

**EFFECT OF REWARD MANAGEMENT ON EMPLOYEE PERFORMANCE:  
A CASE STUDY OF CENTENARY BANK,  
KABALAGALA BRANCH**

**BY**

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**A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS  
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UNIVERSITY**

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## DECLARATION

This report is my original work and has not been presented for a Degree or any other academic award in any university or institution of learning.

Signature; .....

Date.....02/06/2015

**Atim Sandra**

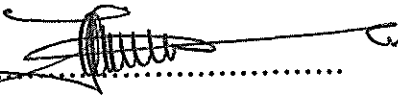
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## APPROVAL

I certify that this research dissertation has been compiled under my supervision and that it is now ready for further examination.

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Signed: 

Date: *02/08/2015*

## **DEDICATION**

This report is dedicated to my father , the late Mr.Nimrode and Mrs.Jennifer Oonyu

## ACKNOWLEDGEMENT

I would like to first convey my sincere thanks to the almighty God for the protection and life he has given me throughout my research period.

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## **ABSTRACT**

This study took to carry out an investigation on Reward management and Employees' Performance in Centenary bank, Kabalagala branch. The objectives of the study were to determine the forms of reward and the levels employees' performance in Centenary bank, Kabalagala branch and to establish whether there was a significant relationship between the reward system as the independent variable and employees' performance as the dependent variable. The study employed descriptive correlational study design which involved both qualitative and quantitative approaches. With regards to this method, the researcher used a structured questionnaire which was based on simple and understandable questions. Responses from the 67 sample size respondents suggested that the levels of reward system and employee performance were relatively lower than the standard expected. The researcher found out that though some strides have been made in improvement of the reward system, still there are a couple of challenges which hamper the performance of the employees. As a result the employees' performance has remained to be significantly low. It was also established that there was indeed a causal relationship between reward system adoption and employees' performance which stood at 0.793 on the Pearson Correlation scale which was interpreted as positive and strong relationship. The researcher suggested that it has become imperative that there must be significant improvement on the reward system with special focus on promotions, career opportunities, financial rewards, recognition and relationship[s/affiliations. This according to the researcher would help improve the employees' performance by a great deal.

## TABLE OF CONTENTS

<b>DECLARATION .....</b>	<b>i</b>
<b>APPROVAL .....</b>	<b>ii</b>
<b>DEDICATION .....</b>	<b>iii</b>
<b>ABSTRACT .....</b>	<b>v</b>
<b>TABLE OF CONTENTS .....</b>	<b>vi</b>
<b>LIST OF TABLES AND FIGURES .....</b>	<b>viii</b>
<b>LIST OF ACRONYMS .....</b>	<b>x</b>
 <b>CHAPTER ONE .....</b>	 <b>1</b>
<b>INTRODUCTION .....</b>	<b>1</b>
1.0 Introduction.....	1
1.1 Background to the study .....	1
1.2 Statement of the problem.....	4
1.3 Purpose of the study .....	5
1.4 Research objectives .....	5
1.5 Research Question? .....	5
1.6 Scope of the study.....	5
1.6.1 Subject scope .....	5
1.6.2 Geographical scope.....	5
1.6.3 Time scope.....	5
1.8 Significance of the study .....	6
1.9 Conceptual framework.....	6
 <b>CHAPTER TWO .....</b>	 <b>8</b>
<b>LITERATURE REVIEW .....</b>	<b>8</b>
2.0 Introduction: .....	8
2.1 Theoretical review .....	8
2.1.1 Financial rewards offered to employees.....	14
2.1.3 Employee Recognition at a workplace .....	15
2.1.4 Affiliation with an admirable organization .....	15
2.1.5 Long-term career opportunities .....	16
2.2 Relationships between reward and employees performance.....	16
2.2.1 Productivity and Quality of output .....	19
2.2.2 Commitment and Loyalty .....	19
2.2.3 Workforce Flexibility .....	20
2.3 Intervening Variables.....	20
2.3.1 Staff Training.....	20
2.3.2 Creativity .....	20
 <b>CHAPTER THREE.....</b>	 <b>22</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>22</b>
3.0 Introduction .....	22
3.1 Research Design .....	22
3.2 Research population .....	22
3.3 Sample Size and Sample Techniques .....	22
3.5 Data collection instruments .....	24
3.5.1 Questionnaires .....	24
3.5.2 Interviews .....	24
3.6 Data processing and analysis .....	25

3.7 Reliability and validity of instruments .....	25
3.7 Expected limitations .....	27
<b>CHAPTER FOUR .....</b>	<b>28</b>
<b>FINDINGS PRESENTATION AND ANALYSIS .....</b>	<b>28</b>
4.0 Introduction.....	28
4.1 Demographic Characteristics of Respondents .....	28
4.2 Levels of Reward System and Employees' Performance.....	30
4.2.1 Reward System .....	30
4.2.2 Employees' Performance.....	31
4.3.1 Correlations of Constructs and main study variables .....	34
4.3.2 Regression .....	35
4.4 Summary of Findings .....	39
<b>CHAPTER FIVE .....</b>	<b>40</b>
<b>DISCUSSION, CONCLUSION AND RECOMMENDATIONS .....</b>	<b>40</b>
5.0 Introduction .....	40
5.1 Discussion of Findings .....	40
5.1.1 Reward Management .....	40
5.1.2 Employees' Performance .....	41
5.1.3 Relationships.....	43
5.2 Conclusion .....	43
5.3 Recommendations .....	44
5.4 Areas for Further Research.....	45
<b>REFERENCES .....</b>	<b>46</b>
APPENDIX I: RESEARCH QUESTIONNAIRES.....	49
APPENDIX II: TIME TABLE .....	52
APPENDIX III: RESEARCHER'S BUDGET.....	53
SECTION B: EMPLOYEE PERFORMANCE.....	54
APPENDIX B: INTERVIEW GUIDE .....	56



## LIST OF TABLES AND FIGURES

Table 1: Categories of respondents .....	23
Table 2: Demographic Characteristics of Respondents.....	28
Table 3: statistics on reward management variables .....	30
Table 4: Statistics on Employee performance variables.....	31
Table 5: Correlations of Constructs and main study variables.....	34
Table 6: Regression of construct variables.....	36
Table 7: Regression table for reward system against employee Performance .....	37
Table 8: Time Frame for Research .....	52
Table 9: Research Budget.....	53
Table 10: Questionnaire on Reward Management .....	50
Table 11: Questionnaire on Employees' Performance.....	54

## LIST OF FIGURES

Figure 1: Conceptual Framework .....	6
Figure 2: Graph of Reward System against Employees' Performance .....	38

## **LIST OF ACRONYMS**

BOU	BANK OF UGANDA
CVI	CONTENT VALIDITY INDEX
CVR	CONTENT VALIDITY RATIO
FOREX	FOREIGN EXCHANGE
OECD	ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT
SACCO	SAVINGS AND CREDIT COOPERATIVES
SPSS	STATISTICAL PACKAGE FOR SOCIAL SCIENCES
USD	UNITED STATES DOLLAR

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Introduction**

This chapter consists of the background of the study, statement of the problem, purpose of the study, objectives of the study, hypotheses of the study and the significance of the study.

#### **1.1 Background to the study**

In Uganda, the financial system is composed of formal; semiformal and informal institutions. The formal institutions include banks, Microfinance Deposit-taking institutions, Credit Institutions, Insurance companies, Development Banks, Pension Funds and Capital Markets. The semi informal institutions include Savings and Credit Cooperative Associations (SACCO) and other Microfinance institutions, whereas the informal ones are mostly village savings and loans associations (BOU, 2010). Formal institutions are less prominent in rural areas than urban areas and they only serve 14% of the rural population. Informal institutions play an important role in the rural service provisions and serve approximately 12% of the rural population.

By early the 1990s, the banking sector was comprised mainly of four foreign banks (Standard Chartered, Standard Bank, Barclays and Baroda), and the two large indigenous banks (UCB and Co-op) that controlled 70 percent of the banking assets and liabilities but were insolvent. By the end of 2005, the system had substantially grown and was made up of a formal and an informal sector. The number of commercial banks increased to 20 in 1996, when a moratorium on banking licenses was imposed and after the closure of some banks and consolidation, fell to 15 (Arthur, 2001).

The reforms in the financial sector came up with the need to make exchange internationally in the most easy way where someone in another country like Malaysia can send money to his person in Uganda and the money is received in the shortest time possible. This system so many financial institutions implementing it and many new money sending institutions increased. Besides the commercial banks, the new institutions include, western union, Centenary bank group of companies, crane access and among others. This has greatly improved to performance of the financial sector (ABC capital Bank 2005)

According to Bank of Uganda 2010 journal, there are it supervises Banks and some non Bank institutions in the country. These include: Commercial Banks, Credit Institutions, Forex Bureaux, Money Remitters, Microfinance Deposit-taking Institutions, Other Financial Institutions in Uganda which are not supervised by the Bank of Uganda: Insurance Companies, Insurance Brokers, Leasing Companies and Development Banks

Centenary bank providing money exchange and transfer services. It is the largest African money transfer business with 24,000 agent locations and branches worldwide. Its online web-based money transfer system may be far removed from the manual services Centenary bank employed in the 1970s, but it remains a business committed to its original values of trust, reliability, integrity and customer-focus.

### **Reward management**

Reward refers to all of the monetary, non-monetary, and psychological payments that an organization provides for its employees (Biya, 2005). It is a process that reinforces behavior something that, when offered, causes a behavior to increase in intensity. Reward is an operational concept for describing the positive value an individual ascribes to an object, behavioral act or an internal physical state (Benson, 1997). Reward Management is based on a well-articulated philosophy- a set of beliefs and guiding principles that are consistent with the value of the organization and help to enact them. (Armstrong, 2006)

Reward system make employees' happy and satisfied when reward is fair and standard because they feel that organization recognize what they do. Balanced and standard rewards system toward employees can help build a workplace environment, in which they look forward to coming to their jobs, and excited about the work they do, and are willing to go above and beyond their job descriptions to help the company achieve its bottom-line goals (Nzomo, 2012). The most important goals for a reward strategy are to support business goals, to reward high-performers, and to recruit and retain high-performers and to adhere to laws of government. In order for an organization to meet its obligations, must provide fair, attractive and balanced reward system (Pendlebury, 2000).

Reward Management is concerned with formulation and implementation of strategies and policies, the purpose of which are to reward people fairly and equitably and consistently in accordance with their value to the organization and thus help the organization to achieve its strategic goals. It deals with the design, implementation and maintenance of reward system

(reward processes, practice and procedures) that aim to meet the needs of both the organization and its stakeholders (Armstrong, 2008).

Reward Management is based on a well-articulated philosophy- a set of beliefs and guiding principles that are consistent with the value of the organization and help to enact them (Bendtner, 1997). Reward System consists; Policies that provide guidelines on approaches to managing rewards, Practices that provide financial and non-financial rewards, processes concerned with evaluating the relative size of jobs (job evaluation) and assessing individual performance (performance Management), procedures operated in order to maintain the system and to ensure that it operates efficiently and flexibly and provides values for money (Bennie, 2010). Reward may be defined as money received in performance of work plus many kinds of services and benefits that organizations provide to their employees (Bobson, 2003).

### **Employee performance**

The job related activities expected of a worker and how well those activities were executed. Many business personnel directors assess the employee performance of each staff member on an annual or quarterly basis in order to help them identify suggested areas for improvement

The success of any company depends on the ability and willingness of works to deliver to their best (Mccoy, 2004). Their performance is also impacted on by their skills experience and level of technology they use at the work place.

Performance refers to the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfilment of an obligation, in a manner that releases the performer from all liabilities under the contract (Benson, 1997). Performance in procurement and business is the level at which a firm is able to meet the required standards of accuracy and completeness of an activity. It is described with the level of efficiency, transparency, effectiveness and reliability of the activity done (Bennie, 2010).

Performance refers to how well one does a piece of work or activity and ability to bring about desired results in a satisfactory manner is all that performance is about. Good performance is an indication of success and development of all organization. Performance is the measure of how well the organization does its job (Kramer, 2000). According to (Nebro, 1997) the first step in deciding what is to be measured is to identify the objective of the enterprise concerned

and the second step is to define the appropriate standard and targets for each of these objectives. There are three dimensions of performance namely efficiency effectiveness:

Employee performance is determined in terms of productivity of the worker that is to say the level of units produced by an employee in a given period of time when other factors are held constant. What one employee can produce considering the time and total quantity produced in the company (Mccoy, 2004).The employee performance is also determined basing on the efficiency, accuracy, transparency and effectiveness of the employee in his or her operations. The rate of wastage done by an employee defines the level of performance. The higher the level of wastage, the lower the level of performance of an employee however the lower the level of wastage the higher the level of employee performance

## **1.2 Statement of the problem**

Employee performance is one of the major indicators of organization success in terms of performance (Adams & Kirst, 1998). The performance of employees in every organization s is boosted through provision of rewards that always uplifts the employees to perform better in order to improve the organization's growth and development. Employee's performance is determined from their level of productivity, accuracy, timelines and effectiveness which are mainly boosted by rewards (Mullen, 1998).

It is however unfortunate that even when rewards are provided to the employees, they fail to deliver their impact on the employee performance. This is mainly due to the mismanagement of the reward system at Centenary bank, Kabalagala branch which affects the entire organizations. Some employees perform excellent and don't get rewarded while some others don't even contribute to the development of the company and they get huge rewards, some others perform average and get bonuses, therefore, this has affected the progress of Centenary bank. (Kramer, E. (2000)

The study intends to examine the impact of reward management on employee performance in organizations.

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

The purpose of the study was to establish the relationship between reward management and the performance of employees in Centenary bank, Kabalagala branch.

### **1.4 Research objectives**

- i. To identify the reward management system in Centenary bank, Kabalagala branch.
- ii. To determine the employee performance at Centenary bank, Kabalagala branch.
- iii. To establish the relationship between reward management and employee performance in Centenary bank, Kabalagala branch.

### **1.5 Research Question?**

- i. How is the reward management system at Centenary bank, Kabalagala branch?
- ii. What is the level of employee performance at Centenary bank, Kabalagala branch?
- iii. What is the relationship between reward management and employee performance?

### **1.6 Scope of the study**

#### **1.6.1 Subject scope**

The study focused on finding out whether there is any relationship between reward management systems and employee performance. It therefore was based on reward and performance

#### **1.6.2 Geographical scope**

The study was carried out at Centenary bank, Kabalagala branch located on King Fahad plaza in Kampala. This place was chosen because it is in town and it is the organization headquarters in Uganda

#### **1.6.3 Time scope**

The study used information on the company from 2000 to 2014 as this was regarded as valid information for the study. The study took a period of five months from May to September 2014 to effectively achieve its objectives.



## 1.8 Significance of the study

- i. The study is useful in finding out how best reward management of Centenary bank, Kabalagala branch can reward their employees for better performance.
- ii. The study is useful to the policy makers of Centenary bank in providing effective reward system for better performance of employees and also other policy makers.
- iii. It is used by other researchers, students, lecturers and others for further references
- iv. The study provides up to date literature for academicians and other stakeholders.

## 1.9 Conceptual framework

Conceptual frame work for the study explains the relationship between variables into diagram to illustrate the interconnections between the independent and dependent variables of the study and it is as below (Nebro, 1997)

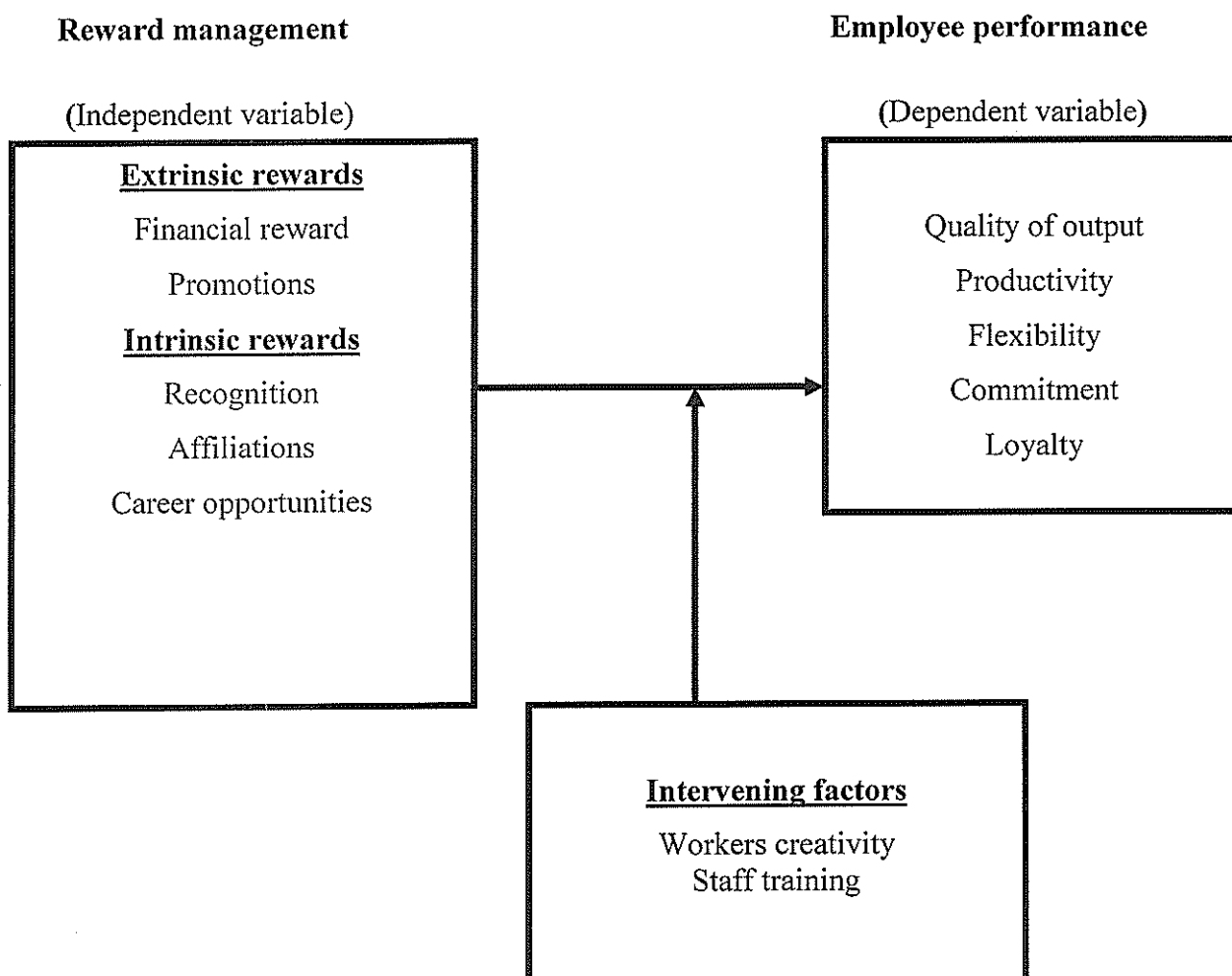


Figure 1: Conceptual Framework

The frame work was guided by the **Total Rewards model** and **Integrated Reward & Performance Management Model** that relates reward to performance, according to them the reward management system determines the level of employee performance in any organization. Employees can be reward in two major forms that is to say(Brian, 2001);The extrinsic reward that involve rewards like, bonuses, promotions, gifts, salary rise, and timely payment among others.

The intrinsic rewards on the other hand are rewards that tend to give personal satisfaction to individual. The rewards include information/ feedback and recognition or empowerment. This form of reward is used to offer guidance to employees to help them operate effectively. This creates a bond and relationship of managers and employees.

According to the rewards management model, these rewards will significantly impact on employee performance. Employee performance will be measured inform of level of productivity, quality and timeliness of the employee(Bussiere & Fratzscher , 1999). Besides the rewards, other factors like the working conditions, employee personal skills, technological and social factors also impact on employee performance.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction:

This chapter is about conceptual framework and ideas and views of other persons in relation to the topic under study. The literature is vital and helps to investigate further. The literature will be mainly taken from other secondary source of data.

#### 2.1 Theoretical review

According to (OECD Report on Management of Corporations, 2006), Reward refers to all of the monetary, non-monetary, and psychological payments that an organization provides for its employees. Reward is a process that reinforces behavior. Something that, when offered, causes a behavior to increase in intensity. Reward is an operational concept for describing the positive value an individual ascribes to an object, behavioral act or an internal physical state (Bendtner, 1997)

**Reward management** is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. Reward management consists of analyzing and controlling employee remuneration, compensation and all of the other benefits for the employees. Reward management aims to create and efficiently operate a reward structure for an organisation. Reward structure usually consists of pay policy and practices, salary and payroll administration, total reward, minimum wage, executive pay and team reward

According to (McCloy, 1993) Proposed Reward system including bonus and profit sharing plans, which are increasingly utilize. Reward is concerned with all the strategies by an organization in formulation and implementation of policies that aim at rewarding people justly, fairly, equitably but also differentially and consistently in accordance with their value to the organization (Bennie, 2010). Reward is about understanding the individual contribution factors and determining the level of pay bonuses and other rewards staff should receive (Adams & Kirst, 1998)

Reward Management is concerned with formulation and implementation of strategies and policies, the purpose of which are to reward people fairly and equitably and consistently in

accordance with their value to the organization and thus help the organization to achieve its strategic goals. It deals with the design, implementation and maintenance of reward system (reward processes, practice and procedures) that aim to meet the needs of both the organization and its stakeholders (Armstrong, 2006)

Reward management was developed on the basis of psychologists' behavioral research. Psychologists started studying behaviour in the early 1900s; one of the first psychologists to study behaviour was Sigmund Freud and his work was called the Psychoanalytic Theory. Many other behavioural psychologists improved and added onto his work (Biya, 2005). With the improvements in the behavioural research and theories, psychologists started looking at how people reacted to rewards and what motivated them to do what they were doing, and as a result of this, psychologists started creating motivational theories, which is very closely affiliated with reward management.

The reward management system takes two forms of rewards that is to say; Extrinsic reward in the form of salary, incentive pay and benefits serves the purpose of directly recognising the comparative value of organisational roles and the contribution individuals may make in performing them (Mccoy, 2004). Extrinsic employee benefits and perks delivered in a non-cash form (like company cars, paid holiday and health care), or deferred remuneration (eg predefined occupational pension benefits or equity share-based rewards that may be financially realised at a future date), may reflect managerial efforts to keep rewards competitive, intended to recruit and retain sufficient employees of the right calibre, and to secure work accomplishment for the organisation. Benefits may also reflect an employer's interest in employee wellbeing (Kramer, 2000). The nature and combination of extrinsic reward is dynamic: for example, present-day contributions to an employee's 'portable' retirement income fund may be offered in place of a company pension, reflecting the increasingly flexible employment relationship.

Intrinsic reward may be further subdivided (Arthur, 2001). On the one hand, environmental rewards may be manifested in the physical surroundings in which work is performed, combined with other factors, such as the values displayed in the workplace by organisational leaders and work supervisors, and perceptions of their leadership quality. On the other hand, development-oriented rewards that tend to be more individually directed may be offered to recognise employee aspirations to receive learning and development opportunities, and to

gain acknowledgement of outstanding work and build feelings of accomplishment – wherever possible consolidated tangibly through career advancement (Mullen, 1998).

It is argued that extending the features of employee reward beyond those specified in the ‘economic contract’ may help to secure employees’ discretionary effort (Bennie, 2010). This ‘intrinsic’ or ‘psychological’ contract in work relationships (Bobson, 2003) features in commentary advocating attention to the ‘total reward’ proposition

### **2.1.1 Theories on reward management system**

According to (Charlie, 1999), reward management system is aimed at motivating employees in order to boost their performance. In his book of employee performance, he defines, motivation as “the degree to which an individual wants and choose to engage in certain specific behaviours”, to which Vroom (Grierson, 2008) adds that performance = ability x motivation. To have a efficient Reward System then, is mandatory that employees know exactly what their task is, have the skills to do it, have the necessary motivation and work in an environment allowing the transformation of intended actions into an actual behaviour. From the company point of view instead, an effective performance appraisal has to be present, in order to let motivation be a major contributor to the rewarded performance. The reward system can be based on the content theory and process theory of motivation. (Bendtner, 1997)

#### **Content theory**

**Maslow's Hierarchy of Needs**, A famous content theory would be Maslow's Hierarchy of Needs, Theories of motivation provide a theoretical basis for reward management though some of the best known ones have emerged from the psychology discipline. Perhaps the first and best known of these comes from the work of Abraham Maslow. Maslow's Hierarchy of Needs describes a pyramid comprising a series of layers from at the base the most fundamental physiological needs such as food, water, shelter and sex, rising to the apex where self-actualization needs included morality and creativity (quoted in Mitchell, 1982). Maslow saw these levels of needs being fulfilled one at a time in sequence from bottom to top. Employment and the resources it brings are classed under ‘safety needs’ (level 2) while the workplace may also contribute to a sense of ‘belonging’ (level 3) and recognition at work can satisfy the need for ‘self-esteem’ (level 4).

Frederick Herzberg's **motivator-hygiene theory**, first published in 1959, argues that an employee's job satisfaction or dissatisfaction is influenced by two distinct sets of factors and also that satisfaction and dissatisfaction were not at opposite ends of the same continuum but instead needed to be measured separately. The two sets of factors are motivator factors and hygiene factors. According to Herzberg, real motivation comes from the work itself, from completing tasks, while the role of reward is to prevent dissatisfaction arising (Nzomo, 2012).

**Expectancy Theory** is the theory which posits that we select our behaviour based on the desirability of expected outcomes of the action. It was most prominently used in a work context by Victor Vroom who sought to establish the relationship between performance, motivation and ability and expressed it as a multiplicative one where performance equals motivation x ability. There are a lot of attractions for this kind of approach, particularly for employers who can target their motivation effort and anticipate a definable mathematical return for them. As this is a cognitive process theory it relies on the way employees perceive rewards (Neuro, 1997). These three theories plus variants of them have been used in countless research studies and continue to inform the practice of reward management up to the present day.

Reward management system to employees should follow the needs of the employees. He therefore develops three major aspects in the reward management system that is to say, employee understanding the satisfaction of the reward system, should base on the specific behavior and actions and operational or financial results (Pendlebury, 2000). The proper reward management system should have four elements such as total pay, individual growth, compelling future and a positive work place if it is to meet its positive objectives on employee performance.

## **2.2 Employee performance indicators**

The job related activities expected of a worker and how well those activities were executed. Many business personnel directors assess the employee performance of each staff member on an annual or quarterly basis in order to help them identify suggested areas for improvement. Employee Performance Management is a process for establishing a shared workforce understanding about what is to be achieved at an organization level (Mullen, 1998). It is about aligning the organisational objectives with the employees' agreed measures, skills, competency requirements, development plans and the delivery of results. The emphasis is on

improvement, learning and development in order to achieve the overall business strategy and to create a high performance workforce.

Performance Management began around 60 years ago as a source of income justification and was used to determine an employees' wage based on performance. Organisations used Performance Management to drive behaviours from the employees to get specific outcomes. In practice this worked well for certain employees who were solely driven by financial rewards. However, where employees were driven by learning and development of their skills, it failed miserably (Brian, 2001): The gap between justification of pay and the development of skills and knowledge became a huge problem in the use of Performance Management. This became evident in the late 1980s; the realisation that a more comprehensive approaches to manage and reward performance was needed. This approach of managing performance was developed in the United Kingdom and the United States much earlier than it was developed in Australia. (Pendlebury, 2000)

In recent decades, however, the process of managing people has become more formalised and specialized. Many of the old performance appraisal methods have been absorbed into the concept of Performance Management, which aims to be a more extensive and comprehensive process of management. Some of the developments that have shaped Performance Management in recent years are the differentiation of employees or talent management, management by objectives and constant monitoring and review (Benson, 1997). Its development was accelerated by the following factors: The introduction of human resource management as a strategic driver and integrated approach to the management and development of employees; and the understanding that the process of Performance Management is something that's completed by line managers throughout the year - it is not a once off annual event coordinated by the personnel department.

Performance refers to the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfilment of an obligation, in a manner that releases the performer from all liabilities under the contract (Armstrong, 2006). Performance in procurement and business is the level at which a firm is able to meet the required standards of accuracy and completeness of an activity. It is described with the level of efficiency, transparency, effectiveness and reliability of the activity done (Bennie, 2010).

Performance refers to how well one does a piece of work or activity and ability to bring about desired results in a satisfactory manner is all that performance is about. Good performance is an indication of success and development of all organization. Performance is the measure of how well the organization does its job (Jones et al, 2004). According to (Longman, 1998) the first step in deciding what is to be measured is to identify the objective of the enterprise concerned and the second step is to define the appropriate standard and targets for each of these objectives. There are three dimensions of performance namely efficiency effectiveness:

1. Efficiency is concerned with achieving a given result with a minimum use of resources or alternatively achieving the maximum amount of output from a given level of input resources. Efficiency measures imply that there is a measure of determining the minimum resources necessary to produce a given effect or the maximum output that should be derived from a given level of resources(Charlie, 1999). Performance is measured by efficiency; how efficient the enterprise is in use of resources in achieving its objectives. The indicators of performance are profitability ratios such as the net profit margin, the decline in unit costs, sales to total assets, sales to working capital and the size of market share.

2. Effectiveness is concerned with the attainment of objectives; an action is effective if it achieves intended results. With the measures of effectiveness the focus is on the extent to which objectives of the enterprise have been achieved (Bussiere & Fratzscher , 1999).

Employee performance is determined in terms of productivity of the worker that is to say the level of units produced by an employee in a given period of time when other factors are held constant. What one employee can produce considering the time and total quantity produced in the company (Dima, 2005). The employee performance is also determined basing on the efficiency, accuracy, transparency and effectiveness of the employee in his or her operations. The rate of wastage done by an employee defines the level of performance. The higher the level of wastage, the lower the level of performance of an employee however the lower the level of wastage the higher the level of employee performance

Employee performance according to performance measurement model; Through proper reward management, the employees can be motivated and this will improve their level of performance. Employee performance is estimated basing on their level of; Productivity level. This refers to quantity units that an employee can produce in a particular time. The higher rate or productivity indicates better performance of the employee. Timeliness. This is hand in



hand with productivity level that is to say the level at which the employee completes a certain task at the right time (Cheng & Chan, 1995).

Quality. This is the major indicator of performance, the higher the level of quality production from the employee the higher the performance. This is as well accompanied with its level of accuracy (Nebro, 1997)

### **2.1.1 Financial rewards offered to employees**

You can enhance you employees' Performance is by defining their tasks and attaching compensation-based incentives to a certain levels of performance. Among varied types of performance-based incentive plans, yearly bonus compensation is fairly common. Many organizations operate such a program for their employees, particularly mid-tier management employees, where employees receive a percentage of their annual salaries as a bonus. For more on-hands employees, such as those working on the factory floor or ground sales teams, you can adopt commissions, spot bonuses, output bonuses or suggestion incentive programs (Dima, 2005).

Financial rewards include all those rewards that are given to employees in monetary terms. Examples include wages, salaries, and medical and housing allowance, pension, gratuity and up keep funds. In reality, despite the views of Herzberg that monetary methods of Performance have little value, firms still use money as a major incentive. There are a variety of payment systems that a business could use to motivate its employees financially (Adams & Kirst, 1998).

### **2.1.2 Promotional benefits to employees**

A job promotion is defined as the act of any employee being moved to a different position in telecommunication companies Corporation that carries greater responsibility and is compensated at a higher level than the employee's present position (Grierson, 2008).

A standard, written performance appraisal based on the individual job description must be completed by the employee's immediate supervisor prior to the conclusion of the employee's introductory period before a promotion can be sanctioned (Bussiere & Fratzscher , 1999). However employers should not assume that such issues cannot be a cause of Dissension, and so the broad principles and associated duties of care remain.

In Other words, an employer must continue to take all reasonable steps to ensure that those who work in the organization, or come in contact with it (as a client, customer or user of its services or facilities), do not feel threatened or intimidated on grounds of religious belief or political opinion due to a promotion made in someone's favor (Cheng & Chan, 1995).

### **2.1.3 Employee Recognition at a workplace**

You also can use nonmonetary rewards to motivate employees. For example, employee recognition fulfills the psychological needs and desires of employees. Schemes such as "sale person of the month" or "employee of the year" certificates help boost morale as you recognized the employee for his outstanding efforts. Appreciative feedback from supervisors and managers also serve as employee recognition and helps to boost morale. Holding seminars, exhibitions and workshops and encouraging employees to participate and then awarding the employee for participation in these events also derives Performance and recognition for employees involved (Brian, 2001).

Many people do for recognition what they do not for money. And, this is the manager's secret weapon for employee Performance. Some people are motivated by the opportunity to get their name on the wall, receive a trophy at an annual banquet, or see their name in the organization newsletter. It gives them an "emotional payoff" for their actions.

Look for ways to increase employee Performance by recognizing excellence in the workplace. Ring a bell every time an individual or team hits the production target. Put up posters with the photographs of team members who have had the most days without accidents. Give out awards for attendance records. Just do something. It is so inexpensive, yet highly effective in your efforts of employee Performance (Nzomo, 2012).

### **2.1.4 Affiliation with an admirable organization**

This is the attachment of the organization to another reputable one in terms reward systems, human resource policies and practices. This is where stacy Adam's Equity Theory of Performance applies. Employees usually like comparing the ratio of their input to rewards received, with the input to reward ratio of others in another organization of their equals. If the ratio were similar, the employees would feel fairly rewarded: hence feel satisfied with the treatment given to them (Nzomo, 2012).

### **2.1.5 Long-term career opportunities**

These are strategies designed to utilize the strength and overcome weaknesses of an individual in order to take advantage of the career opportunities. Employees would feel properly rewarded if managers design related work activities that provide continuity, order, and meaning in their life. Career goals and personal ambition can be considered in selecting, promoting staff as well as designing training and development programmes. Long-term career opportunities as a rewarding concept are properly discussed in (Kenan, 1999).

## **2.2 Relationships between reward and employees performance**

There is so much changing occurring in the business world and every business entity or organization has much relay on employees' good performance. Rewards are considered an important tool to check the employee's performance (Bobson, 2003). Management use rewards for employees motivation. So we can say that attractive reward system attract new employees for organization and motivate existing employees to perform high levels. Employee's good work is necessary to achieve the organizational goals. Employees give their good efforts for achieving goals and good effort depends on rewards. In other words we can say that good rewards are most important way to engage the employees with their work and with their organization. According to (Kramer, 2000), the connection and relationship between rewards, motivation and job satisfaction of employees have much significance to success of both public and private sectors. Employees want to get both types of rewards means financial and non financial rewards. Some employees prefer the financial.

There are a number of reasons for believing that systematically tying rewards to the outcome of a performance management system will make the performance management system more effective with respect to motivation, but there are also some that suggest it will make it less effective with respect to development. In a well-known 1965 article that is based on research done in G.E., Meyer, Kay and French argue that when rewards are tied to performance discussions, individuals tend to only hear the reward system part of the message. They do not hear the kind of useful feedback that will allow them to improve their performance and develop their skills (Biya, 2005).

On the other hand, it is reasonable to argue that when rewards are tied to the outcome of performance appraisals it will lead to more effective performance management systems. Managers will be particularly concerned about doing a good job since the outcome of the

appraisal will have a significant impact on their ability to allocate rewards based on performance and motivate those individuals who work for them. Similarly, in the case of individuals, they know that how well the performance review goes will affect rewards that are important to them, so they may be particularly motivated to prepare for the session and see that it goes well. Further, there is a good possibility that when appraisals are used to determine rewards, organizations will put more pressure on managers to differentiate among the employees they are appraising since this is the key to rewarding individuals for their performance (McCloy, 1993).

Many Researchers believe strongly in the **equity theory** of motivation. Simply put, the theory states that people have to believe that their pay is equitable with others.

When they compare their salary and benefits with their colleagues and co-workers, they must believe that they are being fairly compensated. If they believe their compensation is not equitable, they become very de-motivated and their work performance suffers (Grierson, 2008).

Reward management is about the development, implementation, maintenance communication, and evaluation of reward processes. These processes deal with the assessment of relative job values, the design and management of pay structures, performance management, paying for performance, competence or skill (contingent pay), the provision of employee benefits and pensions, and management of reward procedure. Employers and managers should pay attention to their employees and special attention to the best employees.(Nzomo, 2012). This is done to encourage good performers, to push them to greater heights. Positive recognition for people can ensure a positive and a productive organization.

The recognition of outstanding performance aims to create an understanding of what behavior might add significant value to the organization and to promote such behavior. Awards-monetary and non-monetary – should be given based on the achievements and accomplishments of workers (Mullen, 1998) But first, let's take a quick look at the primary goals of rewards and recognition. (Benson, 1997) Defines rewards as "\_something than increases the frequency of an employee action\_" (1998). This definition points to an obvious desired outcome of rewards and recognition: to improve performance. Non-monetary recognition can be very motivating, helping to build feelings of confidence and satisfaction (Bobson, 2003). Another important goal is increased employee retention. An ASTD report on

retention research identified consistent employee recognition as a key factor in retaining top-performing workers (McCloy, 1993).

Although many have called for the elimination of performance appraisals, linking performance to distribution of salary, bonuses, and incentives contributes to effective talent management and follows research on the role reinforcement plays in motivating performance.

A great deal of research shows that pay for performance, when well executed can indeed motivate individuals to perform well. Rewarding performance with extrinsic rewards is only way one to motivate individuals, but it can be very effective. Results from our survey provide clear guidance with respect to linking performance appraisals results to changes in pay. They strongly support the view that performance appraisals systems are more effective when there is a connection between the results of a performance appraisal and the compensation of individuals (Bennie, 2010).

Rewards and other are non financial rewards that opportunity to take an important tasks and projects, attention and encouragement of leadership. In this way employees feel that they are being valued by the employers and also feel that the company is seriously involved in employee's career and development. So these rewards contribute to improve the satisfaction level of workers (Dewhurst, 2010). According to La Belle (2005), different employees have different needs about rewards. Some employees consider cash is sufficient to fulfil their needs and some others wants to material incentives like car, house, and some prefer holidays and some prefer nonmaterial incentives. Public sector employees much prefer extrinsic factors then intrinsic factors, such as pay, as more important than private sector employees (Nebro, 1997). These two basic rewards (financial and non financial) can be utilized positively to increase the performance of employees. Financial reward mostly consist on pay for performance such as job promotion, bonus, commission, gifts etc. and nonfinancial rewards mostly consist on social recognition, appreciation, work kind condition, meaning full work responsibility etc. According to (Longman, 1998), nonfinancial rewards also called non-material awards.

### **2.2.1 Productivity and Quality of output**

According to (Pendlebury, 2000) Quality output relates to conformance to the requirements and doing what you said you were going to do. He also refers to quality as the freedom from waste, freedom from trouble and freedom from failure. Quality involves those features of what is being produced that responds to the customer's and that create the income.

(Longman, 1998) asserts that quality output involves meeting and exceeding the customers' needs and expectations and then continuing to improve. Experts agree that quality cannot simply refer to customer satisfaction. The customer must be satisfied, but at a low enough cost and expense to enable the organization to be competitive with other firms. Bateman (2002) concluded by saying that organization should not expect employees to produce quality when there are not motivated. He thus quoted that "A motivated employee is quality oriented, creative and innovative worker". (Kramer, 2000) clarified that quality out can be measured via customer and employee job satisfaction, number of error rates, market share, absenteeism, return on investment, workmanship, accuracy and low cost per unit produced.

### **2.2.2 Commitment and Loyalty**

These terms are closely related and are sometimes used interchangeably when measuring employees' Performance at work. The oxford English Dictionary states that someone is committed when they are morally dedicated to doctrine or cause, while someone is engaged when they are employed busily. According to (Nebro, 1997), Commitment refers to attachment and loyalty. It is the relative strength of the individual's identification with, and involvement in, a particular organization. (Bobson, 2003) defines engagement as a positive two way relationship between an employee and the organization. The doctrine of commitment, loyalty and engagement basically consist of three factors: A strong desire to remain a member of the organization, a strong belief in, and acceptance of, the values and goals of the organization and a readiness to exert considerable effort on behalf of the organization. (Kramer, 2000) declares that commitment can be increased and harnessed to obtain support for organizational ends and interests through such ploys as participation in decisions about actions which in turn stimulates employees to unlock their potentials and work towards achievement of organization strategic goals with a lot of zeal and enthuse hence Performance.

### **2.2.3 Workforce Flexibility**

Workforce flexibility refers to an organization's ability to adapt its human resources in a manner appropriate to increasingly changing environmental conditions. To be flexible, an organization has the ability to adapt its workforce to new organizational structures, and workers have the background and ability to learn new skills and adapt to new functions (McCloy, 1993). This means two things; first, that firms can quickly and effectively meet human resource staffing needs with qualified and capable workers; and second, that workers have multiple skills, both technical and interpersonal, with the ability to learn more as new demands require. Moreover, workforce flexibility requires that employees have the ability to adapt with relatively little management supervision, instead relying on self managing mechanisms (through employee empowerment; self managing teams). Closely related to workforce flexibility are the concepts business process reengineering, cross training, contingent workers, and organizational cultures (Bobson, 2003)

## **2.3 Intervening Variables**

### **2.3.1 Staff Training**

According to (Mccoy, 2004), Staff Training and development describes the formal and informal, on-going efforts of organizations to improve the performance and self-fulfillment of their employees through a variety of methods and programs. In the modern workplace, these efforts have taken on a broad range of applications from instruction in highly specific job skills to long-term professional development. In recent years, training and development has emerged as a formal business function, an integral element of strategy, and a recognized profession with distinct theories and methodologies. More and more companies of all sizes have embraced both On the Job and Off the Job Training methods as means of promoting employee growth and acquiring a highly skilled work force (Mullen, 1998).

### **2.3.2 Creativity**

Encouraging employees at all levels to think about how to do things better, about new products and services will create value for your business. You want your employees to have a stake in growth and successes and to this end I encourage you to implement ways they can manifest their imaginations and explore their creative sides.

No matter how great your ideas are or how little competition you have you will be challenged in your niche and your successful business model will be copied. New thinkers are constantly searching out for ways to create success and cannibalizing your ideas and methods is one way your competition can speed up their success and lower both the cost of entry into your field and the length of the industry learning curve.

Monotony is the enemy of creativity, and as your business grows, it is easy for your staff to become bogged down in the day-to-day grind of just getting things done. If your office has become a dull, cumbersome place, then it's time to get out of the office and get into the water.



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter discusses how data regarding to the study was collected. It describes the research design, the variables under study, and their measures, the area of study, the sources of information, sampling design, procedure and a sample size. Data collection and processing are then discussed later, and lastly the researcher comments on the expected limitation of the study.

#### 3.1 Research Design

The research used and descriptive case study research design where data is collected from a cross the population at one point in time. This design is cheap, less time consuming and easy data collection and analysis (Amin 2005). Both qualitative and quantitative data collected were used during the data collection.

#### 3.2 Research population

The study targeted the employees of Centenary bank, Kabalagala branch. It focused on all the employees from different departments in the organization. The total study population was 80 employees with managers inclusive and this is the number that was the research population from which the researcher based on to determine the sample to be used during data collection.

#### 3.3 Sample Size and Sample Techniques

The minimum sample size is computed using the sloven's formula, which state that for any given population the required sample size given by;

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

Where; n the required sample size; N = the known population size; and e= the level of significance, which is = 0.05.

Therefore given a total population of 80 respondents in the centenary bank the sample size was;

$$n = \frac{100}{1+80(0.05)^2} = \frac{80}{1+80(0.0025)} = \frac{80}{1.2} = 66.667 = 67 \text{ respondents}$$

This contained company managers and human resource department and employees who will provide adequate representation of the study. The employees from financial departments will constitute most of the respondents.

**Table 1: Categories of respondents**

Sample / department	Population	Formula.	Sample size
General management	10	$\frac{10}{80} \times 67$	8
Human resource department	25	$\frac{25}{80} \times 67$	21
Company employees	45	$\frac{45}{80} \times 67$	38
<b>Total</b>	<b>80</b>		<b>67</b>

### 3.4 Sources of data

The researcher will collect data from secondary and primary data sources.

#### 3.4.1 Secondary data

Secondary data guided the researcher to establish what other researchers found out previously. This enabled the current researcher to fill some gaps that will be left behind. In this respect, textbooks, journals, newspapers and other relevant records were used hand in hand with primary data.

### **3.4.2 Primary data**

Primary data revealed concrete information about the target population investigated on which basic conclusions were drawn. Both secondary and primary data supplemented each other to enable the researcher analyze information.

## **3.5 Data collection instruments**

The researcher used two major data collection techniques during the gathering of information in the field. There was extensive use of questionnaires, which are both self-administered and conducted face to face followed by conducting formal interviews following an interview guide to obtain first-hand information from the organization.

### **3.5.1 Questionnaires**

Questionnaires was developed and designed in the most understandable way by the respondents with simple language, simple questions that can easily be answered without consuming the time of the respondents. These were used mainly to gather primary data where respondents were expected to react usually in writing and return them with filled answers for analysis and making of conclusions by the researcher.

Questionnaires were used because they are reliable and from the targeted respondents. They were easy to interpret and easily edited for the purpose of making final decisions. They also raised relevant information to the study since the respondents were guided by the questionnaires.

They was designed in a way that makes them look easy and understandable not to consume most of the respondents time. The answering options on alikert scale, ranging from 1= strongly agree to 5 strongly disagree were used to make the questionnaire easy to fill

### **3.5.2 Interviews**

The interview method was used to collect key information about employee performance from key respondents like managers in the organization that may not have time of filling questionnaires. The respondents were asked questions included to elicit opinions on the subject matter. This was aimed at collecting information that cannot be put down in writing.

### 3.6 Data processing and analysis

The study used quantitative style of data analysis; this was through use of results gathered from questionnaires and interviews for completeness and accuracy. After collection of the data, various methods and computer programs such as SPSS, Excel, will be used to process and analyze it, to produce the corresponding vital information. These included editing of the data given by different respondents and coding and tabulation.

### 3.7 Reliability and validity of instruments

To test the content validity and reliability, the researcher used a panel of six experts to evaluate whether each question in the questionnaire is fundamental and valuable. These people were given the questionnaire that was distributed together with the objectives of the study, and research questions. These experts were asked to assess the validity of questions in the questionnaire by ranking them from one to four against objectives of the study, and research questions. One stood for not relevant, two stood for somewhat relevant, three stood for quite relevant and four was for very relevant. From there Content Validity Ratio (CVR) and Content Validity Index (CVI) were calculated. CVR was calculated by subtracting the total number of items judged to be not and somewhat relevant from the total number of items judged to be quite and very relevant thereby dividing them to a half of people asked to judge the questionnaire.

$$CVR = \frac{n_{3,4} - n_{1,2}}{N/2}$$

Where  $n_{3,4}$ : Number of items or questions judged quite relevant and very relevant

$n_{1,2}$ : Number of items judged not and some what relevant

N: Number of people asked to assess the questionnaire

$$CVR = \frac{60 - 16}{4/2} = \frac{44}{2}$$

$$CVR = 22$$

Content Validity Index was calculated by dividing the total number of items judged to be quite and very relevant with obtained content validity Ratio.

$$CVI = \frac{16}{22} = 0.73$$

$$CVI \cong 0.7$$

This CVI was accepted because normally it should be greater than 0.5 ( $CVI \geq 0.5$ ) as argued by (Muganda & Mugenda, 2003). The CVI of 0.7 implies that the questionnaire is worth to be administered.

To test the reliability of the questionnaire; internal consistency or Chronbach's Alpha coefficient was used. This was calculated using SPSS (Statistical Package for Social Sciences). It is argued by (Muganda & Mugenda, 2003) that for the instrument to be reliable, the coefficient has to be at least 0.7 and more. Ten questionnaires were distributed for pilot test and there were eighteen items in the questionnaire. Data were entered into SPSS and produced the following information:

$$N. \text{ of cases} = 10 \cdot 0 \quad N. \text{ of Items} = 18$$

$$\text{Alpha} = .7577$$

The Alpha coefficient of reliability resulted to 0.758, which is acceptable

As far as secondary data is concerned, the researcher consulted multiple-sources and documentary secondary data in order to gather literature review respective to research questions. Multiple sources included books, Government publications, and company statistics and reports. Documentary secondary data included written materials such as organizations' databases, organizations' websites, journals and newspapers. The researcher also used non published documents such as theses.

A reliability analysis of the scales of the dependent and independent variable items was carried out to check whether the adopted measures do yield similar results at all times for each test. This was done to establish the consistency of the data under use and to build confidence that the data is appropriate to produce good results.

### **3.7 Expected limitations**

The research was affected by the following challenges during the study.

It was hard to find the right respondents willing to provide accurate required information concerning their company since the study involves the need for some vital information concerning the company. This was however solved by being persistent and use of the best approach to respondents

The research tired out at times because it was hard to fix the researchers plans in to the plans of respondents who were always be busy doing their work.

## CHAPTER FOUR

### FINDINGS PRESENTATION AND ANALYSIS

#### 4.0 Introduction

This chapter analyzes and presents the findings of the study. The findings are presented using the frequency and distribution tables. Correlations, regression analysis, are also used in analysis. The findings are guided by the following objectives:

1. To determine the level of reward system in Centenary bank, Kabalagala branch.
2. To determine the level of employee Performance in Centenary bank, Kabalagala branch.
3. To determine whether there is a significant relationship between the level of reward system and employee Performance in Centenary bank, Kabalagala branch.

#### 4.1 Demographic Characteristics of Respondents

To determine the general attributes of respondents, frequency distribution table was used. Attributes include: Gender, age, qualification and experience. The results are shown in table below.

**Table 2: Demographic Characteristics of Respondents**

DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS			
		Frequency	Percent
GENDER OF RESPONDENTS	MALE	37	55
	FEMALE	30	45
	Total	67	100
AGE OF RESPONDENTS	20-30	27	40.4
	31-40	25	38
	41 & ABOVE	14	21.6
	Total	67	100
LEVEL OF EDUCATION	SECONDARY	8	11.7
	CERTIFICATE	21	31.6
	DIPLOMA	8	12.3

	DEGREE	19	28.1
	MASTER	11	16.4
	Total	67	100
WORK EXPERIENCE	1-2 years	24	35.7
	3-4 years	21	31
	5-6 years	14	20.5
	6-7 years	5	8.2
	>8 years	3	4.7
	Total	67	100

**Source: Primary Data**

Majority of the respondents were between 20-30 years old constituting with 40.4%, followed by 31-40 years at 38.0% and finally those above 40 years were 21.6% of the total number of 67 respondents. These organisations were seen to be youth centered which is an initiative by the government to ensure youth participation in the economy from the year 2010.

The above table signifies that there were more male than female respondents. The females accounted for 55% of the 67 respondents while the rest of the 45% was composed of the female gender. This means that there is bias by the recruitment exercise to favor the masculine gender. This is thought to be so and also the fact that the female gender is not much educated and therefore they are not eligible for technical jobs such as the ones offered at the organisations.

Most respondents had the Certificate as their highest academic achievement whose contribution to the total tally stood at 31.6%. They were followed by bachelor's degree holders at 28.1%, then by Master's degree holders at 16.4%, then diploma holders at 12.3%, and lastly secondary schools certificate holders who contributed a mere 11.7%.

With regards to work experience, most staff belonged to the 1-2 years bracket contributing 35.7%, followed by 3-4 years at 31.0%, then by 5-6 years at 20.5%, then by 7-8 years and above at 8.2% and finally those above 8 years at 4.7%. Considering the fact that the organisations has been there for more than 10 years, this is enough evidence to prove that there is very high labor turnover. Such levels of labor turnover are unfavorable since it means the staffs are not allowed to develop fully at Centenary bank, Kabalagala branch.



## 4.2 Levels of Reward System and Employees' Performance

### 4.2.1 Reward System

Table 3: statistics on reward management variables

CONSTRUCT	INDICATORS	Mean	CONSTRUCT MEAN	INTERPRETATION	RANK
FINANCIAL REWARD	Financial rewards are important for employees' performance	2.61	2.326667	LOW	3
	Centenary bank, Kabalagala branch offers the best financial rewards in the industry	2.02			
	The financial rewards in Centenary bank, Kabalagala branch can be improved	2.35			
COGNITIVE	Employees can be motivated through recognition.	1.73	2.363333	LOW	1
	Your organisation treasures recognition of employees' efforts	2.80			
	Recognition of employees' efforts is very important in employee Performance	2.56			
SOCIAL AFFILIATIONS	Centenary bank, Kabalagala branch provides avenues for social affiliations.	2.82	2.26	LOW	5
	Relationships and affiliations in organizations are important in employee Performance.	1.96			
	Relationships and affiliations levels in Centenary bank, Kabalagala branch can be improved.	2.00			
CAREER OPPORTUNITIES	Centenary bank, Kabalagala branch offers enough career opportunities.	1.74	2.263333	LOW	4
	Career opportunities are important in employee Performance.	2.65			
	Centenary bank, Kabalagala branch's involvement in offering career opportunities can be improved.	2.40			
PROMOTIONS	Promotions significantly influence employees' performance	2.85	2.343333	LOW	2
	Centenary bank, Kabalagala branch does promotions for its employees	2.29			
	Promotions are done on a merit basis	1.89			
GENERAL MEAN			2.311333	LOW	

Source: Primary Data

Generally the reward system was found to be LOW as evidenced by the mean of 2.3113 which according to the mean scale of interpretation reads as low. All construct variables were rated as low since all scored a mean of between 1.75 and 2.50.

The construct that was significantly higher than any other was recognition whose mean measured at 2.363 which translates as high. This confirms the work of (Benson, 1997) which underscores the need for recognition of employees' efforts as the most significant factor towards them performing better at work.

The construct that fared poorest of the five measured hereunder was social affiliations which was measured at 2.26 (low). This means that the organisations did not consider culturing relationships with the employees as a significant factor to boosting their performance at work. This is also evident from the high labor turnover as analysed under the section on work experience.

The rest of the construct variables were torn between these two levels. In terms of the specific indicators, the indicator that received the best rating was the fact that respondents agreed to the fact that promotions significantly influenced the performance of the employees positively which scored a mean of 2.85. the worst rated indicator was the fact that respondents felt that employees' performance could not be significantly be influenced through recognition of employees' efforts at work. This indicator scored a mean of 1.73 which is interpreted as very low.

#### 4.2.2 Employees' Performance

**Table 4: Statistics on Employee performance variables**

NSTRUC	INDICATORS	Mean	CONST RUCT MEAN	INTERP RETATI ON	RAN K
ALITY OUTPUT	Employee quality of output is important for an organization's welfare.	2.04	2.036667	LOW	3
	Employee quality of output is directly influenced by reward system.	2.08			
	All Centenary bank, Kabalagala branchmembers understand the significance	1.99			

	of output quality				
COMMITMENT	Employees in Centenary bank, Kabalagala branch are generally committed to their jobs	1.90	1.943333	LOW	5
	The financial rewards in Centenary bank, Kabalagala branch can be improved	1.85			
	Employees' Commitment is important for the success of an organisation.	2.08			
LOYALTY	Employees are generally loyal to their organisations	1.84	2.57	HIGH	1
	Rewards system influences the loyalty of employees	2.91			
	Employees' loyalty is important for the success of an organisation.	2.96			
FLEXIBILITY	Good Reward systems lead to Workforce flexibility	1.76	1.97	LOW	4
	Workforce flexibility is important to Centenary bank, Kabalagala branch	1.85			
	Workforce flexibility increases organizational performance.	2.30			
PRODUCTIVITY	Productivity is highly influenced by reward systems in Organisations.	2.20	2.053333	LOW	2
	Productivity is important to Centenary bank, Kabalagala branch.	1.89			
	Workers at Centenary bank, Kabalagala branch are generally productive	2.07			
	GENERAL MEAN		2.114667		

Source: Primary Data

For the independent variable of employees' performance was also found to be LOW as evidenced by the mean of 2.1147 which according to the mean scale of interpretation reads as low. Four construct variables namely Quality of output, commitment, workforce flexibility, and productivity were rated as low with only one construct variable of loyalty being rated as high with a mean of 2.57 which is a very marginal score.

The construct that was significantly higher than any other was loyalty whose mean measured at 2.57 which translates as high. Most employees were found to be loyal to their organisations which are a good sign employees' perception of their organisations. This perception is important for the performance of the employees. As .....writes, more loyal employees tend to perform better at work than those whose attention and loyalty is divided between or amongst organisations.

The construct that faired poorest of the five measured hereunder was commitment which was measured at 1.9443 (low). This meant that despite employees being loyal to their organisations, their commitment level were still wanting. Commitment levels depend on more than just the remuneration of the employees. A proper schedule of activities and proper supervisory exercises can raise the levels of commitment to better levels (Biya, 2005)

The rest of the construct variables were torn between these two levels. In terms of the specific indicators, the indicator that received the best rating was the fact that respondents felt that loyalty is important to the success of the organisation. This indicator was rated at the mean of 2.96. The worst rated indicator was the fact that respondents felt that reward system can not readily lead to workforce flexibility. This indicator was rated at the mean of 1.76 (low).

### 4.3.1 Correlations of Constructs and main study variables

**Table 5: Correlations of Constructs and main study variables**

Correlations								
		QUALITY OF OUTPUT	COMMITMENT	LOYALTY	WORK FORCE FLEXIBILITY	PRODUCTIVITY	EMPLOYEE PERFORMANCE	DECISION ON HYPOTHESIS
FINANCIAL	PLCC	.627*	.923	.882	.711	.994	.745**	REJECTED
	Sig. (2-tailed)	.001	.002	.002	.000	.000	.000	
RECOGNITION	PLCC	.917	.777	.898	.679	.801	.844**	REJECTED
	Sig. (2-tailed)	.007	.000	.000	.003	.001	.001	
RELATIONSHIPS	PLCC	.694	.170	.926	.714	.410	-.797**	REJECTED
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
CAREER OPPORTUNITIES	PLCC	.577*	.923	.882	.767	.994	-.915**	REJECTED
	Sig. (2-tailed)	.000	.002	.002	.000	.000	.000	
PROMOTIONS	PLCC	.822	.812	.989	.753	.840	.754	REJECTED
	Sig. (2-tailed)	.001	.002	.000	.000	.000	.001	
REWARD SYSTEM	PLCC	.694	.170	.926	.714	.710	.793**	REJECTED
	Sig. (2-tailed)	.001	.000	.002	.000	.010	.002	

Source: Analysis of Primary Data

The table above shows the correlations between main study variables and construct variables. The independent variable and its constructs were correlated against the independent variable and its constructs.

Between the constructs the strongest relationship was established between promotions and loyalty of employees which was computed at 0.989. In this case promotion of employees was found to contribute more to the loyalty of the said employee than any other variable in the study. The weakest correlation among the constructs variables was established between relationships and productivity which was computed at 0.410 on the person linear correlation coefficient scale. In this case it was deduced that relationships contributed marginally to the

productivity of the workers at Centenary bank, Kabalagala branch. Should one wish to improve the productivity of the employees, it would be less prudent to start with culturing workplace relationships with the said employee. Other factors should be first considered.

In terms of how the independent construct variables influenced the overall performance of the employees, it was found out that all the constructs significantly, strongly and positively influenced performance of the employees. Either there are variables which performed better than others in this regard. The most contributory of these constructs was career opportunities which were computed at 0.915 which suggest a very strong positive relationship. The worst performer amongst these constructs was financial reward which was computed at 0.745. This is plausible as the work of (Mujjs, 2004) explains that it is high time organisations moved away from depending on financial incentives to influence performance and consider non-monetary techniques

The two tailed significance offers a Pearson correlation coefficient of 0.793. This suggests a strong positive correlation between the two variables. The relationship between reward system and employee performance is 79.3%. This means that holding other factors at *ceteris paribus*, reward management would influence the employee performance by that much.

The asymptotic significance test expressed as sig (two tailed) in the table is at a convincing level of 0.002. Any value below 0.05 renders the data collected as reliable. Inference can be made that the responses offered during the study were not obtained by chance since if they were, the significance level would have been computed as above 0.05.

Correlation does not necessarily mean causality, so it is prudent to only be confident of the relationship rather than the influence one has on the other. In other words, the above correlation may mean that employee performance may influence reward system and vice versa. In order to really capture how employee performance can be influenced by reward system, a more elaborate procedure needs to be employed. In the next section, this is tackled under regression modeling.

**4.3.2 Regression**

The following table summarizes the regression details for the independent variable constructs against the dependent variable of employee performance. Each of the independent variable either contributes positively or negatively towards the employee performance. Those that

contribute negatively are denoted as negative coefficients while those that influence the dependent variable positively are denoted as positive coefficients.

In order to derive a mathematical model relating the numerous variables  $x_1 - x_5$  with the dependent variable of organisational performance, the regression equation needs to be formulated. For a linear relationship, the general formula is given as  $y = a + bx$ , but since there are many  $x$  variables with differing coefficients the approach shall be a bit different as analysed after the regression table.

**Table 6: Regression of construct variables**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
CONSTRUCT VARIABLES (INDEPENDENT)	(Constant)	2.128	.176		12.112	.000
	FINANCIAL	.192	.028	.176	2.078	.039
	RECOGNITION	.311	.037	.055	.577	.565
	RELATIONSHIPS	.055	.041	-.096	-1.202	.231
	CAREER OPPORTUNITIES	.239	.040	-.137	-1.748	.082
	PROMOTIONS	.252	.039	.076	.839	.403
a. Dependent Variable: EMPLOYEE PERFORMANCE						

Source: Analysis of Primary Data

$$y = a + bx_i = a + bx_1 + bx_2 \dots bx_5$$

$$Y = a + bx$$

$$Y = 1.518 + 0.737x$$

### Equation 2: Study Regression Equation

Where x = reward system and y = employee performance

The 0.737 signifies the variation in performance as a result of reward system. In other words for every unit change in reward system there is a 73.7% change in the performance of the employees.

**Figure 2: Graph of Reward System against Employees' Performance**



Source: Analysis of Primary Data

The graph above exhibits a positive average relationship between reward system and employee performance. The gradient of the line is convincing enough for us to deduce that employee performance significantly increases with an increase in the quality of reward system. This means that reward system strongly and positively influences organisational performance. The slope of the curve averagely steep which implies that for each increase in reward system there is about 0.7 units of employee performance that comes as a result. This is the ultimate relationship that the study sought to establish.



#### 4.4 Summary of Findings

Levels of reward system were found to be low giving a general mean of 2.3113 whereby its highest construct being recogniton and its poorest was relationships and affiliations. On the side of employees' performance, it recorded low levels too at a mean of 2.1147.

In terms of relationships, there was found a relationship between the two variables which was established at 0.793 which was interpreted as a strong positive relationship. The significance level of this relationship was found to be at 0.002 which makes the relationship significant since it was below 0.050 thresholds. Regression modeling gave the model below as a mathematical expression for the causal relationship between the two study variables.

$$Y = 1.518 + 0.737x$$

Where y = employees' performance

x = level of reward management

## **CHAPTER FIVE**

### **DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter presents the discussion of the findings, arising out of the research findings in chapter four findings and results are discussed in line with answers to specific research questions.

#### **5.1 Discussion of Findings**

##### **5.1.1 Reward Management**

Findings revealed that the reward management adopted by the entities are quite wanting and by looking at the processes themselves, a lot of inefficiencies were noted as discussed hereunder.

Financial reward despite being the one which was mainly employed by the organisations to influence employees' performance was found to be below par. The amount of money paid to the employees as wages and salaries was less than the industry average except for the top management. It can be deduced that it is probably due to the top management satisfaction with the status quo that they have not sought to augment these wages for the lower level staffs.

An average employee in the industry in Somalia would earn USD 600 but the organisations' average measured at USD 340 which is about half the industry average. This demoralized the employees and was consequently reflected in their performance levels.

Recognition of the employees was also found to be low. Employees were not actually receiving feedback concerning their performance. This means that whether the employees made improvement in their work places or not, this information was not communicated to them. This inhibits the development prospects of the employees since they would not know on which areas they need to improve if there are any at all. Better performing employees were not motivated to keep up their spirit since they were all categorized as one with the rest of the lot which is not as productive. Poorly performing employees had no source of

motivation where they would say, “Let me perform better than so and so, maybe I will win the company’s best employee award.”

The organisations did not offer proper grounds for relationships and affiliations. Despite the obvious need for employees to bond and interact freely, some organisations policies inhibit this. Lunch hour for instance where employees are expected to catch a breath by meeting and chatting up other employees, are inadequate. Instead of the normal one and a half hours, these employees are only allowed one hour.

At this convention, most employees hastily eat and speed off back to work in order to please their paymasters at the expense of their social affiliations. Currently the employees disregard these social affiliations as part of the reward system. This mindset has been detrimental to their performance which has been deteriorating over time.

With regards to offering career opportunities, the organisations had some binding policies that they were obliged to send a few of the loyal employees who had spent more than four years to further their studies and career prospects.

This policy is not properly adhered to. First inhibiting factor is the fact that there were high levels of labor turnover at the organisations. This means that employees were not given enough time to grow at the organisations to be eligible for this opportunity. In other cases, ineligible candidates were being awarded the opportunities through fraudulent processes due to nepotism and corruption. This demoralizes the eligible candidate knowing that their loyalty is being taken for granted.

### **5.1.2 Employees’ Performance**

On the side of employee performance, low level were also monitored in almost all aspects of the performance as explained hereunder

The findings revealed that the performance of employees at the selected organisations is still not meeting the expectations of the stakeholders; this is so because the reward management is not considered significant to be improved on.

As much as the output of the employees may be deemed to be adequate enough, it is still not up to the expected standards. The quality of such employee output was rated as low from the findings. This means that the organisations could not compete fairly with other organisations

whose quality of output according to the interviewed respondents was way above average. Quality of an organisation's products is paramount to its success according to (Mujjs, 2004) and this creates an even bigger problem to the realization of organisational goals and objectives. Substandard products have actually caused many organisations to be flung out of business many a times. Respondents actually confessed to not using their own products despite them being the very people involved in the production of the said products.

Commitment levels were found to be very low in the study organisations. Most of the interviewed employees pointed fingers at the organisations scheduling policies which according to them were not engaging as much. The employees took their work as a necessary hassle that needed to be taken care of.

Other reasons offered for this trend are the fact that there was no division of labor and specialization, absence of delegated authority and many others. Autonomy in decision making ought to be left to the discretion of the final and most bottom employee especially in task related decisions. This was not the case and the workers did not feel particularly responsible for the duties assigned to them thereby pushing down their commitment levels down.

Loyalty was surprisingly higher than the other aspects of employee performance. Most employees actually displayed much affection and loyalty to their organisations. Some respondents were very quick to point out that despite all the quacks their organisations had, they felt they would always wish to remain working there.

This might be explained by the infamous and phony saying of "the devil you know is better than the angel you don't know". Still more is left to be looked into regarding this unquestionable loyalty that these organisations enjoyed from their employees. It was reasoned out by a few respondents interviewed that this trend could be true due to the level of job insecurity that has marred Puntland for a very long time. In short, employees were compelled to be loyal because they fear that should their loyalty lie somewhere else they would be dismissed from their much sought after jobs.

Employees were not found to be flexible. This comes in spite of the much exercised job rotation. It was argued that the job rotation which was being done had no particular pattern or motive. Employees were rotated from one job to another without regarding their qualification or area of specialization. This has made it particularly difficult to master all the art involved

in all these fields. One respondent was actually quoted as saying that she was an accountant who has ever done work in the production floor as a supervisor. This is an indictment of the level of passiveness of the management in managing employee flexibility.

### **5.1.3 Relationships**

The study findings show that there is a significant positive relationship between reward management and employees' performance at the selected organisations. On the person correlation scale this relationship measured at 0.793 which is interpreted as a strong and positive relationship. This meant that as reward system is improved there would be a significant and positive change in the employees' performance.

The null hypothesis was rejected and the alternative hypothesis adopted since the significance of the relationship was 0.002 which was way lower than the threshold of 0.05 and which considerably suggests a vivid evidence of a good correlation between the two study variables.

A regression model was also formulated as has been shown under Regression section. This model may be used to forecast or present scenarios relating to the how organisational performance may be influenced by an increase or a decrease in one or more factors that affect it. The variable that was seen to influence performance more than the rest under reward system was recognition while the least influencing variable was relationships and affiliations.

This implies that as the entity continues disregarding the effectiveness of the reward system the performance of the employees tends to deteriorate and when the reward system is revised and its aspects improved, performance tends to increase. As noted in (Fama & Jensen, 1983), this is a true confirmation of Maslow's theory of needs.

## **5.2 Conclusion**

The study highlights the role played by reward system in promoting the performance of the employees in Centenary bank, Kabalagala branch. As indicated in the body of text of the findings, many factors that influenced performance of the employees were below par. This was definitely the reason as to why the levels of performance at the organisations.

The loopholes that were discovered need immediate addressing in order to ensure better performance from the employees. It is not enough to simply provide a good financial reward and disregard his other need for development and social affiliation and acceptance. This was

ascertained after it was conclusively found out that financial pay does little to improve the performance of the employees. Many employees consider financial incentives as mandatory and increasing the rates does very minimal change. Other factors like providing career opportunities, promotions, recognition and relationships were found to be very instrumental in this regard and require careful consideration.

The study tried as much as possible to focus on how to employ the reward system to effectively promote the employees' performance. This performance which is measured in terms of quality of output, flexibility of employees, loyalty, and commitment can be improved by a great deal by adopting the recommendations as suggested in the subsequent section.

### **5.3 Recommendations**

*From the above summary of analysis and conclusions the researcher would like to make the following recommendations to the Centenary Bank, Kabalagala Branch*

Centenary bank should consider revising on their reward management skills to its staff to equip them with more skills in order to improve their performance. Also informing the employees about the procedures that must be gone through if they want for example, a salary increment is recommended.

Training needs should be considered on the basis of overall company objectives. The goals of the company should determine what training programs are to be organized for staff. Staff should be motivated to add value to themselves and to their lives.

It was found out that the tools the council uses to motivate its employees are not exactly the tools that can motivate the employees. The researcher therefore recommends that the council should carry out a study before using a particular tool.

Pay should be increased to enable the workers meet their economic obligations and making employees being more committed to their work.

Employee development programs like training and promotions should be adequately implemented.

Working conditions should be improved upon for example the supervisors should be loosen of the harsh attitudes towards lower level workers and punishment should be proportional to errors committed.

Employees should be allowed to participate in decision making especially decisions that affect them. A two way communication should be encouraged in the organization. Complaints received from employees should be responded to.

#### **5.4 Areas for Further Research**

There is need to conduct studies in the following areas:

1. Motivation and employee Performance
2. Financial incentives and employee performance
3. Non-Financial incentives and employee performance

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## APPENDIX I: RESEARCH QUESTIONNAIRES

*Dear respondent(s),*

I am ATIM SANDRA, a student at Kampala International University Pursuing a Bachelor's Degree of Human Resource Management. I am conducting a research on the *"effect of reward management on employee performance, a case study of centenary bank, Kabalagala branch"*. I kindly request you to answer this questionnaire with maximum honesty. It is meant for academic purpose and all the information will be held confidential by the researcher.

Please respond to the questionnaires by putting ticks to yes or no, or give more clarification where necessary

Age of the respondent

☐ 20-30 yrs

☐ 31-40 yrs

☐ 40 and above

Gender of respondent

☐ Male

☐ female

Marital status of the respondent

☐ Married

☐ Single

Level of education

☐ University

☐ secondary

☐ primary/Intermediate

### Section A: Reward management

**Direction:** Please write your rating on the space before each option which corresponds to your best choice in terms of Usage of contemporary fishing methods in your area. Kindly, use the scoring system below.

Score	Response Mode	Description
4	Strongly Agree	you agree with no doubt at all
3	Agree	you agree with some doubt
2	Disagree	you disagree with some doubt
1	Strongly Disagree	you disagree with no doubt at all

**Table 8: Questionnaire on Reward Management**

QUESTIONS	RESPONSE			
	1	2	3	4
<b>FINANCIAL REWARD</b>				
Financial rewards are important for employees' performance				
Centenary bank, Kabalagala branch offers the best financial rewards in the industry				
The financial rewards in Centenary bank, Kabalagala branch can be improved				
<b>RECOGNITION</b>				
Employees can be motivated through recognition.				
Your organisation treasures recognition of employees' efforts				
Recognition of employees' efforts is very important in employee Performance				

<b>RELATIONSHIPS</b>				
Centenary bank, Kabalagala branch provides avenues for social affiliations.				
Relationships and affiliations in organizations are important in employee Performance.				
Relationships and affiliations levels in Centenary bank, Kabalagala branch can be improved.				
<b>CAREER OPPORTUNITIES</b>				
Centenary bank, Kabalagala branch offers enough career opportunities.				
Career opportunities are important in employee Performance.				
Centenary bank, Kabalagala branch's involvement in offering career opportunities can be improved.				
<b>PROMOTIONS</b>				
Promotions significantly influence employees' performance				
Centenary bank, Kabalagala branch does promotions for its employees				
Promotions are done on a merit basis				

## APPENDIX II: TIME TABLE

**Table 9: Time Frame for Research**

TIME FRAME FOR RESEARCH REPORT	
ACTIVITY	DURATION IN DAYS
Report writing	20
Data collection	14
Data editing and coding	7
Data analysis and presentation	10
Report writing and Compiling	14
TOTAL TIME PERIOD	65

### APPENDIX III: RESEARCHER'S BUDGET

**Table 10: Research Budget**

ITEM	AMOUNT PER DAY (\$)	AMOUNT TOTAL (\$)	IN
Transport	1 For 60 days	60.00	
Meals	3 For 60 days	180.00	
Library fee		15.00	
Stationary		30.00	
Typing and printing		25.00	
Book binding		10.00	
TOTAL		320.00	

## SECTION B: EMPLOYEE PERFORMANCE

**Direction:** Please write your rating on the space before each option which corresponds to your best choice in terms of Usage of contemporary fishing methods in your area. Kindly, use the scoring system below.

Score	Response Mode	Description
4	Strongly Agree	you agree with no doubt at all
3	Agree	you agree with some doubt
2	Disagree	you disagree with some doubt
1	Strongly Disagree	you disagree with no doubt at all

**Table 11: Questionnaire on Employees' Performance**

QUESTIONS	RESPONSE			
	1	2	3	4
<b>QUALITY OF OUTPUT</b>				
Employee quality of output is important for an organization's welfare.				
Employee quality of output is directly influenced by reward system.				
All Centenary bank, Kabalagala branchmembers understand the significance of output quality				
<b>COMMITMENT</b>				
Employees in Centenary bank, Kabalagala branchare generally committed to their jobs				
The financial rewards in Centenary bank, Kabalagala branchcan be improved				
Employees' Commitment is important for the success of an organisation.				



<b>LOYALTY</b>				
Employees are generally loyal to their organisations				
Rewards system influences the loyalty of employees				
Employees' loyalty is important for the success of an organisation.				
<b>WORKFORCE FLEXIBILITY</b>				
Good Reward systems lead to Workforce flexibility				
Workforce flexibility is important to Centenary bank, Kabalagala branch				
Workforce flexibility increases organizational performance.				
<b>PRODUCTIVITY</b>				
Productivity is highly influenced by reward systems in Organisations.				
Productivity is important to Centenary bank, Kabalagala branch.				
Workers at Centenary bank, Kabalagala branch are generally productive				

## **APPENDIX B: INTERVIEW GUIDE**

1. How is the reward system in your organisation?
2. How would you rate the performance levels of employees in your organisation?
3. Do you think financial reward play a vital role in improving employees performance?  
If yes how?
4. Do you think non-financial rewards play a vital role in improving employees' performance in your organisation? If yes how?
5. If placed in charge of remuneration of employees what would you do to improve the welfare of your employees?
6. Do you believe tangible and intangible rewards will influence the performance of employees in your organisation?
7. How would you rate your organisation in terms of employee performance in the industry?
8. How would you rate your organization's reward system in the industry?
9. To what level do you think reward system impacts employee performance?
10. Do you think reward system increases productivity and reduces labor turnover? If yes how?