

## **Boosting Employee Productivity; Impact of Employee Motivation on Productivity: Case study on Commercial Bank of Ethiopia in Ambo**

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This case study is undertaken to assess the impact of employee motivation on productivity in commercial bank of Ethiopia in Ambo. A qualitative research method was employed for this study. Primary data was collected through a self-administered questionnaire distributed to all employees the branch. The result from the study revealed that the bank uses both monetary as well as non-monetary types of employee motivation schemes. Cash rewards, increment of salary within stipulated period of time and provision of loan for house construction or purchase are monetary motivation schemes provided to employee. Non-monetary mechanisms are like flexible scheduling, knowledge development schemes through short and long term training and education, promotion, appreciation for the best work performance and others. Furthermore, holding other confiding factors motivation has a positive effect in boosting the productivity. Though the bank uses monetary and non-monetary strategies to provoke the employees to kick it forward it is not up to expected and advised to do more for a better effect.

*Key Words:* Motivation, productivity, in cash motivation, in kind motivation, Ambo

### **Introduction**

The success of any business depends largely on the motivation of the employees. Human resources are essential to property productivity and performance of any company. Motivation is key to the creating an environments where the optimal performance is possible. The development and growth of business organization in competitive business environment is depends on the efficient utilization is resource. The performance of the organization is affected by different factors such as, Motivation , working, conditions and job security taking this in to account motivating employee helps organization to get competitive advantage (Mcshane, 2004) and (kruse, 2011).

No doubt that the survival of an organization largely depends an effective and efficient management of its resources . Human resource is one of these that need to be well managed. It plays significant role in achieving both the long-run and short-run objective of an organization. Managing people is not as easy as managing resource. Managers must use different strategies and skills towards motivating employees for the survival and best performance of organization. The effect of not providing motivation makes employee unpunctual and absent for their (McShane, 2004).

The first indigenous bank which function as both as commercial bank and central bank was established in 1963, under the name of state of Ethiopia. In 1963, new banking law splits the state bank of Ethiopia to

central and commercial banking namely national bank of Ethiopia and commercial bank of Ethiopia. Following the incorporation as a share company on December 16, 1963 was proclamation No 207/1997s October 3, 1963 took over the commercial bank activates of the former State bank of Ethiopia. It started operation on January 1, 1964 with capital of birr 22 million in the new commercial bank of Ethiopia (Mouri, 2008).


The bank is owned by state and operated as an autonomous institution under the commercial code of Ethiopia. The study is done to find out the impact of motivation on productivity and problems related with employee motivation on productivity.

### **Objective of the Study**

The general objective of this research is to find out the impact of employees motivation on productivity in Commercial bank of Ethiopia. A specific objective includes:

- To identify methods used in order to motivate employees
- To explore the impact of employee motivation on productivity
- To identify the problems related to motivation in the branch

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The employee motivation has major impact on Economic performance of the firm. The firm used different essential resources for its economic performance, specially human resources is most and significant and ingredient part of resource and managers apply a variety to the motivational scheme to give employees highly productive and always they stand for a common good of firms (kruse, 2011). As to Manzoor (2012); Huselid (1995) and Pfeffer (1993) employee motivation increases effectual job management amongst employees. Ramlall (2004) Points out the critical factors that motivate employees make them to work effectively and at the same time contributes for

employee retention. Ramlall added the factors are the needs of employee about economic, social, education and other needs; work environment in which employees become productive, conducive and friendly; responsibilities, supervision, fairness and equity, effort and employee development.

Motivated employees are towers of the company and they will bring dramatically changes every activities of their performance and they are more productivity to be effective manager need to understand what motivates employees within the context of they perform.

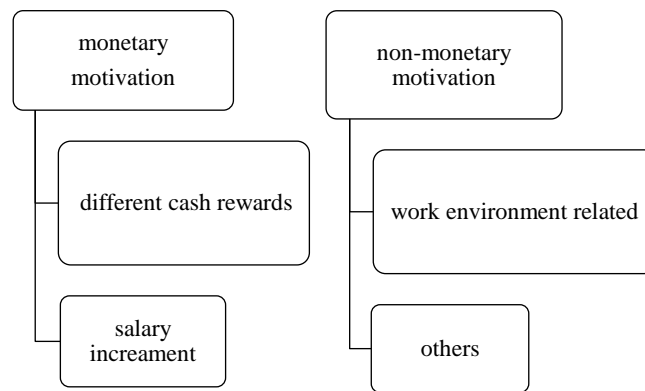


Figure1: conceptual framework (own construction)

There are ample ways to motivate employees of a given organization. Most literatures show that there are two motivation styles. These are financial and non-financial motivations.

Money is the fundamental inducement no other incentive or motivational technique comes even close to it with respect to its influential value it has the supremacy to magnetize, maintain and motivate individuals towards higher performance. Frederick Taylor and his scientific management associate describe money as the most fundamental factors in motivating the industrial workers to attain greater productivity.

Financial motivation can be seen from two perspectives. One is from the point of view of the money paid for employees as a motivation on different occasion. These can be termed as cash rewards. These kinds of motivations are given not on schedule but arbitrarily to motivate employee. It can be given for example at the end of the fiscal year, semiannually or quarterly when the organization has strong profit some percent of the profit can be distributed to its employee on the basis of their respective salary scale. Cash rewards can also be given on various bases but aims to

encourage employee to work more effectively. The other Cash rewards is providing mortgage loan to employee for house construction. The other financial motivation type and the most common one is increasing the amount of salary so that employee get enough money to cover daily expense and help the families. Employees want to earn reasonable salary and payment and desire their workers to feel that is what they are getting.

Non-financial motivation is motivation scheme which is non-cash in nature used to cheer employees to work for betterment of the company. For this study it can be further seen from two points; from working environment and others sections. Working environment related are like creating conducive working environment by making the office clean and attractive, use comfortable chairs, creating good relationship between the workers in the office, good management, giving chances for training and further education, establishing better conflict resolution mechanisms and related ones which are done in and around office to motivate employees. The other type of non-financial motivations are those supports that are given for employee like giving uniform or suit, shoes, tie t-shirts,

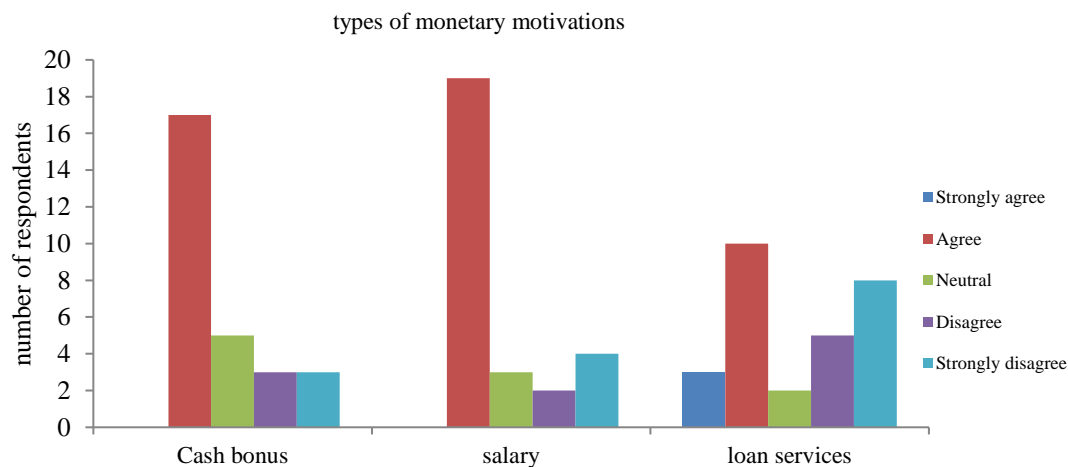
providing car service, giving a chance to employee to be off-work sometimes(vacation) and similar motivation schemes to motivate and encourage high level performance of employees.

### Data Analysis and Result

The study is conducted in Oromia regional state, western *shoa* (*shawaa lixaa* in Afan Oromo language) in Ambo town which is 126 kilometers away from the capital city of Addis Ababa/*Finfine*. To find out the impact of motivation on productivity descriptive type of research is employed. Both primary and secondary data is used for the study. The primary data is collected

by self-administered, questionnaire for employees and structure interview for managers. Secondary data was gathered from organizational records and written sources about the organization. Census was used to collect data from the whole employees. The rationale behind using the census is that the number of employees of the organization is small. The total number of employees is 30.

Data gathered from primary and secondary sources is analyzed by using descriptive statistics like percentages, tabulation and statement. The total questionnaire distributed is 30 and only 28 of them were responded in appropriate manner. Hence, response rate is 93%.

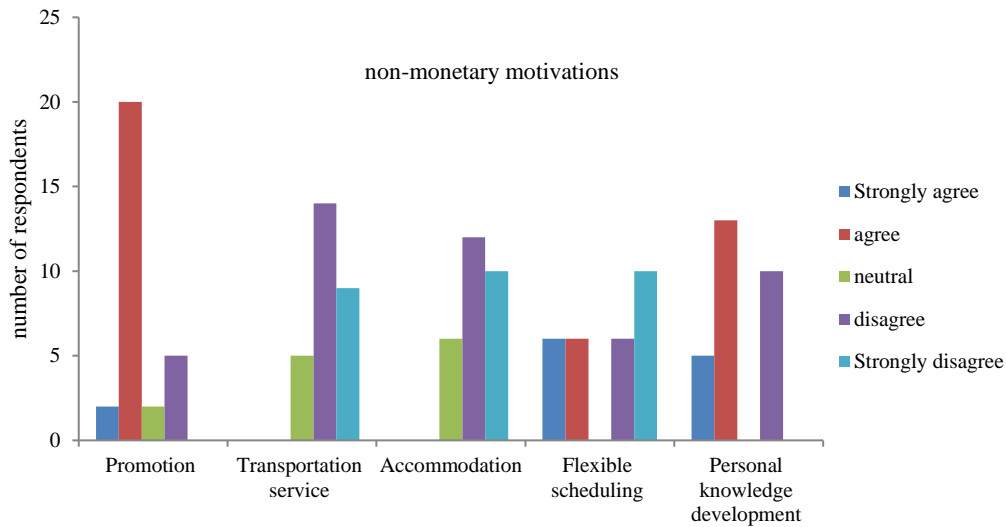


Graph 1: monetary motivation

The above bar graph portrays that out of total respondent the majority i.e. 17(60%) articulated out that they are much motivated with cash bonus that the bank give them at a specific period when the bank has overwhelming profit. Hence we can say that the bank uses bonus practices as a sort of motivating employees. And again the result of the response showed that 19(68%) of the total employees agreed with the idea that the banks' salary is the factor behind their stay in the bank as employee. They believe that the basic salary they get is much greater than the salary in most of governmental organizations. This makes them motivated to work for the betterment of the bank. Apparently the respondents also added that they agreed loan service provision by the bank as a main reason for their

existence as an employee of the bank. With this regard the commercial bank of Ethiopia gives mortgage loan for the employee which they re-pay in the long term. Hence, mortgage loan is the basic reason behind the rush of peoples in from other jobs to become the bank employee. As showed by Tracey (2013) if the employer gets motivation schemes right, they can have a dramatic impact on sales figures, customer service, and improve individual, team and business productivity. They can also be a major contributor to employee engagement.

It is true that monetary motivation schemes tend to be easy to understand for employees and can appeal to all levels of staff, from the office administrator to the manager and used mostly.



Graph 2: non-monetary motivation

Despite the fact that money is universal reward item and mostly demanded by person in the life, it is not every individual motivated by it. This implies that not all peoples are motivated by money in life. There are individuals who like materials as a means of motivation.

According to graph 3 above non-monetary motivation schemes among others are promotion, transportation services, accommodation, and flexible scheduling and personal knowledge development. The result shows that 20(71%) responded that promotion from a subordinate to the next above level motivates them much to be employee of the bank. That implies the growth of employee from frontline employee to the next steps like loan officer coordinator, assistance customer manager, customer manager, assistant branch manager, branch manager and others positions in the head quarter of the bank.

As a part of non-monetary motivation scheme employees responded that the branch is not giving them transportation services. This is denoted by half of the respondents. Here it can be concluded that the branch is not providing the service which may de-motivate employees and minimizes the engagement of the employee. The same is true for the accommodation as a means of employee motivation. The bank is not giving any sort of houses for employee; instead they give them loan by which they buy the house.

Majority of employees replied that there is no flexible schedule practice in the branch which can also be the reason for employees not to develop a sense of belongingness and confidence on the job. This means the organization is not allowing the employees to work by using flexible schedules. Whatever the case the as

respondents showed bank provides flexible scheduling among the employees in some cases, though it is not in brief way. Flexible scheduling may help the employee to shift ones' job to the other when the need arises and rotating the work positions horizontally. This can boost the productivity of the employee.

Employee knowledge development is also one way in which organizations motivates its' employees. This included the chance of getting trainings, education (upgrading to the next education level) and others which can boost the knowledge of the employee. Having a good knowledge in turn means that the contribution to organizational growth and development is high. This is because knowledge and know how matters in business operations. According to the study nearly half of the respondents revealed that there is a way to knowledge development through training and further education in the bank.

According to respondents, motivation to employee has got a positive effect on organizational performance and productivity. That means employees who has got motivation either in cash or in kind brings about boosting productivity because employees feel that organization belongs to them and work effectively. Employees who get the motivation in either scheme can develop a sense of organizational belongingness. Majority of employees said motivated employee increases productivity because it makes them to work working over-time, interestingly and effectively. Moreover, motivated employee is ready to create new techniques and procedures to do work. It makes employee innovative. Especially in this competitive market organizations are expected to take competitive advantage over other competing firms in

the market. This can be happened by expertise skill. So if employee is motivated there is a door for being innovative to create better product or service that makes organization unique. This can make the organization (bank in this case) as a market leader by providing unique products and services and accommodating the large market.

The other way round if employee is not motivated it will bring negative effect on organizational productivity and competitiveness. This is due to the fact that unmotivated employee does not work effectively or properly. Unmotivated employee is always ready to look for better salary which increases turnover. In addition unmotivated person is dishonest, non-punctual and less committed to work. Generally, if employee is unmotivated they go for looking for the solution of their dissatisfaction. Meanwhile they forget beside the objective of the organization which marks the fall of the business.

By and general, in line with employee's response there is a sort of motivation schemes established to uphold the performance and productivity of the employee but the level and type of motivation is not up to the standard and enough.

## Conclusion

As a part of values of commercial bank of Ethiopian is there to satisfy the employee by considering they as valuable organizational resources and they are committed to employee training and professional growth. After careful analysis of the type of motivation provided for employees and problems observed in this regard the following conclusions were drawn.

- The bank uses monetary as well as non-monetary type of motivation to motivate employees for better result of organizational performance.
- Monetary motivation schemes like cash reward, wage increment and mortgage loan are the major ones.
- The bank motivates its employee via promotion-upgraded to top promotion level when they are good at performing at current level. The bank does not provides accommodation and transportation services for its employee. There is a chance to learn and boost knowledge through short and long term trainings as well as various further education chances.

Consistent to study by Carolyn (1997); Grant (2008) and Graen (1982) the bank uses good wages; full appreciation for work done; job security; promotion and growth in the organization; and interesting work motivates employee.

Moreover, there are problems observed that hinders the motivation scheme not to be performed well.

Even though, the bank provides the above mentioned monetary and non-monetary motivation types they are poor in giving non-financial motivations like transportation service and giving house.

It is clear that if employees are apathetic it will hurt the growth and development of the organization. It can be understood from the study that lack of motivation on has a negative effect productivity of bank. More specifically;

- Unmotivated employees do not work effectively or properly. This creates lack of interest in the work.
- Lack of motivation brings about turnover.
- Lack of motivation also brings about dishonest, lack of commitment and absence from the job.
- Unmotivated employees do not come to work on time and creates about lack of punctuality.

Even though there is awareness about the significance of motivation on productivity in the bank it can be concluded that much is not done in this regard. Both schemes of motivation should be given a due consideration for the success of the bank. Importantly, the branch management together with the headquarter needs to think about the competition that exists in the bank industry and think on how to win and sustain in the market. Success and sustainability are only possible through the human resource. Employees are the back bone of the organization. That means any organization is nothing and empty without its employees. Hence this important resource must be treated well by using cash, in kind or any other methods. For the success of banks they need motivation factor that instigates them and in turn pushes the bank up the ladder of growth and development.

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