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THE IMPACT OF COMPENSATION ON THE PERFORMANCE OF EMPLOYEES AT A BANK IN MPUMALANGA

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ABSTRACT

This study investigates the impact of compensation on the performance of employees. A qualitative research methodology was employed in order to understand the fundamental relationship between compensation and performance of employees at Bank X in Mpumalanga. A sample of fifteen (15) respondents at Bank X was selected for the interviews using the non-probability purposive sampling technique. The data analysis was based on measuring how data was collected from the open-ended questionnaire and analysed. The results indicated that the majority (60%) of employees of Bank X in Mpumalanga viewed compensation and rewards to be important in motivating them to perform and only 20% disagreed with the notion. In addition, the results imply that the majority (67%) of Bank X employees are motivated to perform better when rewarded by compensation. It was concluded, therefore, that performance and motivation are undoubtedly linked. The rewards that drive both of these may be very different and there is no universal system that can adequately be applied across the board. This study recommends that the salary of the employees should be commensurate with the task they carry out, that is, pay should be related to individual performance. The management of Bank X in Mpumalanga *should endeavor to re-evaluate the performance objectives of the company and the required standards for the employees to execute their duties in order for them to be more effective and efficient.*

Keywords: benefits, compensation; employee performance, incentives, reward

1. INTRODUCTION

In any organisation, compensation plays an important role in motivating the employees and aligning the business strategy with the objectives. The business objectives, philosophies and culture should be aligned with compensation in order to concurrently motivate employees to perform better, as well as to achieve the goals of the organisation. The culture of the organisation and the behaviour of employees should support the compensation systems in achieving strategic goals. Hence, it is important for the organisation to use compensation as a means of motivating employees to work with greater commitment.

Often compensation is regarded as a form of pay, referring to wages and salaries for the employees. The term 'compensation', however, is broad, as it ranges from remuneration and incentives to rewards. Undoubtedly, employees regard rewards as positive incentives for the work they perform in rendering services to customers. If the employees are to produce high quality results, it is important to train, empower and compensate them accordingly. Organisations should also develop compensation structures and levels that will consider issues such as conducting surveys to benchmark the pay grades of employees against their competitors, product market and labour market competition pressures.

Bank X is an organisation that is different from other banks. An overview of the impact of compensation on the performance of employees at Bank X in Mpumalanga will be provided in this study. For ethical reasons and the instructions of the bank, the pseudonym Bank X will be used when reference is being made to the bank.

1.1 Research questions

The study seeks to identify and analyse the key predictors of compensation affecting the performance of employees of Bank X in Mpumalanga. The research questions of the study derived from the objectives are:

- What is the employee perception of current compensation offered at Bank X in Mpumalanga?
- What is the impact of compensation on employee performance at Bank X in Mpumalanga?
- How can the different types of compensation systems improve employee performance at Bank X in Mpumalanga?
- What recommendations can be made on how compensation can improve the retention of employees and increase employee performance at Bank X in Mpumalanga?

2. LITERATURE REVIEW

2.1 Factors influencing the determination of compensation

Compensation such as wages is an incentive that employees receive, which constitutes a form of payment from their employers (Dessler, 2011: 385). There are factors that are prevalent in the working environment and the market that can be used as determinants to calibrate and determine compensation for the employees. Employees' attitudes, level of commitment as well as behaviour, are impacted by compensation received from the organisation. Compensation, therefore, is a critical tool in assisting the organisation to reach its strategic objectives. Attitudes of employees are affected by the compensation received from the employer and this can motivate or demotivate them (Noe et al., 2012: 542).

Mwangi (2014: 1) asserts that "motivation involves aligning employee goals and values with the organisation's mission and vision in order to create and maintain high levels of performance. Motivation can either be intrinsic or extrinsic but both are goal oriented. Compensation can be regarded as extrinsic because organisations use external reward to reinforce and motivate the employees to perform better in their work”. The use of strategy in an organisation is important but it must be integrated with compensation to achieve its objectives. Many organisations may underperform because they rely only on strategy to achieve their goals. It is important, therefore, to offer better compensation scales that will encourage employees to be more productive.

Generally, employees depend on compensation in exchange for their services. These factors can be used to determine the scale and the amount that will be fair in compensating employees for services rendered. Such factors also form part of Equity Theory, that explains that the attitude of employees can be affected if there is inequity in the manner of implementation of the compensation policy.

Employees compare details of their incentives or salaries with their co-workers at the same level but will never compare their skills, qualifications and experience (Noe et al., 2012:503). If employees perceive a discrepancy in terms of rates of compensations, discord and negativity amongst members of staff will be inevitable. Subsequently resistance to new initiatives or developments will impact negatively on the performance of the organisation. Figure 1 illustrates the internal and external factors that can be used in an organisation to influence and understand compensation:

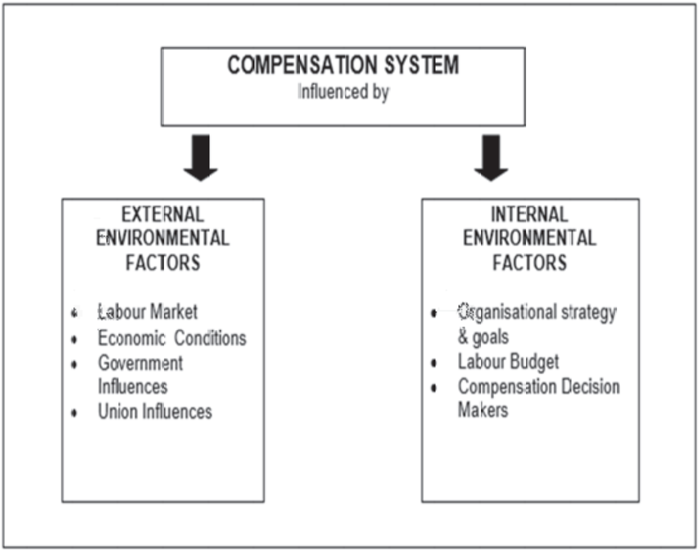

Figure 1: Factors influencing a compensation system
Source: Snell & Bohlander (2007: 384-388)

Snell and Bohlander (2007: 384-388) identify internal and external factors that can influence the organisation's compensation systems. On the one hand, organisations may find it difficult to compete if their compensation structure is above that of their competitors because of high labour costs. On the other hand, the organisation may have difficulty in retention of experienced and qualified employees and attracting new suitable candidates, if the organisation is paying below its competitor's compensation structure according to the market pay survey (Noe et al., 2015).

2.1.1 External environmental factors

2.1.1.1 Labour market

The level of payment and salary depends on the economy and the financial position of an organisation. An organisation that has many employees and a low demand for its products, may offer its employees lower wages and salaries. The labour market is viewed as an external market because organisations select new candidates to join the organisation from the outside.

2.1.1.2 Economic conditions

Organisations are unable to pay high salaries because of high degrees of competitiveness within industries. If the demand for goods produced is high, employees will receive higher wages. According to Mohr and Fourie (2013: 32-33), “all economic systems are a mixture of traditional behaviour, central control and market determination. The market determinants are based on the rate of demand and supply that can influence the performance of an economy”. Dominant and critical factors that influence the economy of South Africa are a combination of the private sector, a mixture of the market mechanism, as well as government intervention.

2.1.1.3 Government influences

The Basic Condition of the Employment Act, No. 75 of 1997 in South Africa provides a guideline on the minimum wages of employees. Compensating employees for the service provided is a means of acknowledging their efforts for the work done and ensuring that they improve their lives and those of their families (Mohr & Fourie, 2013: 294).

2.1.1.4 Union influences

Trade Unions usually engage in negotiations that can be used to agree on the payment rates that should be received. The employer and the unions enter into an agreement on how they can adjust the payments of employees. If the agreement is not reached, the two parties must find common ground to settle the differences. It is often evident that employees in the organisation join together in the work place to form trade unions to pursue certain common aims and to serve as a countervailing force to the bargaining power of employers (Mohr and Fourie, 2013: 288).

2.1.2 Internal environmental factors

2.1.2.1 Organisational strategy and goals

The organisational strategy must be aligned with the objectives of the company until there is maximum growth and the employees are paid higher wages. The compensation must be supported by the organisational strategy and the goals to gain market share (Snell & Bohlander, 2007:384).

2.1.2.2 Labour budget

The budget must specify and create awareness about the amount of money available to compensate employees (Snell & Bohlander, 2007:384).

2.1.2.3 Compensation decision-makers

The top management are relevant people who must decide on the amount necessary to pay the employees. This will also depend on the type of expertise and skills they possess to do the work (Snell & Bohlander, 2007:384).

2.2 Incentive compensation systems

Organisations can use different incentives to reward employees' performance and skills that they contribute to an organisation. Stable and transparent compensation systems will encourage employees to perform better. Incentive-based compensation systems that have been identified are as follows: merit pay programmes, individual incentives, profit sharing and ownership, and gain sharing and balanced scorecards (Noe et al., 2015:548).

Figure 2 presents the types of incentive-based compensation systems that prevail:

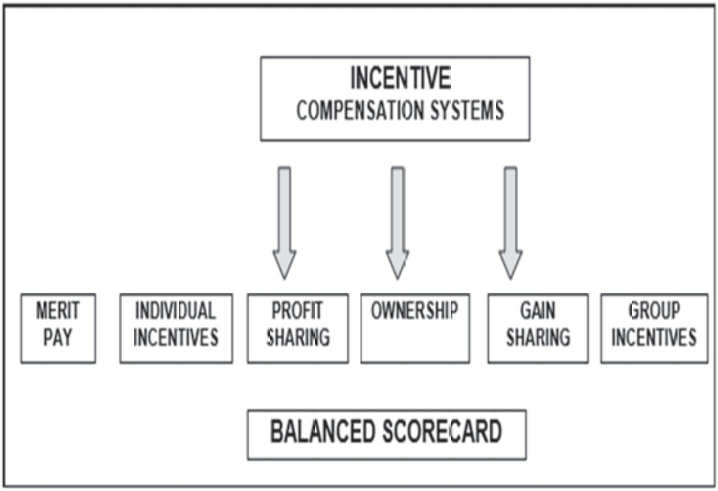

Figure 2: Types of incentive-based compensation systems
Source: Noe et al. (2015:548)

2.2.1 Merit pay programmes

Employees' annual increases are based on performance appraisal ratings achieved during the course of the year. The rating is performed only by the employee's supervisor (Noe et al., 2010:549). Deming (1986:110, cited in Noe et al., 2010:551) criticises the merit pay programmes and argues that individual performances are rated based on one system in which they are evaluated instead of an individual's global performance. Deming (1986:110) further argues "that merit pay programmes discourage employees to work as a team and that merit increases are allocated within the boundaries of a predetermined merit increase budget".

2.2.2 Individual incentives

Individual incentives are like merit pay programmes and are recognised from the performance of individual efforts that impact positively on the organisation. "Monetary incentives increased production output by a median of 30% more than any other motivational device studied" (Locke et al., 1980, cited in Noe et al., 2010:554). Noe et al. (2010:554) assert that individual incentives are not part of the base pay but are additional rewards earned and centred on the performance of the employee. Individual incentives provide an opportunity for an individual to put more effort to earn more income for the services he or she has provides.

However, the individual may not be motivated to work as a member of a team and such incentives may facilitate competition. The presence of a problem-solving and proactive workforce are two strengths that are compromised as a result of individual incentive systems. Noe et al. (2010:554) state that "Individual incentive plans are based on meeting work-related performance standards, such as quality, productivity, customer satisfaction, safety, or attendance". They are most appropriate when:

- Performance can be measured objectively;
- Employees have control over the outcomes, and
- The plan does not create unhealthy competition.

Individual incentive plans require monitoring, and it is important to remember that the incentive scheme is not a substitute for good management.

2.2.3 Profit sharing

Employees are rewarded in terms of the services they provide and the profit gained from the organisation. These are payments to employees which are not included in the basic salary but are based on the performance of the organisation (Noe et al., 2010:555). The advantage of these incentives is that employees will be motivated and earn more rewards when the organisation performs better in the market place.

2.2.4 Ownership

Giving employees shares in the organisation motivates them to increase their performance to ensure that the organisation succeeds in the market. Thus employees will also benefit if the organisation makes a profit and grows its shareholding. The employee has a variety of choices in terms of shares to choose and rewards to gain. “Employee stock ownership plans (ESOPs), under which employers give employees stock in the company, are the most common form of employee ownership, with the number of employees in such plans increasing from four million in 1980 to over 11 million in 2007 in the United States. In South Africa, Tutuwa shares have created R10.7b in value for the 6 100 current and former Bank X employees” (Bank X’s Annual Report, 2014:31).

2.2.5 Gainsharing

Gainsharing provides a means to share the rewards amongst individuals in the working environment. Organisations share the profit made either quarterly or annually among employees based on their performance rating. Gainsharing differs from profit sharing in that it measures performance of the group or department, and more frequent payments are made than profit sharing schemes. Employees’ participation and a more concerted effort to initiate changes and problem solving are some of the advantages of Gainsharing (Noe et al., 2010:561).

2.2.6 Group incentives and team awards

Group incentives are the rewards offered as a result of the positive outcomes of group work within an organization. The employees are rewarded according to the collective effort of the entire group. The advantage of this method is that it encourages teamwork and all the members can work together collaboratively. However, this may also be a disadvantage because it causes competition between teams which is not healthy (Noe et al., 2010:563).

2.2.7 Balanced scorecard

Regarding the Balanced Scorecard, Kaplan and Norton’s (1992) comments, cited in Noe et al. (2010: 564), are worth noting: “It has been shown, as presented above, that the various incentive-based compensation programmes have both advantages and disadvantages. In order to overcome the disadvantages and capitalise on the advantages, it is recommended that organisations design a mix of compensation programmes to meet the needs of the particular enterprise and its employees. Such an approach would provide and enable balance scorecard companies to track financial results while simultaneously monitoring progress in building capabilities and acquiring intangible assets they would need for future growth".

2.3 The benefits of reward management

Organisations need to follow procedures to make sure that employees are compensated fairly according to the policies that they have formulated and accepted. To achieve its strategic goal, the organisation needs to align its compensation to its professional values (Armstrong, 2006: 624). The model presented as Figure 3 can be used to explain and implement the reward system in an organisation.

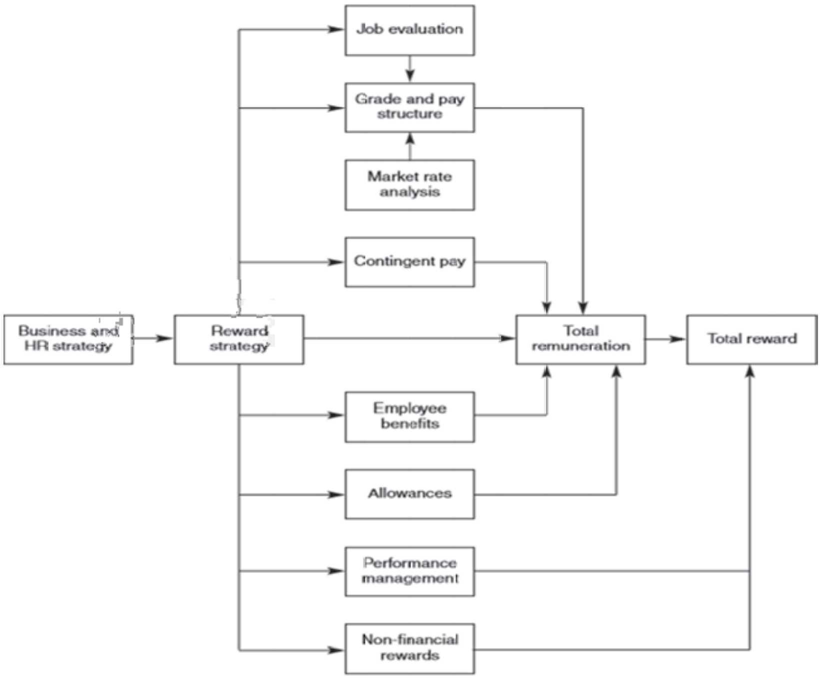

Figure 3: Implementation of the reward system in an organisation
Source: Armstrong (2006: 620)

For Dewhurst et al. (2009:12), employees are more likely to feel valued when they are rewarded for their performance, as they thereafter create the perception amongst themselves that management is as committed to their professional development and career, and it is this development which encourages and enables them to remain loyal to the company. “Rewards such as pay and benefits which employees gain from the employment relationship are crucial in satisfying the needs of employees. From the perspective of the organisation, compensation is also of importance because it is often the single largest cost item in an organisation” (Dewhurst et al., 2009:12).

The cost of compensation and benefits can influence the competitive advantage of an organisation. This cannot be achieved “unless the organisation searches for and selects the best employee for each identified job or position. It is therefore imperative that an organisation designs and implements an appropriate reward system in order that they would attract the most suitable employees to achieve the organisation’s objectives” (Nel et al., 2011:231).

Sheilds et al. (2015:35) concluded in their study that “a reward system should be designed in a way that caters for the needs of the employees that it aims to reward. There are some employees whose needs can only be fulfilled through cash rewards while there are also some others whose needs are different and cannot be fulfilled by cash reward. Instead, they need different rewards such as promotions, acknowledgement, additional responsibility, assignment of important projects, training and development, among others”.

2.3.1 The reward strategy

A reward strategy refers to the approach undertaken by an organisation to develop and implement its reward policies, practices and processes to help employees achieve their long term business goals (Armstrong, 2006: 625). The reward strategy explains the intent behind how the policies, practices and principles can be used to meet the expectations of the employees. The employees must be motivated to do their work and achieve better results for the organisation. However, if the reward strategies are not in place, the employees may not be motivated to perform to their maximum potential.

It is true that the employer can use the reward system to attract motivated, productive candidates who would be assets to increase productivity in the workplace. Further, there are differentiated pay levels that can be used to recognise the role and the ability of each employee. Hence, the employees can receive different salaries and wages because of their competence. According to Armstrong (2006: 627-629), the reward strategy can be divided into various categories, discussed next.

2.3.1.1 Reward policies

For Armstrong (2006: 627-629), the reward policies that can be used in an organisation are "the level of reward, taking into account 'market stance', that is, how internal rates of pay should compare with market rates, for example, being aligned to the median or the upper quartile rate; achieving equal pay; the relative importance being attached to external competitiveness and internal equity; the approach to total reward; the scope for the use of contingent rewards related to performance, competence, contribution or skill; the role of line managers and transparency – the publication of information on reward structures and processes to employees".

2.3.1.2 Total rewards

The total rewards that are available to employees range from incentives, leave, salaries and bonuses (Armstrong, 2006:627). The total reward is not only about money, but the benefits that employees can gain in their field of work. In other words, the principle behind total reward is that employees can benefit from a range of incentives rather than simply "throwing money at them".

A total reward system has various benefits. The following extract from Armstrong (2006: 632) is particularly relevant for this aspect:

"Greater impact – the combined effect of the different types of rewards will make a deeper and longer-lasting impact on the motivation and commitment of people; enhancing the employment relationship – the employment relationship created by a total reward approach makes the maximum use of relational as well as transactional rewards and will therefore appeal more to individuals; flexibility to meet individual needs– ‘relational rewards may bind individuals more strongly to the organisation because they can answer those special individual needs’; talent management – relational rewards help to deliver a positive psychological contract and this can serve as a differentiator in the recruitment market that is more difficult to replicate than individual pay practices. The organisation can become an ‘employer of choice’ and ‘a great place to work’, thus attracting and retaining the talented people it needs”.

The total reward model or system is essential in an organisation to encourage employees to serve the entire organisation rather than working for money. The employees perceive that fulfilment arising from commitment is more valuable than monetary rewards. Furthermore, the employees will be encouraged to work as a team rather than for individual efforts.

According to Armstrong (2006: 632) the model presented in Figure 4 can be used to illustrate a total reward system:

Figure 4: A model illustrating a total reward system
Source: Armstrong (2006: 633)

Armstrong and Taylor (2014: 420) go further to unpack this model, showing that “most of the reward systems are based on the concept of ‘pay for performance’ and include various performance based rewards such as promotions, sales commission, annual or periodical bonuses, employee awards, and others. Alternatively, generally non-financial incentives take the form of performance appreciation letters, recognition of performance publicly, providing improved working conditions, increasing diversification in job description, job rotation, etc.”.

Organisations need to take into consideration the design and implementation of the reward system so that it can attract the most suitable candidates with appropriate skills to assist the organisation to reach its objectives and goals. “When designing and managing a reward system, the organisation must ensure that it attracts potential employees and must also ensure that the employees, when placed, are as productive as possible with optimum levels of job satisfaction” (Nel et al., 2011:231).

2.3.2 Basic or base pay

The basic pay is determined by the rate of activities performed by the employees. Employees receive basic salary or wages based on the rate of the work performed (Armstrong, 2006: 633). There are internal and external activities that can influence the rate of basic pay. The internal activities involve factors that are related to the job description, such as the organisational strategy, but the external activities may include economic factors in the market place.

Singh (2007:108) argues that a pay dispensation can be expressed as a wage in terms of the rate of hours performed in a particular job. The common examples of payments are as follows:

2.3.2.1 Overtime pay

These amounts are received due to the work done beyond the normal hours. These amounts are paid at premium rates, at time and a quarter, time and half, double time, and so on, with the rate varying according to the time of the day on which the overtime is worked.

2.3.2.2 Shift pay

These amounts are paid to employees who work unusual or changing hours, to compensate them for inconvenience and hardship.

2.3.2.3 Special additions

This is often called danger money, dirt money, or wet money, which is paid to the employee during abnormal working conditions.

2.3.2.4 Merit or length of serving additions

These amounts are paid due to the merits achieved by the employees to compensate them for their efforts.

2.3.2.5 Cost of living allowances

These amounts are paid to employees who work in high-cost areas.

2.3.2.6 Policy allowances

These payments are paid to cover miscellaneous extra payments, like the addition to the job evaluated rate for temporarily scarce employees.

According to Dessler (2011: 420), the establishment of pay rates has the following steps: “conduct a salary survey of what other employers are paying for comparable jobs; determine the worth of each job in one’s organisation through job evaluation; group similar jobs into pay graders; price each pay grade by using wave curves; and fine-tune pay rates”. Current studies have illustrated how human resource practices played a significant role in the organisational performance, specifically the banking sector. The effect of human resource management on a company’s performance has received major attention in the last 10 years, indicating effective connection between HR practices and organisational performance (Qureshi et al., 2010). Thus, there is a need to explain how HR is connected with all the managerial functions involved in the practices of supervising and mentoring, training and development, development of resources and compensation, and how these practices improve the potential of workers in the financial sector.

Based on several studies conducted globally on the impact of compensation in different industries, there is very little, if any, evidence relating to the Bank X in Mpumalanga. The bank has a high number of employees as a result of its many branches in South Africa and the African continent. While some studies have been conducted in other provinces and countries, the available literature suggests that several studies investigating the impact of compensation on employee performance have been conducted mostly in the developed countries. None of these studies has been conducted in Mpumalanga, particularly in the Banking sector and relating to the impact of compensation on employee performance. There is, therefore, a great need for additional evidence to support the compensation and performance relationship from different sectors and contexts.

3. RESEARCH AND METHODOLOGY

In this study, a qualitative research method was used in order to realise the fundamental relationship between compensation and performance of employees at Bank X in Mpumalanga. Qualitative research allows the identification of new and untouched phenomena. A subset of fifteen (15) respondents was selected to gather the information at Bank X as part of the target population. The sample population has in-depth information on the matter and can therefore offer correct responses to the questions ensuring credibility through qualitative research.

The nature of the questions identified in this study is based on explanatory research. The literature review was used initially to provide information about the relationship between compensation and performance of Bank X employees in Mpumalanga. Further, an analysis of the results is provided to understand the relationship between compensation and performance. Such information provides a valid reason for the use of explanatory research to understand the influence of compensation on performance at Bank X.

Primary data was utilised to conduct the research since it was based on the findings acquired from different participants engaged in this research. Collection of information was done from different employees at Bank X such as the Human resource management consultants and partners. The open-ended questions represent the specific investigative questions to each research objective for which information needed to be collected. Bryman et al. (2014:199) state that an "open-ended question allows the respondents to answer as they wish".

The emphasis of this research was based on the measurements and tools of analysis that were obtained from the data collection instruments, namely, the open-ended questionnaire. The focus on data analysis was based on measuring how data was collected from the open-ended questionnaire and analysed. Bryman et al. (2014:41) state that "qualitative data is usually descriptive and involves the collection and analysis of primarily non-numerical data".

4. RESULTS AND DISCUSSION

Section A of the questionnaire was based on the background and demographics of the respondents. In questions 1 and 2 under section A, the respondents were required to indicate their age group, gender, level of education and length of service to the organisation. This enabled the researcher to establish the background of the respondents in relation to the impact of compensation on their performance.

Results indicated that 15% of the respondents were between the ages of 18-25 years, and 55% of respondents were between 26-35 years which indicates that Bank X in Mpumalanga has young and energetic employees. Twelve percent (12%) of respondents were 36-45 years, 10% were between 46-55 years and only 8% were aged above 56 years.

Nineteen percent (19%) of the respondents have been with the organisation for between one to three years. The majority of the participants (69 percent) have been with the company for between 3 to 8 years. 12% of the participants had been with the same company for a period of more than eight years.

Figure 5 shows that 80% of the participants responded “yes” and only 20% answered “no” to the view that compensation is an important motivational factor to employees at Bank X. The results indicate that the majority of employees of Bank X in Mpumalanga viewed compensation to be important in motivating the employees in their organisation and only 20% disagreed with the notion.

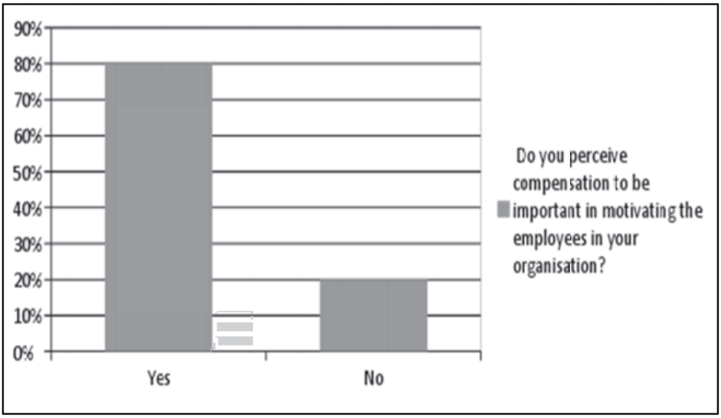

Figure 5: Compensation as a motivating factor

The research participants who had answered “Yes” were requested to elaborate on their responses.

The following reasons were presented by selected respondents:

I feel that compensation plays an important role in motivating employees to perform better, feel more appreciated and recognised by the organisation.

Another respondent claimed:

I believe that compensation has a direct impact on individual lives and employees mostly prefer it over anything else, especially with high inflation, which resulted in an increase in the Gross Domestic Product.

Further analysis showed that 35% of respondents believed that compensation creates unhealthy competition amongst employees in their organisation; 25% agreed that compensation creates inequality in the workplace and 11% of the respondents indicated that increasing workload is one of the challenges that arise because of compensation. These results indicate that at Bank X in Mpumalanga employees are experiencing inequality which leads to demotivation and uncertainty. This observation is summed up by the comments from the respondents:

I personally feel that we are underpaid for the work that we do and this leads to being demotivated and a willingness to leave the organisation.

I have seen that there is a degree of inequality in this organisation, because people who are doing the same job must be compensated at the same level, more especially when they have the same experience and qualifications.

According to Cerasoli et al. (2014: 980), “employees’ motivation in a workplace is one of the central determinants of the nature of behavior of the workforce. Several organizations have succeeded in boosting their progress enormously by implementing strategies that aim to provide appreciation programs that identify and acknowledge high performers. Some managers are more focused on extrinsic rewards as compared to intrinsic rewards but the success lies in maintaining a balance between the two. Intrinsic are intangible or psychological rewards and aim to provide appreciation and recognition for high performers and thus play a critical role in motivating employees to seek further improvement. In fact, the commitment of employees towards task performance improvement as well as loyalty of employees towards the organization is largely dependent on rewards that they receive for their work”.

Figure 6 indicates that 39% of research participants strongly agreed that the management has utilised the rewards of compensation to motivate the employees which has led to improvement in performance. 22% agreed with the statement, 10% disagreed and 12% strongly disagreed, while 28% were neutral. These results show that the most (67%) of Bank X workers are motivated to perform better when rewarded by compensation.

It is generally accepted that employees cannot be motivated if their leadership does not create a motivational environment. Organisations and their leadership have a critical role in ensuring that the workforce is motivated. To some employees it is much easier to be motivated and to accept change, than it is to others, since each individual is unique. One cannot ascertain the impact a policy may have.

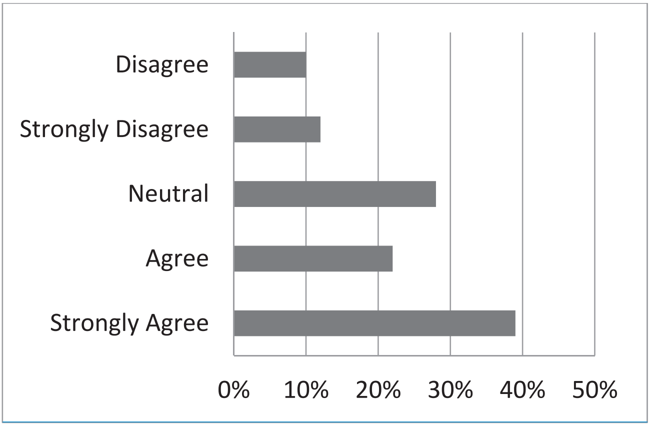

Figure 6: Management's utilisation of reward of compensation to motivate employees

According to Figure 7, 35% of respondents strongly disagreed that they appreciated the value and the variety of compensation systems used in their organisation to motivate them to work harder during the year; 29% disagreed with that statement; 11% agreed, while 16% strongly agreed and 9% were neutral. These findings indicate that the majority of employees (64%) of Bank X in Mpumalanga do not appreciate the compensation systems used by the bank and are therefore not as productive as they should be. These observations were supported by the views of a participant which were shared by others:

The values and compensation systems used by the bank create inequality between employees because many of the employees are of the view that there must be the same pay for the same job. This also results in unhealthy competition in the organisation; employees are not willing to assist or share information within the organisation.

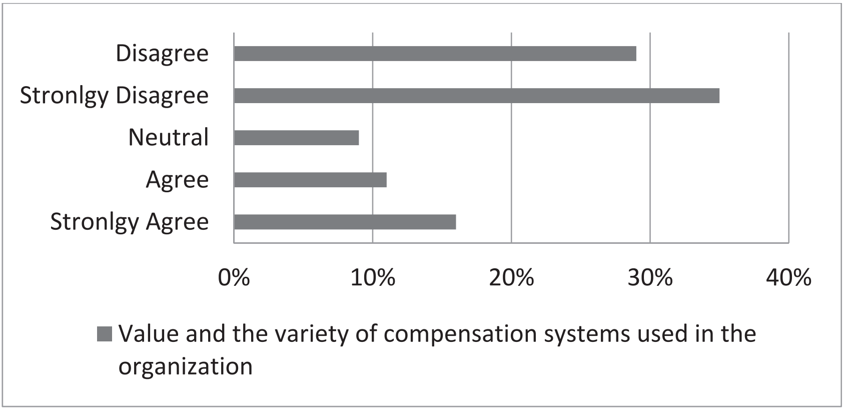

Figure 7: Value and the variety of compensation systems used in the organization

As previously mentioned, the pay strategy is also influenced by how it correlates with other HR systems in the organization. “No matter what the overall HR strategy is, a decision about the prominent role of pay in HR cannot be under-estimated. Pay is a support player as in the high performance approach or it can take the lead and be a catalyst for change. However, compensation is embedded in the total HR approach” (Sahoo et al., 2011:32).

Performance and motivation are closely linked, but the rewards that are driving both of these may be very different and there is no common system that can adequately be implemented across the board. The ability of either a manager or a leader to motivate employees is important to every manager’s role in order to increase productivity and performance. In view of the need to reduce the number of staff members at mid- and senior management levels, the cost of motivating these employees’ needs consideration and evaluation.

5. CONCLUSIONS AND RECOMMENDATIONS

The conclusions are based on the findings of the primary research. It was found that employee performance at Bank X in Mpumalanga is negatively affected by the compensation given to their employees. This was supported by the staff members and leaders who were interviewed, as the majority indicated that the compensation the employees received had a similar impact on their performance. Additionally, it can also be concluded that both extrinsic and intrinsic rewards used by Bank X management has a significant impact on the performance of the employees at Bank X in Mpumalanga.

During the analysis of the primary research responses, both the employees and the management confirmed that cash rewards and promotions were two of the most preferred types of the compensation at Bank X. The lower levels of employees were more in favour of the acquisition of salary increments and cash rewards. The managerial and upper levels of employees at Bank X were more inclined towards the intrinsic reward of promotion as it allowed them to undertake and assert their authority. Therefore, it can further be concluded that organizations, rather than having a generic rewarding strategy, should offer a flexible rewards policy to their employees.

5.1 General Recommendations

From the results of this study, the following general recommendations can be made:

The salary of the employees should be made commensurate with the task they carry out, that is, pay should be in line with individual performance. The salary should correlate with the competence and skill level as ascertained by management, through performance appraisal that could be either a quantitative or qualitative measure. This always takes into account the nature of pay increases that are often implemented annually. The essence of this is to motivate the employees and also to align their efforts to the goals of the organization. This will also assist the organization to retain employees with the best skills as well as promote the culture of high performance within the divisions of the organization.

The salaries of the employees at Bank X in Mpumalanga should be on par with the salaries of colleagues in similar sectors in the banking industry, since they are all in the financial sector of the economy. This could be accomplished by piloting an industrial survey about salaries paid in the financial sector. The organization can even go to neighbouring countries to compare what they pay their staff inclusive of compensation. This will serve as a retention strategy and equally reduce the turnover intent. Other payments like housing allowance, transport allowance, health allowance, costume/ wardrobe allowance and educational allowance should be given attention and paid adequately to motivate the employees of Bank X in Mpumalanga. This could be determined based on the inflationary rate that is prevalent within the economy.

The management of Bank X in Mpumalanga should endeavor to focus more on the performance objectives of the company. Management should also set the required standards for employees to execute their duties in order for them to be more effective and efficient. This can be carried out by giving them written documents that reflect the vision, mission and strategic objectives of the organization. This will impact positively on the performance that will enable the organization to have a competitive advantage in the banking industry in Mpumalanga. The management should place more emphasis on the need for collaboration among the employees in order for them to be more competent in carrying out their responsibilities, thus leading to an improvement in their performance.

The salary of employees within the banking industry should be made more competitive and reasonable in comparison with what pertains in other lines of business. This will make it compatible with what is being paid in the Educational and Insurance sector, Logistics sector and others. The review of the salary should also be conducted without bias with procedures based on an annual review, promotion and/or special contributions by the employees. When this is done, it will improve the productivity of employees which will also impact on the overall performance of the organization.

Finally, for further research, the methodology of this study could also be altered in order to incorporate a higher number of respondents. The current study was restricted due to time constraints and the convenience of the researcher. Future studies could double the number of respondents used within the research study, thereby offering a more diverse feedback from the respondents, increasing the overall credibility of the study.

5.2 Recommendations specifically to Bank X in Mpumalanga

The following measures for improving employee performance at Bank X are made:

- The salary of employees should be made commensurate with the task they carry out, that is, pay should be in line with individual performance.
- Other payments like housing allowance, transport allowance, health allowance, costume/wardrobe allowance and educational allowance should be given attention and paid adequately to motivate employees of Bank X in Mpumalanga. This will automatically result in an improvement with industries like insurance companies.
- The management should encourage and facilitate the need for collaboration among the employees in order for them to be more successful in their responsibilities, leading to improved performance.

5.3 Conclusion

Bank X must ensure that compensation and rewards distributed to employees are dynamic and constantly re-evaluated so that the organization is transparent and fair to all employees. This will in turn ensure that employees will continue to display their dedication, commitment and loyalty to the organization. All these measures will make employees feel content and acknowledged, thereby reducing staff turnover and ensuring the retention of productive employees.

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