

EFFECTS OF MOTIVATIONAL SCHEMES ON EMPLOYEES' JOB SATISFACTION AWASH INTERNATIONAL BANK OF ADDIS ABABA.

Submitted in partial fulfillment to the requirements of
Master's in Business Administration

By

Samuel Rezene

Advisor: shweta (Ph.d)



Faculty of Business & Economics
Addis Ababa University
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ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE
STUDIES

“Effects of Motional Schemes on Employees’ Job Satisfaction” A Case of Awash International Bank S.c”

-Declaration

I hereby declare that this thesis is my original work has not been presented for a degree in any other university and that all sources of material used for the thesis have been duly acknowledged.

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Abstract

Human resource has been increasingly considered as the key or decisive factor in organizational development. For a multitude of reasons, however, human resource has become a serious challenge in cultivating a strong and vibrant private sector, the emergence and development of which is only a recent phenomenon in Ethiopia. The private banks, in the present state of stiff competition and intensified globalization, above all, necessitate highly competent and motivated employees, which is a principal determinant for the growth and development of the sector.

Cognizant of the above facts as well as existing gaps in the area, which justified the research agenda, this study aimed at assessing the effects of motivational schemes on employees' level of satisfaction that determines effectiveness in Awash International Bank.

The study relied on a combination of qualitative and quantitative data from both primary and secondary sources. A total of 125 employees were communicated with an opinion survey and 50 key officials working in the 24 branches of the bank were interviewed. Supplementary data was also obtained from the review of pertinent secondary data like the Bank's Incentive Policy and other literature relevant to the topic under investigation.

Study results showed that the Bank has been with due recognition of the fact that low level of job satisfaction and high-staff turnover, mainly resulting from low level of motivation has remained to be a serious challenge for the growth/development of the Bank. In effect, the Bank revised the Incentive Policy four years ago and has been applying this to date. Nonetheless, the policy has not yet been revised to adapt to the ever changing external environment. Level of motivation is positively and strongly correlated with the level of job satisfaction, which ultimately affects their level of effectiveness in the Bank. Furthermore, the findings indicated the relative importance of an incentive scheme depends on such characteristics of worker as educational status, work experience, sex, and marital status. Also, price escalation (inflation) was found to be an important factor external to the control of the Bank. In addition to the above, most of the employees, as opposed to the management, were of the opinion that the Bank's incentive policy and working environment is unfavorable. On top of this, lack of consistent and fair application of the existing incentive policy was also fueling the dissatisfaction of the employees. Finally, the findings uncovered that those employees with high level of education and/or assuming key positions in the Bank were among the least motivated by extrinsic factors such as bonus and salary increment. Rather, they were highly motivated by intrinsic factors such as their working relationship and less supervision and control by the management. The opposite holds true for those employees assuming lower status, who are mostly motivated by the extrinsic than the intrinsic factors.

The study, based on the findings, forwarded pertinent recommendations for improved level of motivation and job satisfaction thereby for effective performance and reduced staff turnover in Awash International Bank. These include, inter alia, revising the incentive policy based on rigorous environmental scanning and employees' participation, enhanced level of transparency in administration of incentive schemes as well as devising monitoring and review mechanism.

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Abbreviations:

| | |
|--------|--|
| AIB | Awash International Bank Share Company |
| S.C. | Share Company |
| G.C | Gregorian calendar |
| ETB | Ethiopian Birr |
| BA/BSC | Bachelor of Arts/Science |
| MA/MSC | Masters of Art/Science |

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CHAPTER ONE

THE PROBLEM AND ITS APPROACH

1.1 EMERGENCE AND DEVELOPMENT OF THE BANKING INDUSTRY

The economic history of man has led from self-sufficiency to division of labor, from provision of bare necessities to satisfaction of sophisticated needs. The primitive caveman attended to his/her own needs only, but civilization soon progressed to a stage in which each man specialized in what he/she could do best and exchanged his/her surplus output for that of his/her neighbor. This was the beginning of trade and this in turn gave birth to the banking industry.

Due to the low level of economic development, situations did not give rise to the emergence of own banking. Thus the Practice of banking in Ethiopia has foreign origin. Banking in Ethiopia started under a 50 years franchise agreement with the British bank owned by the National Bank of Egypt in 1905 G.c. This Bank was known as 'Bank of Abyssinia' (Belay, 2000).

After the liquidation of Bank of Abyssinia in 1931 G.c, the Bank of Ethiopia was established. This Bank operated till the Italian colonial occupation in 1936 G.c. During the years of the colonial occupation, a number of Italian banks were opened of which 'Banco di roma' and 'Banco di Napoli continued even after liberation until they were nationalized in 1976 G.c. (Belay, 2000).



In 1943 G.c, State Bank of Ethiopia was established and continued till 1963 G.c. This led to the establishment of National and Commercial Banks of Ethiopia in the year 1964 G.c.

During the Derge regime (1974-1991), all private banks were nationalized and only four government banks were giving banking service to the public. These were Commercial Bank, Construction and Business, National Bank, and Development Bank.

After the down fall of the Derge regime various private commercial banks have been established in accordance with the 'Licensing and supervision of banking business proclamation No 84/94' of Ethiopia to undertake commercial banking activities. (Belay, 2000).

The economic reform introduced in 1993 G.c in the country led to the flourishing of new private banks, which render local and foreign banking services to the nation. In general, both private and government banks in Ethiopia give different services, such as accepting all types of deposits (saving, time and demand) and pay monthly interests on interest bearing accounts, providing loans and advanced and related lines of credits, rendering domestic money transfer services, providing foreign (International) banking services, handling foreign currency transactions, encouraging saving and promoting investments, providing expert advice on banking and finance, rendering international money transfer, etc...

1.2 ORGANIZATIONAL BACKGROUND: AWASH INTERNATIONAL BANK S.C.

After the down fall of the Derge regime various private commercial banks have been established in accordance with the 'Licensing and supervision of banking business proclamation No 84/94' of Ethiopia to undertake commercial banking activities. (Belay, 2000).

Awash International Bank S.c obtained its license from the National Bank of Ethiopia in November, 1994 as Share Company with an authorized and subscribed capital of birr 50 million and started normal business activities on the first of January 1995. Presently, its capital and reserve has recorded over 140 million Birr. It operates through its Head Office in Addis Ababa and thirty-four area banks established within Addis Ababa and up country and the total staff reaches about 2000 at the end of December, 2006(AIB Strategic Plan:2006).

It is named after river Awash, the biggest river in the country, to symbolize its aspiration in the top of the Banking business. The vision of Awash International Bank S.c is 'in as much as excels all other banks in Ethiopia, the bank will continue to prove unparalleled in banking services' (AIB Strategic Plan: 2006).

The mission, of Awash International Bank S.C. is 'to Provide efficient and customer focused domestic and international banking services, overcoming the continuous challenges for excellence through the application of appropriate technology.' (AIB Strategic Plan: 2006).

The values of Awash International Bank S.c

- Integrity and accountability;
- Confidentiality;
- Sustainable growth and stability;
- Customer satisfaction;
- Satisfied employees;
- Developed banking habit in the community;
- Attended customer's constructive outlook;
- Assist continuous growth of customers, and
- Open for community access.

The organization of Awash International Bank S.c

The organizational structure of the bank includes the following major bodies. These are:

- The general assembly of shareholders: This is the highest body which is composed of shareholders (owners) of the bank. The shareholders' general meeting is the supreme managing body of the bank. The general assembly meet annually unless urgent issues requires the assembly decision
- The board of directors: The shareholders general meeting elects the board of directors. Board of directors manages the bank and deals mostly with strategic matters. The board of directors consists of eleven members and their term is three years. The president and the vice-presidents elected by the board of directors govern the operation of the bank or the day to day activity of the bank.
- The president
- Vice presidents
- Operational and support departments and
- The area banks and external audit.

1.3 STATEMENT OF THE PROBLEM

As human resource is the most vital resource in any organization than other resources, its management needs attention by the top management. Many believe that the key to improved performance and productivity in any endeavor is

motivation rather than ability. The challenge of management is to administer motivational programs and variables which will encourage employees to improve their work performance. When a person's performance is determined to be unsatisfactory, low motivation is often considered the problem. Certainly, in many cases, that is true (Herbert, 1981: 4).

An unsatisfied need is the starting point in the process of motivation. A deficiency of something within the individual, it is the first link in the chain of events leading to behavior. The unsatisfied need causes tension (physical or psychological) within the individual, leading the individual to engage in some kind of behavior to satisfy the need and thereby reduce the tension (Bernad & Gray, 1964:239). Therefore, managers that need to motivate their workers should identify the individual worker's unsatisfied need.

The effectiveness of any organization in achieving its overall objectives heavily depends on the effectiveness of motivating its employees. The banking industry is a service giving type of business and serves different type of customers in terms of their educational level, age, economic status and the like. In order to satisfy these diverse customers the sector requires highly motivated employees. To this end the banks offer different incentives to motivate their employees in an attempt to provide adequate and efficient services to these wide ranges of customers in the competitive and ever-changing environment.

The banking industry, which is at its stage of infancy, is found to encounter various challenges. Among others, employees' level of motivation in the banking industry



has been observed to be low. This low level of motivation is commonly attributed, among others, to the following problems (Yohannes, 2006):

- Incentives are based on organizational performance and offered to all without recognizing individuals differences in their performance,
- The nature of the work is not challenging and usually routine,
- Close supervision,
- Lack of flexibility to use personal ideas i.e. works are highly structured,
- Absences of variety of assignments, and
- Lack of adequate training and development program.

Furthermore, discussion with officials of Awash International Bank, as part of the preliminary assessment, revealed that the Bank also encountered different problems associated with motivation and effectiveness of employees. Accordingly, the company has been implementing an incentive policy, which was developed four years ago. Nonetheless, the problem of low satisfaction is still there, perhaps as the main cause for turnover as well as one of the reasons for under accomplishment of activities and lowering its profitability.

Meanwhile, the economic reform in the country is underpinned in the principles of free market, at the heart of which is competition. So, for the banking industry to be competitive in terms of giving quality and efficient services to customers, no doubt it demands competent and motivated employees. However, there is lack of adequate and timely research works in this study area. Therefore, mapping-out the specific determinants of motivation along with their relative importance in

influencing employees' level of job satisfaction, and ultimately their effectiveness, is a relevant and timely issue for cultivating a strong and vibrant banking sector in Ethiopia that withstands the stiff competitions in context of intensified globalization. So this paper is intended to intensively investigate the effect of motivational schemes on employees' job satisfaction and level of effectiveness in Awash International Bank's S.C.

1.4 OBJECTIVE OF THE STUDY

This study was aimed at assessing the effects of motivational schemes on employees' level of satisfaction that determines effectiveness. The specific objectives of the study include:

- Describe the motivational schemes of the Bank;
- Identify the contributions of motivational programs to employees' job satisfaction and their level of effectiveness;
- Explore the link, if any, between turn-over and employee's job satisfaction thereby learning about the implications of motivation schemes to reducing turn-over,
- Assess the extent to which the Bank's motivational schemes match with the employees expectations, and
- Forward pertinent recommendations for enhanced levels of motivation and job satisfaction that induces high level of effectiveness/performance in the organization.

1.5 RESEARCH METHODOLOGY

This section deals with the study type/design, source and type of data, methods of data collection, sampling design as well as validation and analysis applied in the course of conducting the study.

1.5.1 Study type and Design

The study is more of a descriptive research in the sense that it aimed at describing the nature and relationship between motivation schemes and job satisfaction in influencing effective job performance in an organization. The study also had an element of exploration as it tried to find-out whether the Bank's motivational schemes played a role in reinforcing staff turn-over, and whether there were unintended effects on job performance were witnessed as a result of the motivational schemes.

Meanwhile, a case study design was used for intensive investigation of the motivation schemes applied by an organization on employees' job satisfaction. In effect, Awash International Bank S.C., was selected as a case representative of the privately-owned banks in Ethiopia. Although a case study is known for its benefit of high degree of validity, the fact that it doesn't allow generalizability is one of its shortcomings. In an attempt to minimize the shortcoming, the researcher allowed triangulation of different techniques of data collection and analysis as well as comparisons with findings of other empirical researches while analyzing and interpreting the findings.

1.5.2 Type and Source of Data

The study relied on a fruitful combination of qualitative and quantitative data generated from primary and secondary sources. The primary sources of data, both quantitative and qualitative, constituted employees of the bank under the categories of technical and administrative/managerial staff. Specifically, employees (both professional and administrative/support staff) were communicated while generating afresh data. Regarding the secondary sources, authentic and relevant literature as well as pertinent documents such as the bank's motivational programs, publications, journals, different web sites and annual reports were very important.

1.5.3 Methods and Tools of Data Collection

Different methods and tools of data collection were properly combined for gathering the data from primary and secondary sources. As far as data collection from primary sources is concerned, opinion survey using questionnaire and interview using guideline were the major methods and tools applied. Questionnaire were designed and administered to selected employees of the bank for assessing their level of satisfaction with their jobs as well as for assessing their opinion or attitudes on the motivation schemes and overall work environment in the company. Besides, semi-structured interview was conducted with those employees who assumed key positions. In particular, interviewees were held with human resource manager, branch manager, and general manager.

Furthermore, the method of review of the secondary sources was used to generate valuable data, which was supplementary to the primary data. In deed, appropriate checklists were developed and used for reviewing the secondary data.

1.5.4 Sampling Technique and Sample Size

A combination of non-probability and probability sampling techniques were used in the selection of the study organization as well as the respondents and interviewee for the study. The selection process is discussed below together with issues pertaining to sample size determination.

I. Selection of Awash International Bank S.C.

As discussed before, the study is a case study which relied on the collection and analysis of data from one Private Bank, which was deemed representative of Ethiopian Private Banks. The researcher, purposively, selected AIB for three major reasons, which were identified based on a preliminary assessment conducted prior to the start of the study. First and foremost, AIB, like the rest private banks, was established in accordance with the 'Licensing and supervision of banking business proclamation No 84/94' of Ethiopia to undertake commercial banking activities. Second, the researcher recognized the fact that AIB is a pioneer in the history of Private Bank development in Ethiopia. Third, the Bank has well established organizational policies and strategies and with good number of employees.



II. Selection of Respondents

A total 125 employees of AIB were included in the study as respondents of the opinion survey. With due emphasis to representativeness, the researcher applied the following method and procedure while selecting the sampled employees from the population; i.e., the total 1,250 employees who were working in the twenty-four branches of the Bank including the head office located in Addis Ababa City Administration. Regarding size, the method developed by Carvalho (1984), as cited in Records Management, presented in the following Table-1, and was applied to determine the upper and lower limits of the sample size.

Table-1 Sample size determination

| Table for Determining Sample Size | | | |
|-----------------------------------|----------------|--------|------|
| Population(1) | Sample Size(2) | | |
| | Low | Medium | High |
| 51-90 | 5 | 13 | 20 |
| 91-150 | 8 | 20 | 32 |
| 151-280 | 13 | 32 | 50 |
| 281-500 | 20 | 50 | 80 |
| 501-1,200 | 32 | 80 | 125 |
| 1,201-3,200 | 50 | 125 | 200 |
| 3,201-10,000 | 80 | 200 | 315 |
| 10,001-35,000 | 125 | 315 | 500 |
| 35,001-150,000 | 200 | 500 | 800 |

Source: - Records Management

Notes :(1) Population denotes the total number of items to be sampled from.

(2) The sample size depends up on the homogeneity of the records. Low sample sizes will be taken for files which are very similar in terms of content and subject matter while high sample sizes will be needed for more diverse series.

As depicted in the Table-1, the recommended sample size for a population of 1,250 employees lies between 50(low) and 200(high) and a medium size of 125. Owing to the high level of homogeneity, the actual sample size was determined to be 125; i.e., the medium size.

As far as the selection procedure is concerned, proportional stratified sampling technique was used to draw a fairly representative number of employees from the twenty four branches. Then, in the actual selection process, systematic random sampling technique was used to select the predetermined number of employees using payrolls as the sampling frame.

III. Selection of Interviewees

A total of 50 key officials at branch and head-office levels were purposively selected for the semi-structured interviews. The distribution and composition interviewees are presented below:

Table-2 Composition and Number of Interviewees

| | Number |
|---|--------|
| The Twenty-four Branch Managers | 24 |
| Human Resource Managers of the Twenty-four Branches | 24 |
| General Manager, Head Office | 1 |
| Human Resource Manager, Head Office | 1 |
| Total | 50 |

1.5.5 Validation and Analysis

Appropriate tools were developed and applied in validating and analyzing the qualitative and quantitative data. First, the 125 filled-in questionnaires were debugged and edited that resulted in the rejection of 11 invalid responses; i.e., 9% of the total questionnaires administered to the sampled respondents. Then, the remaining 114(valid) questionnaires were edited and coded, hence ready for entry in a computer software program- SPSS. Analysis and interpretation of the quantitative data was made using simple statistical tools like frequency, descriptive statistics, and cross tabulation.

As far as analysis of qualitative data is concerned, a step by step content analysis was applied. First those open ended questions in the questionnaire were first organized and written in categories created based on the responses. Then, coding followed by analysis was made. The qualitative information obtained from in-depth interviews with key informants and focus group discussions as well as some of the qualitative information from the questionnaire/survey were analyzed using content analysis. Each question was coded and these codes were later on combined to provide categories of response with some numerical components. Interviews were first read to get the sense of 'data as a whole'. Units of meaning relevant to the research issues/questions was then identified and coded into earlier themes. These themes were then combined with the responses obtained from the questionnaire. This, in short, involved the following steps:

- Ordering the information in relation to the objectives of the study

- Categorizing or labeling answers that have similar characteristics or patterns.
- Displaying the summarized information in matrices and diagrams or tables to look at possible relations as well as deviations from standards.

1.6 SCOPE AND LIMITATIONS OF THE STUDY

In the first place, the study is delimited to deal only with one of the sub elements of the five management functions i.e. leading. However, motivation is not the only important element in bringing job satisfaction. Besides, limitations of finance, time, and manageability delimited the study to deal only with Awash International Bank, which is one of the many banks in the country. Moreover, due to the aforementioned limitations, the study was, geographically, confined to Addis Ababa; hence inclusion of employees working in the twenty-four branches of the bank only.

1.7 SIGNIFICANCE OF THE STUDY.

Success in today's competitive business environment is increasingly a function of effective human resource management. Structure and technology can be easily duplicated. The management of any organization needs to understand the attitude of their employees towards motivational programs and how the program is affecting their performance. The significance of this study is for:

- The Management of the Bank to evaluate attitudes of employees and take necessary measures to correct weaknesses and keep up strengths;
- Human Resource Department of the Bank;
- Planning, Research and Marketing Department of the Bank;

- Bank industry, as a whole, and
- Contributing to fill the knowledge gap area as well as encourage further research works in the study.

1.8 ORGANIZATION OF THE STUDY

The study report is organized in four chapters. The first introductory chapter is followed by Chapter Two, which briefly illustrates the Literature review with explanation on concepts and theories related to motivational as well as the Conceptual framework of the study. Next, Chapter Three deals with Presentation, Analysis and Interpretation of Findings of the Study. Finally the report ends with a precise summary, conclusion and recommendation.

CHAPTER TWO

2. LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

This chapter presents a summary of literature on the study topic as well as the conceptual framework of the study. The selected readings represent a small sample from a broad range of literature. The literatures were primarily selected for their relevance, accessibility and clarity.

The surveyed literatures are expected to serve as a reference to which findings that will be drawn from the analysis of primary and secondary data will be related, so that deviation from or conformity to previous findings will be reported. Here, it is worth mentioning that owing to the limited availability of research work on the topic, only some case studies and short description on the impact of motivational programs on employees' performance and turnover is addressed.

The chapter is organized in such a way that the first section deals with the clarification of conceptual issues and terminologies some of which could be considered as the operational definitions of the study. The second section addresses empirical literatures related to the experiences of some banks in the country. This followed by the third section, which briefly describes the Awash International S.C motivational programs. Finally, the conceptual frame work of the study is presented in the fourth section, which is developed to serve as the framework for achieving the study objectives in view of the conceptual and empirical literatures reviewed.

2.1 REVIEW OF THEORETICAL LITERATURE

2.1.1 Concepts: Motivation and Job Satisfaction

2.1.1.1 The Meaning of Motivation

The concept of motivation is so evolving like the concept of management that there is no such universally applicable definition assigned to the term. The term has many definitions given by different scholars at different times analyzing the term from different perspectives. Based on these realities, some cited conceptualizations include the following:

* Motivation is a predisposition to act in a specific goal directed manner (Hellriegel & Slocum, 1979:390).

* Motivation is the state of an individual's perspective which represents the strength of his or her propensity to exert effort toward some particular behavior (Gibson, 1980:496).

* Motivation refers to goal directed behavior. Goal directed behavior is characterized by the process of selecting and directing certain actions among voluntary activities to achieve goals (Chung, 1977:7).

* Motives are expressions of a person's needs: hence, they are personal and internal (Davices, 1981:43).

* Motivation refers to expenditures of effort toward a goal (Dubrin, 1974:38).

These definitions have several common denominators to help us characterize the motivation phenomenon:

- i) an internal need energizes and activates human behavior;

- ii) drive is the inner force that propels behavior in a specific direction;
- iii) goals are the incentives or payoffs that reinforce private satisfaction, that in turn reinforce the perpetuation of needs.

With the above concepts in mind, motivation can be defined as the need or derive within an individual that drives him or her toward goal-oriented action. The extent of drive depends on the perceived level of satisfaction that can be achieved by the goal.

Generally speaking, when employees enjoy their jobs, find the work challenging, and like the work environment, they will usually put forward their best effort and perform their tasks enthusiastically. In other words they are motivated to produce an optimal output. On the other hand, if employees cannot wait for the end of the workday, are alienated from the results of their efforts, and feel their work is terribly boring, they will not do their best. They will do the minimum required to keep their jobs. That is to say, they are not very motivated to perform well. (Yohannes, 2005:27).

The above generalization made by the researcher does not give a clear picture about employees' motivation, because challenging jobs are not the only factor to motivate workers. Rather employees' level of motivation is a function of different factors and the way these factors influences employees' level of motivation varies to different degree. It is undeniable that some individuals might be motivated when the work is challenging but still there are also individuals who dislike and avoids challenges. The Mc Gregor's motivation of theory can support the above argument.

According to his theory there are individuals who dislike and if possible avoid challenging jobs. Therefore, the above conclusion can not hold, always, true.

2.1.1.1 What is Job Satisfaction?

Job satisfaction is a positive emotional state resulting from evaluating one's job experiences. Job dissatisfaction occurs when these expectations are not met. There are different factors that affect workers job satisfaction.

i) **Opportunity:** Employees are more satisfied when they have challenging opportunities at work. This includes chances to participate in interesting projects, jobs with a satisfying degree of challenge and opportunities for increases responsibly.

ii) **Stress:** When negative stress is continuously high, job satisfaction is low. Jobs are more stressful. Jobs are more stressful if they interfere with employee's personal lives or are a continuing source of worry or concern.

iii) **Leadership:** Employees are more satisfied when their managers are good leaders. This includes motivating employees to do a good job, striving for excellence or just taking action. Leadership combines attitudes and behavior. It can be learned. People respond to managers that they can trust and who inspire them to achieve meaningful goals.

iv) **Work Standards:** Employees are more satisfied when their entire workgroup takes pride in the quality of its work. Encourage communication between employees and customers, quality gains importance when employees see its impact on customers, develop meaningful measures of quality, and Celebrate achievements in quality.

v) Fair rewards: Employees are more satisfied when they feel they are rewarded fairly for the work they do. Consider employee responsibilities, the effort they have put forth, the work they have done well and the demands of their jobs.

vi) Adequate Authorities: Employees are more satisfied when they have adequate freedom and authority to do their jobs. When reasonable, let employees make decisions; allow employees to have input on decisions that will affect them; and the like.

2.1.2 Basic Assumptions about Motivation

We need to understand several basic assumptions as we delve into theories of motivation and motivational practices by managers.

First, motivation is commonly assumed to be a good thing. We don't normally hear people praised for being unmotivated. We are taught in variety of settings (including school, church, family & work) that you can't feel very good about yourself if you are unmotivated.

Second, motivation is one of several factors that go into a person's performance. Important too, are such factors as ability, resources, and conditions under which one performs. You can be highly motivated to pursue a career helping people as a medical professional.

Third, managers and researchers alike assume that motivation is in short supply and in need of periodic replenishment. Motivation theory and motivational practices deal with processes that never really end, based on assumption that motivation can 'escape' over time.

Fourth, motivation is a tool with which managers can arrange job relationships in organizations. Managers know what drives the people working for them, they can tailor job assignment and rewards to what makes these people “tick”. Thus knowledge about motivation joins strategic plans as inputs in to the process of designing relationships at organizations and distributing power in those work relationships. (Stoner, 1995:156)

All these assumptions run deep in the discussion about the evolution of motivation theory. At the same time, these assumptions are not necessarily timeless.

2.1.3 TYPES OF MOTIVATION THEORIES

Approaches to understand motivation differ because many individual theorists have developed their own views and theories. They approach motivation from different angles, with different ideas in mind, and from different backgrounds. No one approach is considered to be the correct one. Each has contributed to the understanding of human behavior and strategies of motivating employees. The two most discussed groups theories are the content and process theories.

2.1.3.1 Content Theories.

Content theories are concerned with identifying what it is within an individual or the work environment that energizes and sustains behavior.(John P. Campbell:341,1970) That is what specific things motivate people?

The two most widely known content theories are: Maslow’s Hierarchy of Needs and Herzberg’s two-factor theory. A brief summary is discussed in the sub-sections that follow:



2.1.3.1..1 Maslow's Hierarchy of Need

Abraham Maslow is known for establishing the theory of a hierarchy of needs, writing that human beings are motivated by unsatisfied needs, and that certain lower need to be satisfied before higher needs can be satisfied.

Maslow felt that people are basically trustworthy, self-protecting and self-governing. Human beings tend look for growth and love. Although there is a continuous cycle of human wars, murder, deceit, etc. He levied that violence is not what human nature is meant to be like. Violence and other evils occur when human needs thwarted in other words people who are deprived of lower needs such as safety may defend themselves by violent means. He did believe that humans are violent because they enjoy violence or that they, cheat, and steal because they enjoy doing it.

According to Maslow, there are general types of need. Physiological, Safety, Love, and Esteem that must be satisfied before a person can act unselfishly. He called these needs "deficiency needs". As long as we are motivated to satisfy these cravings, we are moving towards growth towards self actualization. Satisfying needs is healthy blocking gratification that makes us sick or evil. In other words, we are all "needs Junkies" with cravings that must be satisfied and should be satisfied. Else, we become sick.

Maslow's conclusion about human needs level varies but can not be satisfied by managers except the first two and human needs are not uniform hence there are different factors that affects individuals needs. Some of the factors that bring these differences are economic, social, cultural and the like. For example Ethiopians

usually do not compromise their esteem needs to fulfill their physiological needs. This is to mean that they might give priority for their esteem needs than their physiological needs. Therefore, human needs various upon the above factors and can not be the same to everyone in terms of priority.

The Maslow theory developed long before lacks the ability to fit to the current situation, because human needs are shaped and reshaped as time pass i.e. human needs are subject to change. Moreover what is a basic need for one individual might vary to another individual. Basic human needs for the developed nations and for Africans are not similar. The Physiological needs identified by Maslow reflect only for workers in the developing nations only currently, but does not hold true for workers in the developed nations.

Moreover, national and individual economic status also influences workers need. Economic incentives are obviously given top priority and can be used as the most effective motivating elements, but not for workers of the developed nations. Maslow prioritizations and suggestion for managers to provide the physiological needs for new entrant of workers might not hold true.

To put it in a net shell, Maslow's human needs hierarchy can not be implemented in every situation and requires continuous amendment hence individuals' needs are dynamic except for the biological ones. Therefore, managers to motivate their employees need to take in to account different factors and individual difference i.e. adapting the situation management theory makes them effective.

2.1.3.2 Motivation- Hygiene Theory

The Motivation hygiene theory was proposed by psychologist Frederick Herzberg. In the belief that an individual's relations to work is basic and that one's attitude toward work can very well determine success or failure, Herzberg investigated the question, "what do people want from their jobs?" He asked people to describe in detail, situations that they felt exceptionally good or bad about their jobs.

According to Herzberg, the factors leading to job satisfaction are separate and distinct from those tied to job dissatisfaction. Therefore, managers who seek to eliminate factors that can create job dissatisfaction bring about peace but not necessarily motivation. They will be placating their work force rather than motivating them. As a result, such elements like company policy and administration supervision interpersonal relations, working conditions and salary were characterized by Herzberg, as hygiene factors. When they are adequate people will not be dissatisfied, neither will they be satisfied. If we want to motivate people on their jobs, Herzberg suggested emphasizing on achievement, recognition, the work itself, responsibility, and growth. These are the characteristics that people find intrinsically rewarding. (Gibson:1990,312)

The two factors theory has the drawback of generalizing what motivates and dissatisfies individuals, because at times individuals could be motivated by money. Moreover, culture represents one factor that should be taken into consideration. Economic level also serves a crucial orienting tool for verifying the validity of the theory. In addition social elements shed light on the universality of the theory.

In general, all motivational theories can not be universally applicable. One theory can work better in one situation and may not be effective in other situations. Therefore, it is up to the manager to select and apply the best theory for a specific situation.

2.1.3.3 Comparison between Herzberg's and Maslow's Models.

There is much similarity between Herzberg's and Maslow's models. A close examination of Herzberg's ideas indicates that what he actually is saying is that some employees may have achieved a level of social and economic progress such that higher-level needs of Maslow (esteem and self-actualization) are the primary motivators. However, they still must satisfy the lower-level needs for the maintenance of their current state. Thus, money might still be a motivator for non-management workers (particularly those at a low wage level) and for some managerial employees. In addition, Herzberg's model adds to Maslow's model because it breaks down the five need levels into two job-oriented categories: maintenance and motivational

Table 2. Comparison between Maslow's and Herzberg's Models

| Maslow | Herzberg | |
|--|-------------------|---|
| . Self-actualization needs . Esteem needs | Intrinsic factors | |
| . Social needs | | Work group Supervisor Colleagues Climate |
| . Security needs . Physiological needs | Extrinsic factors | |

Source: Maslow & Herzberg quoted in Tialhun(2006)

2.1.3.2 Process Theories

Process theories try to describe the process how behavior is energized, sustained, and finally stopped. Process theories first attempt to define the major variables necessary for explaining choice (e.g., should I work hard?), effort (e.g., How hard do I need to work?), and persistence (e.g., How long do I have to keep this pace?).

2.1.3.2.1 Expectancy Theory

The expectancy theory of motivation as initially presented in 1964 by psychologist Victor Vroom views motivation as a process governing choices. Vroom suggests that individuals are motivated at work to make choices among different behaviors—for example, intensities of work effort. A person may choose to work at a moderate rate or an accelerated rate. The choice is made by the individual. If a person believes that his or her work effort will be adequately rewarded, there will be motivated effort: a choice will be made to work so that a preferred reward is received. The logic of expectancy motivation is that individuals will exert work effort to achieve performance that will result in preferred rewards.

Three primary variables in expectancy theory of motivation are choice, expectancy, and preference. Choice designates the individual's freedom to select from a number of alternative behaviors. For example, a person's work may be fast or slow, hard or moderate; the employee may stay home or come to work. In some cases, working fast may lead to more pay if compensation is based on the number of units produced. Expectancy is the belief that a particular behavior will or will not be successful. It is a subjective probability. Expectancy would be zero if a person believed that it was impossible to produce, say 50 units a day; it would

equal one if a person felt certain of being able to produce 22 units a day. Preferences, also referred to by Vroom as valence, are the values a person attaches to various outcomes (rewards or punishment).

Another issue covered in the expectancy motivation model is called instrumentality-the probability that a person assigns to the performance-outcome link. It is the probability that a particular performance level will lead to a specific outcome.

$$M = E \times I \times P$$

That is, motivation to work (M) results from expectancy (E) times instrumentality (I) times preference (P). Because this is a multiplicative interrelationship, think about the consequences if E, I, or P approaches zero in value.

Requirement for applying Expectancy Theory.

- Know what people value;
- Link between intended behavior and reward must be immediate and clear;
- People must believe that effort leads to performance;
- Performance may not be hampered by lack of skill or external conditions;
- Target behavior must be formulated precisely; and
- Control that only those meriting it will get the reward.

Challenges for Applying the Expectancy Theory for Managers.

The following points are the most prominent challenges faced by managers to apply the expectancy theory.

- People are found to go against their interests (so it appears);
- People are not interested in doing a good job but only in the rewards;

- High costs putting up the system and controlling it; and
- Difficult to apply to non-routine jobs.

2.1.3.2.2 Equity Theory.

Equity theory states that workers compare their inputs and outcomes with those of other individuals who are in the same situation, such as a similar job in the same organization. If workers believe that their ratios of input to outcome are different from ratios of others, they adjust their input to eliminate the inequity. Thus if a person feels under-rewarded for his or her contribution, compared with others, the person may put out less effort.

If a person believes that the ratio of effort to rewards is about the same as for others, no change in effort will occur. But if high levels of rewards are offered to people regardless of their individual efforts, the reward will be perceived as inequitable and will be ineffective as a motivator. In this context, compensation methods are affected by factors outside the person control.

2.2 REVIEW OF EMPIRICAL LITERATURE.

Different researchers conducted a case study on different private and government owned banks of the country. Out of these study reports, examples of motivational schemes impact on employees' job satisfaction of two selected private banks were discussed. Here under follows a brief overview of these cases and the factors that affect employees' job satisfaction in relation to motivational programs (Yohannes, 2005 and Getachew, 2006). In addition, example of training and development program assessment on Commercial Bank of Ethiopia is discussed. (Eshetu.2006)

2.2.1 Overview of Motivational Schemes in Dashen Bank S.C

From a research done by external consultants while reviewing the incentive schemes of Dashen Bank, the following information has been collected that shows the presence of both financial and non-financial incentives to motivate its employees with the aim of improving performance and enhancing commitment to the Bank's ultimate goals of successful gains in profitability and quality service to customers.

Dashen Bank's major financial incentives include:

- Cash bonus payment of one month's salary (if profit levels warrant)
- Salary increment yearly, if warranted by profit levels
- Senior employees have the right to own shares

Dashen Bank major Non-financial incentives are;

Staff training programs are conducted to up-grade employees' skill and competencies.

Career progression and personal growth opportunities are fairly open to employees, e.g. when job vacancies occur, staff applicants are given priority for selection to fill higher positions.

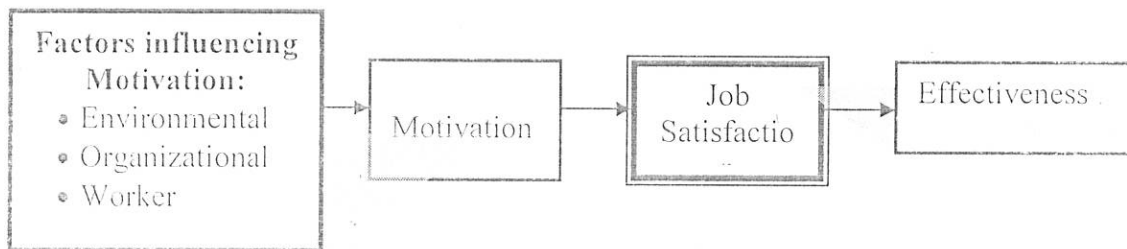
Incentives survey conducted with Dashen bank indicates that the Bank gives cash bonus and salary increments on basis of satisfactory profit levels. The grading and compensation system similarly offer opportunities for personal growth through promotions. The Banks also administers award programs to recognize outstanding performance.

Since the bank's employees did not form labor union, employees are not involved in developing or reviewing the motivational schemes. But the management, with the help of a task force, collects information across the industry. This clearly indicates that employees do not take part in developing the motivational program of the bank.

2.3 CONCEPTUAL FRAMEWORK OF THE STUDY

Based on the theoretical and empirical literature, the following conceptual framework was developed to guide the study undertakings thereby successfully achieving the objectives of the study.

Diagram-1 Conceptual Framework of the Study



Source: Adopted from Tlahun(2006).

As can be seen from the above diagram, there are a multitude of factors that influence level of motivation of employees. These include environmental, organizational and worker related factors.

- The environmental factors are external to the organization and are characterized by dynamism and complexity in nature. For example a change in the purchasing power of currency, a change introduced by other banks in

the industry in terms of incentive programs, introduction of new technologies and the like affects one way or the other the level of employees' job satisfaction even if they are external to the bank.

- The organizational factors are those factors under the control of the organization and include work differentiation, integration and reward system of the organization. Work differentiation includes job specialization, departmentalization, work design and role definition.
- The third important component is the worker's characteristics such as ability, knowledge, attitude and skills are also among the factors that influence motivation.

The level of motivation, which resulted from a combined effect of the environmental, organizational and workers' characteristics, in turn determines the level of job satisfaction of employees in an organization. Ultimately, employee's level of job satisfaction determines their job performance and/or effectiveness in an organization, in this case the bank.

In light of the above framework, the researcher raised a key question *'Is the bank's reward system important in influencing the level of motivation thereby determining employees' job satisfaction and their effectiveness?* In this regards, attempt was made to assess the bank's reward system as well as the level of employees' job satisfaction as linked to their effective performance of the job in Awash International Bank S.C. taking different dimensions of questions and observation too from different sources.

CHAPTER THREE

3. STUDY RESULTS

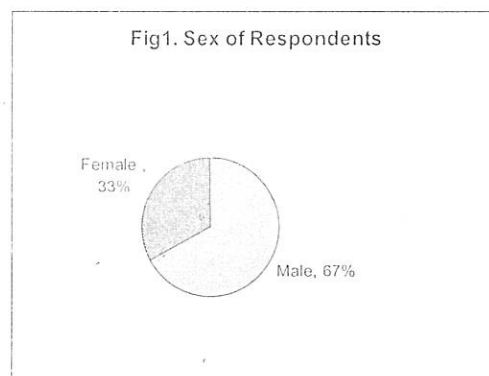
This chapter presents the results of the study based on the primary and secondary data collected and analyzed. The chapter is divided into three sections. Description of the sampled respondents is presented in the first section followed by results of review of the Motivational Programs in Awash Bank. The third section is devoted for presentation, analysis and interpretation of major findings.

3.1 DESCRIPTION OF SAMPLED RESPONDENTS

Presented below is a brief description of the respondents; i.e., 114 employees who were included in the study and provided valid responses to the questionnaires for the opinion survey.

3.1.1 Sex of the respondents

While two-third (67%) of the total respondents were males, the remaining one-third (33%) were found to be females. This is as presented in fig-1 below. This is found to be comparable to the total number of employees gender mix; two out of seven employees are females.



Source: Employees' survey

3.1. 2 Age Category and Work Experience.

The age of the sampled respondents has also been assessed. Survey results show that the median age category is 25-30. Furthermore, the survey result in table-3 below show that, the majority of the workers work experience (40%) falls within the range of 4-8 years in the bank.

Table 3: Respondents age category and work experience.

| Age Category | Respondents Work Experience | | | | | Total count and % |
|-----------------|-----------------------------|------------------------|------------------------|-------------------------|-----------------------------|-------------------|
| | Below 1 year Count & % | 1-3 years Count & % | 4-8 years Count & % | 8-15 years Count & % | Above 15 years Count & % | |
| Below 24 Years | 6(5.25%) | 11(9.65%) | | | | 17(14.9%) |
| 25-30 years | | 16(14%) | 33(29%) | 16(14%) | | 65(57%) |
| 31-35 years | | | 12(10.5%) | 5(4.5%) | | 17(15%) |
| 36-40 years | | | | 3(2.6%) | | 3(2.6%) |
| Above 40 years | | | | 3(2.6%) | 9(7.9%) | 12(10.5%) |
| Total count & % | 6(5.25%) | 27(23.65%) | 45(39.5%) | 27(23.65%) | 9(7.9%) | 114(100%) |

Source: Employees' survey

Note- Numbers in brackets are percentages

3.1.3 Educational status and Basic salary

Educational status of the respondents show that out of 114 respondents 9.5% were M.A/M.SC holders, 55 % B.A/B.SC holders, 30% of them diploma, and the remaining 2.5% of grade twelve and certificate holders each. The survey also revealed that 38% of the respondents' basic salary falls in above 2000 birr range followed by 29% in 1101-1500 birr range, 12% of them in 501-800 range, 10.5% within the 1501-2000 birr range and 9% and 1.5% within the range of 801-1100 birr and below 500 birr range respectively.

Table-4: Education* Salary of Respondents

| Educational Level | Basic Salary Range | | | | | | Total |
|-------------------|--------------------|----------|----------|-----------|-----------|------------|----------|
| | Below500 | 5001-800 | 801-1100 | 1101-1500 | 1501-2000 | Above 2000 | |
| 12 Grade compete | 2(1.5) | 1(1) | - | - | - | - | 3(2.5) |
| Certificate | - | 1(1) | 2(1.5) | - | - | - | 3(2.5) |
| Diploma | - | 12(11) | 8(6.5) | 6(5) | 4(3.5) | 4(3.5) | 34(30) |
| B.A or B.SC | - | - | - | 19(17) | 12(10.5) | 32(28) | 63(55) |
| M.A or M.Sc | - | - | - | - | - | 11(9.5) | 11(9) |
| Total | 2(1.5) | 14(13) | 10(8) | 25(22) | 16(14) | 47(38) | 114(100) |

Source: Employees' survey

3.2 REVIEW OF THE MOTIVATIONAL PROGRAMS IN AWASH BANK.

Awash International Bank, being the first private bank in the industry after the reform introduced by the government, offers different incentives to employees. The Bank currently offers both financial and non-financial incentives in an attempt to motivate employees with the aim to increase its market share.

The Bank offers the following major financial incentives.

- Cash bonus payment of one month's salary (if profit levels warrant)
- Salary increment yearly, if warranted by profit levels
- Senior employees have the right to own shares.

The bank like other banks in the industry gives almost similar non-financial incentives. Staff training programs are conducted to up-grade employees' skill and competencies.

Career progression and personal growth opportunities are fairly open to employees, e.g. when job vacancies occur, staff applicants are given priority for selection to fill higher positions.

In general, both the financial and the non-financial incentives offered by the banks in the industry are almost similar. This is one of basic problem observed in the industry, because workers can be motivated more when they get something different in one or the other bank.

3.3. PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

3.3.1 Educational status vs Salary Range and Level of Satisfaction

Furthermore, the survey result in the following table showed that salary range of the respondents is positively correlated with their educational status. All of those employees who assumed the educational status of twelve complete and with college certificate were found to earn a monthly salary of below ETB1100. On the contrary, those who were holders of BA/BSC and above were entirely earning above ETB1100. The rest; i.e., diploma holders were distributed among the salary ranges between ETB501 and 2000.

Table-5: Educational status* Salary range

| Educational Level | Basic Salary Range and Level of satisfaction with basic salary | | | | | | | | | | | | Total |
|-------------------|--|----|---------|----|----------|----|-----------|----|-----------|----|------------|----|----------|
| | Below 500 | | 501-800 | | 801-1100 | | 1101-1500 | | 1501-2000 | | Above 2000 | | |
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No | |
| 12 complete | - | 2 | 1 | - | - | - | - | - | - | - | - | - | 3 |
| Certificate | - | - | 1 | - | 2 | - | - | - | - | - | - | - | 3 |
| Diploma | - | - | 6 | 6 | 2 | 6 | 4 | 2 | 2 | 2 | 1 | 3 | 34 |
| B.A or B.SC | - | - | - | - | - | - | 4 | 15 | 3 | 9 | 14 | 18 | 63 |
| M.A/ M.Sc | - | - | - | - | - | - | - | - | - | - | 6 | 5 | 11 |
| Total | - | 2 | 8 | 6 | 4 | 6 | 8 | 17 | 5 | 11 | 21 | 26 | 114(100) |

Source: Employees' Survey

Furthermore, that the majority of the respondents 68(60%), who were predominantly with higher level of education and hence salary range, were not

satisfied with their present basic salaries. But, the rest (40%) who were relatively at lower level of education were satisfied with the amount of salary they earn. On the one hand, those respondents who were not satisfied with the salary were asked to reason out. Accordingly, most (75%) said that the salary range is not sensitive to price escalation; hence the amount they earn is inadequate to cover their living expenses. The rest (25%) emphasized that the salary range is far below their level of expectation or educational status and experience. On the other hand, those respondents who were satisfied with the present salary identified two main reasons. One, unemployment is so rampant in the city; hence what is offered by the organization is better than nothing. Second, they are with low level of education and skill to engage in other occupations. Thus, they are comfortable with the salary range.

3.3.2 Prioritizing of the financial incentives offered by the bank

The respondents were asked to enumerate the most important financial incentives of the Bank. Accordingly, the top priority financial incentive was annual salary increment identified by 60% of the respondents followed by cash bonus and right to own share identified by 25% and 15% of the respondents respectively.

Table 6. Prioritizing of the financial incentives offered by the bank.

| Financial Incentive Type | No of respondents | |
|--------------------------|-------------------|---------|
| | Count | Percent |
| Annual Salary increment | 68 | 60% |
| Cash bonus | 36 | 25% |
| Right to own share | 10 | 15 |
| Total | 114 | 100% |

Source: Employees' Survey

Interviewee made with officials of the banks was also in support of the above fact. In particular, almost all of the human resource managers indicated that most employees prefer salary increment from among the financial incentives. Whereas for some of the employees cash bonus is mentioned to be the most important, right to own shares was described as a priority only to senior employees who assumed high level of education and work experience.

3.3.3 Prioritizing of Needs

The respondents were further asked to prioritize the five human needs of under the Maslow's need hierarchy. According to the research result, of the five levels of human needs, a cumulative of 65% of the respondents gave top priority for security and physiological need. Specifically, covering expenses of basic necessities and fear of joblessness (unemployment) were among the most important. Whereas 22% gave priority to social needs like conducive work environment/ interaction with others, 9% of the respondents, predominantly senior employees, gave due emphasis to esteem need. Finally, self-actualization was needed most by the rest (4%) of the respondents.

Table 7 Respondents' prioritization of the human needs hierarchy of Maslow's.

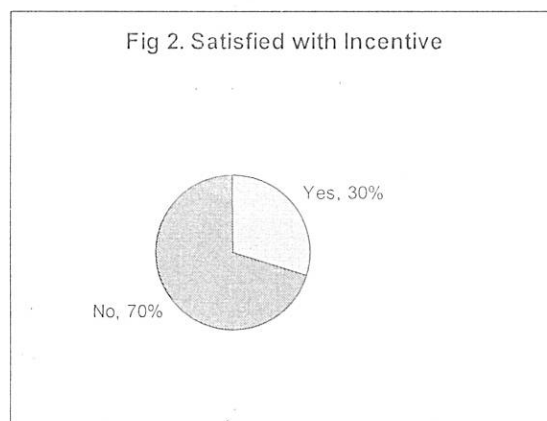
| Level of needs | Count | Percent | Cumulative % |
|--------------------|-------|---------|--------------|
| Physiological | 35 | 31% | 31 |
| Security | 39 | 34% | 65 |
| Social | 25 | 22% | 87 |
| Esteem | 10 | 9% | 96 |
| Self-actualization | 5 | 4% | 100 |
| Total | 114 | 100% | |

Source: Employees' Survey

The responses depicted above somehow corporate assumptions made by Maslow. As one ascends or descends through need hierarchy, the proportion of people prioritizing the extreme ends gets fewer. The implication is clear, security, physiological and social needs are among the most important needs in the priority list.

3.3.4 Respondents Level of Satisfaction with the Incentive Scheme

Respondents were asked to express their level of satisfaction with the incentives as compared to their effort. The responses, as presented in the fig.2 below, revealed that there is low level of satisfaction. Accordingly, for 81 (70%) of the respondents, the financial incentives are by far below their expectations and are incompatible to their efforts. When asked to give explanations, they mentioned that incentives schemes were incompatible with the ever escalating prices or with the cost of livings.



Source: Employees' Survey

On the other hand, the rest 33 (30%) of the respondents who were mainly female and non-professional staff described the incentives as fair. The main reasons were

found to be the desire for risk aversion as well as calculation of incentives in terms of meeting their basic necessities.

3.3.5 Attitudes towards Company policy and Working environment.

According to the research result the majority of the respondents stated that the policy of the bank as well as its working environment is unfavorable. In connection to this, out of the total respondents, the majority 79 (80%) think that company policy, particularly the incentive policy was unfavorable. This is presented in Table 6 below:

Table- 8: Attitudes of respondents towards company policy and working environment.

| Response | Working Environment | Company Policy |
|--------------------|---------------------|----------------|
| Favorable | 30(26%) | 14 (12%) |
| Unfavorable | 72 (63%) | 79(80%) |
| No opinion | 12(11%) | 7(6%) |
| Total Counts and % | 114 (100%) | 114 (100%) |

Source: Employees' Survey

Whereas 14 (19%) of the respondents labeled the policy environment as favorable, the rest (6%) gave no comment. Regarding the employees' attitude towards working condition, still the majority 72 (63%) to be unfavorable, while 30 (26%) stated to be fair. The rest 12(11%) gave no opinion.

3.3.6 Opinion on Consistency and Fairness in Administration of Motivation Schemes

The respondents were also asked to forward their opinion in relation to consistent application of incentive as well as the bank's administration of other motivational schemes. For the majority of the respondents (75%), the bank's application of financial incentives and other motivational schemes lack of consistency and fairness.

Whereas, only 19% were in support of the consistent and fair administration of motivational schemes without discriminations of any kind, the rest (6%) gave no opinion.

Table 9. Consistency and fairness in administrating motivational schemes.

| Is there fair and Consistent Administration of Motivational Schemes in the Bank? | Count | % age |
|--|-------|-------|
| Yes | 22 | 19% |
| No | 85 | 75% |
| Not opinion | 7 | 6% |
| Total | 114 | 100% |

Source: Employees' Survey

3.3.6 Employees' Level of Job Satisfaction.

In addressing employees' overall job satisfaction, the respondents were provided with positive statements aimed at measuring (intrinsic) job satisfaction and asked to express their level of agreement to the statements. The following results were obtained from the survey.

Table 10: Respondents' Level of Agreement with Job Satisfaction

| Job Satisfaction | | Strongly agree | Agree | Indifferent | Disagree | Strongly disagree | Total |
|--|-------|----------------|-------|-------------|----------|-------------------|-------|
| This organization is a good place to work as it offers adequate salary(extrinsic) | Count | 18 | 25 | 6 | 40 | 25 | 114 |
| | % | 16% | 22% | 5% | 35% | 22% | 100% |
| I recommended friends or relatives to join because the incentives are attractive (extrinsic) | Count | 20 | 22 | 5 | 50 | 17 | 114 |
| | % | 18% | 19% | 4% | 44% | 15% | 100% |
| High degree of satisfaction with my job as | Count | 10 | 28 | 10 | 39 | 27 | 114 |

| Job Satisfaction | | Strongly agree | Agree | Indifferent | Disagree | Strongly disagree | Total |
|--|-------|----------------|-------|-------------|----------|-------------------|-------|
| the environment is conducive (intrinsic) | | | | | | | |
| | % | 9% | 25% | 9% | 34% | 24% | 100% |
| Average(Count and Percent) | Count | 13 | 16 | 4 | 30 | 14 | |
| | % | 14% | 22% | 6% | 38% | 20% | |

Source: Employees' Survey

As depicted in the above table, there is an overall low level of job satisfaction among the respondents, both in terms of intrinsic extrinsic satisfaction. On average, only 36% of the respondents were found to strongly agree or agree to the three statements for measuring their level of job satisfaction. Whereas, most (58%) disagreed or strongly disagreed, the rest 6% were indifferent. Specifically, with regards to the statement that the organization is a good place to work at, 16% strongly agreed and 22% agreed. While only 6% of the respondents were neutral to the same statement, the (57%) either disagreed or strongly disagreed. Similarly, 37% of the respondents, as opposed to 57% of the respondents, were found to agree or disagree for recommending their friends or relatives joining the organization in which they are currently working. In relation to the statement that the employees are with high degree of satisfaction, only 9% strongly agreed, 25% agreed and 9% indifferent. Out of the remaining, 36% disagreed and 20% strongly disagreed. The implication of the above findings is clear. The majorities of the employees are with low level of intrinsic or job satisfaction.

3.1.2 Data Presentation and Interpretation of Interview Results.

According to an interview conducted with one of the officials at the Human Resources and Logistics Department of Awash International Bank s.co, it was noted



that the bank has an indiscriminate policy as regards to incentives towards all clerical, non-clerical and management employees. Even at times of review of incentives, they are indiscriminately reviewed for all employees.

Regarding policy of promotion, one executive said that the bank follows a 'growing-on-tree' policy. Every employee of Awash International Bank S.C committed to work, according to him is legible for promotion. He noted that the bank first notifies the internal staff about a vacant position. If legible applicants are not found from internal sources, the vacancy will then be externalized. We try to assess and gather information through different management meetings, said the former official, in trying to express the overall level of motivation of employees, 'we have learned they are satisfied as can be seen on their performance.' The official justifies his premises by an argument that the market share and profit shows an increment every year.

In expressing motivational schemes of Awash International Bank S.C with other similar institutions, this official said that applicants coming from other banks for vacant positions tell during the interview that they chose our Bank for its attractive incentive and benefit packages. He also said that the Bank has the best Management style, which is transparent and includes better promotion opportunity for employees.

It was noted that the performance of Awash International Bank S.c is progressive every year. When asked if this progressive profitability has anything to do with employee motivation, he replied, employee motivation coupled with other factors

brought this profitability, but there is no study or document that substantiates high employees' performance to the progressive profitability of the bank.

Since the bank's employees did not form labor union, employees are not involved in developing or reviewing the motivational schemes. But the management, with the help of a task force, collects information across the industry, he explained. He also mentioned that the bank does not have a suggestion box or a means of collecting opinion or attitude from the staff, as the bank follows an open-door management system.

He said that employee turnover rate is not very much high, only 10-15 employees a year. When he justified this turnover rate, he said that they leave the bank for international organizations but definitely not to other banks. Some of them leave for a higher education. He said that the management does not assume that it is due to dissatisfaction of employees with motivational methods that the bank has the above mentioned rate of turnover. Furthermore, the officials were asked about distinguishing characteristics, if any, of those employees who mostly leave the bank. Accordingly, sex, marital status, education, and work experience of the employees were found to be the most important characteristics. Most of the interviewees underlined that less frequent turnover is observed among female and married employees, whereas high turnover among highly caliber staff and those who never married. Indeed, they mentioned the difficulty of satisfying the needs and interest of the latter category of employees with simple financial incentive schemes like bonus and annual salary increment.

When asked if the bank conducts an exit interview when employees of the bank leave, he said that we do not conduct an exit interview. But, we usually conduct a kind of discussion though it is informal one.

When asked if he thought employees were satisfied with company policies and working environment, he said, they are not only satisfied but also proud to be Awash International Bank S.C staff.

Finally, the interviewee uncovered that the Bank didn't revise its incentive policy, which was developed four years ago. The justifications were mixed. Whereas some of the interviewees, particularly human resource managers agreed that the incentive policy required revisions to adapt to changes or dynamism in the external world. On the contrary, some branch managers were not in support of the need for revisions, seemingly, convinced by the rule-of-thumb method of motivating the staff. Still others argued that a mere revision of the policy is not a sufficient condition. For them proper administration or implementation of the policy is as equally important as revising the policy and making it compatible to the changing environment.

CHAPTER FOUR

4. SUMMARY, CONCLUSION AND RECOMMENDATION

4.1 SUMMARY

Any organization uses human, material and information resources to attain its objective. However, human resource is the most vital one because all other resources are implemented by using these resources. Therefore, its efficiency and effectiveness highly determines the achievement of any organization's objectives. Employees being the important assets of any organization they should get the necessary motivation if organizations' have to achieve their objectives.

Success in today's competitive business environment is increasingly a function of effective human resource management. Structure and technology can be easily duplicated. The factor that can set apart an organization whether in manufacturing or services is its people. The quality of the organization - whether in manufacturing or service sector, is its people. The quality of the organization's employees, their enthusiasm and satisfaction with their jobs, and their sense of fair treatment all have a significant impact on the firm's productivity, level of customer service, reputation and survival. In short, people make the difference in a competitive business environment. Cognizant of the above facts and appreciating the pivotal role of human resource development for the growth and prosperity of the infant banking industry in the state of stiff competition, the researcher was attracted to this study entitled *EFFECT OF MOTIVATIONAL SCHEMES ON EMPLOYEES JOB SATISFACTION* In Awash International Bank of Addis

Ababa. A combination of quantitative and qualitative data, from primary and secondary sources, were gathered and analyzed in relation to effects of motivational schemes on employees' job satisfaction in the Bank. The research study revealed the following major findings and the major findings are summarized as follows.

- The Bank's/ company's incentive policy was revised for the last time four years ago, and haven't yet been to adapt to changing environment. Besides, employees' involvement in the development of motivation schemes was found to be very low;
- Putting appropriate incentive policy is only one part of the equation. Proper implementation also equally matters. To this end, lack of transparency was observed as consistent and fair application of motivational schemes was lacking;
- The existing incentive schemes far below the expectations of the employees, yet deemed adequate for the management body,
- Financial incentive is the principal motivational schemes, with little or no attention to others like training, social, and esteem needs which were found to be crucial in the eyes of the employees;
- The company's incentive policy as well as working environment is not judged as favorable by the employees, whereas the management is proud of the bank's policy and enabling environment;

- Salary range and financial incentives were directly associated with level of education and positions assumed in the organization. Those highly educated and well experienced were among the top paid employees.
- Most employees assuming higher positions and earning higher salary were relatively least satisfied with the salary scale and incentives (extrinsic satisfaction). On the contrary those receiving relatively little amount were satisfied as they were mostly risk averters.
- Those with low level of education value security and physiological needs, whereas esteem need was the most important for the highly educated and top officials of the bank,
- Worker's characteristics also matter in motivation. Whereas it is relatively easier to satisfy the needs and interest of females and married employees, this mostly didn't work for the high caliber and unmarried employees.
- Level of intrinsic satisfaction is also low among the employees, though the management mostly described it as high. Indeed, intrinsic factors like conducive work environment with little control and supervision are the most important motivator, than salary increment and bonus, for the highly educated and paid employees. As opposed to the extrinsic factors, especially salary increment and bonus were the most valued and expected by the employees who mostly prioritized the physiological and security needs in the Maslow's need hierarchy;

Based on findings of the study, the following conclusions and recommendations were made.

4.2 CONCLUSION

In a nutshell, there is adequate evidence to support that a combination of environmental (inflation), organizational (both intrinsic and extrinsic factors), as well as worker's characteristics/status like education, work experience, sex, and marriage are determinants of motivation. Besides, motivation was found to have a high command on the level of satisfaction and ultimately effective job performance. Hence, the findings of this study corroborate the theories and assumptions that link motivation and job satisfaction with job effectiveness. The specific conclusions include:

- The Bank's/ company's incentive schemes developed without considering the environmental, organizational and workers' characteristics factors into account. This evidenced by lack of transparency, low involvement of employees' in developing the program, the incentive schemes was revised for the last time four years ago while the observed rate was high in the last four years ignorance to individual differences in terms of sex, marital status and others attributed to low level of satisfaction. From the above facts it can be concluded that the incentive schemes developed by the bank lacks to motivate the employees and this in turn obviously affects their performance.
- The study also revealed that level of intrinsic satisfaction was also found to be low among employees, though the management mostly described it as high moreover the management assumed the increment in market share and profit

of the bank as evidence for high motivation. The management assumptions were not evidenced by any write document and the management also failed to monitor employees' level of satisfaction. From the above facts it is quite possible to conclude that the relationship between management and employees to be weak. This obviously affects employees' level of satisfaction and can give answer as to why 70% of the employees in the bank were dissatisfied.

4.3 RECOMMENDATION

Based on the above conclusions, the following recommendations have been forwarded.

- Awash International Bank S.C. should review its incentive policy by rigorously scanning those factors external and internal to the organization's control. Due attention needs to be paid for its salary ranges on the basis of qualification, work experience and workload and also increasing living costs to minimize the dissatisfaction of employees with their basic salaries. Besides, sensitivity to variation in expectation and valuation of incentives across different characteristics of the works is of paramount importance;
- The company should work more on building up job satisfaction of employees by reviewing the promotion policy, incentive packages, especially on educational packages. The management should positively confront unfulfilled expectations and assumptions of a dissatisfied employee. It should be noted that employees with higher job satisfaction believe that the organization will be fulfilling in the long run, care about the quality of their work, are more

committed to the organization, have higher retention rates and are more productive;

- The company should have some means of collecting ideas, suggestions and opinions of employees. It could be through a suggestion box or an opinion
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- survey method within determined intervals. It should also involve employees in the motivational methods development and review process, as employees are the primary beneficiaries of it;
- The company should devise participatory monitoring and review mechanisms for tracking the proper/sound implementation of the incentive policies,
- Finally, further research works are important, particularly in relation to the links between motivation and worker's demographic and socio-cultural characteristics as well as that of intrinsic and extrinsic factors for industrial peace and effectiveness.

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This questionnaire is prepared in order to collect information for the preparation of Thesis on the title "Effects of Motivational Schemes on Employees' Job Satisfaction and Turnover in Awash International Bank S.C".

Your responses will be very important in analyzing and recommending possible solutions to fill the gap, if any, between the motivational schemes and employees' job satisfaction. The student researcher requests you to fill the questionnaire in accordance with the aforementioned objective of the research. Please, attempt all the questions honestly. I would like to thank you for your kind cooperation in advance.

This questionnaire is designed to be filled by employees' of the bank at different levels.

Part I. Personal information.

1. Age

25-30 31-35 36-40 above40

2. Gender

Male Female

3. Work Experience in the bank

1-3 4-8 8-15 above 15 years

4. Level of education

Grade 12 completed Certificate Diploma

Degree (Bsc) M.A (Msc) and above

5. Basic salary

Below 500 501-800 801-1100 1101-1500

1501-2000 Above 2001

6. Are you satisfied with your basic salary?

Very Satisfying Satisfying Not satisfying Very unsatisfying

7. Have you ever worked in other banks?

Yes No

8. If your answer is yes for question No. 7. What was your reason(s) to separate? _____

9. How you rate the pay you get from this bank from other banks in the industry?

10. Do you get any incentive besides your basic salary?

Yes No

11. If your answer for question No 8 is "yes", Please specify each of the incentives.

12. What impact do these incentives have on your work?

13. Do you think the rewards you received are satisfactory to the effort you put in the job?

14. Are you satisfied with the company policy and environment?

Yes No

15. If your answer for question no. 14 is no, please give your reason(s).

16. Is administration of the motivational programmes fair?

Very fair Fair Unfair Very unfair

17. If your answer is unfair or very unfair please the reasons for the unfairness.

18. Do you exercise full authority on your job you assigned for?

Yes No

19. Is your job challenging?

Yes No

20. How do you evaluate the leadership quality of the managers?

Excellent Very good Good Poor Very poor

21. Do you receive an equitable recognition for extra performance?

Yes No

Interview Questions to Managers of Awash International Bank S.C

- 1 How do you see the motivational schemes applied in your bank?
- 2 Are they developed based the employees need and expectation?
- 3 Do you believe that your bank offer the best motivational scheme from the industry?
- 4 In which of the motivational schemes does the banks employees are highly satisfied?
- 5 Do you see any gap between your motivational scheme and employees expectation
- 6 What type of motivational tools do you apply for the best performer employee? For less performer? And average?
- 7 Do the banks motivational schemes get revision on periodical basis?
- 8 Are there times when your employees asked for salary increment? Incentives modifications? Etc what was your response?
- 9 What good lessons do other banks can learn from practice of identifying employee motivational scheme?
- 10 . What is employees turn over rate of your organization?
- 11 . Do you conduct an exit interview for employees leaving your organization?
- 12 . What are the major reasons for leaving your organization?
- 13 . Do you have any kind of informal associations or formal once like football team and the like.
- 14 Does the bank have any strategies to expose employees' to new and challenging jobs in order to avoid monotonous feelings?
- 15 Does the bank provide training and development opportunities to employees?
- 16 Do employees participate in the development of motivational programs? If yes how?
- 17 Does your motivational program consider individual differences in their needs?

18 Does the bank have any mechanism in evaluating the effectiveness of the motivation program?