

**EFFECTS OF REWARDS ON EMPLOYEE PERFORMANCE: CASE STUDY  
OF ESCO UGANDA LIMITED BUNDIBUGYO**

**BY**

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**A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS AND  
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MENTS FOR THE AWARD OF A BACHELORS' DEGREE  
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## DECLARATION

I Agaba Julius here by declare that this work is my original work and is from my own findings and has never been produced by any body else for the same a ward in the institution of Kampala International University.

REG. NO: BHR/19256/72/DU

SIGNATURE.....



DATE : 30/11/2010.

**APPROVAL**

I affirm that the approval has been given for this research to be submitted to the school of Business and Management as a requirement for the partial fulfillment for the award of a Bachelor's degree in Human Resource Management of Kampala International University.

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Signature.....

Date.....02/12/2010.....

## **DEDICATION**

This research is dedicated to my dear parents, Mr. Egaba John and Ms Bukantandika Jane, and to my brothers, Agaba Hannington, Ndyanabo Edison, Ndibajera Sedrack, and Bukankwisia William.

I dedicate this research in full gratitude for what you have done for me both materially and spiritually and for believing in me despite all odds. In all humility, this dedication is my humble recognition of your importance to me and my destiny.

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## ABSTRACT

The topic of the study was the effects of rewards on employee performance in Esco Uganda Limited Bundibugyo; the problem was to have effective reward system in Esco Uganda Limited Bundibugyo.

The purpose of the study was to establish the relationship between employee rewards and their performance in Esco Uganda Limited Bundibugyo.

The objectives of the study were; to find out what forms of rewards are used in Esco Uganda Limited Bundibugyo; to establish the effects of rewards on employee performance in Esco Uganda Limited Bundibugyo; to establish the possible solutions to the problem of poor reward systems in Esco Uganda Limited Bundibugyo.

The research used both quantitative and qualitative research designs.

The findings of the study indicated the following;

There is use of both financial and non financial rewards; but mostly there is use of financial rewards than non financial rewards.

Reward had significant effects on employee performance and therefore, this hindered the attainment of the goals of Esco Uganda Limited Bundibugyo.

The study further discovered that there should be a sound reward system for Esco Uganda Limited Company Bundibugyo to have committed workforce for better performance.

In conclusion, there is use of both financial and non financial rewards in Esco Uganda Limited Bundibugyo; rewards have both positive and negative effects on employee performance in Esco Uganda Limited Bundibugyo; the solution to problems of poor rewarding systems in Esco Uganda Limited Bundibugyo is through having equitable pay system.

The recommendations of the study were;

Esco Uganda Limited Company Bundibugyo should introduce an equitable system of paying its workers in order to have committed staff for better performance. It should also look at other factors that affect employee performance other than rewards such as employee level of education, seniority, level of specialization, age, family background among others.

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## CHAPTER ONE

### INTRODUCTION

#### 1.0 Introduction

This chapter presents and describes a back ground of the study, statement of the research study, the purpose of the study, research objectives, research questions, the scope of the study, and the significance of the study. .

#### 1.1 Background of the study

Reward is every type of pay individuals receive in exchange for performing organizational tasks (Ivancevich, 2001). In most organizations in the world, reward is seen as a way of compensating workforce who contributed to the achievement of organizational goals. It is seen as a means of creating a way an organization can achieve its desired outcome (Milton L. Rock, 1991). In Australia for example, rewarding employees is seen as a way of creating an environment that stimulates those employees in their jobs and fosters organizational growth. Therefore, reward is a very key aspect of creating such an environment where employees are stimulated to perform to achieve the goals of the organization (Milton L. Rock, 1991). In Africa, reward is fundamentally about balancing human resource costs with the ability to attract and keep the employees in order to improve performance (Dessler, 1994). In Uganda, employers emphasize that reward system should support organizational objectives and strategies; therefore, reward is seen as a way of achieving these objectives of the organization (Rao, 2008). In Esco Uganda Limited Bundibugyo, proper reward system is seen as a way of achieving its objectives; therefore, reward is a strategy to achieve the objectives and goals of Esco Uganda Limited Bundibugyo.

According to Dessler, (2006), reward refers to all forms of pay going to employees and a rising from employment.

Reward is the process of giving employees use full things like money, cars, free health cards, job security and others because they have done something good for the organization. (Riegel, Et al, 2002).

According to Fayol (as cited by Jones, et al, 2000), proposed reward system including bonus and profit sharing plans, which are increasingly utilized.

According to Bureau of labor statistics, (2004), Reward refers the all of the monetary, non-monetary and psychological payments that an organization provides to its employees.

Reward is concerned with all the strategies by an organization in formulation and implementation of policies that aim at compensating people fairly, justly, equitably, but also differently and consistently in accordance with their value to the organization (Gate Wood & Field, 1990).

The operational definition of reward according to my study is, reward refers to the pay employees receive in exchange for their services to the organization.

According to Kerry Thomas, (1995), he defined performance as the way in which an activity is accomplished in a particular level of standards, to which a task is to be accomplished. It is adapted, carried out, or achieved within the working environment.

The relationship between reward and performance is that, individual workers tend to put more effort in performing a task where they expect a reward. (Bohlander and Snell, 2004). This is according to expectancy theory of motivation which is related to pay- for- performance, which states that high performance should result in rewards that are appreciated (valued), and there is instrumentality. It is there fore very important to have a well managed reward system in place because fair and reasonable reward is essential and very important for good morale. There fore organizations should consider equity theory of motivation when rewarding their employees (have element of equity in their pay system).

Most organizations try to reward their employees well while others do not reward their workers fairly including Esco Uganda Limited Bundibugyo. The idea about the study developed when the

researcher heard a hot argument from some of employees from Esco Uganda Limited about how they are being paid (named Katuramu Deo and Muhumuza Richard). Researcher's interest was more aroused because failure to reward employees fairly and equitably can affect the performance of Esco Uganda Limited Bundibugyo

### **1.2 Statement of the problem**

Having fair and just reward system has been emphasized by many organizations in order to improve on the performance their employees. But other organizations including Esco Uganda Limited Bundibugyo have not rewarded their employees up to their expectation (Muhumuza, 2008). Esco Uganda Limited Bundibugyo has failed to reward its employees well and this has affected the performance of these employees (Muhumuza, 2008).

According to Muhumuza's statement (2008), the manager for conversion in Esco, failure for Esco Uganda Limited Bundibugyo to reward its employees well has resulted into loss of morale by the employees hence affecting the performance of the company.

This study is meant to establish ways of how Esco Uganda Limited Bundibugyo can reward its workforce so as to improve the performance of these employees.

### **1.3 Purpose of the study:**

The Purpose of the study is to establish the relationship between employee reward and their performance in Esco Uganda Limited Bundibugyo.

### **1.4 Research Objectives:**

The following will be the objectives and under which the research will be carried out;

1. To find out what forms of rewards are used in Esco Uganda Limited Bundibugyo.
2. To establish the effects of rewards on employee performance in Esco Uganda Limited Bundibugyo.
3. To establish the possible solution to problems of poor reward system in Esco Uganda Limited Bundibugyo.

### **1.5 Research Questions**

1. What are the forms of rewards used in Esco Uganda Limited Bundibugyo?
2. What are the effects of rewards on employee performance in Esco Uganda Limited Bundibugyo?

3. What could be the possible solutions to the problem of poor reward systems in Esco Uganda Limited Bundibugyo?

## **1.6 Scope of the Study:**

### **1.6.1 Geographical scope**

The study will be carried out in Bundibugyo district, Esco Uganda Limited Bundibugyo main offices. The research will cover all the employees who work in Esco Uganda Limited Bundibugyo including the branch manager and the manager for organic export project. The researcher has chosen Esco Uganda Limited Bundibugyo due to its proximity (nearness) to the researcher's residence and easy access to the required information.

### **1.6.2 The Content scope**

The research will zero on rewards and employee performance.

The study will be carried out for two months, that is, from June-July 2010.

## **1.7 Significance of the Study:**

The study will be use ful in the following ways;

- In finding how best the management of Esco Uganda Limited Bundibugyo can reward their employees to improve performance.
- Useful to other researchers, students and lecturer for further references.
- Useful to policy makers of Esco Uganda Limited Bundibugyo in providing effective reward system for better performance of employees and also to other policy makers.
- The study will provide up to date literature for academicians and other stakeholders.
- The Study will be important because it will contribute to the researcher's fulfillment of requirements for the award of bachelor's degree in Human Resource Management.

## CHAPTER TWO

### LITERATURE REVIEW

#### **2.0 Introduction**

This chapter is all about the review of the related literature and scholars' and researchers' views and ideas else where in the world about the problem under study. It is concerned with the theoretical frame work of the study, and the conceptual frame work of the study. The literature review is very vital because it helps to investigate further. The literature will be mainly taken from other secondary source of data as text books, internets, and others.

#### **2.1 Theoretical frame work of the study.**

This study will be guided by the expectancy theory put forward by Victor Vroom. This expectancy theory of motivation predicts that one's level of motivation to work depends on the attractiveness of rewards sought and the probability of obtaining those rewards.

In more practical terms, expectancy theory says that an employee will motivated to exert a high level of effort when he/she believes that it will lead to good performance appraisal; that a good appraisal will lead to organizational rewards like a bonus, a salary increase, or a promotion; and that the rewards will satisfy employees' personal goals.

The theory therefore focuses on three relation ships;

Effort-Performance relationship; the probability perceived by the individual that exerting a given amount of effort will lead to performance.

Performance-Reward relationship; the degree to which individual believes that performing at a particular level will lead to the attainment of a desired out come.

Rewards-Personal goals relationship; the degree to which organizational rewards satisfy an individual's personal goals or needs and the attractiveness of those potential rewards for the individual.

As applied to this research study the expectancy theory holds that, employees will give maximum effort if it will be recognized in their performance appraisal; if good performance will

lead to attaining organizational rewards; and they will perform better when the reward they will get is valued by employees.

Expectancy theory has a relationship with Pay-For-Performance model-which predicts that, first, high effort will lead to high performance (expectancy); second, that, high performance should result in rewards that are appreciated (valued).

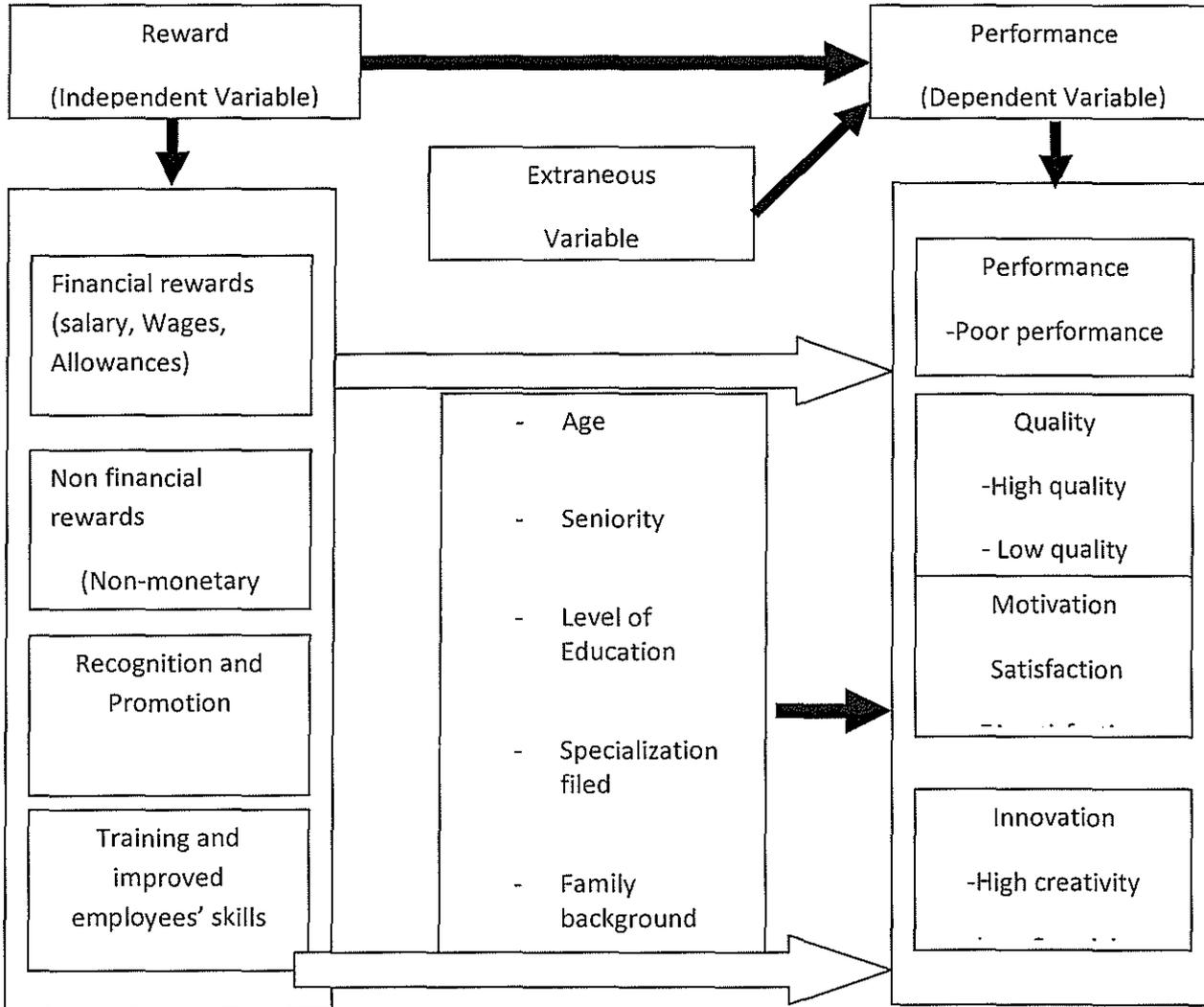
The implication of the expectancy theory is that; managers should try to compensate employees with rewards that are valued to them; this will enable them put more efforts and hence improve on their performance.

However, the theory has some criticisms; it did not look at other factors that affect employees' performance. Do not forget ability and opportunity to perform; this is according to Robin and Chris.

According to Robin and Chris, employee performance is a function of other factors, that is, ability and motivation. That is,  $\text{Performance} = f(A \times M)$ .

We need to add opportunity to perform in the expectancy theory to our equation- $\text{Performance} = f(A \times M \times O)$ . Even though an individual may be willing and able, there may be obstacles that constrain performance. (Robbins, 1999).

## 2.2 Conceptual frame work



Source: Bohlander, G.S. Snell & Sherman, A (2001).

The conceptual framework shows the relation ship between dependent and independent variable.

The independent variable is reward, both financial rewards such as salary, wages and allowances; and non financial rewards (non-monetary) such as recognition and promotion, and training. The dependent variable is performance which is a result of rewards.

The reward of employees has an effect on their performance. There are also extraneous variables such as age, seniority, level of education and family background which have also influence on employee performance. Extraneous variables exist in between reward and performance.

## **2.3 Related literature**

This will involve reviewing of related literature objective by objective.

### **2.3.1 Forms of rewards**

According to Ivancevich, (2001), there are majorly two forms of rewards; financial and non-financial.

Financial reward is a reward given to workers in monetary terms such as wages, salaries, bonus, commissions, allowances, awards and so on, which cover the basic needs of income to survive, to pay bills and have a feeling of stability and consistency. In Maslow's hierarchy of needs, these are at the lower end. These could also be termed to as extrinsic reward.

Most well known financial rewards include the following;

Salary; it is a fixed payment to a worker made for a fixed period of time for his performance in a given task. Mostly it is on monthly basis. (Byars and Rue, 1991)

Wage; it is payment which employees receive on accomplishing a given task. This can be awarded on daily basis or weekly basis. (Byars and Rue, 1991)

Allowances; are financial rewards that employees receive due to work related disturbance such as travel allowances, medical allowances, accommodation allowances, lunch allowances, and others while on organization duty. (Schermerhorn, 1996)

Bonus; is a financial reward an employee receives on a special contribution of production process for example over-work, extra task, attendance and others. (Bohlander and Snell, 2004)

Commission; is a financial payment given to employees based on a proportion to the items he/she has sold or run. (Bartol and Martin, 1998)

Profit sharing; is a financial reward where a sum of money in form of profit is shared among the organization and employees resulting from cost sharing gains. (Bartol and Martin, 1998)

Incentives; are financial rewards given to employees for good and better performance exhibited in organization. This is given to motivate workers do their work. (Byars and Rue, 1991)

Piece work payment; is money given to employee for the payment of the work done at a unit cost example per hour. (Bohlander and Snell, 2004)

A ward; is one of the time reward received and it is tangible reward for good performance employee for example house, car, television, laptop, and others. (Cole, 2002)

Objectives of providing financial rewards are to encourage employees to perform to their best and this is probably the most well-known and longest enduring concept in the work force.

Non-Financial rewards, called “benefits”, refer to that part of reward given to workers which is in non monetary terms. Non-financial rewards include health and life insurance cover, retirement and pension plans, company car, health care, health club membership, subsidized entertainments (movies, opera, museums), recognition of employee contribution by given awards, feedback, abroad trips, delegating more responsibilities, promotion, time off during show periods, staff parties outside of the office, gift certificates, among others. (Stephen, 1996)

Many managers believe that people only work for money. However, it must be remembered that there are other reward systems and recent research provided that many employees work for other objectives other than money. Non-financial reward is the most important of which is probably job satisfaction, a feeling of completing challenges competently, enjoyment and even perhaps the social interactions which arise from the work place. These are at the upper, self efficacy end of the need hierarchy. We could also call these psychological rewards. (Crant, 2006)

While compensation provides strong non-financial rewards for employees to do their best, people today join a company for reasons other than salary. They want to grow in their careers. They want to know that their efforts are being appreciated. They want to know where and how they can make improvements in their tasks. And they want to work with their bosses as partners, rather than as subordinates. This is where the platform’s second leg non-financial rewards come into play. (Campbell and Lee, 2009)

Employee recognition is one of the best tools of non-financial reward. Reorganization is not just a nice thing to do for people. Employee recognition is a communication tool that reinforces and rewards the most important outcomes people create for their business. When you recognize people effectively, you reinforce, with your chosen means of recognition, the actions and behaviors you most want to see people repeat. An effective employee recognition system is simple, immediate and powerfully reinforcing. (Adelaide, 2006)

Non-financial rewards are primarily centered on an employee performance appraisal. This is different from the formalized annual or semi-annual performance reviews that companies sometimes conduct to determine if a worker is deserving a raise or promotion. In today's fast-changing business world, waiting six months to a year to provide feedback to an employee is too long. Performance appraisal implies ongoing feedback, supervisors need to provide their employees with frequent input, sometimes on a weekly or even a daily basis. This feedback should include how well an employee is doing and potential solutions to problems that the worker might experience and good performance record can lead employees both financial and non-financial rewards. (Bhaskar, 1999)

One important aspect of performance improvement is encouraging an increase in employee skills and education. This idea of increasing a worker's learning curve makes up the third leg of the corporate platform, which is an intrinsic reward. Once upon time, extra training or education outside of the workplace was at the discretion of the employee (Scheer, 1969).

Many companies lent assistance by reimbursing the costs, especially if the education directly impacted the job. Other firms went one step further, allowing employees time off to attend workshop, seminar, or classes. In today's reengineered, technology-filled global business environment, more and more companies are taking over responsibility for increasing the skill level of their employees. Training is one of the best non-financial rewards. Employees ultimately helping companies become more competitive and efficient. (Longnecker & Nicole, 2004)

There are many non-financial techniques that motivate employees to do a good job for the organization, some of them are; personally congratulating employees who do a good job, writing personal notes about good performance, using performance as the basis for promotion, publicly recognizing employees for good performance and holding morale-building meetings to celebrate

successes. These techniques, along with others, are not only necessary from management. Peer initiated recognition is truly appreciated because of understanding around the particular job. (AICPA, 2008)

### **2.3.2 The effects of Reward on employee performance.**

The positive effects of rewards on employee performance in Esco Uganda Limited Bundibugyo are as follows;

Good reward system drive the business in the direction that is better, and assist in achieving the kind of company performance that is desirable, this is when employees are satisfied with the reward system and that they can perform well and increase their productivity using their potential talent. (Cania, 2009).

It is important that the aims of the organization and the expectation of the employees should be integrated if a reward strategy is to be a powerful mechanism in the implementation of an organization's Human resource strategy.

When this is done a reward strategy will have the following impacts (Blonder, 2005).

It can reinforce the aims and the objective of the organization and ensure that employees' behavior is directed to their attainment. (Bacal's, 2008).

Give clear messages about organizational culture and values particularly in terms of what behaviors and actions are valued (Power of Praise, 2001)

Good reward system motivates employees and when they are motivated, they are able to spur their potentials towards the achievement of the company goals hence better performance (Power of Praise, 2001).

Good reward system encourages innovation and creative thinking and innovative and creative employees always perform better.

Good reward system encourage efficiency, effectiveness and high productivity and this results into better and improved performance of the company (Bohlander, et al, 2001).

The negative effects of rewards on employee performance in Esco Uganda Limited Bundibugyo are as follows;

When the reward is unfair and lower than other market payment, employees develop beliefs about what is a fair reward for one's job contribution and compare their exchanges with their employer to exchanges with other insiders and outsiders. If an employee believes his treatment is inequitable compared to others, they reduce inputs, try to influence managers to increase outcomes through complaints and grievances, they try to influence co-workers' inputs and they criticize others' outcomes or inputs, with draw emotionally- or physically (engage in absenteeism, tardiness, or quit) all these behaviors can reduce the performance of the organization and reduce the level of productivity and quality of product and services. It can also damage the name and image of the organization. (Lawler, 2003).

Bad reward system can damage the health and well being of the organization because if the reward system of the organization regard unfair and lower than market standard, employees unions can make strike and stay a way from work or the government interfere in the organization reward system (Beach, 1980).

### **2.3.3 Solution to the problems of poor reward systems**

There should be total compensation system of rewarding employees. Total compensation involves the assessment of employee contributions in order to distribute fairly and equitably these organizational rewards (both direct and indirect) in exchange for these contributions. The direct rewards are employees base salary and performance-based pay. Indirect compensation can be private protection programs, health care benefits, paid leave to mention but a few. (Schuler, 1995).

The system of scientific payment of employees should be introduced. This means paying employees after evaluating their jobs to determine the relative worth of these jobs. The job evaluation should be properly done by use of methods like job ranking, job classification method, point rating method, or using factor comparison method; hence determining the worth of the jobs. (Schuler, 1995).

There should be a system of pay fairness; this is a system which involves paying workers what they believe they deserve to be paid in relation to others deserve to be paid. This is also called internal equity pay. The tendency is for people to determine what they and others deserve to be paid by comparing what they give to the organization with what they get out of the organization. (Schuler, 1995).

The organization should consider what is called external equity; external equity means paying workers in comparison with how much other similar organization are paying for the same jobs. This will bring satisfaction and hence improve performance (Schuler, 1995).

There should also be individual pay system; this is a system where employees are compensated based on how much skill and knowledge an employee brings to the job he/she is occupying, this will motivate such employees and hence improved performance (Gomez-Mejia, Balkin and Cardy, 2001).

Training workforce into the required skills, which will enable employees to identify with the organization and get retained hence, increasing the performance levels of such employees (Dessler, 2006).

Promoting workforce who have attained skills after under going training. This will make such employees feel that they belong to the company and hence improve on their willingness to perform and therefore, better performance (Schermerhorn, 1996).

Provide job security to the employees, this will enable them have a sense of belongingness to the company hence enabling them improve on their performance levels (Schermerhorn, 1996).

Having proper performance appraisal system where the workforce is made aware about how they are performing and rewarding those employees who have performed up to the expectation and having discussion with those employees who have failed to perform up to the required performance (Schermerhorn, 1996).

Delegation of responsibilities and rewarding employees who have performed better. This will enable the workforce acquire more skills and have a sense of belongingness to the organization, this as a result, leads to increased employee commitment and better performance (Schuler, 1995).

Having open system of communication between the workforce and the management which will result into job satisfaction from employees since free communication will increase the interaction between the management and the employees or among employees them selves. This as a result leads to better employee performance (Schuler, 1995).

Rewarding employees after considering the cost of living of the countries or cities where they reside. This will enable the organization to be seen as having an equitable pay system. This is because employees come from countries with differing cost of living because of inflation problem, once this is done, employees will be committed to their jobs hence better performance (Bohlander& Snell, 2001).

Pay employees after considering the nature of their jobs, this is because there are dirty jobs which are paid differently from other types of jobs. This will enable the holders of different jobs to be satisfied of their pay and hence improved performance (Schermerhorn, 1996).

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter presents and describes methods and techniques that were used to collect and analyze data. It includes research design, area of the study, study population, sampling procedure, data collection instruments, research procedure, and data analysis,

#### **3.1 Research Design**

The study used both qualitative and quantitative research design.

#### **3.2 Area of the Study**

The study was carried out in Esco Uganda Limited Bundibugyo western Uganda, near Democratic Republic of Congo boarder; most respondents were selected from the employees in Esco Uganda Limited Bundibugyo.

#### **3.3 Study population**

The population of the study comprised of 50 respondents and this sample was selected from employees of Esco Uganda Limited Bundibugyo. The sample comprised of both men and women irrespective of religion, age, and tribe. The sample selection was done with no discrimination, in that, whether one was still on probation was still selected. Even the branch manager and manager for organic export project were included in the sample.

#### **3.4 Sampling Procedure**

The researcher used simple random sampling technique in a sense that there was no discrimination in selecting respondents, that is, each and every individual had equal chance of being selected be it male or female. In this procedure, the respondents were selected at random, and these respondents were being identified according to their willingness and availability to take part in the study.

### **3.5 Data Collection Instruments**

Data collection instruments were basically questionnaires, interviews and observation. . The questionnaire were administered personally by the researcher to the respondents and collected after time interval. The questionnaire comprised of open ended and closed ended questions that required respondents to answer all the questions to the best of their knowledge. Interviews comprised of both structured and un structured questions. Observation was also used.

#### **3.5.1 Questionnaires**

Questionnaires by definition mean a set of printed questions addressed by the researcher to the respondent for him or her to answer and after answering return the questionnaires to the researcher. The questionnaires were administered personally by the researcher to the respondents and collected after time interval. The questionnaire comprised of open ended and closed ended questions that required respondents to answer all the questions to the best of their knowledge.

In this study, the researcher used questionnaires because they are cheap, quicker, they cover many respondents, they are free from interview bias, and give accurate information since respondents take their time to answer the questions. However, they have a disadvantage of high rate of non response.

#### **3.5.2 Interviews**

Interviews were also used in this study. Interviews that were used also comprised of both structured and un structured questions which were asked to respondents from Esco Uganda Limited Bundibugyo and requiring answers from these respondents. The interview centered on the effects of rewards on the employee performance in Esco Uganda Limited Bundibugyo. In this study, the researcher used interview because they encourage interaction between the researcher and the respondents, there was clarification of some questions to the respondents, to mention but a few.

#### **3.5.3 Observation**

In this method the researcher went on site and saw the employees of Esco Uganda Limited Bundibugyo as they were performing their duties. This enabled the researcher to access and acquire the data without any interaction with the respondents. In this study, the researcher used

observation because it enabled the researcher to get data even if the respondents were non cooperative.

### **3.6 Research Procedure**

The researcher obtained an introductory letter from Kampala International University School of Business and Management to Esco Uganda Limited Bundibugyo and permission was got from the branch manager of Esco Uganda Limited Bundibugyo allowing the researcher to conduct this study. Respondents were given information on how to go about with the questionnaire filling process and some questions were asked by the respondents where necessary for clarification especially during interviews.

### **3.7 Data Analysis**

After data collection, only correctly filled questionnaires were edited and coded and analysis was done by use of frequencies, percentages and then true findings was presented by using pie charts and tables.

## CHAPTER FOUR

### INTERPRETATION, ANALYSIS AND PRESENTATION OF DATA

#### 4.0 Introduction

This chapter presents data interpretation, analysis and presentation. It mainly summarizes key issues from theoretical and empirical literature. The analysis was done in accordance with the research objectives and variables of the study which are rewards and employee performance. The researcher employed various tools to analyze the data collected such as frequencies, and percentages. Quantitative data presentation techniques were used.

#### 4.1 Forms of rewards used in Esco Uganda Limited Company Bundibugyo

The response is as shown in table 1 below.

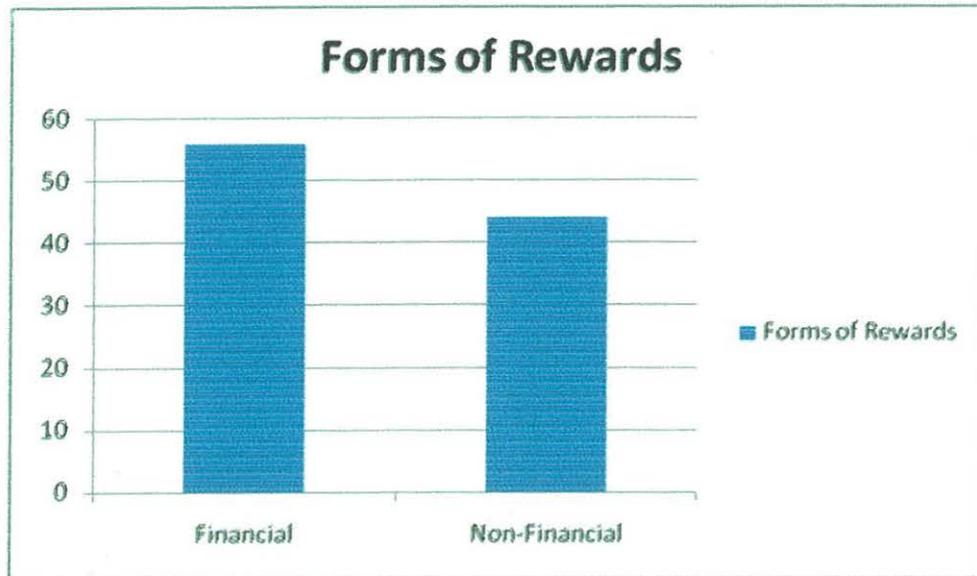
**Table 1, forms of rewards used in Esco Uganda Limited Bundibugyo**

Response	Frequencies	Percentages (%)
Financial rewards	28	56
Non financial rewards	22	44
	50	100

Source: Primary data

The findings in the table showed that many respondents believed that Esco mostly uses financial rewards as shown by 56% of the respondents while only 44% of the respondents answered that there is non financial rewards. This can also be illustrated on figure1 below.

**Figure 1, forms of rewards used in Esco Uganda Limited Company Bundibugyo.**



According to the research carried out using interviews, the forms of rewards used in Esco Uganda Limited Bundibugyo are both financial and non financial rewards; 52% do believe that there is financial rewards while 48% responded that there is non financial rewards in the company.

Research carried out using observation showed that, there are both financial and non financial rewards in Esco Uganda Limited Bundibugyo. This was viewed by the researcher where some of the respondents were seen driving company cars and others being recognised for better performance.

#### 4.2 Effects of rewards on employee performance in Esco Uganda Limited Bundibugyo.

The response is as shown in table 2 below.

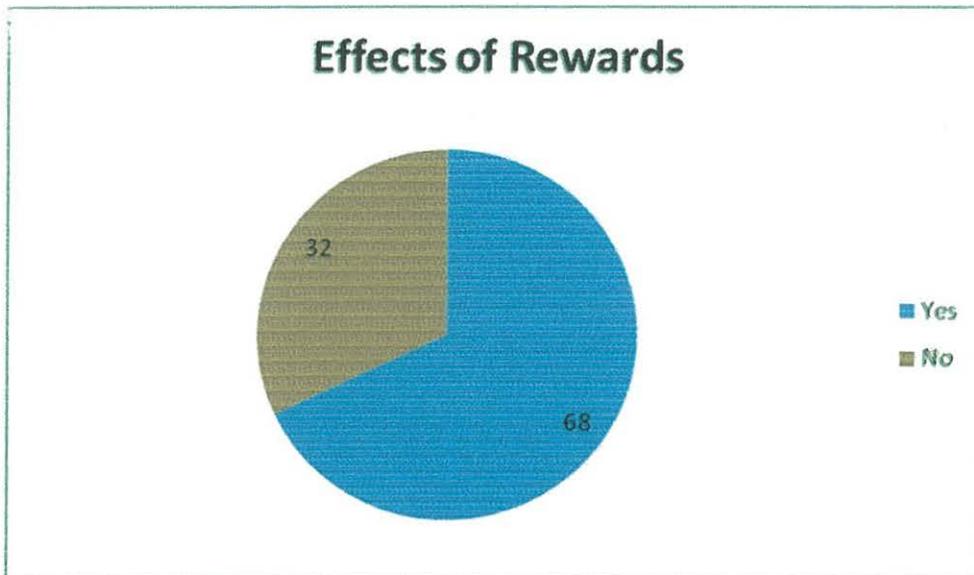
**Table 2 effects of rewards on employee performance in Esco Uganda Limited Bundibugyo**

Response	Frequencies	Percentages (%)
Yes	34	68
No	16	32
	50	100

Source: Primary data

The study findings showed that reward has effects on employee performance in Esco Uganda Limited Company Bundibugyo as shown by 68% of the respondents while only 32% of the respondents responded with answer no. This can also be shown on figure 2 below.

**Figure 2 effects of rewards on employee performance in Esco Uganda Limited Bundibugyo.**



The research carried out using interviews showed that the reward has effects on the employee performance both positive and negative effects. In this case, 60% of the respondents answered that rewards have positive effects on employee performance in Esco Uganda Limited Bundibugyo whereas 40% of the respondents believed that rewards have negative effects on performance in Esco Uganda Limited Bundibugyo.

From researcher's observation during the research, it was seen that, there are both positive and negative effects of rewards on employee performance in Esco Uganda Limited Bundibugyo. The researcher saw some employees coming early for work, getting committed to their work; while others were seen being involved in late coming, absenteeism, labour turnover and others.

#### **4.3 Solutions to the problems of poor rewarding systems in Esco Uganda Limited Bundibugyo.**

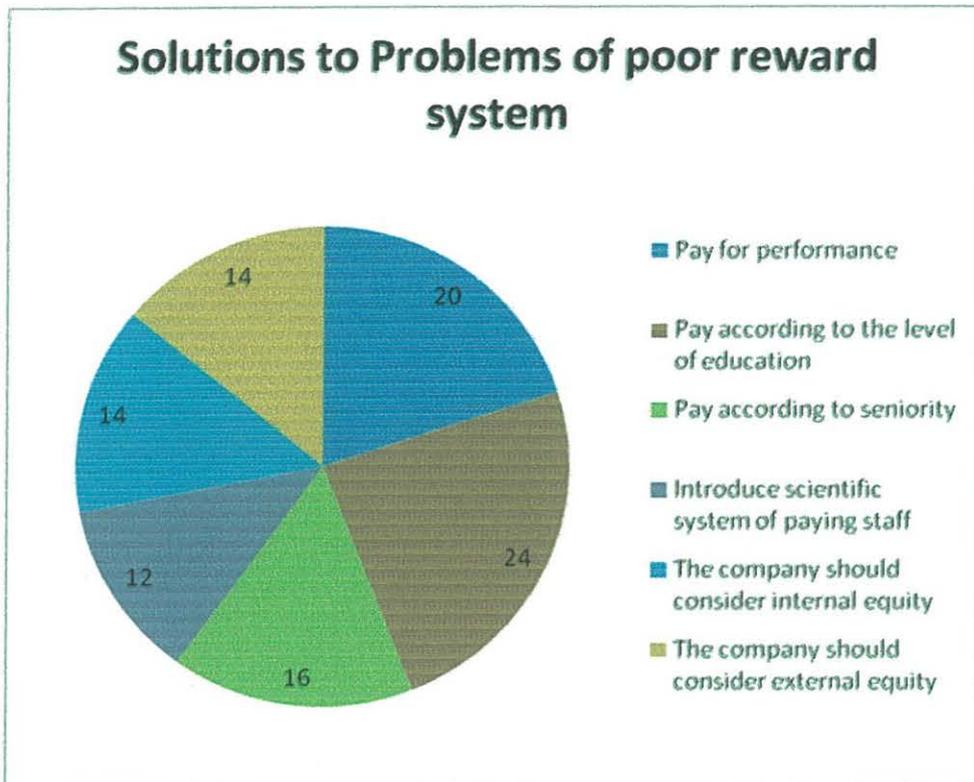
The response is as shown on table 3 below.

Response	Frequencies	Percentages (%)
Pay for performance	10	20
Pay according to the level of education	12	24
Pay according to seniority	08	16
Introduce scientific system of paying staff	06	12
The company should consider internal equity	07	14
The company should consider external equity	07	14
	50	100

Source: Primary data

The findings on the table showed that the respondents gave ways of how to over come problems of poor rewarding systems in Esco Uganda Limited Company Bundibugyo. This can also be illustrated on the figure 3 below.

**Figure 3 Solutions to problems of poor rewarding systems in Esco Uganda Limited Bundibugyo.**



The data collected using interviews showed that the problems of poor rewarding systems in Esco Uganda Limited Bundibugyo can be over come by paying according to employee performance, introducing scientific system of paying staff, paying according to employee seniority, give employees recognition after performance, promote employees after acquiring training, having effective communication system and open door policy. This is shown by the following percentages of the respondents as 20%, 24%, 16%, 12%, 14% and 14% respectively.

The data collected using observation by the researcher indicated that poor reward systems in Esco can be over come by employee recognition, having effective communication and open door policy, delegation of duties to mention a few. This was viewed by the researcher when he saw the respondents happy when they were recognized, when they were delegated duties to perform and having effective communication.

## **CHAPTER FIVE**

### **DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter covers the discussion of findings of the research carried out, conclusion and recommendation for further research.

#### **5.1 Discussion of findings**

##### **5.1.1 Forms of rewards used in Esco Uganda Limited Bundibugyo**

According to the findings of the study, the forms of rewards used in Esco Uganda Limited Bundibugyo are both financial and non financial rewards; but mostly there is use of financial rewards as said by many respondents, this is also in relation to other previous researchers' report such as Enock, (2007) and Juma, (2008) who stated that, the most commonly used forms of rewards used in Esco Uganda Limited are both financial and non financial rewards.

##### **5.1.2 Effects of rewards on employee performance in Esco Uganda Limited Bundibugyo**

From the research findings, the effects of rewards on employee performance in Esco Uganda Limited Bundibugyo are both positive and negative effects; where positive effects are commitment of employees, employee loyalty, reduced absenteeism, reduced late coming, reduced incidence of strikes and the like; whereas the negative effects of rewards are late coming, strikes in the company (peace ful strike), absenteeism, reduced commitment from employees, labour turnover and others. This is in relation to other previous researchers' reports- Enock, (2007) , Juma, (2008) and Shafik, (2008), who stated that rewards have both positive and negative effects on employee performance; where the positive effects are employee loyalty, reduced absenteeism and employee commitment whereas negative effects are late coming, absenteeism, incidence of strikes and reduced employee commitment.

### **5.1.3 Possible solutions to the problems of poor rewarding systems in Esco Uganda Limited Bundibugyo**

According to the research findings, the possible solutions to the problems of poor rewarding systems in Esco Uganda Limited Bundibugyo are; having individual pay system where there is paying according to the level of education, job evaluation should be done to determine the relative worth of the job, the company should consider internal equity, the company should also consider external equity where it should look at how much other companies are paying, there should be total compensation system of rewarding employees where there is assessment of employee contributions to the organization and pay accordingly, also there should be pay for performance. This is in relation to the previous researchers' reports, (Enock, 2007 , Juma, 2008 & Emma, 2009), who stated that the possible solutions to the problems of problems of poor rewarding systems in Esco are paying according to level of education, do job evaluation, consider internal and external equity, training employees and promoting such employees after training and paying according to seniority.

### **5.2 Conclusion**

The conclusion of the study is that, the forms of rewards used in Esco Uganda Limited Bundibugyo are both financial and non financial rewards

Rewards certainly have effects on the performance of the employees in Esco Uganda Limited Company Bundibugyo both positive effects and negative effects. The positive effects are improved employee commitment, reduced absenteeism, reduced late coming, reduced incidence of strikes and reduced labour turnover; whereas negative effects are absenteeism, late coming, strikes and labour turn over.

It can also be concluded that the problems of poor rewarding systems in Esco Uganda Limited Company Bundibugyo will be solved by internal equity, external equity, paying according to the level of education, paying according to seniority, carrying out job evaluation to determine the relative worth of the job, and paying for performance.

### **5.3 Recommendations**

The recommendations were made in relation to the findings and the conclusion and included the following;

- Although top managers are paid well and are satisfied with the pay, there is a big gap between what the managers earn and earnings for the employees. This therefore, requires recommendation that there should be equity system rewarding employees.
- There should be a pay for performance system of rewarding staff, where those employees who have performed better are compensated for their better performance.
- There should be a system of rewarding employees after considering their level of education qualification. This will make employees spur their potentials towards achievement of the goals of the company hence better performance.
- Job evaluation should be done first before pay structure is determined so as to determine the relative worth of the job, hence better pay and as a result, better performance.
- Esco Uganda Limited Company Bundibugyo should consider the level of skills (seniority) when determining their pay system. This is called individual pay system and it depends on the number of years an employee has served in the company.
- Esco Uganda Limited Company Bundibugyo should have a system of rewarding its employees depending on the profitability of the company, where by when the company have realized more profits, the pay for the employees is increased.
- There should be promotion of the workforce after they have attained new skills, this will improve on their satisfaction and hence better performance in the company.

#### **5.4 Limitations of the study**

The research study faced the following problems;

- Most of the employees in Esco Uganda Limited Bundibugyo were too busy; therefore, less time was posed to the researcher.
- Some of the employees were not willing to give out information due to lack of trust between the researcher and the respondents.

- Confidentiality, in that some information is not supposed to be disclosed to the people; this limited the research study.
- Some respondents were hesitant to give information since it does not benefit them, thus, they needed to have some funds committed to them.
- The study was only limited to the case study due to limited time to cover Esco in all the districts of Uganda. The researcher resorted to random sampling it had its own disadvantages.
- There were transport costs that limited the study.

### **5.5 Areas of further research**

The researcher identified the following possible areas to carry out further research in reward management;

- The effects of rewards on employee commitment
- The effects of rewards on employee job satisfaction
- The effects of rewards on employee retention in the organization.

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## APPENDICES

### Appendix I The time frame of the study

Proposal	March to April
Data Collection	June to July
Dissertation writing	August to Sept
Submission	October

### Appendix II

#### Budget for the study

No	Items	Rate	Amount UGX
1	Transport service	8 weeks 8*10,000	80,000
2	Lunch	5,000*8	40,000
3	Typing and printings	100 pages 500*100	50,000
4	Photocopying	100 pages 100*100	10,000
5	Stationary		50,000
6	Miscellaneous		34,500
<b>Total</b>			<b>264,500</b>

## Appendix III

### Questionnaire

Dear respondent;

I am called Agaba Julius, a researcher pursuing a Bachelor's degree in Human Resource Management at Kampala International University. I am conducting a research on the effect of rewards on employee performance. This research will be for purely academic purposes. The finding of this research will benefit Esco Uganda Limited Bundibugyo as well. Please take time to answer for me these questions. All answers will be treated with confidentiality.

#### Section A: Background information

(Please tick in the most appropriate box or write in the most appropriate space)

1. Name of the respondent (optional)

Surname: .....

Other names: .....

2. Sex

MALE

FEMALE

3. Age

Age Group	
18- 25 years	
25-30 Years	
30-40 Years	
40 and Above	

4. Marital Status

- a) Single
- b) Married
- c) Widow
- d) Widower
- e) Divorced

5. Level of Education

Primary level	
Secondary level	
Professional Certificate	
Diploma	
Degree	
Others(specify)	

**Section B**

6. What are the forms of rewards used in Esco Uganda limited company Bundibugyo?

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**Section C**

7. Of the forms, which are the mostly used in Esco Uganda Limited Bundibugyo?

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**Section D**

8. What are the positive effects rewards on employee performance in Esco Uganda Limited Bundibugyo?

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9. What are the negative effects of rewards on employee performance in Esco Uganda Limited Bundibugyo?

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**Section E**

10. What are the problems with poor rewarding system in Esco Uganda Limited?

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**Section F**

11. What solutions do you suggest for the problems of poor rewarding systems in Esco Uganda Limited Bundibugyo?

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**THANK YOU SO MUCH FOR YOUR COOPERATION**

## **Appendix IV**

### **Interview Guide**

1. What are the forms of rewards used in Esco Uganda limited Bundibugyo?
2. Of the forms, which are the mostly used form in Esco Uganda limited Bundibugyo?
3. What are the positive effects of rewards on employee performance in Esco Uganda limited Bundibugyo?
4. What are the negative effects of rewards on employee performance in Esco Uganda limited Bundibugyo?
5. What are the problems with reward system in Esco Uganda limited Bundibugyo?
6. What solution do you suggest to overcome the above problems of reward system in Esco Uganda limited Bundibugyo?