

**REWARD SYSTEMS IN RURAL BANKING INDUSTRY: CASE STUDY OF
ADANSI RURAL BANK**

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STATEMENT OF AUTHENTICITY

We have read the university regulations relating to plagiarism and certify that this report is all our own work and does not contain any unacknowledged work from any other source. We also declare that we have been under supervision for this report herein submitted.

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Acknowledgement

This work, as it stands today could never have materialized without the efforts, ideas, inspirations and assistance of certain good-spirited people to whom we are eternally grateful.

First of all, we would like to thank God Almighty for His abundant grace and support for us during our search for our advancement and knowledge. To our supervisor, Mr. Gabriel Dwomoh, thank you for your guidance, comments and patience.

Dedication

We dedicate this work to our parents for their love, care and support shown towards the successful completion of our studies.

Abstract

Rewards and rewards systems are fundamental to developing capacities and to translating developed capacities into better performance. The focus of this study is on the rewards and reward systems that influence motivation and behaviour of people or larger system performance for development outcomes, especially in the rural banking industry, using Adansi Rural Bank as a case study. A sample size of 50 respondents comprising both administrative and non-administrative staff was chosen for the study. Data was obtained through the use of questionnaires and interview session. Data presentation and discussion were supported with line graphs and tables. The study found that both monetary and non-monetary rewards are part of the reward system at the Adansi Rural Bank. Respondents however, did not believe that at the Adansi Rural Bank rewards are adequate. Most of the non-monetary rewards were tied to performance and long service. These included, awards on individual and branch levels. The study further observed that target setting and ability to achieve rewards were basis for reward systems at the Adansi Rural Bank. Respondents felt that generally positions in the bank are under rewarded. There was a high rate of agreement by respondents to increased wages/salaries as a potential motivational factor. Again, respondents believed that additional incentives will be an important factor that could motivate employees. The study recommended that non-monetary rewards are given the needed attention so that its significance as a potential contribution to employee motivation can be realized. To improve employees' perception of reward systems at the bank, the study recommended that rewards, both monetary and non-monetary, should be adequate and reflect the status of the employee.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

A reward system has been described by Armstrong (2004) as the world's greatest management principle. Organisations the world over, the rural banking industry not being an exception, employ some form of reward system; whether it is outspoken or not, it exists. The belief that: "Rewarded behaviour is repeated" is a statement, which is generally accepted. Therefore rewards are operative control tools used to align the goals of the employee. To be able to affect employees using rewards the reward must be perceived as meaningful and significant (Samuelson, 2003).

In the words of Armstrong (2004), a reward system is one possible management control measure that can be implemented to support strategic decisions. The concept of reward system also includes all investment made in the organizations human capital and everything that the employees find attractive in the employment relationship. By using the right rewards, which can be either monetary or non-monetary, managers and employers can stimulate the employees to create job satisfaction and to act in a certain way. If the employees respond as intended, this can ultimately increase the organizational efficiency, hence, create competitive advantages.

Rewards is described in two different types; it can either be in form of incentive motivation (intrinsic) or personal growth motivation (extrinsic). Extrinsic rewards can be monetary, usually a variable compensation, separated from the salary or non-monetary.

Since its independence in 1957, the Ghanaian government has made several attempts to promote rural development in an effort to increase the living standard of the people who reside in rural areas (Kudiabor 1974). The 1992 Constitution of the Republic of Ghana makes a commitment to rural development as part of a national strategy to improve the living conditions in rural areas. The Bank of Ghana has streamlined Rural Bank lending operations to ensure that Bank credit actually benefits the small scale rural producer and the rural community.

Rural and community banks are a network of 127 independent unit banks in Ghana. They are regulated by the Bank of Ghana and thereby form part of the regulated financial sector in Ghana. These banks are the largest providers of formal financial services in rural areas and also represent about half of the total banking outlets in Ghana (IFAD 2008). By the end of 2008, these banks together had 421 branches. Including head offices, there were 548 service delivery locations spread throughout the country. All administrative regions have at least one bank, although most are located in the Ashanti, Western, Eastern, and Central regions.

Several challenges, however, remain which prevents rural banks from performing to their core mandate. One such challenge is the performance level of staff. It is important that staff are motivated enough to perform to satisfaction. This raises the issue of reward systems in the rural banking industry. This study therefore examines this issue using Adansi Rural bank as a case study.

1.2 Statement of the Problem

There exists a variety of purposes of a reward system; one very common is to motivate employees to perform better. The rural banking industry has especially significant effect on the economy of Ghana, and accounts for a significant percentage of the nations GDP. A sector with this huge impact requires an effective reward system. The question arises on the extent to which reward systems have been employed efficiently in the rural banking industry in Ghana. The country's dilemma with rural credit and the relatively high poverty rate in the rural communities with its attendant problem of rural urban migration do not suggest an effective performance of the rural banks. This can be linked to the low performance level of staff which can be attributed to ineffective reward system in the industry. For a reward system to be ideally motivational the reward should satisfy a number of criteria; have value, be large enough to have impact, be understandable, be timely, the effect should be durable and cost efficient. The ability to meet all the above criteria remains a challenge to manage in the rural banking sector. Therefore, the purpose of this research is to investigate the reward systems in the Adansi Rural Bank as a player in Ghana's rural banking industry.

1.3 Objectives of the Study

The objectives of the study are categorized into two: general objectives and specific objectives.

1.3.1 General Objectives

The general objective of the study is to investigate the reward system being employed in the rural banking industry with special reference to the Adansi Rural Bank.

1.3.2 Specific Objectives

The specific objectives of the study were to:

1. To find out the various reward systems at Adansi Rural Bank
2. To find out how employees perceive these reward systems at Adansi Rural Bank
3. To identify reward programmes that will boost employee performance

1.4 Research Questions

Following from the above objectives, the study will seek answers to the following research questions:

1. What are the reward systems being employed at Adansi Rural Bank?
4. How do employees perceive these reward systems at Adansi Rural Bank?
2. What reward programmes would boost employee performance?

1.5 Significance of the Study

This study explores the various reward systems that can be applied to the rural banking industry of Ghana. This aims at contributing to efficiency in organizational performance and sustainability. Accordingly, the findings will help rural banks better understand the effect of their reward systems so that inefficiencies can be addressed properly.

Also, the findings will help stakeholders of the said industry including the government to come out with appropriate policy guidelines that aim at an improved reward systems as a way of helping Ghana's quest to achieve its poverty reduction agenda especially in the rural areas, which is one of the objectives for the introduction of the rural banking

concept. Students of similar studies and other researchers will also find this a reference material and a contribution to literature on the subject matter.

1.6 Scope of the Study

The study is a case study of the Adansi Rural Bank. The study is an investigation of reward systems in the rural banking industry. It is therefore focused on the dimensions of rewards systems at the Adansi Rural Bank; bringing into perspective the types, basis and purpose of rewards systems in the bank.

1.7 Overview of Research Methodology

The research will employ the descriptive approach in the theoretical framework and empirical study in conducting this research. The study will use both primary and secondary sources of data. The secondary data will be used to explore theoretical concepts and would be based on relevant books, up-to-date focused journal articles and credible web portals. Questionnaires and interviews will be used as data gathering tools to assist in gathering primary data. The study will use a sample size of fifty respondents. Analysis of research findings will be aided by the Statistical Package for the Social Sciences (SPSS).

1.9 Organization of the Study

This study will be structured into five (5) chapters. Chapter one will introduce the background and motivation in the conduct of this research project. It will outline the objectives and scope of the project. Chapter Two of the study, being the Literature

Review, will explore existing literature relevant to the current study, in order to gain an understanding of the research topic. Chapter Three will define the research process employed to accomplish the aims and objectives of the project. It will describe the procedures and techniques that will be adopted in each stage of the research. Chapter Four of the research will deal with the interpretation of the empirical research results quantitatively and qualitatively. The analysis will also compare findings to theories and concepts identified during the review of literature. Chapter five will conclude the research. It will summarize all the discussions within the research. The chapter will also highlight important issues that will emerge from the study, as well as make recommendations for future work to be carried out.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter we will discuss a variety of theories found relevant for the research questions. The chapter presents a brief background of Ghana's rural banking industry. This leads us to a discussion of the concept of a Reward System in the rural banking industry, which is the focal point of our study. We will consider the theoretical perspectives that are pertinent to our study; and which will guide the analysis and discussion of collected data.

2.1 The Concept and History of Rural Banking in Ghana

The concept of rural banking was conceived in the 1960s with the search for a system to tackle the financial problems of the rural dweller. During this period the need for a veritable rural financial system in Ghana to tackle the needs of small-scale farmers, fishermen, craftsmen, market women, traders and all other micro-enterprises was felt. The need for such a system was necessary because the bigger commercial banks could not accommodate the financial intermediation problems of the rural poor as they did not show any interest in dealing with these small-scale operators (Kwapong, 2004).

According to Kwapong, attempts in the past to encourage commercial banks to spread their rural network and provide credit to the agricultural sector failed to achieve the desired impact. The banks were rather interested in the finance of international trade,

urban commerce and industry. There was therefore a gap in the provision of institutional finance to the rural agricultural sector.

More important still, the branch network of many banks cover mainly the commercial areas and does not reach down to the rural areas. Therefore not only are rural dwellers denied access to credit from organized institutions, but also cannot avail themselves of the opportunity of safeguarding their money and other valuable property which a bank provides (Kwapong, 2004).

The first rural bank, Nyakrom Rural Bank Limited, was opened in Agona Nyakrom in the Central Region. As a result of the invaluable financial services rendered in the rural areas, the rural banking concept suddenly became popular with a number of rural communities applying to Bank of Ghana to establish rural banks.

Table 2.1 The Rate of Growth of Rural Banks over the Years

Year	Total Established	Total Existing
1976 – 1980	+20	20
1981 – 1985	+86	106
1986 – 1990	+16	122
1991 – 1995	+ 3	125
1996 – 1997	+5	130
1997 – 1998	+3	133
1999 - 2000	-23	110
1999 – 2000	+5	115
2001 - 2003	2	117

Source: Kwapong, (2004)

2.2 The Concept of a Reward System

Few areas within management control have gained as much attention as incentives and reward systems. According to Samuelson et al (2008), rewards control our behaviour. Consequently, to make employees work in a desired direction, it is important that companies use rewards which stimulate the desirable behaviour. Pay for performance is based on the belief that in order to motivate people to pursue the objectives of the organization, it is necessary to reward them according to the performance level they achieve (Kaplan et al 1998). Further, it is of significant importance that the reward system is designed in a way that makes the individual or the group feel they are able to influence the results. The concept of reward system also includes all investment made in the organizations human capital and everything that the employees find attractive in the employment relationship (Segal, 2005).

Turk (2008) believes that a reward system is an important tool that management can use to channel employee motivation in desired ways. In other words, reward systems seek to attract people to join the organization to keep them coming to work, and motivate them to perform to high levels. The reward system consists of all organization components – including people processes rules and decision making activities involved in the allocate of compensation and benefits to employees in exchange for their contribution to the organization.

The “agency theory” explains the need of a reward system and assumes that all individuals act in their own self-interest. An agency relationship exists when a principal

party, engages another party, an agent, to perform a certain task. Since the theory states that the principle and the agent have divergent objectives, the challenge is to motivate the agent to pursue the goals of the organization. The reward system of a company could be designed in a way that reduces these divergent objectives (Anderson et al 2004).

2.3 Definition of a Reward System

Armstrong (2000) defines a reward system as the tools available and used by employers in order to attract, retain, motivate and satisfy their employees. A reward system is a combination of financial rewards as well as employee benefit and these two elements combined together compose the total remuneration for the employee. The total reward system also embodies non-financial rewards which also includes performance management processes (Kaplan et al 1998).

2.4 Dimensions of a Reward System

Commenting on the dimensions of a reward system, Anderson et al (2004) state that the measurements that rewards are based on can be either short-term oriented or long-term oriented. They argue that using only measures that are short-term based, may cause problem for the company. An example of this, as they point out, is to frequently adjust the company's investments in R&D, depending on the company's current financial situation. The effect will be that the company's commitment to invest capital in R&D will not be completely carried out. Rappaport in Limberg et al (2005) stresses the importance of the rewards correspondence with the company's long-term objectives. Rappaport again points out that a company should try to base the rewards on longer terms

than a year, and instead try to look at performance over several years. However, Samuelson et. al. question if it is possible to base rewards on long-term strategic objectives instead of short-term measures.

Again, Armstrong (2000) observes that, it is important to create a balance between measures based on short-term and long-term perspectives. Appropriately, these measures have to complement each other and not be counterproductive. Rajagopalan (1997) defines long-term perspective as three to five years and everything beneath that is considered a short-term perspective. Samuelson et al (2008) present a different perspective to the dimensions of a reward system. According to Samuelson, the dimensions of a reward system should comprise the purpose of the reward, the type of the reward, basis for the reward and recipients of the reward (see table 2.1 below).

The Purpose of Rewards	Recipients of Rewards
Business control	Individual, group, manager
Motivate to desired performance	Organization
□ Recruit and retain talents	Information and communication
Types of Rewards	Basis for Rewards
Monetary rewards	Target setting, Result Measures and Result Evaluation
Non monetary rewards	Individual or group

Table 2.2 The different dimensions of a reward system (Samuelson et al, 2008)

2.5 Classification of a Reward System

In the opinion of Stredwick (2000), a reward system may be classified as financial and non-financial. rewards like benefits, career opportunities, additional assignments, job

rotation and competence development. Smith et al. (2001), on the other hand, have chosen to divide a reward system into bonus, gratuity, benefits and stock options.

According to Samuelson et al, pay is regarded as a company's primary motivational factor and may therefore be included in a reward system. This originates in the opinion that competence and performance is reflected by the employees pay. Thus, the employees pay motivates and creates a commitment to the company and its business idea. On the other hand, pay may also be perceived as something Hertzberg has described as a hygiene factor, and Armstrong shares the same opinion. Hygiene factors are necessary for the employees to do their work, but do not stimulate them to achieve a greater performance.

2.5.1 Bonus

According to Samuelson et al, when a company wants to achieve a significant connection between what the company wants to accomplish and the employee's performance, a bonus is often used. The employee receives the bonus when he/she has fulfilled objectives that are based on results. If the result is according to the budget, the employee will receive a bonus that respond to a predetermined sum. Consequently, when the result is higher than compared to budget, the bonus will become higher. Thus, when the objectives are not fulfilled, the bonus is not forthcoming. A bonus can be based on both individual and collective performance. A combination of both individual and collective performance also occurs. When the bonus is based on a collective performance it is distributed either in the way that each employee receives the same sum, or the employees receive a percentage of their salary. The individual bonus is often used as a reward for

salesmen, and is often a considerable part of their total salary. The collective bonus is based on the performance of a group of employees. The advantage with using a collective bonus is that the consciousness of each employee's responsibility may increase.

As Smith et al (2001) suggest, a condition for the success of bonuses is that the company should have the opportunity to measure and assess the achieved results. A bonus that is based on results should, according to Svensson (2002), be based on three components: financial results, improvements in productivity and improvements of quality. The bonus based on results should be based either on the company's or the team's result. Further, bonus exists in other forms than bonus based on results. It is important to make a distinction between bonus and reward, since these terms are often used interchangeably.

2.5.2 Benefits

Employee benefits are the part of the whole reward which adds to cash pay . Benefits can, according to Svensson (2002), be divided in tax-deductible benefits, such as an official company car or a beneficial loan, and benefits that are non-tax-deductible, e.g. insurances and medical care. Armstrong has chosen to divide employee benefits into three types: deferred or contingent benefits, such as a pension scheme, immediate benefits, such as a company car and benefits that are not strictly remuneration, such as holidays.

Armstrong states that the aim for benefits is to provide security for the employees, and thereby make them feel they are members of a considerate company. The aim is also to increase each employee's personal commitment to the company. Smith et al (2001)

observe that the employee's attitude towards benefits depends on the size of the employee's pay. If the income is low, benefits are more important. We perceive benefits as one of the most long-term based rewards, and it can also function as a competitive tool when it comes to recruiting new employees. Financial rewards and employee benefits together comprise the total remuneration.

2.6 Components of a Reward System

2.6.1 Involvement and Development

Employees want to be involved in the company, and they want to feel like they are moving up in the company structure. According to Lee (2008) it is also crucial that employees feel like they are making progress in a company. "Fortune" also reports that several small pay and grade increases in a year are more likely to feel like progress than one large annual increase. A long spell without advancement can spark the beginning of an employee's search for a new job.

2.6.2 Pleasant Environment

Companies used to discourage overly personalized work spaces and worker socialization. Smart companies now encourage these activities, which cost the company nothing and enhance the work environment. A happy worker is a hard worker; it just makes sense to want to keep a job you enjoy. Nobody wants to leave a job she shares with friends. A worker is also more likely to stay late and come in on the weekends if the workplace is pleasant. Friendship, the maintenance phase of any relationship, includes a worker's

relationship with fellow workers and with his boss. It is a lot easier to develop team spirit among people who enjoy each other's company (Lees, 2008)

2.6.3 Flexible Time

According to Gary (2007), each person's work-life balance is different. A parent with small children may want to be home in the evenings and occasionally needs time off for a doctor's appointment, school play, or important soccer game. A single person might want to take off early on Fridays. Some people would really like to come in at 10 a.m. and stay an hour or two later in the evening, and others want to work at home as much as possible. If the company accommodates these varied preferences, employees are unlikely to leave and take a chance on a more rigidly clocked job elsewhere. In many cases it does not really affect the company what hours are worked, as long as the work gets done.

The components of a reward system have been discussed by other authors from a different angle. Segal et al (2005) and Merriman (2008) identified structures, the process, the practice, the schemes, and the procedures to constitute the components of a rewards system

Process: This indicates the process of measuring and evaluating the work of the individuals in order to decide the level of employee benefits that need to be distributed (Segal, 2005).

Practice: According to Segal (2005), a reward system also needs a practice for

motivating using financial and non-financial rewards. These practices constitute the financial reward in form of payment, both base and variable, as well as employee benefits. It also includes non-financial rewards that originate from the work itself and effective management.

Structure: The structure of the reward is an important component of a reward system. The level of reward meets the value of the positions in the organization (Merriman 2008).

Schemes: Merriman (2008) says that scheme is what provides the individuals with financial rewards that meet their performance.

Procedures: Procedures are necessary in order to maintain the system so that the reward system creates efficiency within the human capital (Segal, 2005).

2.7 The Purpose of Reward Systems

The main purpose of a reward system is to motivate the employees to work in a direction that corresponds with the company's predefined goals. A reward system is an important instrument used to motivate employees to achieve superior results. It is also a powerful signaling system to employees concerning which performance areas that are considered important (Berger and Berger 2000).

According to Cinchelli (2008), reward systems serve many purposes. Cinchelli mentions that rewards align the efforts of employees with company objectives, and they reward

persons for outstanding results while providing limited earnings for poor performers. It is also a way for companies to recruit and retain talents by offering rewards that are comparable or superior to their competitors. Sharing the same opinion, Limberg et al (2005) say that the reward system's sole purpose is to motivate the employees in order to maximize the efficiency of the organization by creating a steering- and management instrument. The motivation is thought to rise from the rewards ability to create a team spirit, a loyalty to the company and to increase the employee's knowledge of the company's results (Limberg et al 2005). Armstrong (2000) adds that the reward system should encourage the kind of behaviour that contributes to the fulfillment of the company's goals.

2.8 Basis for Rewards

Johnsen and Storm (1998) identify result evaluation, result measuring and target setting as three bases for a reward.

2.8.1 Result Evaluation

The "result evaluation" evaluates the performance of the person. Result evaluation is closely connected to both target setting and result measuring. Evaluation is the process of comparing sales force targets with actual results. It provides information that affects compensation, motivation, and target setting. It is important that the sales management develops a system of information collection, which allows fair and accurate evaluation (Jobber and Lancaster 2003).

2.8.2 Result Measuring

The “result measuring” is a neutral process used to state the performance. In order for result measures to be efficient, they should be possible for the sales person to affect and be easy to measure frequently. Goals that are specified, communicated, and followed- up have the most significant impact on behavior. Both sales persons and managers should have the possibility to follow and measure their sales performance on a regular basis (Jobber and Lancaster 2003).

2.8.3 Characteristics of Results Measuring

Measurable in a reliable and consistent way: Result measures should be precise, objective, timely, and understandable; otherwise results control will not be effective in evoking the desired behaviors (Merchant et al 2003).

Understandable for the person: The measures should be clearly understood by the employees and related to their performance. Furthermore, the measures should be communicated throughout the organization (Johnson and Storm 1998).

Bragelien (2005) adds that it is important to use goal congruent measures and targets for employees; otherwise the company will communicate conflicting signals to them. He also argues that a common mistake, especially with bonuses, is that companies have formulas that are too complicated. If this is the case, it becomes difficult for employees to see the connection between the individual performance and the expected reward. The bonus thus becomes a surprise, when received by the end of the year, and the motivational effects

from it are thereby reduced. Bragelien emphasizes the importance of focusing on a few variables, rather than including all possible aspects in the formula. He contends that it should be as simple and understandable as possible.

Target Setting: Target setting is the process of deciding targets for the sales persons and is expressed in terms of expected performance. Performance targets should be specified for every aspect that is measured. The targets affect behavior in two ways. Firstly, by providing specific goals for the employees to strive for, it will stimulate their motivation and action. Secondly, performance targets allow the employees to interpret their own performance by comparing actual performance with predetermined performance (Merchant et al 2003).

Bragelien (2005) observes that it is important to have comprehensible targets for employees. In order for targets to be effective in motivating the person, they must be seen as fair, attainable, and challenging to the person. Therefore it is usually wise to allow the person to participate in the process (Jobber and Lancaster 2003). Merchant et al (2003) argues that if targets are perceived as too easy to reach, the ambition level of the employee will decrease. Above a certain level, motivation increases with target difficulty up to the point where people feel that they reach the limit of their ability. Targets that appear to be too demanding will result in discouraged and unmotivated employees. The point of optimal motivation is found where targets are perceived as highly challenging but achievable (Bragelien 2005).

2.9 Different types of rewards

It is highly important that the organization realizes that they have to offer rewards that the employees value (Limberg et al 2005). If this is not taken into account then the reward might have a negative impact on the receiver and the motivation to reach the organizational goals might decrease. Therefore the organization should find out what motivates the employees and also recognize that people in different stages of their life are motivated by different things.

Generally, (Limberg et al 2005) considers reward types to be largely monetary, non-monetary and non-financial rewards, but also discusses the concept of intrinsic and extrinsic rewards. A decision whether to offer monetary and/or non-monetary rewards have to be made.

2.9.1 Monetary Rewards

The most common monetary reward, according to Limberg et al (2005) is cash bonuses, though there are obviously additional financial rewards as well. For example, Armstrong mentions gain sharing, and stock related rewards and profit sharing as other monetary rewards. (Limberg et al 2005) further suggests that the monetary rewards can be given to both individuals and teams and they can be based on individual as well as team performance. However, as Armstrong (2000) suggest, monetary rewards do not always have a positive effect on motivation.

If there is no link between the reward and the accomplishments of an employee the reward will not have an impact on the motivation. If everyone is getting the same monetary reward regardless of their performance or effort then the reward will not have an impact on the motivation. On the other hand if monetary rewards are linked to the individual and his/her accomplishments then money can be a strong motivator (Segal, 2005).

2.9.2 Non Financial Rewards

Samuelson et al (2008) describe non-financial rewards as rewards that do not cost the organization anything. Today the most significant non-financial rewards are connected to the employment contract and to the relationship between the employee and the employer. Graham et al (2003) indicate that money is no longer the number one motivation factor among employees. They mean that today employees are more interested in opportunities and thereby to develop their skills and knowledge. If an organization is not able to successfully provide opportunities for their employees they will end up with a situation of employee retention. (Limberg et al 2005)

Armstrong divides Non-financial rewards into three categories (depicted by the researcher in fig 2.1). The first one is affiliation, which refers to the overall value that working in an organization for a longer period of time will bring. This includes everything from job satisfaction to the thrill of working for the number one company on the market. The second category is quality of work and life and this is about the employee and its ability to grow both personally as well as professionally. This is done

by having a job that provides the employee with challenges in such a way that the employee will improve their skills and knowledge. The third category is training and development and is focusing on the employees, training them for both current jobs and for future jobs.



Fig 2.1 Categories of non-financial rewards (Armstrong et al 2008)

Further, (Limberg et al 2005) suggests that there are two additional forms of a reward system and that is intrinsic and extrinsic rewards. According to Samuelson (2008) intrinsic reward is something that comes from inside the individual and refers to how the individual relates to the job and the organizational environment. Experts point out that intrinsic rewards have higher motivational effects than extrinsic rewards among employees and therefore it is crucial for the organization to keep this in mind and try to create such a working environment that will enable the employees to gain intrinsic rewards. Intrinsic rewards are most likely to occur when employees have the authority to make decisions regarding the organization and when these decisions are done based on

the employees' skills, knowledge and competence. This will motivate the employees to act in the best interest for the organization (Segal 2005).

Extrinsic rewards on the other hand can be linked to both financial and non-financial rewards and is therefore something that the organization can control. It is important for organizations to keep both of these additional reward systems in mind in order to create an optimal reward system. Even though intrinsic rewards are linked to the individual employee, the organization can still try to foster intrinsic rewards by creating a working environment and job assignments that the employees value and appreciate. Extrinsic rewards are important to include in the reward system when rewarding a team for the first time, this will increase the individuals' interest to collaborate. (Limberg et al 2005)

Gomez- Mejia et al (2003) uses the term "social rewards", and suggest that a social reward can be various things, such as constructive criticism, office party or further education. Social rewards, according to Gomez- Mejia et al strive to create a pleasant working environment. According to Gomez- Mejia et al., a differentiator tries to attract competent workforce. Social rewards are important to attract skilful and competent employees; accordingly it seems coherent that differentiated companies use social rewards to a greater extent than financial rewards.

2.10 Agency Theory and Reward System

The agency theory shed light to the problem that can occur when the organizational goal does not align with the individuals' goal. The main theme in this theory is that a

principal, the employer, assigns work to the agent, the employee, who thereby needs to perform the work. 73 The theory is focusing on two main problems that can occur between the agent and the principal and first there is the issue of conflicting goals. There is also the principal problem of verification of the agent's behavior and there is a need for monitoring the performance to avoid this problem. This indicates the positive contribution of using incentives and rewards to motivate their employees to work towards the organizational goal.

2.11 Recipients of Rewards

Rewarding teams can be very important in some organizations, especially if team work is frequently occurring. However not all companies see the value in rewarding teams which will have a negative impact on the outcomes of the teams. When an organization is rewarding teams it communicates to the employees that the team work and the outcomes are highly valued and appreciated by the organization. This is a way to encourage the teams to continue to deliver high-quality outcomes. (Segal 2005)

The outcome of a project is often performed by a team, which makes it difficult to reward one single person for that particular outcome. Due to this many organizations have started to reward teams instead of individuals. However, by moving towards team rewards rather than individual rewards will not be free from problems. When rewarding a team it is assumed that every member of that team has made an effort and worked hard in order to reach the goals. Another reason for rewarding teams is the idea that a team will perform significantly better than a single individual. It can also be described as the sum of two

individuals (1+1) is not two but three. This is referred to as the synergy effect. However it is not enough for the organization to put different teams together and expect them to provide the organization with top results, it is just as important for the team to learn how to collaborate. It is when every individual within a team has gotten to know each other, the skills and abilities that the team can start to produce high standard outcomes (Samuelson et al, 2008).

If an organization has decided to reward teams instead of individuals there are two factors that have to be considered. The first one is interdependence within the team as well as with other teams. If the interdependence is high between both, then it is important for the organization to be careful with how they reward the teams. For example, if there is a high interdependence between a number of teams but only one of the teams will be rewarded for the outcomes then it will have a negative impact on the future team work, since the reward is considered to be handed out on unfair basis.

The second factor is the frequency of team work within an organization, that is how often the employees are working in teams; constantly or sporadically. If they are working in a team full- time then team rewards might be suitable and if team work is occurring more sporadically then individual rewards might be preferable.

2.12 Motivational Theories

For the reason that the intention of a reward system is to create motivation, the study will

present a few general theories that are relevant for understanding what motivates the individual: psychological motivation theories, extrinsic and intrinsic motivation theory, and expectancy theory.

Psychological Motivation Theories: The “need theory” emanates from the belief that the behavior of an individual can be explained by his needs in a given situation. “Maslow’s hierarchy of needs” from 1954 is the most famous theory within industrial psychology. In this theory, the human motives are ranked in a hierarchy. It is only the unsatisfied needs that are motivating for individuals. In a business context the two higher levels of needs in the hierarchy are the needs that can be affected by the reward system (Olve and Samuelsson 2008).

Extrinsic and Intrinsic Motivation Theory: According to the extrinsic and intrinsic motivation theory, employees are motivated either by external factors such as salary, named extrinsic motivation, or by internal factors such as job satisfaction, named intrinsic motivation (Kraus 2008). Extrinsic motivation can be derived from indirect and instrumental needs and can be satisfied through money, status, power, and authority. Intrinsic motivation is derived through a sense of accomplishment for achieving the desired results, involvement, joy, and pride (Merchant et al 2003). The total motivation is the sum of extrinsic and intrinsic motivation (Kraus 2008). The motivational strength of any of the extrinsic or intrinsic rewards can be understood in terms of the Expectancy Theory. This theory argues that people will behave in ways that they expect will create the desired rewards. Managers should therefore promise their employees the rewards that

provide the most powerful motivational effects in the most cost effective way (Merchant et al 2003).

Johnsen and Storm (1998) present a number of motivational factors which are important for an employee:

Basic safety and work satisfaction– Basic safety can for example be the resources required for doing a good job and getting a reasonable salary. It is difficult to define exactly what is included in work satisfaction, but it can for example be working for a well-known and respected company, be a part of a successful team, and to have a good manager.

Possibilities for development– A sales person wants to develop in his work, for example through selling more advanced products, obtaining larger customers, and becoming sales manager.

Spirit of competition– Most sales persons are competitive. They compete both with their colleagues and with themselves. Companies that motivate the sales personnel through competitions, individual or in groups, increase the chance of a well-motivated sales force.

Recognition– Recognition will motivate the sales person to do a good job and to increase his efforts further.

Information– The employee should be well informed about for example the business, the company, competitors, his own work, measures, relevant statistics, and targets.

Stimulating measures– Employees enjoy constant action and needs stimulation, e.g. sales competitions, where the competition in itself is as important as the prize. Also sales conferences are, if well planned, a motivating experience where colleagues and managers meet. Bragelien further stresses the importance of giving the employees a more active role concerning the formulation of the reward system. The management should listen to what the employees' value, and formulate the system according to this (Samuelson et al 2008).

2.13 Problems and Critics to Reward Systems

A reward system can be used as a tool for creating motivation among the employee and enables the organization to increase the efficiency (Samuelson et al, 2008). Our theoretical discussion so far has shown that when motivating the employees the managers must pay attention to what motivates through the needs of the employees. We have also shown that it is also vital to consider how motivation arises through imposing goal-setting and expectancy theories. Managers can use the reward system as a financial control tool in order to make sure that the employees are motivated to work towards the organizational goal. This however imposes a possible problem when the employer and the employee do not strive toward the same objective (Limberg et al 2005).

2.14 Challenges of Reward Systems

Despite unprecedented efforts to motivate employees, employee motivation is at an all-time low. And, despite the enormous investment in rewards, recent studies show that the majority of hourly employees and manager in the United States report feeling "under rewarded" (Lee, Law & Bobko, 1999).

Most institutions are increasingly discovering that not only are traditional rewards extremely limited in their ability to motivate employees, but they are also very costly. In too many institutions, the reward system has become a bottomless pit into which millions, even billions, of dollars are thrown away annually, while employees complain that the rewards they receive aren't particularly rewarding, and frequently find the reward system itself is one of the most demotivating aspects of their company. Creating a meaningful, cost-effective reward system is one of the most important challenges facing any organization today (Miceli & Mulvey, 2000).

There are major reasons why organizational rewards fail to have the desired motivational impact (Lee, 1995; Colquitt et al., 2001). These, according to Colquitt include:

a. Excessive dependence on monetary rewards: Traditionally, organizations (and employees) have associated rewards with money. This is because money has been viewed as the common denominator of achievement. But money has some serious motivational limitations. For one thing, the correlation between the monetary value of rewards and

motivation is not very high. In most jobs, the best performers are not necessarily the highest-paid ones.

Monetary rewards don't have much staying power. They are commingled with other monies and soon forgotten. In fact, studies have shown that a pay raise, on average, has a motivational impact of less than two weeks. Furthermore, direct deposit has contributed significantly to reducing the motivational impact of monetary rewards. Monetary rewards are also very costly. No matter how much money a company might give, employees will soon become "habituated" to it. This has led to the well-known phenomenon called "reward inflation". As Colquitt (2001) says, "Attempting to motivate workers by financial means requires ever-increasing financial rewards to make the same impact".

Furthermore, while money will always remain the foundation of any reward system, excessive emphasis on financial rewards tends to create "money motivation", rather than "good-work motivation". When people are striving for money, they will often take the shortest and fastest route to maximize their financial gain – even if it means sacrificing quality. Under such conditions, customers simply become a means to an end.

b. Lack of recognition value: In addition to their monetary value, rewards should have recognition value (the extent to which recipients experience appreciation for their performance). Of the two, the recognition value is by far the most important element from a motivational perspective. In fact, when workers and supervisors were asked to rank a list of motivators from 1 to 10 in order of their importance to workers, workers

rated "appreciation for a job well-done" as their No. 1 motivator. In contrast, supervisors rated it No. 8. This difference in perception is one of the major reasons that most employees feel under rewarded at work. The problem is not limited to supervisors; few organizations realize the importance of recognition to employees either.

c. Entitlements: Entitlements include base salary of wages, cost-of-living increases, benefits and any other rewards that are given to employees regardless of performance. Employees come to expect them just for being there, rather than for being motivated or getting results. While these golden handcuffs do keep employees around, they do little to increase motivation or performance. Studies have shown that employees who have been conditioned to an entitlement mentality are generally *less* satisfied and *less* motivated than others who have to work harder for what they get. In fact, rather than gratitude, the employee who feels entitled asks: What has the organization done for me lately? Why isn't it doing more? Despite convincing evidence that entitlements don't motivate, companies continue to pay enormous sums for them, every day.

d. The wrong things are rewarded: Although performance-based rewards are certainly a desirable component of any rewards system, they won't be effective if the wrong performances are rewarded. Rewarding the wrong things is certainly not something an organization does on purpose, but it occurs more often than you might think. In other companies, such things as seniority, conformity, looking busy and not making waves are rewarded, rather than superior performance. Under these conditions, it doesn't take long for employees at all levels to figure out that some actions pay off more than others, even

though they might not be the right actions. Many managers who complain that their employees aren't motivated might find that the real problem is that their reward system is rewarding behaviors and results other than the ones they really desire.

d. Delay: Research is very clear on this matter: Delay discounts any reward. The high cost of delay is dramatically illustrated by an experiment in which employees in one organization were offered \$100 immediately or \$500 a year. An overwhelming majority of employees chose the \$100 – even though they could have increased their payout by 500 percent by waiting.

In most institutions, rewards do not occur promptly. Managers with a longer time perspective expect rank-and-file employees to have the same long-term time horizon. For example, profit-sharing payments are usually delayed until several months after the end of the fiscal year. Deferred compensation plans might look good on paper, but most of them do not have the desired impact because the payout is so delayed, and its value is dependent upon so many factors beyond the employee's control. Even the most basic forms of recognition are often delayed until something significant enough happens.

e. Generic rewards: Too many reward system are inflexible, and do not acknowledge individual differences. Organizations have tended to assume that one size fits all. First of all, people are different. Second, there is no question that today's employees are different from those of a generation ago, and consequently, they require a more individualized approach to motivation. The Golden Rule – "Do unto others as you would have them do

unto you" – doesn't work for all employees. Slightly modified, the new Golden Rule of Rewards is: "Give unto others as they would have you give unto them".

f. Short-term impact: Another major impediment to the motivational effectiveness of rewards is the short-term impact that most rewards seem to have. Pay increases have a motivational impact of less than two weeks, and other types of rewards suffer from this phenomenon as well. Practically any reward can create a momentary surge of energy. However, these bursts of energy rarely last. In fact, soon after a reward is received, there is typically a motivational letdown. Furthermore, because most rewards are one-shot events, given at the back end of achievement, they do little to generate excitement for future accomplishment.

g. The presence of demotivators: Nothing has done more to undermine the effectiveness of rewards than demotivators, nagging organizational practices and conditions that frustrate employees and detract from the motivational effectiveness of any reward. For example, how excited can employees get about rewards when the organization is going through traumatic layoffs? Or, how well rewarded will employees feel when poor performers get virtually the same pay increase as the excellent ones? Or, how do you think a senior professional (who just happened to be a woman) felt when she received flowers on Secretaries' Day?

Virtually every employee in an institution is offended by privileges given to some and not to others and by obscene compensation arrangements for some CEOs who get paid

millions of dollars a year for managing companies with mediocre performance, while excellent employees in those companies are paid only a few dollars more than those who just get by. Furthermore, many employees perceive that managers often expect sacrifices from them, while insisting on retaining their own privileges and perks.

From the average employee's viewpoint, the major demotivator present in almost every reward system is unfairness. This is because people tend to be more sensitive to what they are not receiving than to what they are. Fairness is a comparative concept. Workers inevitably will compare their compensation packages with those of others, both inside and outside the organization. No matter how high the absolute amount, employees find discrepancies between their rewards and those of others in comparable jobs to be extremely demoralizing. Rewards offered in the presence of demotivators such as these are often greeted with cynicism and contempt, rather than gratitude.

2.15 Perception of Reward Systems

Management faces numerous challenges in determining how to reward employees. They must balance market competitiveness, internal equity, organizational performance and individual performance considerations. Notably, issues of "fairness" underlie each of these areas. No matter how sophisticated the design, reward programs, policies and practices that are not perceived as fair will not successfully attract, retain and engage employees. Justice and equity are related concepts that have long been associated with perceptions of pay fairness. Specifically, reward fairness and the related constructs of pay justice and equity have been found to be strongly related to employee attitudes including pay satisfaction, (Cowherd & Levine, 1992; Shaw & Gupta, 2001; Tekleab, Bartol, & Liu,

2005), commitment (Cohen & Gattiker, 1994;), intention to quit (Miceli, Jung, Near, & Greenberger, 1991) and perceived organization support (Miceli & Mulvey, 2000). Perceptions of reward fairness also have been found to impact employee behavior such as absenteeism and citizenship behavior, individual performance (Cohen-Charash & Spector, 2001) and organization outcomes (e.g., employee turnover and customer satisfaction) (Simons & Roberson, 2003).

Although we know that employee perceptions of reward fairness are strongly related to employee attitudes, behaviors and performance, it is less clear what impact reward practices have on these perceptions. In other words, do certain types of reward programs or policies more closely align with perceptions of fairness than other programs or policies?

To survive (and thrive), organizations must ensure that reward programs are rooted in principles of fairness in order to motivate and engage employees from different backgrounds and experiences. The challenges of creating a fair reward system become even more pronounced as organizations develop a global presence and attempt to integrate reward strategies across countries with different legislative requirements, traditions and cultures and accepted business and norms. This study examines how management defines what constitutes fair rewards and the tools reward professionals use to create reward programs, policies and structures that are perceived as fair (Colquitt et al., 2001).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes how the study was conducted. It outlines the choice of study approach and strategy that have been used in undertaking the study. The chapter also defines the participants that were used, including the statistical techniques used to analyse the data.

3.2 Research Approach

Halvorsen (1992) describes two approaches that can be used in conducting a study as the qualitative method and the quantitative method. The study uses largely the qualitative approach. The study adopted this approach based on its effectiveness in helping to understand the factors under study, and its suitability for the purposes of addressing the research questions.

3.3 Research Strategy

Saunders et al. (2009) discuss some research strategies including experiment, survey, case study, action research, grounded theory, ethnography, and archival research. The study uses the case study as a research strategy, since the study focuses on the Adansi Rural Bank. The case study was chosen because of its suitability to the subject under study. Again, a case study is a way to explore an empirical subject by following a set of pre-specified activities and procedures (Saunders et al. 2009).

3.4 Sources of Data

In order to understand the case study more deeply, several sources of data collection were used. Data sources comprised both primary and secondary sources.

3.4.1 Primary Data

Primary data is original data collected by the researcher for the research problem at hand. The study used primary data collected through the use of the questionnaire and interviews. According to Yin (2003), interviews are the most important sources of case study information, mainly due to the fact that they can provide exact answers to the research questions. For the respondents who could neither read nor write the interview was very useful

3.4.2 Secondary Data

Ghauri et al (2002) also describe secondary data as information collected by others for purposes which can be different from the researcher's purpose. For this study, secondary data included journals, magazines, books, documentation, and the Internet. Secondary data raises the validity and reliability of the study.

3.5 Study Population

Bryman et al (2003) describe a study population as the whole group that the research focuses on. The study's population comprised the following three categories: staff and management.

3.5.1 Sample Size

The study used a sample size of fifty. This comprises 40 staff members, 10 management members. The study finds this sample size representative enough to give a true reflection of the subject under study.

3.5.2 Sampling Method

The study used the purposive sampling technique in selecting the sample. The study uses this sampling technique because of the nature and work of our study population. Effectively, this allows the researcher to choose or select the respondents that are relevant to the area of study.

3.6 Data Collection Methods / Instruments

The study used questionnaire and interviews as data collection instruments. The questionnaire comprised both structured and unstructured questions. The purpose was to obtain the needed information to successfully complete the study and ensure validity. The researcher personally conducted all interviews.

3.7 Analysis of Empirical Material

Data was analyzed with SPSS and excel to obtain frequencies and percentages of closed end responses. This was to identify trends that appeared from responses. Qualitative responses were analyzed through data reduction and conclusion creation to establish trends.

3.8 Profile of the Adansi Rural Bank

The Adansi rural bank was established in the 1980 with the basic objective of financial service to the Rural and Peri-urban communities to promote rapid economic development in the surrounding communities. Currently the bank has 4 branches in the addition to the head offices at Fomene, Namely, Obuasi, Kaase and Akrokeri.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the descriptive analysis of the demographic characteristics. The chapter analyses the following research objectives the nature of reward systems in the Adansi Rural Bank, level of implementation of Reward systems in the Adansi Rural Bank, perception of employees of these reward systems, reward factors that will motivate employees in Adansi Rural Bank.

4.3 Demographic Characteristics

The demographic characteristics discussed include gender, age, and years spent at the bank. Discussing these relevant variables provide an overview of the sampled fifty from the various categories of respondents in the research area. As indicated in Table 4.2, 17 respondents, representing 27.6% were within the age interval (20-30) years, 25.5% of the respondents fell within the age bracket (31-40), 36.17% of the respondents were within (41-50) and 5 out of the total respondents representing 10.63% were all above 50 years interval.

This age distribution depicted in Table 4.2 shows that, majority of the respondents sampled were within the age interval 31-40 years. The gender of respondents was also sampled. As shown in Table 4.2, 63.8% were sampled as male and 36.2% of the respondents were females. This is a general indication of dominant male workers in the Adansi rural bank. It could reflect the general trend in the rural banking industry

Also the years spent by the workers in the bank was analyzed. It was revealed that majority of the workers representing 46.8% had worked for 1- 5 years while the remaining 53.2% had worked for 6-10 years. None of the respondents selected had worked for more than 10 years. This explains that, majority of the respondents do not have a working experience of more than ten years. This might not reflect the general trend in the rural banking industry, although it cannot also be disputed. A likely explanation could be the situation where the commercial banks would usually poach the experienced hands in the rural banks.

The breakdown of all selected respondents with respect to the demographic characteristics is explained in Table 4.3.

Table 4.2: Demographic characteristics

Variable	Category	Frequency	Percent
Age	20-30	13	27.6
	30-40	12	25.5
	40-50	17	36.17
	Above 50	5	10.63
Gender	Male	30	63.8
	Female	17	36.2
Years Spent	1-5	22	46.8
	6-10	25	53.2
	11-15	0.00	0.00
	Above 15	0	0.0

Source: Survey data, 2012

4.3 Nature of Reward Systems at Adansi Rural Bank.

This objective sought to identify the nature of reward system in place at Adansi Rural bank. Questions pertaining to this objective were addressed to the HR manager of the bank. Responses and findings are analyzed with respect to the research question “what is the nature of reward system at the bank?”

The empirical evidence showed that the bank runs a *Performance-based Rewards & Remuneration Strategy* which is targeted, differentiated and aligned with the organization’s corporate directions, ethos and operating culture. This reflects the norm because in reality, rewards & remuneration strategies must be unequal and fitted to different categories of staff. There is no such thing as one size fits all

The HR manager was emphatic, speaking to the question of “what is the nature of the bank’s reward system?” The bank’s employee reward systems describe programs it has set up to reward performance and motivate employees on individual and/or group levels. They are normally considered separate from salary but may be monetary in nature or otherwise have a cost to the company. While previously considered the domain of large companies, small businesses have also begun employing them as a tool to lure top employees in a competitive job market as well as to increase employee performance. As was observed, although employee recognition programs are often combined with reward programs they retain a different purpose altogether. Recognition programs are generally not monetary in nature though they may have a cost to the company.

As described by the HR manager, the bank follows clear guidelines developed on five (5) key pillars, and is largely objective. This is depicted by figure 4.1 below

In order to reap benefits such as increased productivity, the bank's reward program identify company or group goals to be reached and the behaviors or performance that will contribute to this. While this may seem obvious, most other companies frequently make the mistake of rewarding behaviors or achievements that either fail to further business goals or actually sabotage them.

4.4 Types of Reward Programs at Adansi Rural Bank

The researcher identified a number of reward programs at the bank aimed at both individual and team performance. These are described one after the other below:

Variable Pay: Variable pay or pay-for-performance is a compensation program identified at the bank. Variable pay can be tied to the performance of the company, the results of a business unit, an individual's accomplishments, or any combination of these. It can take many forms, including bonus programs, and one-time awards for significant accomplishments. This was mostly seen with its mobile bankers who usually have their pay tied to this system, whereby high performers get paid more at the end of the month.

Bonuses: The bank employs bonus programs where individual accomplishments are usually rewarded to encourage higher performance. The bank sometimes uses it to recognize group accomplishments.

As noted in the literature, proponents contend that bonuses are a perfectly legitimate means of rewarding outstanding performance, and they argue that such compensation can actually be a powerful tool to encourage future top-level efforts.

4.5 Recognition Programs

The study further identified some recognition programmes the bank has instituted. These were merely extra effort on their part with few tangible returns in terms of employee performance. As found in the literature, while most employees certainly appreciate monetary awards for a job well done, many people merely seek recognition of their hard work.

It was established as per the analysis therefore that monetary rewards are used in the Adansi Rural Bank. These were identified as cash allowances, and award schemes. This practice is consistent with other industries and sectors which all use monetary rewards as part of the reward systems in those industries or sectors.

This is also consistent with the position by Limberg et al (2005) who describe the most common monetary reward as cash bonuses, though, as they mentioned, there are additional financial rewards as well. Limberg et al (2005) further suggests that the monetary rewards can be given to both individuals and teams and they can be based on individual as well as team performance. As per the above evidence, these were practices that were identified in the study area.

Armstrong (2000) had suggested in the literature reviewed that, monetary rewards do not always have a positive effect on motivation, and that if there is no link between the reward and the accomplishments of an employee the reward will not have an impact on the motivation. If everyone is getting the same monetary reward regardless of their performance or effort then the reward will not have an impact on the motivation. Armstrong's position could however not be confirmed in this study, most respondents believed that monetary rewards in the Adansi Rural Bank constituted the most important motivational factor; and consistently had shown tremendous improvement in output levels.

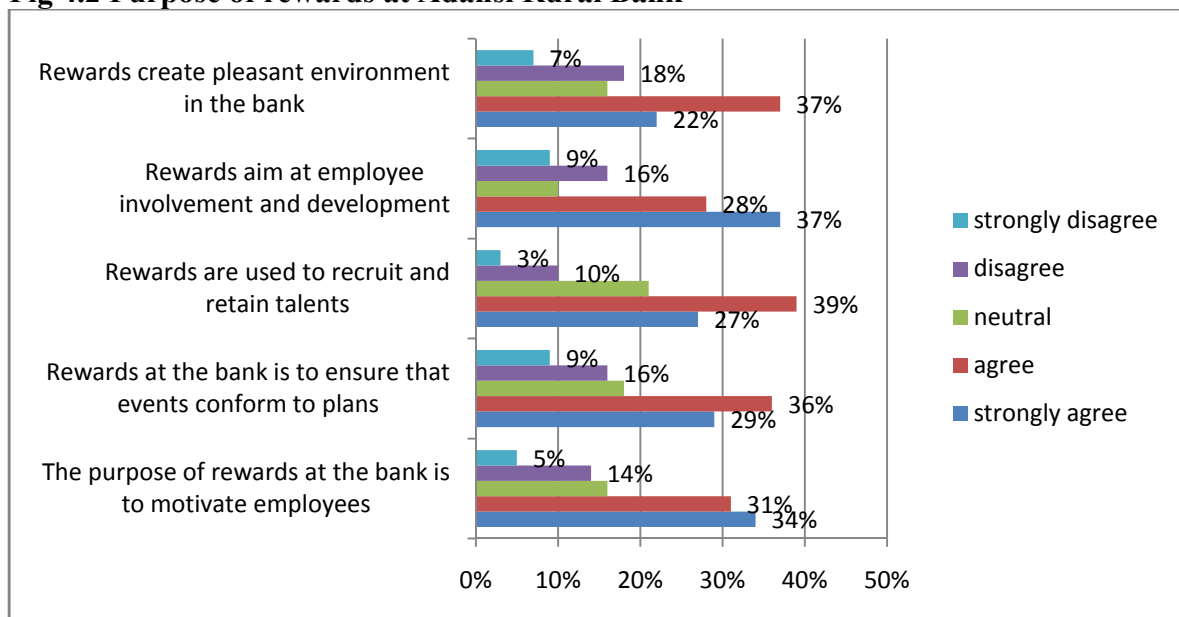
The study also found that non-monetary rewards are also part of the reward system in the Adansi Rural Bank. The concept of reward system also includes all investment made in the organizations human capital and everything that the employees find attractive in the employment relationship. Limberg et al (2005) had indicated in the literature that by using the right rewards, which can be either monetary or non-monetary, managers and employers can stimulate the employees to create job satisfaction and to act in a certain way. If the employees respond as intended, this can ultimately increase the organizational efficiency, hence, create competitive advantages.

As was found in the study, most of the non-monetary rewards were tied to performance and long service. These included individual awards and awards at branch levels based on branch performance.

Respondents generally believed that the purpose of reward systems in the Adansi Rural Bank are, among others, to motivate employees, ensure that events conform to plans, to recruit and retain talents, motivate employees, employee involvement and development, and create pleasant environment in the Adansi Rural Bank.

1. These observations were arrived at in connection with responses which generally showed a strong agreement to the statements: “The purpose of rewards at the bank is to motivate employees
2. Rewards at the bank is to ensure that events conform to plans
3. Rewards are used to recruit and retain talents
4. Reward systems aim at motivating employees
5. Rewards aim at employee involvement and development
6. Rewards create pleasant environment in the bank” (see fig 4.2).

Fig 4.2 Purpose of rewards at Adansi Rural Bank



Source: field data (2012)

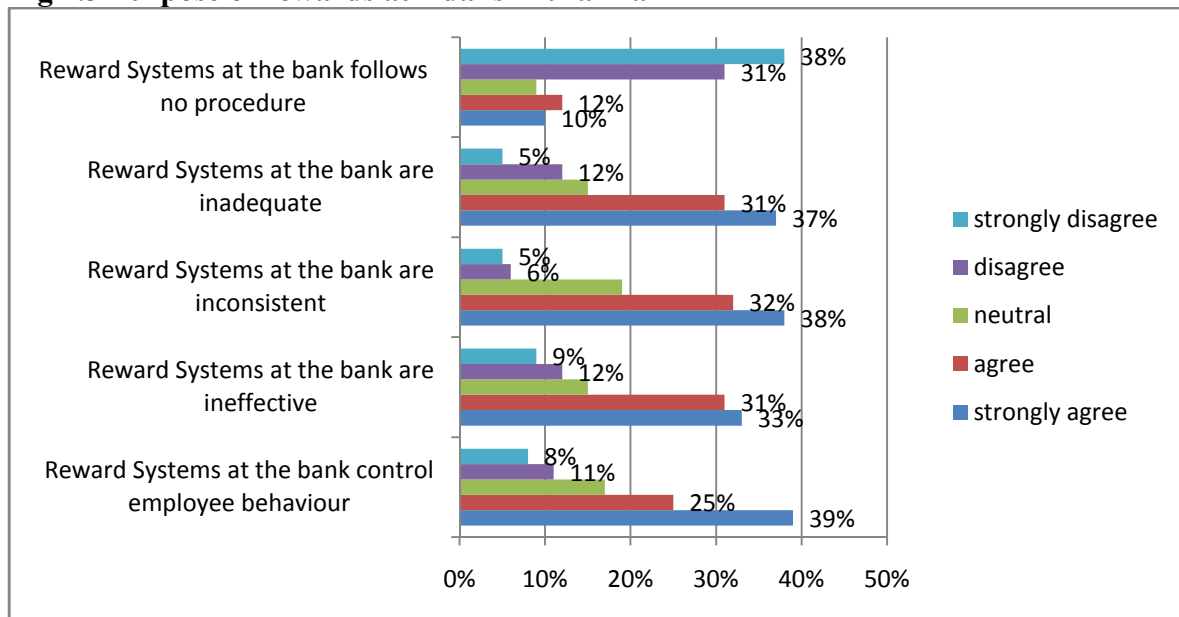
Johnsen and Storm (1998) identify result evaluation, result measuring and target setting as three bases for a reward. Findings on the bases of rewards in the Adansi Rural Bank, therefore shows some consistency with the position by Johnsen and Storm.

Significantly, most respondents, as depicted by the figure above, did not agree to the statement that “the level of reward meets the value of the positions”, an indication that respondents felt that generally, positions in the Adansi Rural Bank are under rewarded. A breakdown revealed that; 51% strongly disagreed with the statement, 21% disagreed, 14% could neither agree nor disagree, 7% however agreed while the remaining 9 % strongly agreed to the above statement.

4.5 Employees’ Perception of Reward Systems in the Adansi Rural Bank

Further, the general perception of respondents on reward systems in the Adansi Rural Bank was also examined. The researchers used likert scale in soliciting information on this item. Essentially, respondents were asked to rank in terms of their level of agreement or disagreement with a particular statements made in connection with reward system pertaining to the bank. The response categories ranged between ‘Strongly Agree’ to ‘Strongly Disagree’. Results to respondents’ opinions are depicted in the figure below:

Fig 4.3 Purpose of rewards at Adansi Rural Bank



Source: field data (2012)

As shown in Figure 4.3, most of the respondents believed that reward system in the Adansi Rural Bank control employee behaviour, therefore indicating the general knowledge of respondents on the effect of an effective reward system in an organisation. This was established through findings on the level of respondents' agreement with the statement "reward system in the Adansi Rural Bank control employee behavior". The breakdown revealed the following; 39% strongly agreed, 25% agreed, 17% could neither agree nor disagree, 11% disagreed with 8 % strongly disagreeing.

However, respondents generally felt that reward systems in the Adansi Rural Bank are ineffective. This finding therefore questions the level of effectiveness of the bank's reward system. This was also established on the level of respondents' agreement with the statement "reward systems in the Adansi Rural Bank are ineffective". The breakdown revealed the following; 33% strongly agreed, 31% agreed, 15% could neither agree nor disagree, 12% disagreed with 9 % strongly disagreeing.

Again, respondents generally indicated inconsistencies in reward systems in the Adansi Rural Bank. The statement “Reward Systems at the bank are inconsistent” therefore recorded a general agreement by most respondents. It is highly important that the bank realizes the need for consistency in their rewards systems. If this is not taken into account then the reward might have a negative impact on the receiver and the motivation to reach the organizational goals might decrease. As was identified in the literature, consistency builds a strong trust among employees on the extent of fairness of reward programmes in any institution.

Further findings revealed that reward systems in the Adansi Rural Bank were generally considered to be inadequate. This was established when most respondents strongly agreed to the statement “Reward Systems in the bank are inadequate”. It is equally important that the bank realizes that they have to offer rewards that the employees value and consider adequate. Therefore there is the need to find out what motivates the employees and also recognize that people in different stages of their life are motivated by different things.

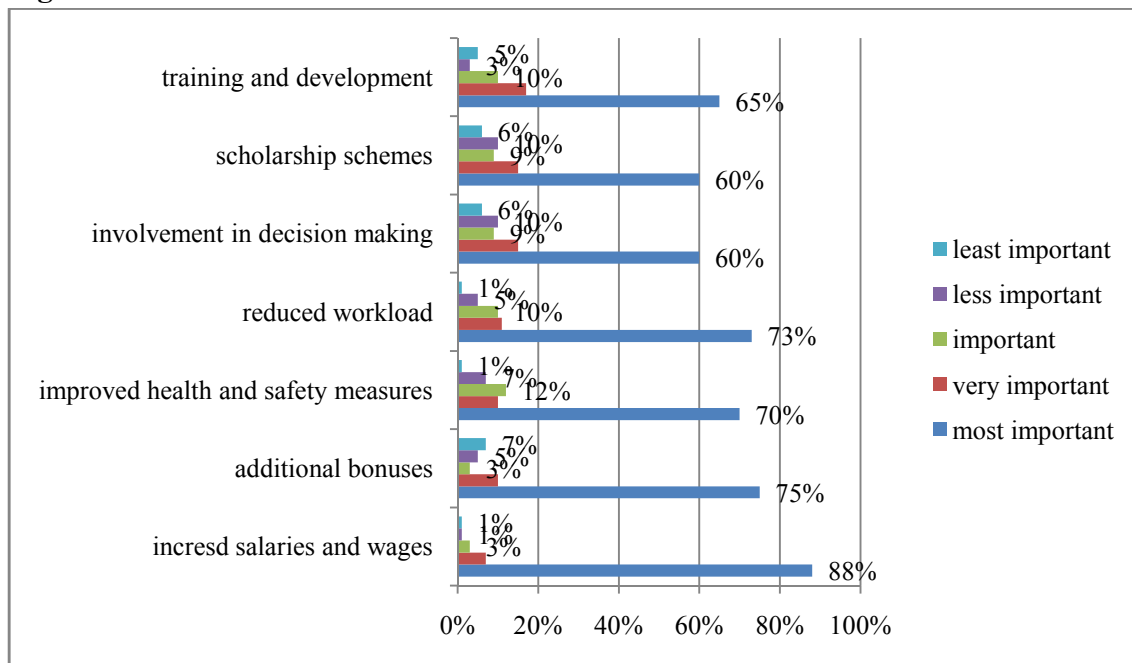
4.6 Potential Motivational Factors

A further assessment was done on what would constitute potential motivational factors in connection with reward systems in the Adansi Rural Bank. The assessment used certain criteria that were clearly identified. This included increased wages/salaries, additional bonuses, adequate health and safety measures, reduced work load, involvement in decision making, and educational scholarship schemes.

There was a high rate of agreement by respondents to increased wages/salaries as a potential motivational factor. On a scale of 1-6, increment in salaries/wages was considered one of the most important potential motivational factors to employees in the Adansi Rural Bank (see fig 4.4).

It is a confirmation of the general perception or the widely held notion that as far as the workplace is concerned, a key motivational factor is employee salaries or wages. It was there an expectation from respondents that was rightly confirmed.

Fig 4.4 Potential Motivational Factors



Source: Survey data, 2012

Again, respondents believed that an additional incentive packages is an important factor that could motivate employees. From the findings, this particular factor saw a 75% agreement as depicted by the figure above. Although respondents indicated that there are occasional

incentives given to employees, they believed additional incentives would come as welcoming news to employees and serve as a motivational factor to them (see fig 4.4). This is expected to contribute to the enhanced feeling of belongingness by employees which is considered a critical success factor in every organization.

Respondents further indicated that improved health and safety measures at work places would serve to motivate employees in the Adansi Rural Bank (see fig.4.4). The figure above shows a 70% agreement in respect of an improved health and safety measures as a factor. Respondents generally believed that adequate health and safety measures would create an improved working environment at the bank. This, in their opinion would create the necessary psychological boost to ensure worker efficiency and effectiveness at all times.

Reduced work load was also indicated as a potential motivational factor to employees in the Adansi Rural Bank, recording 73% agreement by respondents (depicted on figure4.4). Although not identified as a very important potential motivational factor, respondents generally believed that reduced work load reduces the potential for fatigue to set in. Fatigue has been cited as one of the causes of low work rate of employees, especially in a sector like the bank.

Involvement in decision making has been acknowledged as one of the motivational factors to most workers regardless of the education. Respondents generally shared this opinion when they rated it as an important factor that could potentially motivate employees in the Adansi Rural Bank (see fig 4.4). Most respondents generally felt that employees feel part of the

institution when they are involved in decision making. Although not highly rated as the first 3 factors discussed, this factor also recorded an equally high rate of 60%.

In addition, the study examined the possibility of a scholarship scheme for further education as a potential motivational factor to employees in the Adansi Rural Bank. Findings revealed a high rating of this factor as a potential motivational factor. This is important given the possibility that most workers who benefit from such schemes are likely to remain with the bank longer than they would have.

Finally, training and development also came in strong as a potential motivational factor to employees or workers in the Adansi Rural Bank. This reflected in about 75% giving indication to this fact as shown in fig 4.4above. Training and development has been described as a way of boosting employee satisfaction and performance at the workplace. This can equally be applied to the Adansi Rural Bank.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter provides a summary of the presentation and discussions, highlighting findings to the objectives. The chapter also presents the conclusions and recommendations to the study.

5.1 Sample and Response Rate from the Selected Respondent

The study used a sample size of fifty respondents from both the administrative and non-administrative staff of the Adansi Rural Bank.

5.2 Demographic Characteristics

The demographic characteristics used included gender, age, and years spent in the Adansi Rural Bank. These demographics provided an overview of the sampled fifty respondents in the research area. The age distributions showed that, majority of the respondents sampled were within the age interval 31-40 years. The gender of respondents revealed that the Adansi Rural Bank has more male employees.

5.3 Summary of Findings to Research Questions

5.3.1 Nature of Reward Systems in the Adansi Rural Bank

It was found that the bank runs a performance-based rewards & remuneration strategy which is targeted, differentiated and aligned with the organization's corporate directions. As was observed, although employee recognition programs are often combined with reward programs they retain a

different purpose altogether. Recognition programs are generally not monetary in nature though they may have a cost to the company. As described by the HR manager, the bank follows clear guidelines developed on five (5) key pillars that were adequately discussed in the previous chapter

Respondents indicated that monetary rewards are used in the Adansi Rural Bank. These were identified as cash incentives, and other awards. This practice was found consistent with other industries and sectors which all use monetary rewards as part of the reward systems in those industries or sectors.

The study also found that non-monetary rewards are also part of the reward system in the Adansi Rural Bank. Most of the non-monetary rewards were tied to performance and long service. The study further observed that target setting and ability to achieve rewards were basis for reward systems in the Adansi Rural Bank. Respondents generally believed that the purpose of reward systems in the Adansi Rural Bank are, among others, to motivate employees, ensure that events conform to plans, to recruit and retain talents, motivate employees, employee involvement and development, and create pleasant environment in the Adansi Rural Bank.

Most respondents did not agree to the statement that “the level of reward meets the value of the positions”. An indication that respondents felt that generally, positions in the Adansi Rural Bank are under rewarded.

5.3.3 Perception of Reward Systems in the Adansi Rural Bank

Further, the general perception of respondents on reward systems in the Adansi Rural Bank was also examined. Most of the respondents believed that reward system in the Adansi Rural Bank control employee behavior. However, respondents generally felt that reward systems in the Adansi Rural Bank are ineffective.

Again, respondents generally indicated inconsistencies in reward systems in the Adansi Rural Bank. The statement “Reward Systems in the bank are inconsistent” therefore had most respondents agreeing. Further findings revealed that reward systems in the Adansi Rural Bank were generally considered to be inadequate.

5.3.4 Potential Motivational Factors

A further assessment was done on what would constitute potential motivational factors in connection with reward systems at the Adansi Rural Bank. There was a high rate of agreement by respondents to increased wages/salaries as a potential motivational factor. Again, respondents believed that additional incentives will be an important factor that could motivate employees. Although respondents indicated that there were occasional incentives to employees, they believed additional incentives would come as welcoming news to employees.

Respondents further indicated that improved health and safety measures at work places would serve to motivate employees in the Adansi Rural Bank. Respondents generally believed that adequate health and safety measures would create an improved working

environment in the service. This, in their opinion would create the necessary psychological boost to ensure worker efficiency and effectiveness at all times.

Reduced work load was also indicated as a potential motivational factor to employees in the Adansi Rural Bank. Although not identified as a very important potential motivational factor, respondents generally believed that reduced work load reduces the potential for fatigue, has been cited as one of the causes of low work rate of employees, especially in the banking environment.

Involvement in decision making was also acknowledged as one of the motivational factors to most workers regardless of the education or sector. Respondents generally shared this opinion when they rated it as an important factor that could potentially motivate employees in the Adansi Rural Bank. Most respondents generally felt that employees feel part of the company when they are involved in decision making. Finally, the study examined the possibility of a scholarship scheme as a potential motivational factor to employees in the Adansi Rural Bank. Findings revealed a high rating of this factor as a potential motivational factor.

5.4 Conclusion

The study has examined the following research objectives; the nature of reward systems at the Adansi Rural Bank, how employees perceive these reward systems, and the factors that will motivate employees/ in the Adansi Rural Bank. Several issues of relevance to these objectives have been discussed.

The suggestion has been that an optimal framing of reward system does not exist thus reward systems are often discussed from a holistic perspective. When an entity decides to implement a reward system it is important that the shaping of it has its base in the entity's specific situation. The study has therefore explored the various systems that can be applied to the Adansi Rural Bank of Ghana. Important standards that have been established would have to be adhered to.

5.5 Recommendations

Based on the findings that have been discussed, the study makes the following recommendations on reward systems in the Adansi Rural Bank of Ghana and the rural banking industry in general:

1. The need for the use of right rewards

Limberg et al (2005) had indicated that by using the right rewards, which can be either monetary or non-monetary, managers and employers can stimulate the employees to create job satisfaction and to act in a certain way. If the employees respond as intended, this can ultimately increase the organizational efficiency, hence, create competitive advantages. It is important therefore for the right rewards to be used as part of the reward systems in the Adansi Rural Bank.

2. Strengthening of the non-monetary rewards

The concept of reward system also includes all investment made in the organizations human capital and everything that the employees find attractive in the employment

relationship. It is important therefore for non-monetary rewards to be given the needed attention so that its significance as a potential contribution to employee motivation can be realized.

3. The need for rewards to be adequate

It was found in the study that rewards were perceived to be inadequate. To improve the perception of reward systems in the Adansi Rural Bank, rewards should necessarily be adequate.

4. The need for rewards to have value

Most respondents raised issues about the value of rewards used at the bank. In view of this, the researchers believe that it is important that rewards are seen as having value. Rewards that are perceived to be of no value can create a disincentive to employees which will neutralize the effect of the reward on employees' performance.

5. The need for consistency in reward systems and procedures

Most respondents saw inconsistencies in the reward system at the bank. This study therefore recommend for management to ensure consistencies in reward procedures. This is important so that rewards do not become disincentives as most turn out to be in some instances.

6. Finally, the researchers believe that management should use effective communication in making employees understand the motivation for rewards in the organization. This is

to ensure that when employees are properly informed on the methods and reasons for rewards at any particular point in time, they develop the needed confidence and trust in the system and support it adequately.

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Questionnaire

This questionnaire is part of a study that is investigating reward systems at the Adansi Rural Bank. Kindly indicate your preference among alternative answers for each question by ticking in the appropriate box. Where alternative answers are not provided, fill in the gaps provided. Thank you for your contribution. Respondents are assured of the confidentiality of this exercise because it will be solely used for academic purpose.

1. Background Information

- a. Gender: Male ☐ Female ☐
- b. Age: 20-30yrs ☐ 30-40yrs ☐ 40-50yrs ☐ above 50yrs ☐
- c. Number of years spent at the bank
- 1-5yrs ☐ 5-10 ☐ 10-15yrs ☐ above 15yrs ☐

2. Nature of reward systems in the Adansi Rural Bank

To what extent do you agree with the following as pertaining to the bank?

Key: SA-Strongly Agree A-Agree N-Neutral D-Disagree SD-Strongly Disagree

Statement	SA	A	N	D	SD
Rewards at the bank are mainly, salaries / wages					
Bonuses are also given to staff					
Non-monetary rewards exist at bank					
There are adequate health and safety measures					
Staff are involved in decision making					
educational scholarships are part of reward systems at the bank					
Salaries /wages are locally decided					

3. Level of implementation of reward systems in the service

Statement	SA	A	N	D	SD
Implementation of rewards at the bank cuts across all depts.					
Achievement of results is used as basis for rewards in the service					
The level of reward meets the value of the positions					
The purpose of rewards at the bank is to motivate employees					
There is consistency in the implementation of reward system					

5. Employee Perception of the Bank's Reward Systems

Which of the following constitute your opinion of reward systems in the service?

Statement	SA	A	N	D	SD
Reward Systems at the bank control employee behaviour					
Reward Systems at the bank do not make the desired impact					
Reward Systems at the bank do not follow any laid down procedure					
Reward Systems at the bank have little value to employees					
Reward Systems at the bank follows no procedure					

6. Recommended Reward Option

Which of the following factors do you think will motivate you enough in your current job? (1= least important, 2= less important, 3= important, 4= more important, 5= most important)

	1	2	3	N/A
a. increased wages/salaries				
b. additional bonuses				
c. adequate health and safety measures				
d. reduced work load				
e. involvement in decision making				
f. educational scholarships				