According to one authority, “Broad-bands help eliminate the obsession with grades and instead, encourage employees to move to jobs where they can develop in their careers and add value to the organization” (Reissman, 1995). Paying employees through broad-bands enables organizations to consider job responsibilities, individual skills and competencies and career mobility patterns in assigning employees to bands.

2.7 INCENTIVE PLANS

The worth of a job is a significant factor in determining the pay rate for that job. However, pay based on only this measure may fail to motivate employees to perform to their full capacity. Incentives linked with output causes workers to more fully apply their skills and knowledge to their jobs while encouraging them to work together as a team.

2.7.1 Reasons and Requirements for Incentive Plans

A clear trend in strategic compensation management is the growth of incentive plans, also called variable pay programs, for employees throughout the organization. Variable pay programs establish a performance “threshold” (a baseline performance level) and employee or group of employees must reach in order of quality for variable payments.

Incentive plans create an operating environment that champions a philosophy of shared commitment through the belief that every individual contributes to organizational performance and success.

2.7.2 Incentive Plans as Links to Organizational Performance

By meshing compensation and organizational objectives, managers believe that employees will assume “ownership” of their jobs, thereby improving their effort and overall job performance. Various studies have demonstrated a measurable relationship between incentive plans and improved organizational performance. Unfortunately, studies also show that variable pay plans may not achieve their proposed objectives or lead of organizational improvements. A plan is more likely to work in an organization where morale is high, employees believe they are being treated fairly and there is harmony between employees and management.

Some of the advantages of incentive pay programs may include:

- i. Incentives focus employee efforts on specific performance targets. They provide real motivation that produces important employee and organizational gains.

- ii. Incentive payouts are variable costs linked to the achievement of results. Base salaries are fixed costs largely unrelated to output.
- iii. Incentive compensation is directly related to operating performance. If performance objectives (quantity and or quality) are met, incentives are paid and vice versa.
- iv. Incentives foster teamwork and unit cohesiveness when payments to individuals are based on team results.
- v. Incentives are a way to distribute success among those responsible for producing that success.

2.7.3 Requirements for a Successful Incentive Plan

For an incentive plan to succeed, employees must have some desire for the plan (Bento and White, 1998). This desire can be influenced in part by how successful management is in introducing the plan and convincing employees of its benefits (McKenzie and Shilling, 1998). Encouraging employees to participate in developing and administering the plan is likely to increase their willingness to accept it (Heneman *et al.*, 1998). Employees must be able to see a clear connection between the incentive payments they receive and their job performance.

Compensation specialists also note the following as characteristics of a successful incentive plan:

- i. Financial incentives are linked to value behavior
- ii. The incentive program seems fair to employees
- iii. Productivity/quality standard are challenging but achievable
- iv. Payment formulas are simple and understandable.

2.7.4 Setting Performance Measures

Measurement is the key to the success of incentive plans because it communicates the importance of established organizational goals. What gets measured and rewarded gets attention. For example, if the organization desires to be a leader in quality, then performance indexes may focus on customer satisfaction, timeliness or being error-free. Finally, employers must guard against hiking performance goals by continually trying to exceed previous results. This result will be a mistrust of management and a backlash against the entire incentive program.

2.8 HUMAN RESOURCE AND PAYROLL ADMINISTRATION

Today, businesses want their pay functions to do more than just administration. They demand efficient payroll processes together with expertise and service. According to Hitzeman (1997), such changes in delivery and expectations are forcing pay-related departments to sharpen their focus on key issues. He argues that the pay function is becoming increasingly complex because:

- Legal aspects have become more involved
- Staff expects higher standards of service
- Pay staffing levels have been kept steady or even reduced.

To provide the desired level of service to staff and other ‘customers’, pay departments need to reorganize both tasks and resources around two central themes: transactions and consulting. Pay sections typically deal with issues that go beyond simple pay calculations. They can include: health benefits, pension contributions, savings, company share option purchases, sickness and other forms of paid time off and expenses.

As a result, payroll staffs are involved with the following transactions: dealing with routine queries, filling in forms, issuing forms for staff to complete and explaining company policies and procedures.

2.8.1 Technology and the Pay Unit

Concentration of clerical and transactional tasks in a single unit gives greater opportunity for cross-training. A centralized unit can benefit from new technology such as: Interactive Voice Response (IVR) systems, routine base enquiries and messages to voice mail boxes and recorded standard answers; corporate intranets which give internet-type access to staff within the organization, including message boards, data gathering and online access to company information.

According to Hitzeman (1997), the other important element of the pay function that deserves attention is the provision of an internal consultancy for staff. The transaction-handling function is operational, emphasizing con-effectiveness, efficiency and accuracy. By contrast, consulting services are regarded as strategic and value-added, perhaps offering benefit package design; the ability to handle unusual (exceptional) pay or taxation problems, and strategic remuneration programs aimed at recruiting and retaining talented staff. As a further spin-off from setting up data collecting and information presentation systems for the transaction-handling unit, consultants are provided with more accessible and accurate information. This allows situations to be analyzed more quickly and easily because useful data is readily available.

2.8.2 Monitoring Compensation Costs

Noe *et al.* (1994) observes that the pay level at which pay structure is pegged has an influence on compensation costs. However, the pay structure represents the organization's intended-pay policy, but actual practice may not coincide with it. One frequently used index of the correspondence between actual and intended pay is the compa-ratio, computed as follows:

Compa-ratio = Actual average pay for grade/Pay midpoint for grade

The compa-ratio provides a direct assessment of the degree to which actual pay is consistent with the pay policy. Although there may be good reasons for compa-ratios to differ from one, managers should also consider whether the pay structure is allowing costs to get out of control.

2.8.3 The Importance of Process: Communication and Participation Issues

Of course, it is important when changing pay practices to decide which program or combination of programs makes most sense, but it also matters how such decisions are made and how they are communicated (Folger and Konovsky, 1989).

Participation: employee participation in compensation decision making can take many forms. For example, employees may serve on task forces that are charged with recommending and designing a pay program. It is important to distinguish between participation by those affected by policies and those who must actually implement the policies. As in other areas of human resource management, line managers are typically the people who are responsible for making policies work. Their intimate involvement in any change to existing pay practices is, of course, necessary.

Communication: managers play the most crucial communication role because of their day-to-day interactions with their employees. Therefore, they must be prepared to explain why the pay structure is designed as it is, and to judge whether employee concerns about the structure need to be addressed with changes to the structure. If an employee takes on more responsibility, he or she will often ask the manager for assistance in making the case for increased pay for the job (Noe *et al.*, 1994)

2.9 SIGNIFICANT COMPENSATION ISSUES

As with other human resource activities, compensation management operates in a dynamic environment.

2.9.1 The Issue of Equal Pay for Comparable Worth

Comparable worth is the concept that male and female jobs that are dissimilar, but equal in terms of value or worth to the employers, should be paid the same. This practice results in what critics term institutionalized sex discrimination, causing women to receive less pay for jobs that may be different from but comparable in worth to those performed by men. Rather, the argument for comparable worth is that jobs held by women are not compensated the same as those held by men, even though both job types may contribute equally to organizational success (Bohlander *et al.*, 2001).

Problem of Measuring Comparability: advocates of comparable worth argue that there is no consensus on a comparable worth standard by which to evaluate jobs, nor is there agreement on the ability of present job evaluation techniques to remedy the problem (Gardner, 1998).

Furthermore, they contend that current job evaluation techniques simply serve to continue the differences in pay between the sexes. One solution is non-judicial determination of comparable worth through collective bargaining and pressure-group action can be a better way to achieve gender-based pay equity.

2.9.2 The Issue of Wage-Rate Compression

Wage-rate compression refers to the compression of differentials between job classes, particularly the differential between hourly workers and their workers. The problem occurs when employees perceived that there is too narrow a difference between their compensation and that of colleagues in lower-rated jobs.

It can cause low employee morale, leading to issues of reduced employee performance, higher absenteeism and turnover, and even delinquent behavior such as employee theft.

Wage-rate compression often occurs then organizations grant pay adjustments for lower-

rate jobs without providing commensurate adjustments for occupations at the top of the job hierarchy. Organizations wishing to minimize the problem may incorporate the following ideas into their pay policies: (1) provide equity adjustments for selected employees hardest hit by pay compression and (2) emphasize pay-for-performance and reward merit-worth employees.

2.9.3 The Issue of Low Salary Budgets

Interestingly, low wage increases exist at a period when many industries have reported strong financial performance. Although smaller raises may seem an odd response to strong results, they reflect a general trend toward tight compensation-cost controls caused by the global competition for jobs, the reductions in workforce because of technology, and the growth use of temporary and part-time employees who receive low wages and few benefits (HR Focus, 1996). Unfortunately, low wages could portend unfavourable effects for employers and society, including: (1) increased turnover as employees change jobs for higher wages, and (2) diminishing employee output as employees perceive low pay-for-performance relationship.

2.9.4 The Issue of Recognition Programs

While most employees certainly appreciate monetary awards for job well done, many people merely seek recognition of their hard work. Gram *et al* (1996) noted that effective recognition methods should be sincere, fair and consistent, timely and frequent, flexible, appropriate and specific. They go on to explain that it is important that every action which supports a company's goals is recognized, whether through informal feedback or formal company-wide recognition. Likewise, every employee should have the same opportunity to receive recognition for their work. Recognition also needs to occur in a timely fashion and on a frequent basis so that an employee's action does not go overlooked and so that it is reinforced to spur additional high performance. Finally,

employees need to clearly understand the behavior or action being recognized. A small business owner can ensure this by being specific in what actions will be recognized and then reinforcing this by communicating exactly what an employee did to be recognized. Recognition can take a variety of forms. Structured programs can include regular recognition events such as banquets or breakfasts, employee of the month or year recognition, an annual report or yearbook which features the accomplishments of employees, and department or company recognition boards. Informal or spontaneous recognition can take the form of privileges such as working at home, starting late, leaving early, or long lunch breaks.

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CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

This chapter describes the research design used for the study, the various procedures and processes that was employed to collect and analyze the data. That is, the instruments used for the study and the method of analysis of the data.

3.1 RESEARCH DESIGN

The study was a descriptive research set out to ascertain the impact of reward systems on corporate performance at GCB. According to Pilot and Hurgler (1995), descriptive survey aims predominantly at observing, describing and documenting aspects of a situation as it naturally occurs rather than explaining them. The design has an advantage of producing good amount of responses from a wide range of people. At the same time, it provides a more accurate picture of events at a point in time. Gay (1992) opined that, descriptive design describes and provides understanding of a phenomenon usually with simple descriptive statistics. Gay(1992) further explained that, the descriptive survey method is useful for investigating a variety of social problems including assessment of attitudes, opinions, demographic information, conditions and procedures; and that descriptive data are usually collected through questionnaire, interview or observation.

3.2 POPULATION OF THE STUDY

In the opinion of Agyedu, Donkor and Obeng (1999), population of a study refers to a complete set of individuals (subjects), objects or events having common observable characteristics in which the researcher is interested. They further stressed that; population constitutes the target of a study and must be clearly defined and identified.

The target population for the study was the Management, Human Resource Managers, Supervisors or Heads of Departments, Branch Managers, and Staff of the Head Office and three branches (Koforidua, Akim Oda and Nsawam Branches) of GCB. The target population on a whole was 900.

3.3 SAMPLE AND SAMPLING TECHNIQUE

To study the target population or the whole population to arrive at generalizations would be impracticable, for reasons such as a change in the characteristics of the population to be measured, cost, time space and the reliability of the measurements. It is noted that, analyses are best when conducted on samples that are still fresh (Sarantakos, 2005). Therefore, sampling was used to select a portion of the population to represent the entire population. He emphasizes the need for a researcher to select a sample from which he wishes to seek information, using appropriate sampling techniques.

The methods/techniques selected for the study was based on both probability and non-probability sampling. The two main methods that were employed in selecting sample from the population were purposive and simple random sampling techniques.

Purposive non-random sampling technique was used in selecting 20 out of the 900 due to the fact that, the prospective respondents have requisite information about the issues involved in the study.

Simple random sampling technique was employed in selecting 200 out of the total of 900 employees, including the Management, Human Resource Managers, Supervisors or Heads of Departments, Branch Managers, and Staff of the Head Office and three branches of the Bank.

3.4 SOURCES OF DATA

In the light of this, the study gathered data from primary and secondary sources using varied techniques.

3.4.1 Primary Data

Primary data was collected with the aid of questionnaires and verbal interviews. Various interrogation techniques were used to elicit primary data from interviewees. Questions that were used in the research included closed and open-ended questions. The open-ended questions were intended to give respondents the latitude of freedom to express their views in an unconstrained manner. The closed ended questions were intended to restrict respondents' answers; this provided an objective based for comparative analysis.

To make analysis easier, the closed ended questions were provided with alternatives and clear instructions to interviewees. Some were also designed in a five-point Likert scale requiring respondents to rank or indicate their level of agreement or disagreement with the statement.

The questionnaires were of two kinds. One set was targeted at management. This was very critical to enable the researcher gather management's opinion on the relationship between performance and reward systems. The second set of questionnaires was directed at employees, to give the researcher staffs' perspective on matters related to rewards and performance. To compliment the questionnaire, the researcher held informal discussions with workers and employees of the bank to know the various reward packages in place and basis upon which it was reviewed.

3.4.2 Secondary Data

Secondary data are information or data already collected by other researchers or institutions, usually for different purposes (Blumberg et al., 2008). Secondary data enable the researcher to place the study in the context of existing knowledge as well as broadens the researcher's understanding to the research topic (Blumberg et al., 2008). Secondary data sources were financial statements, collective bargaining agreements, senior staff conditions of service, newspapers and manuals on the subject matter which

gave the researcher information about the performance of GCB. The internet as well as other relevant publications was also consulted.

3.4.3 Pilot Testing and Final Administration of Questionnaire

Several authors (Saunders et al., 2009; Cooper and Schindler, 2006) have agreed that it is vitally important as a matter of reliability and validity to check the appropriateness of questionnaire through pilot testing before the final administration. The questionnaire was test-run in a pilot study at the Suhum Branch of the GCB. The aim was to examine the validity or otherwise of the questionnaire in order to rectify any anomalies so detected. The Suhum Branch of the Ghana Commercial Bank was chosen for its proximity to the sample under review. In all, 18 employees voluntarily offered themselves as respondents.

3.5 RESEARCH INSTRUMENT

The research design determines the method of data collection and analysis. The instrument used were questionnaires and interviews (face to face interactions).

The researcher distributed the questionnaires in person, after obtaining permission from top management, in one week to all respondents. Respondents were entreated to give candid and honest responses to every item on the questionnaires. Face-to-face interaction provided the platform for the researcher to clarify any possible ambiguity and also created the opportunity to interact with the people.

After this, the collected data was analyzed using the proposed data analysis methods and the findings and recommendations were made.

3.6 DATA ANALYSIS

The collected data was coded and entered using the Microsoft Excel. Since the study is quantitative in nature, the findings were presented in simple descriptive statistics

involving some tables and bar charts. These were chosen because it made it possible to investigate the relationships of interest.

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CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.0 INTRODUCTION

This chapter contains the analyzed data. Microsoft Excel was employed analyzing the data. The findings are presented in bar graphs. The researcher dedicates the first section to analyzing the management questionnaires and the second section to that of the staff.

A total of 50 questionnaires were given to the management of the Head Office and the three branches (Koforidua, Akim Oda and Nsawam) of GCB. The researcher was able to retrieve 34 questionnaires out of 50 constituting 68% response rate. This is arguably an impressive response rate considering the fact that managers are very busy; often with little time to spare on other matters.

4.1 MANAGEMENT PERCEPTION ABOUT REWARD AND PERFORMANCE

Any good organizational drive depends on the potency of its leadership. Management plays the role of leadership and coordination in every organization, and therefore their views on any policy adopted by the organization are very important to the very survival of that organization. To this extent it was important that the views of management will be considered and incorporated in this study.

The general view of majority of the management staff from the bank were emphatic that good rewards surely will lead to a good corporate performance.

Even though their inference was not theoretically based, they implied that since employees have needs to fulfill, whichever company sees to the needs of the individual will have a satisfied employee who will deliver which will surely reflect on the bottom line.

This does not deviate from the motivation theorists' perception of needs theory and that of equity theory which states that human beings have needs and will do anything to have those needs satisfied.

4.1.1 Management strength

Figure 4.1 below summarizes the current management strength in the various branches of the bank under study.

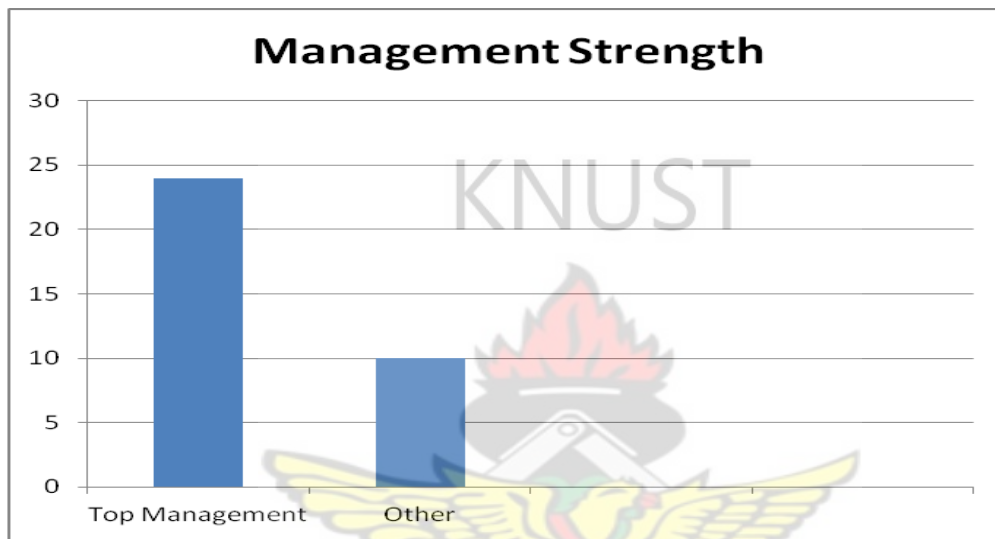


Figure 4.1 Management Strength

Our analysis revealed that 71% of the total management staff at the Head office and the three branches of the GCB. forms top management. The remaining 29% were senior staff of the bank who, were not necessarily in top management positions. It is also important to report that all managers the interviewer interviewed indicated that they have been working with the bank for not less than two (2) years. The researcher feels that since about 24 are in top management level; basically responsible for strategic decisions and also since they have worked in the bank for at least 2 years they are abreast with issues of reward and performance and their views and opinions will be very useful.

4.1.2 Components of Reward Package

Figure 4.2 below shows the reward packages for management staff in the various branches of the bank under study.

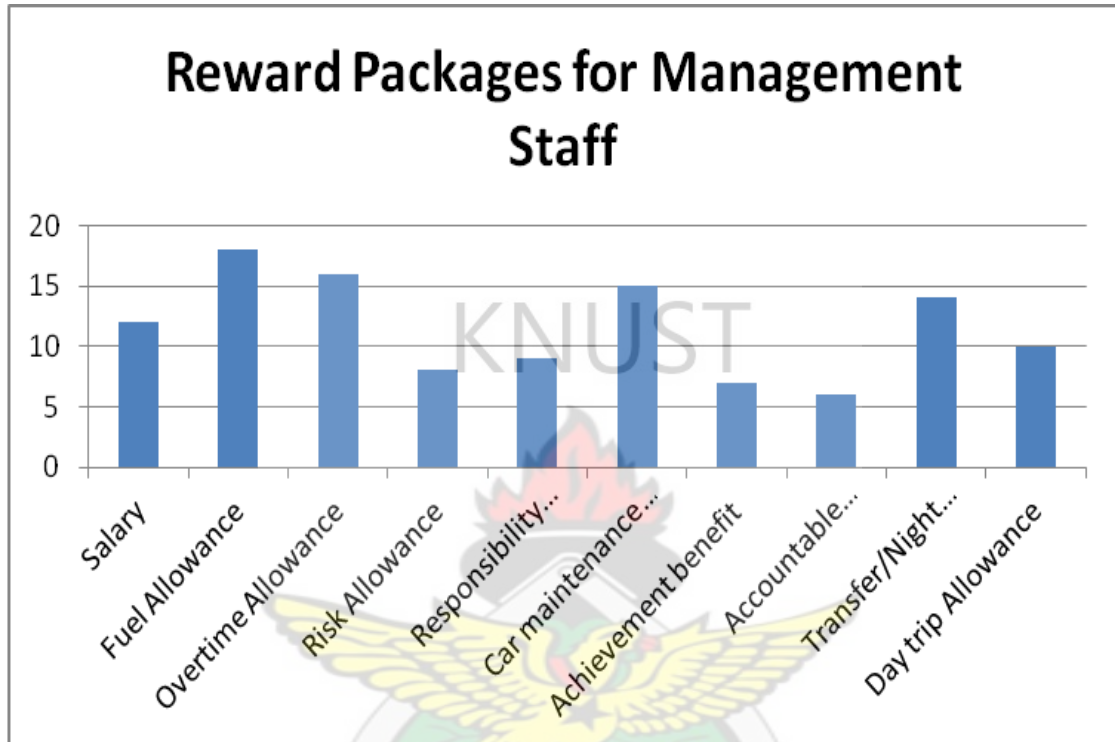


Figure 4.2 Reward Packages for Management Staff

Very interestingly, our analyses from the branches reveal that some branch managers have not taken the time and pain to familiarize themselves with all the reward packages in the bank. What seem familiar and probably matters to the individuals involved is the salary component. We expected that all managers would know that the total compensation package (salary, fuel, overtime, risk allowance, responsibility allowance, car maintenance allowance, achievement benefit, accountable entertainment, transfer/night allowance and day trip allowance) are what gives worth and value to the individual and not only the salary.

The researcher infer some reasons: either the managers do not take keen interest in knowing what management is giving out as reward packages or that management do not disclose or communicate effectively to branch managers about their entire reward package. One other argument is that since the managers belong to different levels their entire reward package differs from one position to the other. So, one manager may not necessarily know the content of the reward package at the next level below or above him. The researcher however, realized that overtime allowance, fuel allowance, transfer/night allowance and car maintenance allowance were very frequent rewards that are being enjoyed by managers from the various branches. In all the branches, accountable entertainment allowance was the less frequent reward benefits that were enjoyed by managers.

4.1.3 How frequently are the rewards reviewed?

Figure 4.3 below shows the frequency of reviewing rewards at the various branches of the bank under study.

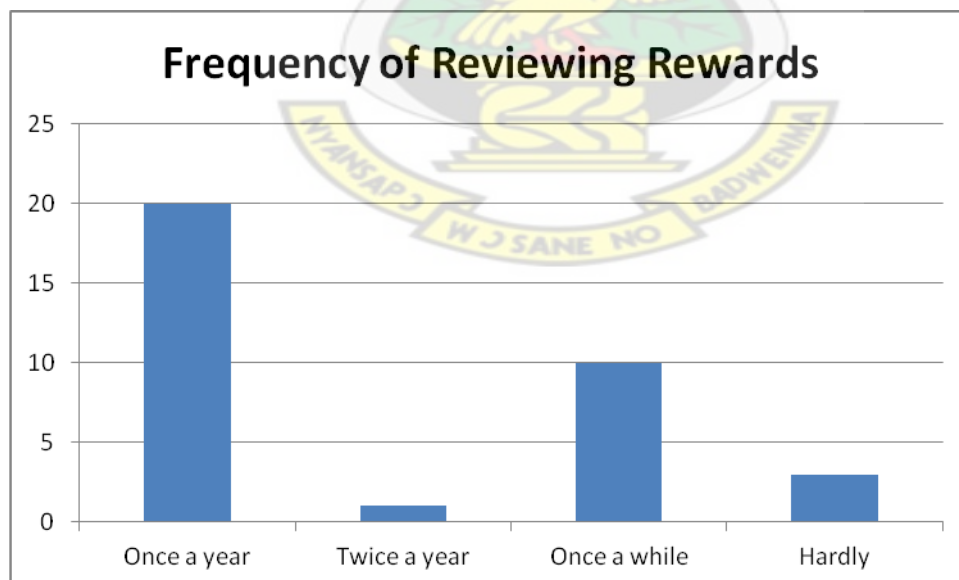


Figure 4.3 Frequency of Reviewing Rewards

From Figure 4.3, 82% of respondents from the various branches of the bank under study indicated that their reward packages were reviewed once every year. 9%, 6%, and 3% of

the respondents indicated that their reward packages were reviewed hardly, once a while and twice a year respectively. Arguably, there are not theoretical underpinnings suggesting that this is right or wrong. However, the researcher is of the view that if reward systems are not periodically reviewed, they may outlive their usefulness. This also puts the review in a ‘ritual’ context where it is always carried out during the beginning of every year. The normal thing would have been for it to follow up on appraisal reviews or financial performance of the branches involved. Far from that, the bank reviewed rewards upward whether they performed well or not. In a further interaction with respondents, the researcher gathered that annual financial performance of the bank forms the basis for determining the extent of the annual reward reviews.

4.1.4 Is the review of reward packaging a prerogative of management or union?

Figure 4.4 shows the reward packaging strategies of the branches of the bank under study.

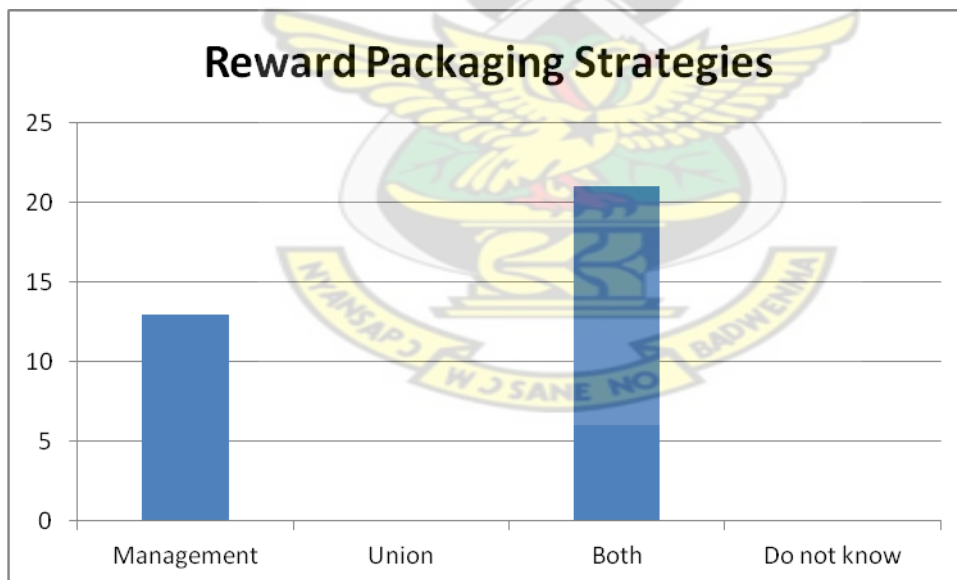


Figure 4.4 Reward Packaging Strategies

From Figure 4.4 above, 38% of management staff from the various branches of the bank under study said reward packages are reviewed at the request of management and 62% thought both parties pushed for it. Coming as it were from a managerial viewpoint, the idea of management bringing out the issue of reward reviews leads to a situation where

both managers and union will sit at a round table to review compensation packages. This will go a long way to create openness, trust, loyalty and commitment on the part of managers and staff.

4.1.5 Is there a relationship between performance and reward?

Figure 4.5 below indicates the relationship between performance and reward.

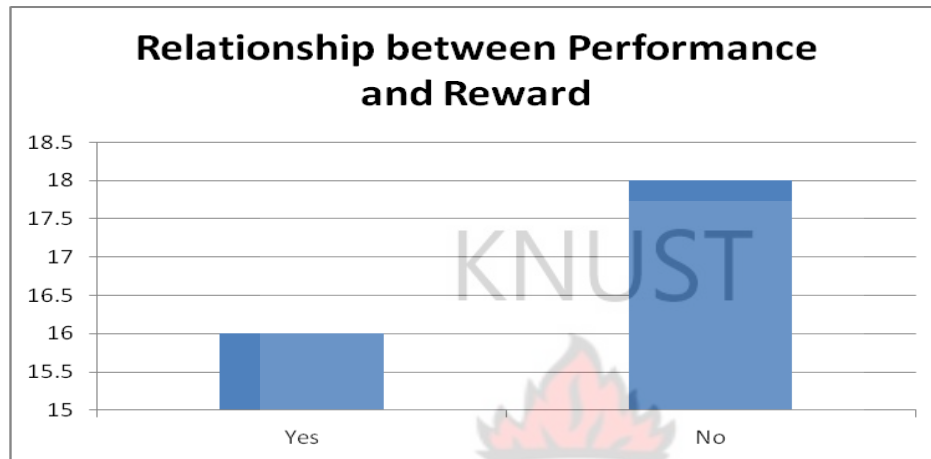


Figure 4.5 Relationship between Performance and Reward

This question produced very interesting results. 47% of respondents from the branches of the bank under study agreed with the statement. Very surprisingly, 53% of them disagreed with the statement. Both theoretical and empirical literature suggests a causality effect between reward and performance. Noe *et al* (2003), clearly state that ‘... a response followed by a reward is more likely to recur’. They further stated that ‘the implication of this to compensation management is that high employee performance followed by monetary reward will make future high performance more likely’. That is, performance can positively or negatively trigger reward and vice versa. This astonishing result leaves one to wonder if there is a culture of reward in these branches, or if it does exist, how effective it is.

4.1.6 Common basis for rewarding employees

Figure 4.6 shows the basis for rewarding employees in the various branches of the bank.

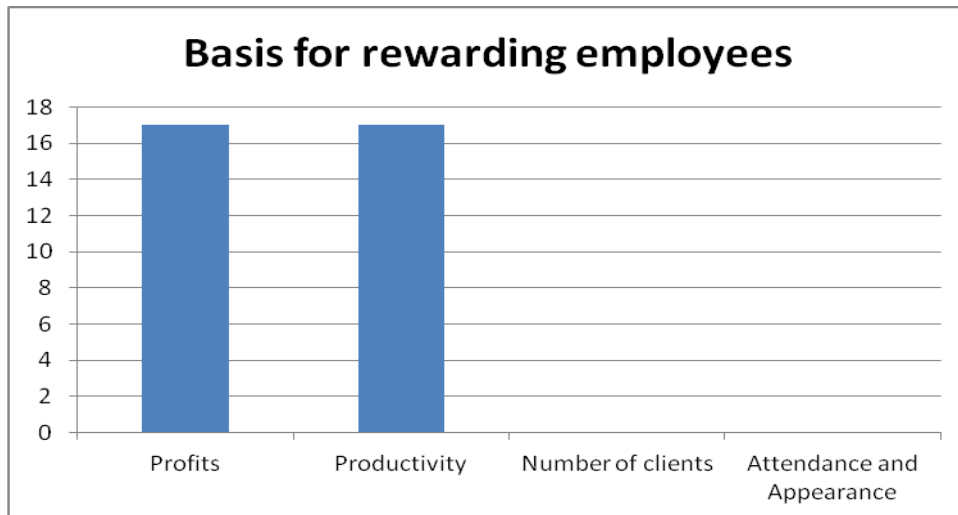


Figure 4.6 Basis for Rewarding Employees

Strategic human resource takes a look at productivity and hence the issue of performance related pay. One can easily deduce from Figure 4.6 above that both the issue of team productivity and corporate revenue of profit were considered more highly at GCB. This is represented by the 50% respective split in opinions. Therefore the researcher conveniently deduced that modern day strategic human resource management is being practiced at GCB.

4.1.7 Are employees happy with their current reward package?

The figure below shows employee perception about reward package in the various branches of Ghana Commercial Bank Ltd. under study.

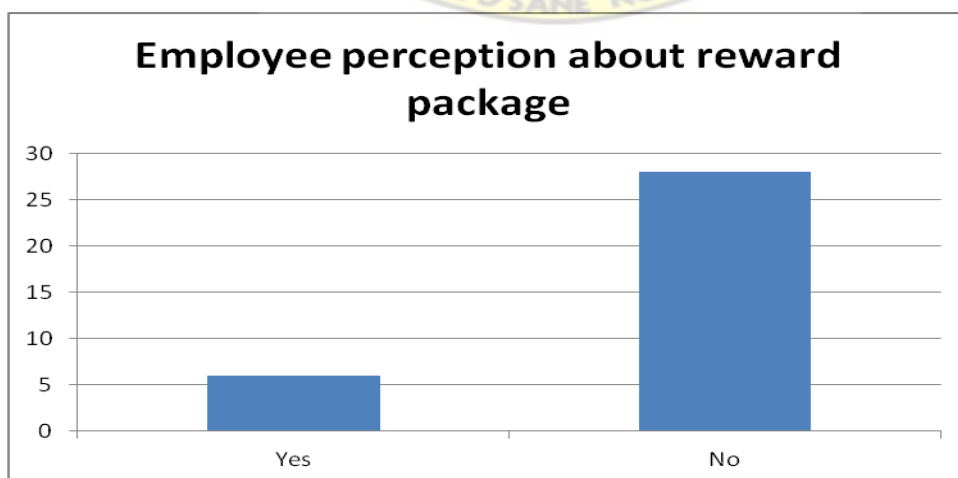


Figure 4.7 Employee Perception about Reward Package

A mere 18% of management staff from the various branches of GCB. under study were of the view that employees are happy about their reward packages instituted whereas a massive 82% thought employees were not happy with their packages. This is not too good for the corporate image. The large numbers of disgruntled employees in the various branches constitute a time bomb and may lead to quicker turnovers and a long run decrease in productivity. Once employees are not happy it affects both their efficiency and effectiveness. In order for managers to be able to tap the best out of their employees they must undoubtedly make them happy. This will mean a continuous motivational package being put in place to make the work more challenging and enable employees give off their best. Further investigations about why employees are unhappy with their current compensation packages revealed that employees hold a general perception of equity and unfair basis of rewarding. Others who thought it was fair admitted that it barely met the cost of living. To these groups of people the issue was not how much they actually were being paid, but whether what they took home at the end of the day really meet their needs.

Again, this brings to the fore the issue of communicating. One would realize here that though this was surprising it only confirms the equity theory of motivation. In this case, the employee compares themselves with others inside and might lower productivity to create equity. It can also draw from Maslow's hierarchy of needs where a higher need will need to be filled once a lower need has been seen to.

4.1.8 What would you rather wish you have as a part of the total reward package?

The respondent stated that Cost of living allowance, hire purchase opportunities, insurance cover, risk allowance, special awards to hard working staff, citation, bursary awards for three children and commissions are some of the reward packages they would wish to be part of the total reward package.

The responses above mirror two things; first it creates the impression that management were aware of the existing reward packages in the bank. Secondly, the responses provide management with an idea of the kind of incentive packages that they must incorporate in the design of their reward system.

Management should therefore be educated to know that promotions, recognitions and even verbal appreciation all constitute various forms of reward within the organization.

4.2 ANALYSIS OF STAFF QUESTIONNAIRE

We sent out 150 questionnaires to the head office and the three branches of GCB under study. Retrieval rate was 77%. This in our opinion was again an impressive response.

4.2.1 Gender of Respondents

Figure 4.8 shows the gender composition of staff.

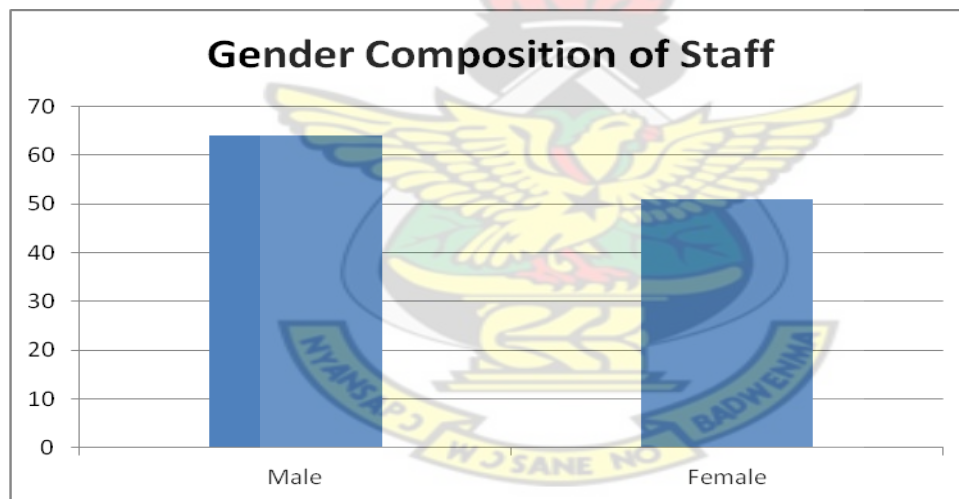


Figure 4.8 Gender Composition of Staff

Figure 4.8 shows that, out of the 115 respondents 64 (56%) were males and 51 (44%) were females. The data suggests that there was a difference between the number of males and females used for this research. It was realized from the study that, there were many men who have been employed to work at the head office and three branches of the GCB under study.

4.2.2 Age Classification

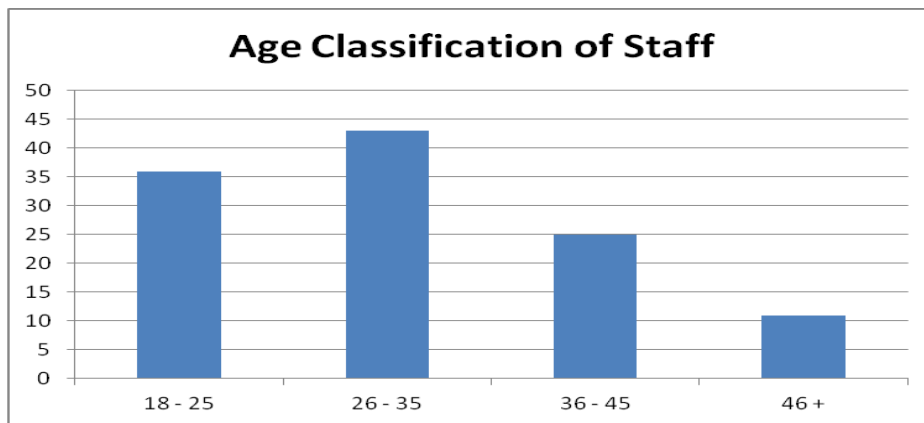


Figure 4.9 Age Classification of Staff

Figure 4.9 indicates that, majority of the employees 43 (38%) were of the ages ranging from (26-35) years, whilst 36 (31%) out of the 115 respondents used for the research were ranging between the ages of (18-25) years. The figure also depicts the fact that, 25 (22%) of the staff were between the ages of 36-45 years, whilst 11 (10%) were above 46 years of age. However, it was also found from the studies that, majority of the respondents were youthful ranging between the ages of 18-35 years. Generally, human needs and wants changes as one grows older. This affects the kind of reward packages that organizations must design. What may be considered as a good reward package for a youth may be seen as otherwise by staff with children in school or nearing retirement.

4.2.3 How highly does reward motivate you to give off your best?

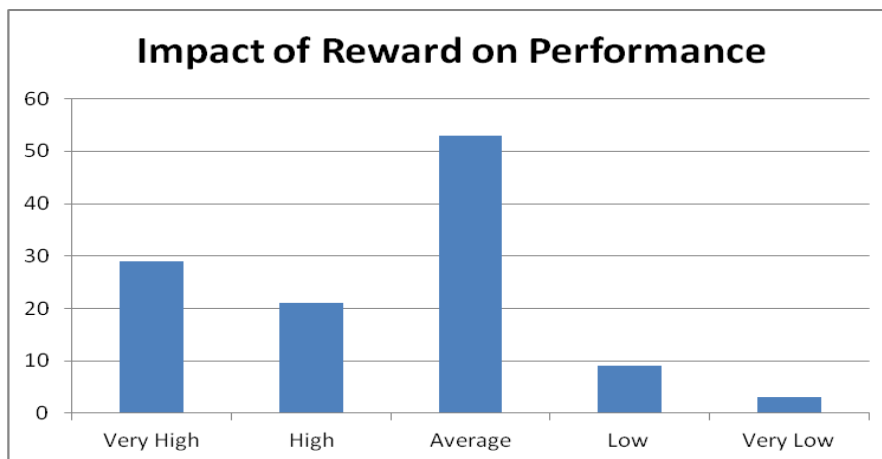


Figure 4.10 Impact of Reward on Performance

From the figure above, it can be inferred that 26% of the employees of the various branches of the Ghana Commercial Bank Ltd. under study see rewards as influencing their ability to work better very strong. This was expected, because human resource theoreticians and practitioners often maintain that a good reward package should motivate workers to work even harder (Noe et al, 2003). The majority vote lied in the average region, thus, 46%. It could be deduced from this then that the youth which forms the majority of employees in the branches were driven by an internal zeal to deliver and this zeal was not reward driven. The youth life of the average individual is when he would want to make a name for himself and build a good career image; at this age rewards is not the issue. The opinions gathered here by the researcher about the relationship between reward and performance seems to vindicate an earlier question posed to the management. On the whole however, majority were of the view that rewards will not necessarily lead to increase in their performance. This again seems to deviate from theoretical principles as indicated earlier. The question we need to answer is what then influence has direct relationship with performance? Is it the situation that employees do not understand what reward is? Perhaps, the researcher realized that GCB employees in the various branches under study were more likely to work harder if they are rewarded better.

4.2.4 What kind of reward(s) do you enjoy now aside your salary? What would you rather wish you have as a part of the total reward package?

The above questions were asked to investigate the knowledge of the staff about their awareness of the various reward packages in their organizations and those that they currently enjoy or wish to enjoy.

Current rewards enjoyed by staff of Ghana Commercial Bank Ltd: rent allowance, long service award, image enhancement allowance, food subsidy, utility allowance, accountable laundry expense, in-house (captive) group personal accident insurance

policy, personal loans, housing loans, car loans, overtime allowance, car maintenance allowance, fuel allowance, risk allowance, provident fund, medicals, transfer/night allowance, day trip allowance, refund of fees, and yearly appraisal (leading to increase in pay levels).

Additional rewards employees of Ghana Commercial Bank Ltd wish for: cost of living allowance, incentive, bonuses, lunch subsidy, hire purchase opportunities, transport allowance, insurance cover, refund of fees, overtime allowance, night allowance, risk allowance, day trip allowance, paying children's fees and commissions.

With a critical look at the kind of rewards that are enjoyed by staffs of the bank, one would argue that their reward packages to a large extent were enormous. What is rather of concern is that it appears that not all staff enjoys the same reward packages. This is evident of the fact that some of the incentives mentioned under the rewards that they currently enjoyed also reflected under what they desire to have.

Very importantly, the responses above mirror two things; first it creates the impression that staffs were aware of the existing reward packages in the bank. Secondly, the responses provide management with an idea of the kind of incentive packages that they must incorporate in the design of their reward system.

It is important to also say that the issue of seniority and the various reward packages that come with the various levels or positions should be communicated to the employees. This will enable them work harder to get to higher positions if they wish to enjoy these various rewards they so much earn for.

Secondly, they should be educated to know that promotions, recognitions and even verbal appreciation all constitute various forms of reward within the organization.

4.2.5 Basis upon which rewards are reviewed

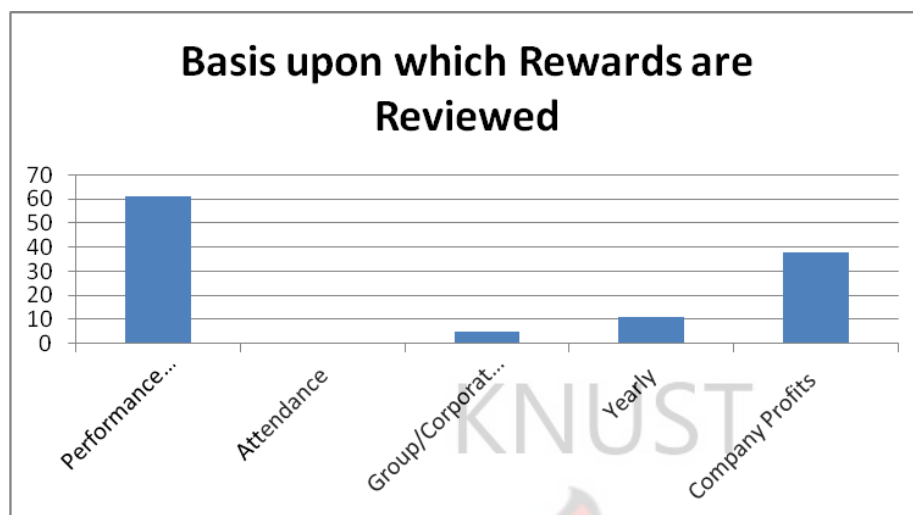


Figure 4.11 Basis upon which Rewards are Reviewed

The figure above clearly demonstrates that in all the branches under study performance appraisal constitutes the single most important factor upon which rewards are reviewed. This is followed by company profits. It was also indicated that employee attendance to work does not form any basis for the review of reward system. Indeed, merely being present does not mean productivity or efficiency and effectiveness. Performance really has to do with one's ability to optimize his output given limited resources. Appraisals really give both management and employees the opportunity to identify their core competences upon which they can leverage, as well as their deficiencies that need correcting. It gives the opportunity for the bank to identify and recognize distinguished and hard working employees and reward them appropriately.

4.2.6 Does upward review of your reward enhance your performance?

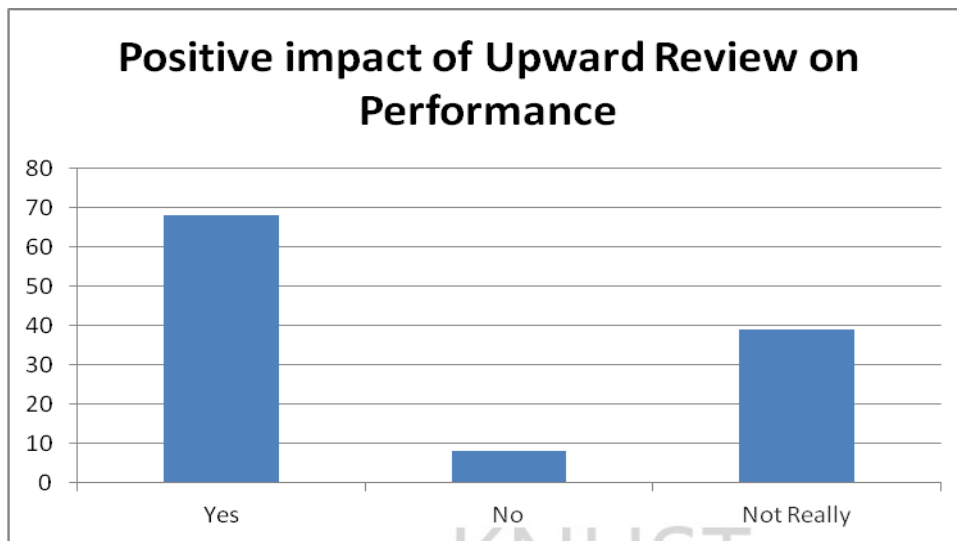


Figure 4.12 Positive Impact of Upward Review on Performance

This topic has a direct relationship with that of figure 4.10 and in close conformity a more positive response was generated by the branches.

For those respondents that indicated that they agreed with the statement that upward review of rewards positively impact on their performance, the researcher asked a follow up question to find out how indeed it affects them. Respondents from the various branches of the bank mentioned that it motivates them and it also stimulates them to work harder by the fact that they see their need being catered for by the individuals.

4.2.7 Is the reward structure for the different levels different?

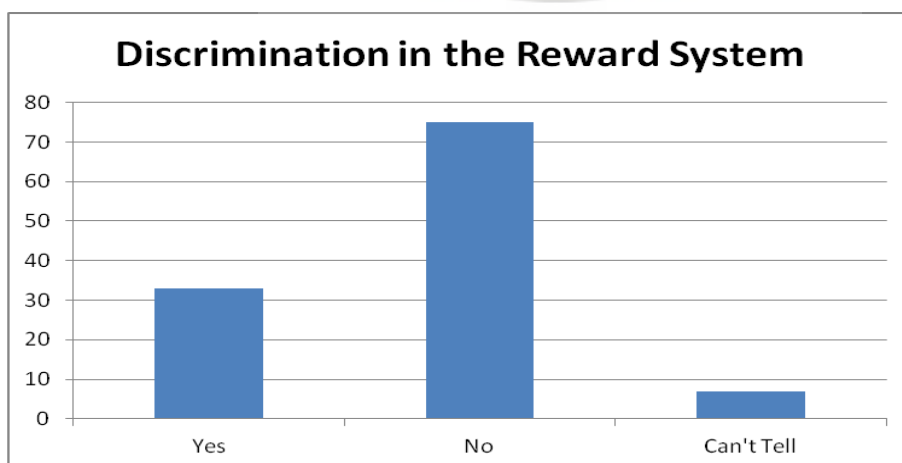


Figure 4.13 Discrimination in the Reward System

From the figure above, 29% of staff from the bank thought that there was some level of discrimination in the reward packages for the various grades. Respondents who said yes further explained their understanding that higher responsibilities must go with higher rewards. This does not only sound logical in theoretical principles, but a very practical thing to do. What the organizations need to be mindful of is the degree of discrepancies in the reward packages between and among the various grades (this is a strong basis upon which employees see unfair treatment as far as rewards are concerned). Obviously where the gap between immediate grades is “too” wide it may create discontent among workers. What was more worrisome was the percentage that could not even tell if the reward packages were discriminating or otherwise; 6% of the respondents. This indicates that there may be some level of ignorance amongst workers in the various branches of the bank under study. There is the need for the branches to educate their workers on the various rewards given to them.

4.2.8 Are you satisfied with your present reward system?

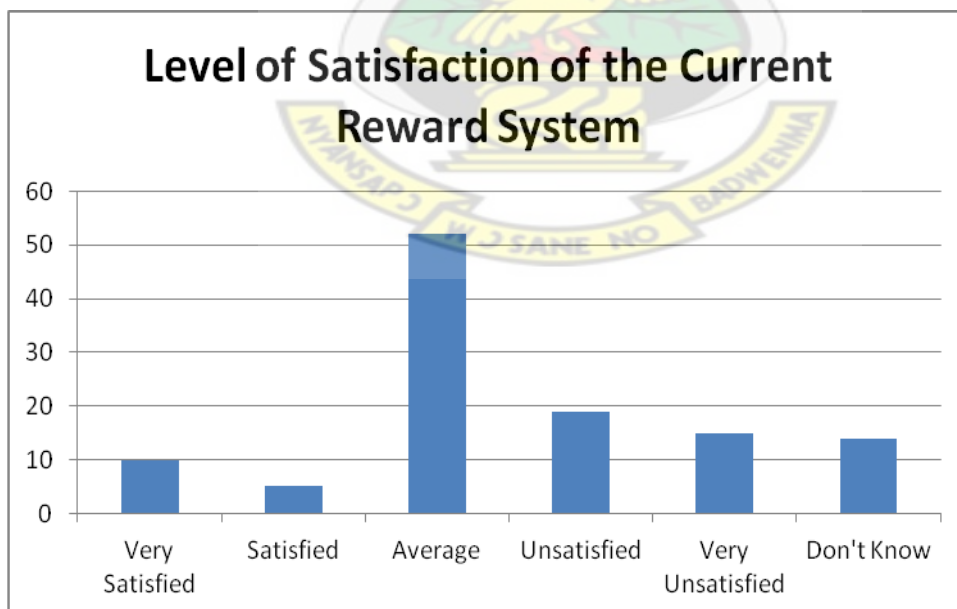


Figure 4.14 Level of Satisfaction of the Current Reward System

From the figure above 9% of the staff registered their high satisfaction with the present reward packages. The findings also revealed that current reward conditions were merely perceived to be average by the staff. 45% of the staff perceived it to be average. Just a few employees were satisfied with their reward systems, that is, 4%. These in the researcher's opinion could be the senior staff that seems to be entitled to the various packages available in the bank. It was found out that there were more unsatisfied staff than very unsatisfied staff. 17% of staff were unsatisfied as compared to the 13% who were very unsatisfied. Very interestingly, 12% of staff from the various branches under study could not express their feelings as to how they perceive their current reward systems. These staff are seen as very vulnerable and at the mercy of management. Once they cannot indicate their feelings it means they just accept whatever comes their way.

4.2.9 Would you do better if you were paid more or rewarded better?



Figure 4.15 Condition after being paid more

To this question, 80% of respondents answered in the affirmative, implying that they would do better if they are paid better or rewarded more. Very excitingly, 11% were unsure whether higher pay will influence them to do better. Another 9% said increase in their incentive packages would not trigger them to do better. This gives management the challenge to identify what else will catapult these kinds of employees to give off their

best. It also highlights the fact that human beings as it were have different expectations and demands and it is imperative on the employer to know their employees to get the best out of them.

To find out whether employees would prefer to increase performance to enhance reward or receive a higher reward to enable them perform better, produced the following results.

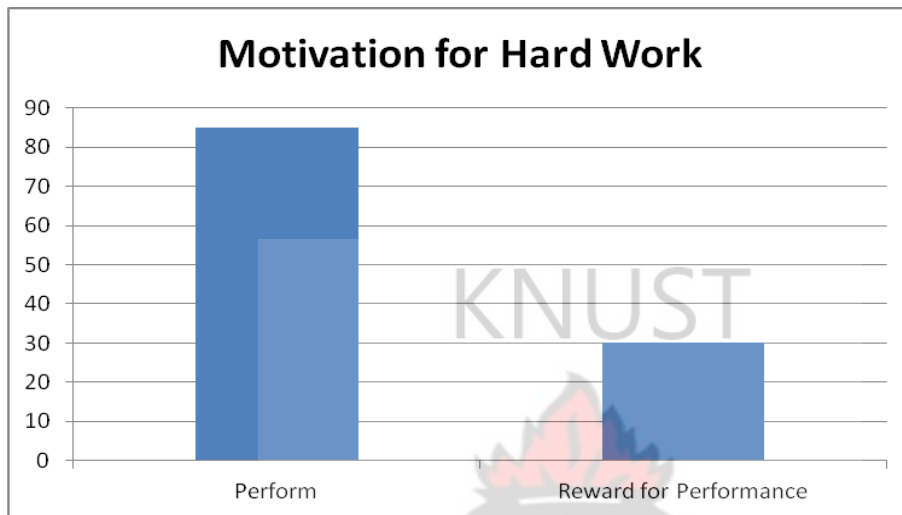


Figure 4.16 Motivation for Hard Work

The figure above clearly indicates that about 74% of staff from the various branches of Ghana Commercial Bank Ltd. under study prefers to increase performance to enhance their reward package. This is seen as a healthy sign for the bank since it is a sign to show that workers believe in results (productivity). They will therefore do their best to be rewarded accordingly. On the contrary only 26% of staff will expect higher rewards to enable them perform better. This wasn't surprising because theoretical literature on reward and performance hypothesize a causality relationship, that is rewards can influence performance and vice versa. It may be concluded that management must always reward staff anytime performance increases; this will motivate them to work harder.

4.2.10 Do you make an input in your reward system?

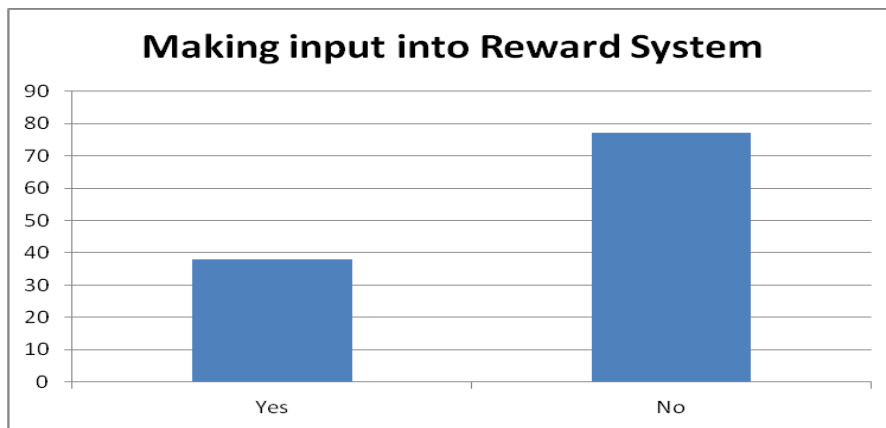
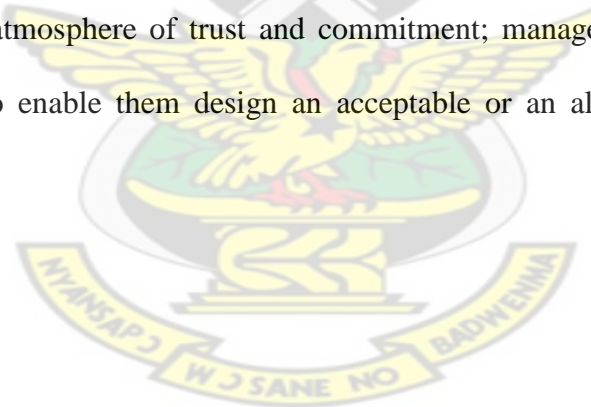


Figure 4.17 Making input into Reward System

From the figure above, it was realized that 33% made input into their reward systems. The researcher found out it was usually through the negotiation agreements. Though it is quite encouraging and might ferment unity and trust, practically, if majority of employees feel that their interest is not properly catered for, it can create problems. In order to create a congenial work atmosphere of trust and commitment; management must solicit staff opinion in order to enable them design an acceptable or an all encompassing reward package.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter includes summary of findings, conclusions and recommendations in respect of the objectives of the study. As indicated in chapter one, the aims and objectives of the study included to:

- Identify the basic components of reward package in GCB.
- Assess the relative strengths and weaknesses in the current reward systems of the bank.
- Ascertain the extent and impact of relationship between the various reward systems and corporate performance.
- Find out whether workers always participate in designing reward systems.
- Identify ways of improving the various reward systems to enhance corporate efficiency and effectiveness in GCB.

5.1 FINDINGS

Relationship between reward and corporate performance

- The research revealed that 47% of managers from the branches of the bank under study thought there was a positive relationship between rewards and corporate performance whereas 53% of them disagreed with the statement. Further research on a face to face interaction revealed that most management staff believes there is some relationship but the extent of that relationship differed amongst the individual managers. However, more than half of the staff indicated that they are prepared to work harder if they are given more incentives or paid better, indicating a positive relationship between reward and performance.

- Finding on the impact of rewards on performance was positive. It was found out that more staff from the branches of GCB under study agreed that an upward review of rewards will motivate them to work harder. They also indicated that it stimulates them to work harder by the fact that they see their needs being catered for.

Various reward systems in place currently

- In fact the bank has numerous rewards in place. Apart from the basic salary, other instituted packages were rent allowance, long service award, image enhancement allowance, food subsidy, utility allowance, accountable laundry expense, in-house (captive) group personal accident insurance policy, personal loans, housing loans, car loans, overtime allowance, car maintenance allowance, fuel allowance, risk allowance, transfer/night allowance, day trip allowance, refund of fees, and yearly appraisal (leading to increase in pay levels). In terms of knowledge of existing reward systems it was gathered that not all staff and managers are abreast with the total compensation packages of the bank. There was some level of ignorance exhibited by some employees about their reward packages. It was also found out that respondents failed to mention other components of reward packages such as social interaction, security, status or recognition, work variety, workload sharing, work importance, authority or control, advancement, feedback, work conditions and development opportunity (Milcovich and Newman, 1999). It is inferred that they are either ignorant about them or our sampled branches do not have them as part of their reward packages.

Strengths and weaknesses of the reward systems

- Managers stated in no uncertain terms that their employees are not happy with the current reward systems being operated. The fact that staff again suggested other

rewards that they desire to enjoy reveals their discontent with their current reward systems.

- It was also realized that some staff thought the reward packages were to a very large extent discriminatory. Though the researcher does not buy into the idea that reward packages should be the same for all levels within the organization, he believe the gaps should not be unnecessarily wide. Even then, some rewards that are so basic or fundamental (e.g. transportation allowance) must cut across all levels.
- Even though the branches under study were doing quite well in their reward packages they did not communicate this to the employees. Employees were having variety of packages without realizing it was a means of rewarding their contribution to the organization. As a result they felt always left-out and wanted more (some of which they were already enjoying without their specific knowledge).
- The major strength was that the bank was responding to changes in the industry or the labour environment by incorporating variety into their reward packages.

Staff participation in reward designs

- It was found out that, managers to some extent make an input in the design of the reward systems. Even though managers have a say in what was being incorporated some staff did not; they simply had to accept what was given to them. All the same, the bank provides a window of opportunity to managers and union (which is a representative of the staff) to make inputs in designing the reward package. This appears democratic and has the tendency of fermenting unity, trust, honesty and commitment.

- The management were of the view that because human beings and therefore the employees had different needs to satisfy at any point in time it was complex to seek corporation from them. As a result, management at times did this on their behalf.
- On the other hand, they feel once the worker participated and agreed on his own reward mix it would lead to greater satisfaction which could eventually lead to an increase in productivity and profitability to the bottom line.

Ways of improving the reward packages

- As ways of improving the reward packages, the devil (staff and management) must be given his due. It is good for the bank to factor into their existing reward packages what the staff and managers aspire to have as earlier on discussed. In addition to this, this must also incorporate the rewards proposed by Milcovich and Newman (1999).
- Furthermore, there is the need for greater education of all workers on the available reward systems and how one can benefit from them (through education one can rise to occupy more senior positions within the bank which goes with better reward packages).

5.2 CONCLUSION

We conclude that, the concept of total reward is not fully understood in the various branches of GCB. and for that matter in Ghana. What most Ghanaians consider reward is the basic salary which is enjoyed by everyone in the organization. What is more intriguing is the fact that the relationship between reward and productivity and therefore corporate performance is not clear cut and is shrouded in its own mysterious world. We notice with mixed feelings that companies do not reward performance and this could account for the reason why most staffs as well as managers indicated higher rewards will

not ginger them to work harder. Our study also revealed a limited nature of compensation packages in Ghana, and the existing few are tailored to monetary terms ignoring things like recognition, advancement, flexible leave, etc. (Milcovich and Newman, 1999).

5.3 RECOMMENDATIONS

It was surprising to find out that despite the upsurge of education with more employees taking one course or the other employees do not know what constitutes a total reward package. Most of them still live with the old order where rewards were limited to one's basic salary.

The world is changing at a very fast pace and it is only prudent that employers respond to this rapid changes – organizations should be seen to be responding to the ever changing and sophisticated taste of the modern employee. It will be necessary to do this in order to attract and maintain the best employees for the organization.

It is important however to note that this should not be done at the total expense of the employer. The fact that the company is prepared to satisfy the needs of the individual employee does not mean that it is responsible for the entire life of the individual. Rather the individual employee should be responsible for his own life at the end of the day and as a result must work hard to be rewarded. This means that the individual must be motivated intrinsically and the organization will motivate extrinsically.

As we found out from the study, employees should not ask for the unimaginable from employers.

To this end we will recommend as follows:

- Communication is the wheel on which relations and good organizational relation thrive, to instill trust and create a good working atmosphere. Rewards should be

communicated, consensus sought and a compromise reached at the end of the day in instituting the rewards in various organizations.

- After recruitment and selection, employees should be made aware of the reward components in their employment contract. This will ensure that rewards are not taken for granted but as a component worth working for.
- Compensation packages should be linked to employee satisfaction. For this, employee opinion surveys should be sought in designing a good reward package for the various job classes in the organization.
- The total reward mix should comprise more of a non monetary and less of monetary rewards. By this intrinsic motivation will be increased and workers will have the feeling that the employer is taking care of his total need. Dissatisfaction will be greatly reduced.
- Profit sharing method should be encouraged; by this means, a feeling of ownership will be created amongst the employees which will urge them to give of their best.
- Compensation packages should be tied to performance; in other words there should be some level of viable pay input in the package composition. This will challenge employees to perform better.
- Incentives should be designed and administered with the full participation of employees or their representatives. Consideration must be given to the different needs of employees. For this purpose organizations can design a cafeteria type of incentive or benefit package to allow individual employees opt for their various mixes to meet their individual needs. There is a high probability that when the individual is happy he will work more efficiently and effectively and this will add to the bottom line leading to higher performance at corporate level.

- The basis for the difference in reward packages is necessary to meet the different responsibilities; this should be communicated to create understanding among workers and also to motivate others to excel. By communicating this basis, employee confidence will be boosted and equity stands a higher chance of being restored.
- Reward packages should be clear and easily understood, it should have bearing on organizational goals, be fairly administered and aim at ensuring equity among the total workforce.
- An employee's total reward package which includes both financial rewards and benefits should aim at improving employee work satisfaction, meet health and safety requirements of the employee, attract and motivate employees and reduce turnover while maintaining a favourable and competitive position for the organization. As much as these factors depend on the company's ability to pay, we suggest that compensation should be strategic enough to meet both the goals of the organization while meeting the needs of the employees.
- Reward packages should be modified periodically as a response to the changing needs of the worker, organization concerned, the industry and the world as a whole.
- In the words of Michael Armstrong (2003), organization's reward or compensation package should at all times be internally equitable and externally competitive. These rewards should provide value for money; in other words, more should be derived from the reward in terms of productivity and profitability than the cost of rewarding.

5.4 FURTHER RESEARCH RECOMMENDATION

Based on the limitations of this study, we recommend that a more broad study be undertaken encompassing more organizations and more indicators that will help unearth the impact of rewards on corporate performance in the Ghanaian context. We further suggest if possible a comparative study of companies with reward systems and those without be undertaken.

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APPENDIX 1

INSTITUTE OF DISTANCE LEARNING

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI.

Commonwealth Executive Master of Business Administration (CEMBA)

QUESTIONNAIRE FOR STAFF

This research is for academic purposes only. It is to establish the impact of reward on corporate performance and the extent of it. Respondents are assured that any information given out will be accorded the necessary confidentiality. Thank you.

1. Sex Male Female
2. Age 18 – 25 26 – 35 36 – 45 46+
3. How long have you worked in this organization?
Below 2 yrs 2 – 5 yrs 5 – 10 yrs 10 yrs and above
4. How highly do you place rewards as a basis to giving off your best?
Very high High Average Low Very low
5. What other rewards would you have apart from your salary? Please list
.....
.....
6. Upon what basis (if you know of any) is your reward increased/reviewed?
 Performance Appraisal
 Attendance
 Company Profit
 Group or Corporate Reviews
 Yearly
7. Does the upward review of your rewards enhance your performance?
 Yes No Not Really
- 7b. How?
.....
.....
8. In your view, is the reward package for the different levels fair?
 Yes No

8b. If yes, why?

8c. If no, why?

9. How satisfied are you with your present reward package?
 Very Satisfied Satisfied Average Unsatisfied Very Unsatisfied

10. Would you do better if you were paid more (or given more incentives)?
 Yes No Not Sure

10b. How?

11. What would you rather do (please tick)
(a) Increase performance to enhance reward
(b) Receive a higher reward to enable you perform better

12. Do you have any say in what comprise your reward package?
 Yes No

12b. To what extent?

13. What kind of reward are you currently enjoying apart from your basic pay?
(Please list)
.....
.....
.....

14. What would you rather wish you had as part of your total reward package or in addition to (13) above?
.....

APPENDIX 2

INSTITUTE OF DISTANCE LEARNING

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI.

Commonwealth Executive Master of Business Administration (CEMBA)

QUESTIONNAIRE FOR MANAGEMENT

This research is for academic purposes only. It is to establish the impact of reward on corporate performance and the extent of it. Respondents are assured that any information given out will be accorded the necessary confidentiality. Thank you.

1. What is your current position?
 Top Management Middle Management Supervisory Other
2. How long have your been working with this company?
 0 – 2yrs 2 – 5yrs 6 – 10yrs 11 – 15yrs Above 15yrs
3. What are the components of your reward package that you know of? (Please list)
.....
.....
4. Which of the factors above do you think influences personal and organizational performance most?
- 4b. Why?
.....
.....
5. What are some of the weaknesses you recognize with this reward system?
.....
.....
- 5b. What do you think should be done to strengthen these weaknesses?
.....
.....

6. How frequently are these rewards reviewed?
 Once a year Twice a year Once a while Hardly
7. Are rewards reviewed periodically by management or at the request of the union?

8. Do customer perception and inputs inform composition and review?
 Yes No
- 8b. How?

9. Do you personally think there is any relationship between reward and personal performance?
 Yes No
- 9b. If yes, what kind of relationship is that?

10. What is the most common basis for reviewing employee rewards?
 Increase in corporate revenue (profit)
 Team productivity and improvement
 Number of clients increased
 Attendance, conduct and appearance
11. Do employees have a say in designing employee reward package?
 Yes No
- 11b. How and to what extent?

12. Are employees happy with their reward packages?
 Yes No

13. What would you rather wish you have as part of your total reward package or in addition to the one you are currently enjoying?

.....

.....

.....

Impact of Reward Systems on Organizational Program

Please respond to each of the items in this section by ticking the column that clearly represents your opinion as pertains in your organization.

Strongly Agree – 1 Agree – 2 Undecided – 3 Disagree – 4 Strongly Disagree – 5

<u>Reward Systems and Organizational Performance</u>	1	2	3	4	5
Reward systems can improve customer growth and retention					
Reward systems is a key indicator for achieving growth in organizational profits					
Reward systems can increase the company's market share					
Effective and efficient rewards has reduced the rate of employee turnover					
Rewards serve as a chief source of product and service spin-off and growth					
Rewards play a key role in corporate expansion, opening of new branches and establishing subsidiaries					