



**Addis Ababa University  
Collage of Business and Economics  
School of Commerce**

**The Effect of Non-Financial Incentives on Staff Productivity: the case of  
Flintstone Engineering**

**By: - Hibist Tadesse**

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**Approved By Board of Examiners**

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## **STATEMENT OF DECLARATION**

I, Hibist Tadesse, declare that this project work entitled “the effect of non-financial incentives on staff productivity the case of Flintstone engineering” submitted in partial fulfillment of the degree of Masters of Business Leadership is an outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the thesis advisor.

I also declare that this project work is my original work and has not been presented for a degree in any other university.

Hibist Tadesse

Signature \_\_\_\_\_

Date: \_\_\_\_\_

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## **Abstract**

*Employees are the main force behind an organizations success and they need to be motivated through various means including financial and non-financial incentive mechanisms. However, the effect of such incentive packages on the productivity of employees has not well documented and limited information on non-financial incentive approaches. The purpose of this study was to assess the effect of non-financial incentives on employees productivity in Flintstone engineering. The study adopted an explanatory and descriptive research design. Out of 215 target population a sample size of 140 was taken using Yemani's statistical formula and responses of 140 employees were analyzed. Statistical Package for Social Sciences (SPSS) Version 20 was used to analyze data. The validity of the instrument was checked and internal consistency of the instrument was measured using Cronbach Alpha. Hypotheses were established to verify the effect of all the independent variables (recognition, promotion, performance feedback and working condition) on the dependent variable (Employees' productivity). The finding indicated that 47.4% predictability in employee productivity is described by the independent variables (recognition, promotion, performance feedback and working condition). The findings indicated that recognition, promotion, performance feedback and working condition have significant relationship with employee productivity. The results prove that Non-Financial incentives are important predictors that have an effect on employee productivity. The company must be able to improve and pay more attention to the provision of non-financial incentives especially promotion and working condition in providing the variables in a fair manner in accordance with employee performance contributions in order to improve, employee productivity.*

**Key words:** *Productivity, Non-Financial incentives, Recognition, Promotion, Performance feedback and Working condition*

# CHAPTER ONE

## INTRODUCTION

This chapter includes background of the study, statement of the problem, objective of the study, significance of the study, scope of the study, definition of basic terms and organization of the study.

### **1.1. Background of the study**

The crucial function of human resource management is to implement practices that enhance the satisfaction of employees with their jobs. Employees expect financial and non-financial incentives for their services and efforts. In the absence of equitable payment, training and promotion opportunities and recognition; employees get dissatisfied and do not perform to the standards. The dissatisfaction results from the unavailability of financial and non-financial incentive usually lead to poor employee productivity. The benefits that employee foresee for themselves motivates the employee to give their best. Incentives are considered one of the most important factors that encourage workers to put forth great efforts and work more efficiently. It is because incentive systems direct workers capabilities into more efficiency in their work in an attempt to achieve the institution's goals (Gana and Bababe, 2011).

Incentive refers to an inducement for a desired action (Hicks and Adams, 2003), Incentives are also defined by Palmer (2012) as the external temptations and encouraging factors that lead the individual to work harder; they are given due to the individual's excellent performance since he/she will work harder and produce more effectively when he/she feels satisfied in the institution. Incentives according to Banjoko (2006) are defined as awards given out when predetermined objectives have been attained within an organization. It can also be regarded as variable payments made to employees on the basis of the amount of output or results achieved. However, Azasu (2003) stated that incentives by definition may not be guaranteed but mostly contingent on performance.

Incentives is a force that cause employees to behave in certain ways and on any given day, they may choose to work as hard as possible at a job, to work just hard enough to avoid a reprimand, or to do as little as possible (Griffin, 2002) as cited in (Olubusay, Stephen,, Maxwell, 2014). Similarly (Nyakundi, et.al) explains incentive as something that intends to ignite one and or calls for greater effort to act in a given manner. Incentives are used by organizations in order to reach

certain goals, encourage a certain behavior and team-spirit for collective awards. Incentive systems are not universally applicable, but are likely to play a role in enhancing individual effort or performance where the conditions and the scheme designed are right (Manjunath and Rajesh, 2012).

Incentives are categorized into two group financial and non-financial incentives, The financial incentives consist of pay, bonuses, benefits, transportation facility, medical facility, health and life insurance and benefits like vacation, Profit sharing, gain sharing and non financial incentives consist of improving working conditions, recognizing good work through verbal recognition or praise-informal recognition like a “thank you” note-letter of recommendation or appreciation, public recognition, providing some services for the employees, organizing social activities in the work place, assigning challenging duties, feedback to employees (Bari, Arif & Shaib, 2013; Huttu, 2010; Oburu & Atambo, 2016; Sammer, 2011).

On the other hand, employee productivity as defined by Babalola (2014) is the achievement of specified task measured against predetermined or identified standards of accuracy, completeness, cost and speed. In Bahttt’s (2007) view, productivity can be considered as the measure of performance that combines efficiency and effectiveness together the ratio of output or production capacity or workers. The most important point here is that the performance of a business firm highly relies on the level of the employee’s productivity.

According to Murugesan (2012) Non-financial incentives such as improved working condition, performance feedback, training and development, promotion and recognition can change a person’s attitude in the workplace which itself brings a positive change in environment and also enhances employee productivity. When employees have positive attitude towards their job, they feel committed with the organization and get engaged in the work and results was effective output. And employee feels committed when they receive non financial incentives which also increases job satisfaction and motivate employees. Satisfied employees are more productive. So an organizations needs to revise their non-financial incentive plans to retain their employees.

The effect of non-monetary incentives on employee’s productivity has been proven. Lewis (2013) suggests that praise and recognition are effective ways of motivating employee behavior in the organization as they are considered the most important rewards. Aktar et al. (2012) contend that non-monetary incentives which are represented by recognition, learning

opportunities, challenging work and career advancement, have been found to be an effective tool in motivating workers and consequently increase their productivity. Adeb (2013) also concludes in his research that non-monetary incentives positively influence employee's job productivity.

Flintstone engineering the target company is one of the leading construction company in Ethiopia Flintstone engineering was established in 1991 its main business at the time was constructing buildings, roads. With increasing demand for construction service, Flintstone engineering has positioned itself in the industry to be one of the leading service providers of in the industry. Own. The business approach of Flintstone engineering is its work-first culture + quality operations management + responsiveness to challenge and change. The company has 250 employees and out of that 215 are permanent. Vision of the company is to see a steadfast transformation of the Ethiopian economy through construction development. The mission also states to be the leading recognized company in construction with an exceptional customer service. They uphold core values of integrity, excellence, performance, reliability and client focused to achieve goals while delivering quality product service.

Currently, the company provides incentives such as accident and life insurance, bonuses, medical insurance, transportation, cash indemnity, educational and training support, mobile expense, which is intended to motivate its employees towards a better performance a number of researchers confirmed both financial and non-financial incentives have a visible effect on employee productivity In line with this, this research intended to assess the effect of non-financial incentives such as recognition, work environment, promotion and performance feedback on staff productivity taking one of the leading construction firm i.e. Flintstone engineering.

## **1.2. Statement of the Problem**

Employees are the main force behind an organizations success and they need to be motivated through means such as incentives especially in today's business condition motivating employees to give their best is essential because of hard competition and economic uncertainties. When it comes to motivating employees the first thing that comes in employers mind is money or financial incentives such as bonus, commission, cash and so on also studies documented in their work that financial incentives are readily perceived as having high impact and none financial incentives have less impact on employees motivation. Even though non financial incentives are cost effective yet many organizations ignore them due to the long-established managerial belief that money is what really work, financial incentives are considered to be the only motivational factors and get priority over non financial ones. In a research done by gibbons (2006) it was stated that even employee's have satisfactory salaries and provided financial incentives, some non-financial incentives are more effective than extra cash in building long-term employee engagement and employee productivity in most sectors, job functions. This indicates that people have shifted from the notion that monetary incentive is the main form of incentive that motivates to be more productive.

Construction firms in Ethiopia as proved by some researchers (Melese, 2019 ; Shimelis, 2018) are known for their provision of compensation and benefit packages to survive the competition in the industry offering higher salaries, medical insurances, educational fees, and continuous job promotion are some of the incentives provided by construction firms however employees are not satisfied and are not productive as expected this indicates that there are other motivational factors that influence their job satisfaction which in turn negatively affect employee productivity.

Andrew, (2004).investigate the effect of non financial incentives on employees' productivity and found Psychological or intangible incentives (intrinsic) such as recognition and appreciation plays an important role in motivating employees and raising their productivity. Gohari et al. (2013) conducted study on the relationship between non-financial incentives and employee productivity in Malaysia and concluded that performance feedback and promotion have positive effect on employees' productivity. This indicates that there are limited local empirical studies on the effect of non financial incentives on employees' productivity. Therefore, this study was

intended to fill in on this existing knowledge gap by identifying the effect of non financial incentives on employees' productivity taking Flintstone engineering as a case company.

### **1.3. Research questions**

The study was guided by the following research questions

- How do employees of Flintstone engineering rate non-financial incentives offered to them?
- What is the link between non-financial incentives and staff productivity?
- To what extent non-financial incentives (recognition, performance feedback, promotion, and working condition) affect staff productivity?

### **1.4. Objectives of the study**

#### **1.4.1. General objective**

The general objective of the study is to investigate the effect of non-financial incentives on staff productivity at Flintstone engineering.

#### **1.4.2. Specific objectives**

Specifically the study has the following objectives

- To assess the extent to which employees of Flintstone engineering rate non-financial incentives offered to them.
- To investigate the link between non-financial incentives and staff productivity.
- To determine the effect of non-financial incentives (recognition, performance feedback, promotion, and working condition) on staff productivity.

### **1.5. Research Hypothesis**

Hypothesis is a tentative explanation that accounts for a set of facts and can be tested by further investigation. In order to address the objectives of the study and deal with the research questions, the following hypotheses were formulated.

H<sub>1</sub>= recognition has a significant positive effect on staff productivity

H<sub>2</sub>= performance feedback has a significant positive effect on staff productivity

H<sub>3</sub>= promotion has a significant positive effect on staff productivity

H<sub>4</sub>= working condition has a significant positive effect on staff productivity

## **1.6. Significance of the study**

Organization can be successful if they have qualified and competent work force who are motivated for work. Hence, owners and leaders have to be aware of that their employees are incentivized and motivated properly to bring the intended purpose of their organization, according to this the study will add important insights to the existing practices and based on the research findings the case company may improve its existing non-financial incentive practices. In addition the study will provide important information and serve as secondary data for further research on the topic.

## **1.7. Scope of the study**

The study was based on the employee productivity and non-financial incentives on construction sector in Addis Ababa. The conceptual scope of this study was in order to examine the effect of non-financial incentives on employee productivity at Flintstone engineering. Due to inadequacy of time the researcher geographical scope was bound to be concentrated only on single organization. Therefore, non-financial incentives and employee productivity in this study was focused on employees of this company in Addis Ababa. The dependent variable of this study was employee productivity. The independent variables are also limited to some non-financial incentives like; recognition, promotion, working condition, performance feedback. The study was survey in nature and the research was applied the quantitative research methods.

## **1.8. Limitation of the study**

The research focused only on employees of Flintstone engineering. Due to time and cost constraint the research fails to include more companies. The generalization of the result of this research is doubtful as the research focused only on a single company.

## **1.9. Operational Definitions**

The following operational definitions were used for the purpose of this study.

**Incentive:** Something that motivates employees to achieve certain objectives or meet a target.

**Rewards:** Recognition to employees for their achievements and contributions.

**Financial Incentives:** Money based rewards given when an employee meets or exceeds expectations.

**Non-financial Incentives:** A compensation given in a transaction which does not involve cash.

**Motivation:** The realization that individuals have needs or expectations that they want to meet.

## **1.9. Organization of the paper**

The study was divided into five chapters. Chapter one is the introduction part, which contains background of the study, statement of the problem, objectives of the study, research questions, significance of the study, scope of the study and organization of the research paper. Chapter two presents a review of the literature, with a focus on the theoretical & empirical literature. Whereas, Chapter three introduces the research methodology, which in turn includes the choice of research design, data type sources and collection. Chapter four presents the data analysis & results discussions of the study. Finally, Chapter five presents the conclusions and recommendations based on the study findings.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITRATURE**

#### **2.1 Theoretical literature review**

##### **2.1.1 Meaning and concept of Incentives**

The term incentives has been discussed by many academicians and researchers for instance, Palmer (2012) defines incentives as external temptations and encouraging factors that lead the individual to be satisfied and work harder, they are effective since the employee's will work harder and produce more effectively when they feels satisfied in the institution., Meridith (2015) defines incentives as any source or medium that encourages an employee or group of employee's to perform better and to exert more effort beyond expectations., Atambo (2013) stated that Incentive refers to something that intends to ignite one and or calls for greater effort to act in a given manner in addition defined incentives as both methods used by institutions to encourage employees to work with high spirits and as concrete and moral methods of satisfying the individuals' moral and material desires. And also Milton (2013) defines incentives as variable rewards granted according to variations in the achievement of specific results they are a stimulus to greater action he states that they may be used to incite action or greater effort.

According to the above definition of incentives given by different academicians it can be concluded that incentives are motivating factors that makes employee's more satisfied with their job and encourages them to work harder and put more effort on their work.

##### **2.1.2 Importance of incentives**

According to Locke and Braver (2008) incentives are essential because of the reason that employee's need to be recognized and appreciated for their hard work, appreciating people for their efforts by giving them incentives is a very significant factor in satisfying the internal desires of an individual. In addition they supported this by confirming that the individuals' own skills are not enough to let them work with high productivity unless there is an incentive system that encourages their internal motives and then leads very hardworking efforts.

According to Palmer (2012) Incentives are strategies employed by institutions to encourage staff to figure with elation and also as concrete and ethical methods of satisfying the individuals' moral and material wishes.

Arnold (2013) states the existence of incentives are important in organizations because incentives make employee's to behave in a certain way on any given day usually as hard as possible and also incentives helps to get maximum employee's productivity from the employee's and help retain the most productive and performing employee's.

However some writers did not agree on that providing incentive will always lead to positive outcome for instance (Kohn, 1993, Powell, 1998) indicate that incentives can undermine productivity and employee's productivity. When an employer offers incentive for employee's productivity, that employee's begin to perform the task for the external reward rather than for intrinsic reasons. Because of this, perceptions of self-determination is said to decrease. Motivation and quality of employee's productivity decline too. But some writers like (Cameron and Pierce, 1997). Oppose the argument that rewards undermine employee's productivity. This research found that, generally, people enjoy activities or tasks more when they receive incentives and the argument that incentives undermine employee's productivity and interest is not supported by the experimental data. It concluded that incentives could be used effectively to enhance interest and employee's productivity.

### **2.1.3. Types of Incentives**

According to Yavuz (2004) incentives are divided into two categories which are financial incentives and non-financial incentives. Non financial incentives further classified in to three: "Tangible Non-financial Incentives", "Social Non-financial Incentives" and "Job Related Non-financial Incentives. Non-financial incentives can take the form of improving working conditions, recognizing good work through verbal recognition or praise-informal recognition like a "thank you" note-letter of commendation/appreciation, public recognition (in a meeting, newsletter, bulletin board, employee of the month award etc.), providing some services for the employees, organizing social activities in the work place, assigning challenging duties etc. Consequently, the use of nonmonetary incentives may provide this variety to meet different individual needs and interests (Yavuz, 2004). Second, some non-financial incentives are related with the characteristics of the job such as encouraging the employees by providing them with autonomy in their job, assigning challenging duties, variety of tasks, giving more responsibility, growth opportunities such as training, promotion etc. Third, non-monetary incentives contain elements from the work environment such as consideration of group interactions and leadership

styles etc. providing feedback about performance, appreciating the good work, asking their ideas, greeting the employees are some of the non-financial incentives that fall under the title of work environment characteristics affecting employee performance (Yavuz, 2004).

#### **2.1.4. Types of non-financial incentives**

Non-financial incentives are those related to aspects of psychological needs, the increased attention to this aspect came after the emergence of human relations theories. Those incentives are based on respect of a human being who has feelings, hopes and aspirations. It could be in the form of participate in decision-making, training, career development (promotion) certificates of thanks and appreciation (Marwan, 2012). Specifically, the following are the major non-financial incentive schemes:

##### **Recognition**

Recognition refers to as "private or public praise, written notes of thanks, the use of recognition items or activities, etc., to thank, acknowledge or reinforce employees for their performance or desired behavior when it occurs at work"" (Hameed, 2013).

According to Pitts (2005) Recognition is the demonstration of appreciation for a level of performance, an achievement or a contribution to an objective. It can be confidential or public, casual or formal. It is always in addition to pay, Employees need recognition because it is a strong non-financial motivator. Some employees are just moved by the fact that their boss will always appreciate they do well and also encourage them when they face some challenges. Individuals also like to share their achievements with others and have it recognized and celebrated. When this need is satisfied, it works as an excellent motivator. If employers rely on a financial incentive alone to recognize contribution and achievement it is most possible that the employee's objective will become modified to secure the pay and nothing more and this in turn will lead to a degraded culture of the organization.

Recognition is the most familiar and influential tool that is being used in the organization to drive employee engagement (Sun, 2013). Sun (2013) further identifies three conditions that are necessary for the effective use of recognition tool. First, recognition should be used frequently; recognition needs to be provided every one week to employees so that they can feel valued. Second, recognition should be specific, and identifying what is recognized makes it meaningful

and critical. Third, rewards should take place shortly after the employee action that deserves recognition occurs as cited in (Adeeb, 2013).

Recognition as an incentive if used in an effective manner, it results in the performance of employees that is improved. In the real sense, workers have always taken recognition as part of what they feel; it results in improved work, which in turn leads to improved productivity in turn to an organization's efficiency

### **Performance feedback**

According to Hackman and Oldham (1980) performance feedback is the degree to which the individuals are provided direct and clear information about the effectiveness of their performance. Feedback is defined as a management process for the acquisition of knowledge as to what degree of efficiency and productivity it has brought to the work related activities of the employee and what sort of results these activities have yielded (kaymaz, 2011). Providing employees with feedback on performance can, according to Payne and Hauty (1955), serve the following two functions: (a) It can act as a directive to keep goal directed behavior on course; and (b) it can act as an incentive to stimulate greater effort among workers.

Effective feedback is critical to the success of each employee, team and company. It motivates employees to improve their job performance by enhancing ability, encouraging effort, and acknowledging results. If included in a managerial strategy and given consistently, effective feedback can reduce employee mistakes, enhance performance and increase efficiency within the workplace. It is therefore critical that managers seeking to increase productivity and reduce costs provide effective feedback to their employees. In order to be effective, feedback must be continual and should be part of a managerial strategy that includes goal setting and adequate rewards for performance

### **Promotion**

According to Pigors and Myers as cited by Murugesan (2012) „promotion is an advancement of an employee to a better job better in terms of greater responsibility, more prestige or status, greater skill”. Monappan and Saiyadain also defined promotion as, „the upward reassignment of an individual in an organizations hierarchy, accompanied by increased responsibilities, enhanced status and usually with increased income though not always so” as cited by Murugesan (2012).

In the view of (Robbins, 2008), upgrading is the progression of a worker's level or position in an organization's hierarchical order. Advancement in work might be an individual's motivation for a job well done. An event to promote an individual to a certain rank guarantees that individual employee is capable of handling the extra duties. Promotion chances are the degree of potential occupational mobility within an organization. Promotional chances also reduce turnover since an employee can stay on hopefully eyeing a vacancy. Promotion of staff is a motivator in the sense that an employee is satisfied even as he performs his duties.

Promotion in terms of a career, a promotion refers to the advancement of an employee's rank or position in a hierarchical structure. Job promotions usually include a new job title, a greater number of responsibilities and a pay increase (Mustapha and cha, 2013). Promotion incentive could inspire workers, especially who has abilities try their best to develop their knowledge and skills, to contribute more for their organization, and as a result this incentive benefits both employees and the organization. Normally, people consider promotions as good opportunities for themselves which could give them more benefits. By getting to higher positions they could have more chances to express and develop their capability which will in turn to give them more motivation to perform better (Mary, 2010).

### **Working condition**

According to Bezuidenhout (1994), working conditions refers to "the interaction of an employee with the physical work environment". Working conditions include physical conditions such as working tools, equipment, materials, and schedules. Psychological conditions include work pressure and stress, and physical layout refers to a clean and comfortable environment. Working conditions are created by the interaction of employee with their organizational climate, and includes psychological as well as physical working conditions. Therefore, the researcher adopted the definition of working conditions as follows: "Working conditions refer to the working environment and aspects of an employee's terms and conditions of Employment" (Gerber et al, 1998).

According to (Bacotic and Babic, 2013) the conditions under which a job is performed can be different - from those completely comfortable to those very difficult and dangerous to employees' life and health. Difficult working conditions can be influenced by: (1) external factors that include climate - meteorological conditions, temperature, humidity, drafts, lighting in

the workplace, noise and interference, gases, radiation, dust, smoke and other harmful factors; (2) subjective factors that include fatigue, monotony, etc.; (3) factors related to the organization of production such as duration of the work shift, work schedule, working time, work pace, excessive strain etc. Difficult working conditions influence employees' performances. It is therefore necessary to take measures to eliminate uncomfortable working conditions or, if not possible, to take appropriate safety measures. Safety at work is carried out to ensure working conditions without danger to life or health, or, to avoid accidents, injuries, occupational diseases and, or at least mitigate their consequences (Bacotic and Babic, 2013).

#### **2.1.4. Concept of Productivity**

According to Glen (2014), the manufacturing business is a dynamic faculty which faces new challenges every year. He further added that in principle all media houses continuously report the closure of industrial firms, the clashes between employers and employees, reduction of labor force because of recession and other economic variables. Consequently, the reputation of the manufacturing firms or industries has been destroyed by low pay, high turnover, inadequate working conditions, poor performance and productivity. The ILO, 2005 describes productivity as the amount of work accomplished in a unit of time because of the factors of the productivity. These factors comprise technology, capital, entrepreneurship, land and labor. Productivity is the connection between inputs and outputs and increases when there is more output with less input. In Baht's (2007) view, productivity can be considered as the measure of performance that combines efficiency and effectiveness together the ratio of output or production capacity or workers. The most important point here is that the performance of a business firm highly relies on the level of the worker's productivity. Yesufu (2000) on the other hand suggested that effectiveness and efficiency are the main determinants of a country's prosperity and the social and economic well-being of its citizens. Similar with the aforementioned definitions, productivity is the overall increase of efficiency or capacity to convert inputs (raw materials) into end products or services.

In a nutshell, it is a measure that shows to what extent the essential resources are implemented to reach the specific objectives regarding the quantity and quality within a given time frame. It is

appropriate in evaluating the actual output obtained in comparison with the input used taking the time into account. For efficiency, time and resources are the main factors to accomplish a certain task. In general, it is possible to conclude that efficiency and effectiveness are the determining factors for productivity.

### **2.1.5. Employees productivity**

According to Armstrong (2000) Employee productivity is an assessment of the efficiency of a worker or group of workers. Productivity may be evaluated in terms of the output of an employee in a specific period of time. Typically, the productivity of a given worker will be assessed relative to an average for employees doing similar work. Because much of the success of any organization relies upon the productivity of its workforce, employee productivity is an important consideration for businesses. In short, productivity is what comes out of production. Managers of every business organization are charged with the responsibility to motivate their employees to achieve organizational goals. Most organizations wonder how they can sustainable performance among its employees. This means looking at what can be done to encourage the employees to give their best though various reward systems in whatever work they do in the organization. Productivity sustenance is therefore a concern that many organizations are looking at addressing via various means so that employees can still remain productive in the long term. Performance management therefore needs to be tested in any particular setting taking into consideration how individuals in any particular organization are motivated and the extent to which they are most effective for a particular organization. Thus it is on this basis that the study aims to determine the effect of performance management practices on employee productivity with a focus on Schindler Limited.

Mcnamara (2003) also suggested that productivity can be measured in regards to quality, quantity, time and cost. In his further statement, assessing productivity is concerned with measuring how much time an average employee spends on producing a specific output/result.

### **2.1. 6. The Relationship between Non-Financial incentives & Employee productivity**

Non-financial incentives may include higher status, recognition, more responsibility, positive feedback, and more assertiveness. In hindsight, recognition is one of the main significant non-

financial incentive that is specifically valued by some staffs. In this regard, being noticed and valued can be a majestic motivator which encourages workers to stay with a manager Frey, (1997). Although the financial incentives enhance a subsistence level, the non-financial ones are strong motivators just as much. In fact, staffs need to be motivated by intrinsic rewards such as being satisfied by doing an effective job and a feeling to do something valuable and worthwhile. However, both financial and non-financial incentives stimulate the employees to have higher levels of performance and productivity Armstrong (2007). Overall, intrinsic motivation, obtained from person or its movement, impacts the performance and the well-being feeling. Roberts (2005).

On the other hand, other incentives should not be noted as a substitution for a valid pay plan. However, they can also motivate and inspire employees to stay with the firm. Some of these incentives are additional birthday and holidays presents, work-life balance benefits (e.g. flexible working hours, free tea and coffee, cinema tickets, and subsidized different sport facilities, subsidized services or goods related to business networks or suppliers). These benefit types are valued by staffs since they enhance the working life. Furthermore, incentivizing the employees\_ attempts and causing them to feel appreciated was add value to the hiring contract. In fact, researchers should consider the outcomes that the incentives may cause for both employee and employer. To redefine intrinsic rewards, remember that they exist in the job itself like satisfaction of being prosperous in performing a task, getting admiration from management, and autonomy (Ajila & Abiola, 2004).

Relevantly, the self-determination theory is derived from the work of Tausif, M. (2012). They assume that self-determination is obtained by an intrinsic motivation, which means that it gives satisfaction to the person without any paying. Motivation is the study of behavior principles; and behavior indicates the attempt to perform situation adaptation (Franken, 2002). In this regard, Franken mentioned that employees have an intrinsic motivation to overcome and survive. If the logical mind investigates a situation and finds it out to be unthreatening, the brain shuts down the emotional response; and if the environmental situations are recognized to be relaxed, then he/she feels no need to reply, react, and defeat. Arguably, a person requires sufficient incentive to develop the internal motivation to do something else. Additionally, the author states that incentivizing for having better performance or behavior is an external reward or

motivation. While, those incentives, similar to the viewpoint of reaching one's job height, develop an intrinsic motivation to accomplish more. Then, the individual designs a path or action plan to realize that objective. In addition, the emotions role is to enable individuals to develop one's situation and view, and to create steps for feelings of stimulation to perform better. Emotions guide people to effective experiences like displeasure or pleasure. They also assist a person to form a cognitive clearance for cause and effect. Additionally, they influence people's heartbeats and otherwise they were affecting negatively on health and situations. Moreover, emotions are good drivers for an individual as behavioral alternatives, such as adaptive, expressive, or goal-directive treatments. Goal-directive behavior is the association between emotion, internal motivation, and improved perform. The emotional motivation requires the development of an individual and the specialized relationship (Hiam, 1999).

### **2.1.6. Related Theories**

Several theories explaining the effects of incentives on employees have been offered. These four theories represent the predominant explanations offered for the effects of incentives on effort direction, perception, duration, and intensity. The theories are expectancy theory, equity theory, agency theory (via expected utility theory) and goal-setting theory.

**Expectancy theory** (Vroom, 1964) proposes that people act to maximize expected satisfaction with outcomes. Expectancy theory posits that an individual's motivation in a particular situation is a function of two factors, the expectancy about the relationship between effort and a particular outcome (e.g. a certain level of pay for a certain level of performance), referred to as the "effort-outcome expectancy" and the valence (attractiveness) of the outcome. The motivation created by these two factors leads people to choose a level of effort that they believe will lead to the desired outcome.

**Equity theory** (Adams, 1963) suggests that employee perceptions of what they contribute to the organization, what they get in return, and how their return-contribution ratio compares to others inside and outside the organization, determine how they perceive their employment relationship to be. Perceptions of inequity are expected to cause employees to take actions to restore equity. Unfortunately, some such actions (e.g., quitting or lack of cooperation) may not be helpful to the organization.

**Agency theory** (Baiman, 1982, 1990; Eisenhardt, 1989), via its assumption that individuals are expected utility maximizers, adds further structure in explaining the effects of incentives on effort. Specifically, a fundamental assumption of agency theory is that individuals are fully rational and have well-defined preferences that conform to the axioms of expected utility theory. Further, individuals are presumed to be motivated solely by self interest, where self-interest is described by a utility function that contains two arguments: wealth and leisure. Individuals are presumed to have preferences for increases in wealth and increases in leisure. Thus, incentives increase an individual's desire to increase performance and concomitant pay. In turn, this desire motivates individuals to exert costly effort because increases in effort are presumed to directly lead to increases in expected performance.

**Goal-setting theory** (Locke & Latham, 1990) proposes that personal goals are the primary determinant of immediate precursor to effort. In other words, personal goals are the stimulant of the incentive induced effort increases described above. In particular, research indicates that specific and challenging personal goals lead to greater effort than goals that are vague or easy or no goals at all. Challenging goals lead to greater effort than easy goals simply because people must exert more effort to attain the goal. While goal-setting theory allows for expectancies to affect personal goals, evidence shows that assigned goals have a much larger effect on personal goals than do expectancies. Consequently, goal-setting theory provides a description of the effect of incentives on effort that goes beyond their effects on expectancies and outcomes.

## **2.2. Empirical Review Related to the Study**

### **2.2.1 Employee recognition and productivity**

Manzoor (2011) studied the impact of employee motivation on organizational effectiveness in Pakistan. The study sought to analyze the factors that increase motivation of employees and the relationship of employee motivation and organizational effectiveness. The researcher found out that recognition and empowerment increased employee motivation and hence their productivity. Recognition plays an essential part in enhancing employee motivation towards organizational tasks. Appreciating the employees for their work done and giving them participation in decision making, they will be internally satisfied with their job, and organizational environment. Thus their enthusiasm and motivation towards accomplishment of tasks increases.

Gohari et al. (2013) conducted study on the relationship between rewards and employee productivity in Malaysia. Their research focused on the relationship between intrinsic motivation factors such as recognition and extrinsic factors like salaries, bonuses and commission on employee's productivity of Persian Travel firms as the target sample. Their findings showed that it is better to have a good reward system in the organization and evaluate it on the employee productivity.

Aourzag and Rajaa (2014) did a study on the contribution of recognition to the motivation of the Moroccan public service managers in Morocco. The researchers aimed at finding if there is a positive relationship between recognition and motivation of public service managers. The researchers used exploratory-oriented methodology in order to test the nature of the relationship between the practices of symbolic recognition and managers' motivation in the public service. They conducted an empirical study by means of questionnaires. Their findings showed that correlation and regression analysis allowed them to confirm their main research hypothesis that recognition practices at work are positively associated with motivation. They concluded the recognition is a determinant factor for motivating public service managers.

### **2.2.2 Performance feedback and productivity**

According to Solmon & Podgursky (2010) Effective performance feedback between employees and supervisors is the key to successful organization productivity. Regular feedback helps employees focus their work activities so the employees, the department, and the organization to achieve their goals. It builds accountability, since employees and supervisors participate in developing goals, identifying competencies, discussing career development and employee motivation. However, there are some organizations that fail to provide feedback (Jackson & Schuller, 2012). Although a few managers may intentionally hold back employee feedback, many are overwhelmed with other management tasks that take up their valuable time. In addition, many organizations lack formal evaluation systems or the managers do not apply the systems that are in place (Banket, 2011).

The lack of feedback also leaves good employees unrecognized. Even poor performance may not be given adequate feedback (Solmon and Podgursky, 2010). Many managers often are uncomfortable giving negative feedback to employees. This leads to significant problems where the organization finds itself at a crisis point. Further exacerbating the feedback dilemma is the

lack of an organized feedback system in many organizations (Salau, Oludayo & Omoniy, 2014). Becoming frustrated with traditional performance appraisal systems, many companies have abandoned them altogether and feedback has become a hit or miss proposition. In doing so, feedback has become sporadic and unpredictable (Jackson & Schuller, 2012).

### **2.2.3 Promotion and employee productivity**

A number of studies such as Prowse and Prowse (2009); Macey, Schneider, Barbera and Young (2009) have pointed that employees get motivated to work when they get frequent promotions and becomes more productive

On the other hand, some researches revealed that employee promotion may actually serve to decrease productivity due to a lack of continued extrinsic incentives. Moulder (2011) explains that once an employee receives a promotion to indicate that they have achieved the desired goal. The potential for improved productivity may be limited once a goal is achieved because there is little inspiration to continue improving on their productivity (Derven, 2010). Factors such as employee personality and level of integrity play an important role in continued or improved productivity (Jackson & Schuller, 2012).

### **2.2.4 Working conditions and employee productivity**

Aisha et al. (2013) conducted a research on the effects of working ability, working condition, motivation and incentives on employee multi-dimensional productivity in Indonesia. The results showed that working conditions, incentives and motivation had a statistical significant effect on employee productivity. The findings also revealed that workload, facilities, and expectancy had a negative effect on employee productivity. Meanwhile, working group, salary, job security, achievement, fairness, and goals had a positive effect on employee productivity. Also the result showed that there is a significant effect between variables working conditions (workload and facilities) and productivity (quality and quantity of work and level of attendance). Swalhah et al. (2013) carried out a study on the relationship between job stress and job productivity in Jordan. The objective of this study was to find if there was any significant relationship between the internal work stress (role conflict, physical working conditions, and job security) and job productivity. The Primary data for this study was gathered through questionnaire and the data obtained was analyzed using SPSS. The statistical methods included descriptive statistics. The findings showed that stress exists in every organization either big or small, with work places and

organizations becoming more complex. Work place stress has a significant effect over the employee job productivity. They found a statistically significant relationship between work stress and productivity in the internal work stress areas of working conditions and the lack of connections to role conflict and physical working conditions.

A study carried by Ali et al. (2013) sought to investigate the effects of working condition especially working hours and Workload on employee's productivity and whether there is a relationship between working condition and employee's productivity manufacturing industry in Mogadishu, Somalia. The study found out that, in order to get better outcomes and increased productivity, there should have been a better workplace environment.

Better physical environment were seen as boosting the employees and ultimately improving their productivity. Yesufu (1984)'s study on the dynamics of industrial relations and the nature of the physical condition in Nigeria, employees work argues that, employees working in offices and factories that are too hot and ill ventilated get debilitated of their efforts. There should be enough supply of good protective clothing, drinking water, rest rooms, toilets, first aids facilities etc Both the management and employers should be safety conscious at all times and the organizations must respect minimum requirement of the factory.

### 2.3 Conceptual framework

The following diagram shows the dependent and independent variables considered by the researcher. The researcher want to see the relationship between these variables and employee productivity and want to know the effect of this variables have on employee productivity. Employee productivity is highly influenced by both financial and non financial incentives. Though, different organization considers only financial incentives as an important factor to motivate employees and improve their productivity. Therefore, the researcher wants to assess the effect of these non financial incentive variables on employees productivity.

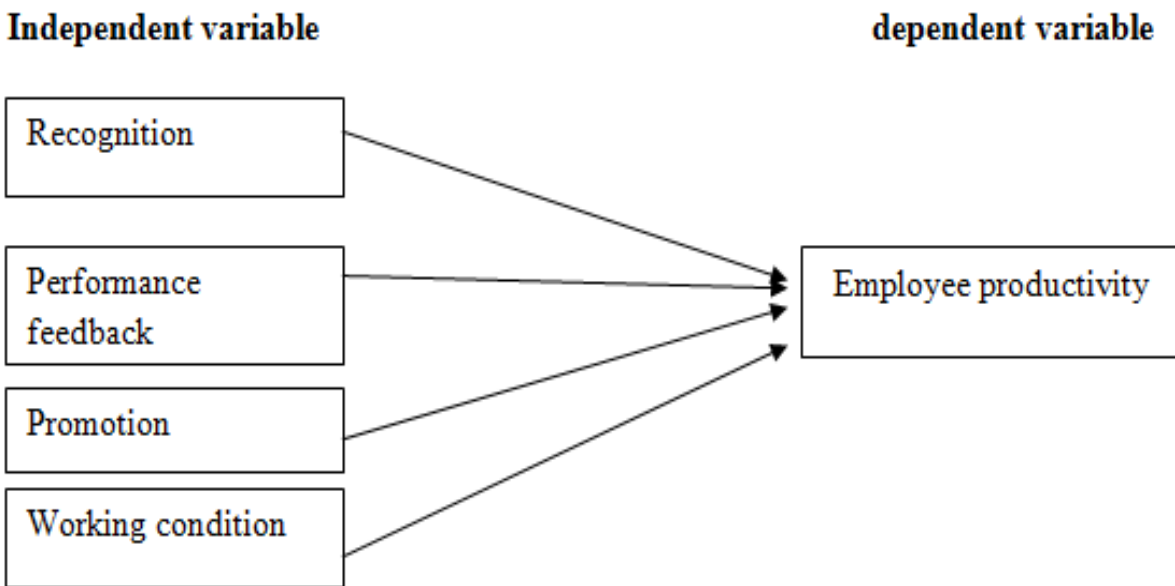


Figure 1. Conceptual framework for analysis of dependent and independent variable

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

The research methodology comprises of topics related to how the research is carried out with respect to research design and methodological grounds. It commences laying out the research design and approach following sampling techniques and procedures to be used to collect the data, along with methods of analysis. The reliability and validity of the research and ethical considerations are also addressed in this chapter.

#### **3.1. Research Approach**

The study was conducted as a quantitative study approach to research in order to depict the effect of non- financial incentives on employee productivity. According to Burns and Grove (1993), quantitative survey is the most appropriate one to use if the purpose of an investigation is to describe the degree of relationship which exists between the variables. Besides, it also helps in examining and describing the interactions among the variables. Therefore, employees of Flintstone engineering are used as the statistical population. The choice of this approach is determined by the fact that this study has attempted to answer questions about the relationship between non-financial incentives and employee productivity.

#### **3.2. Research design**

The purpose of the study is to assess and examine the effect of non-financial incentives on employee productivity. The study is a survey in which data was collected from the targeted population. According to Singh (2006), research design is essentially a statement of the object of the inquiry and the strategies for collecting the evidence, analyzing the evidences and reporting the findings, with the view to address its objectives, the study will use a quantitative method.

The research conducts two research designs these are descriptive and explanatory research designs. A descriptive research design were applied to describe the data and characteristics of the samples in order to understand and systematically describe the non-financial incentive practice of the case organization and also to identify the most influential variables that affect employee's productivity. On the other hand, explanatory research was conducted to get an understanding and identification of the study variables. A research that focuses primarily on the construction of quantitative data follows a quantitative method. The researcher were not going to

develop theories nevertheless to test research hypothesis that demand the researcher to use numerical data which is one of the characteristics of a quantitative method.

### **3.3. Target Population and Sample Size Determination**

#### **3.3.1. Target Population**

The target population for the study consists of the whole staff of Flintstone engineering according to The latest information regarding the total number of employees is that the company currently have 215 employees.

#### **3.3.2. Sample Size**

Sampling is the process of selecting a number of study units from a defined study population (Zikmand, 2010). In order to determine the sample size of the population Yemane's formula (1967) was used. This formula is reliable to 95% and less than 5% deviation factor.

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

Indicates that

n = is the required sample size

N = is the target population size

e = deviation of sampling

$$= \frac{215}{1+215*(0.05)^2}$$
$$=140$$

Thus, 140 is the sample size

The researcher used simple random sampling technique so that all population has equal chance of responding.

### **3.3 source of data**

To get an image of the present situations of employee productivity and the effect of non-financial incentives on employees' productivity, primary data was collected from respondents which are employees at Flintstone engineering in the form of structured questionnaire. Secondary data was

used which are collected from books, journals and previous researches as well as HR policy manual and other publication of the area.

### **3.4. Data collection instruments**

The data collection instrument for this study is a questionnaire which was designed using the variables identified as important for meeting the research objectives. This instrument is chosen for data collection because of its suitability in having a sufficient time for the respondents concerned adequately fill the form. The questionnaire was designed to include structured questions. Structured questionnaires are preferred for the ease of creating, coding and interpreting the addressed questions. According to Kothari (2004) structured questionnaires are simple to administer and relatively inexpensive to analyze. The structured questionnaires are reliable in that everyone in the sample was asked the same question and answers exactly the same way. The questionnaires contain closed ended questions. The closed ended questions were designed so that the choices are measured in Likert-Scales containing five choices which ranges from strongly disagree to strongly agree. The questions were intended to measure the perceptions, the effect and relationship between Non-financial incentives and employee productivity the questionnaires were developed in English and easy language was used so that every respondent can understand the questions. The questions were gathered from previous studies conducted in similar areas and the necessary amendment was made in relation to the topic under study. The questionnaires were personally distributed to the respondents.

### **3.5. Methods of data analysis**

Data analysis is the process of bringing order, structure and meaning to the mass of information gathered. After collecting all the necessary data, these data are coded and edited, analyzed and rephrased to eliminate errors and ensure consistency. Data collected from the respondents were entered into a computer and was analyzed with the use of statistical packages for social scientists (SPSS) Version: 20, which assist to summarize the coded data and expedited data analysis. Data collected from the questionnaires were carefully analyzed, summarized and interpreted by using both descriptive and inferential statistics. The descriptive statistics include frequencies and percentages, these was used to present the demographic characteristics of the respondents and incentive schemes practices part of the questionnaires in a summarized manner. Inferential statistics was computed and used to come up with conclusion on how representative was the

sample to tale about the relations between non-financial incentives (independent variables) and employee productivity (dependent variable) were made by using Pearson product- Moment Correlation Coefficient and Multiple regression analysis for the other two objectives that is determining the relationship of non-financial incentives with employee productivity and the effect of non-financial incentives on employee productivity. Hypothesis testing was conducted at 95% confidence intervals and eventually, findings, conclusions and recommendations are drawn from the entire population.

Regression analysis was carried out to determine effect of non-financial incentives on employees' productivity. The study focused on the following dimensions of independent variables, recognition, promotion, working condition, performance feedback and the employees' productivity which is a dependent variable which are measured by a five point Likert scale. The relationship between the dependent variable and the independent variables are expressed as a linear combination of the independent variables plus an error term. The multiple linear regression models are specified as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where

Y =Employees productivity

$\beta_0$  = Constant,  $\beta_1$  to  $\beta_5$  = beta coefficients

X1= Recognition

X2= Promotion

X3= Performance feedback

X4= working condition

E = error term

### **3.6. Variable clarification**

#### **Dependent variable**

**Employee productivity:** - productivity can be considered as the measure of performance that combines efficiency and effectiveness together the ratio of output or production capacity or workers.

#### **Independent variables**

**Recognition:** - Recognition is the demonstration of appreciation for a level of performance, an achievement or a contribution to an objective.

**Promotion:** - is the upward reassignment of an individual in an organizations hierarchy, accompanied by increased responsibilities, enhanced status and usually with increased income.

**Performance feedback:** - is the degree to which the individuals are provided direct and clear information about the effectiveness of their performance.

**Working condition:** - is the interaction of an employee with the physical work environment. Working condition includes physical conditions such as working tools, equipment, materials, and schedules.

### **3.7. Validity and reliability**

#### **3.7.1 Validity**

Validity is the extent to which an instrument measures what it is supposed to measure and performs as it is designed to perform (Kothari, 2004). Content validity seeks to test precisely the eligibility or otherwise of the constructs in the questionnaire. In this study, the content validity was based on the literature review, instruments used in previous researches and on comments & opinions of the advisor who examine the items Amendments are made according to the mention and also there was a pilot test Prior to distributing the questionnaires.

### 3.7.2 Reliability

To evaluate the research instruments, reliability is one of the major criteria. Reliability estimates the consistency of the measurement or simply, the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects (John, 2013). Reliability of the data collection instrument involves the consistency of the result obtained with the instrument. Cronbach's alpha was used to assess the internal consistency of variables in the research instrument. Cronbach's alpha is a coefficient of reliability used to measure the internal consistency of the scale; it represented as a number between 0 and 1. Scales with coefficient alpha between 0.6 and 0.7 indicate fair reliability according to (Zikmund, 2010). So, for this study, a Cronbach's alpha score of .70 or higher is considered adequate to determine reliability. The result was found to be in the acceptance range as alpha of each of the five items is greater than 0.7. that indicates acceptability of the scale for further analysis since all the five items which are recognition, promotion, performance feedback, work environment and employee productivity attributes were above 0.7.and The reliability score of the construct yield a Cronbach's alpha of 0.861 as shown in Table 3.1 below.

**Table 1 Reliability Test**

	N	Cronbach's Alpha
Recognition	5	.877
Promotion	5	.874
Performance feedback	6	.830
Working condition	5	.869
Employee productivity	5	.875
Total	26	.861

Source: SPSS data analysis output

### **3.8. Ethical consideration**

Ethical considerations are very important and should be seriously considered before pursuing any research study. For that reason, participants for this study are informed about the purpose of the research and were assured that their responses will be kept in confidence and any information they provide is only going to be used for the purpose of the study. Respondent only participate in the research after they decided to do it willingly. Any information they have provided were not changed or corrupted. And the questionnaires are also completed without revealing the identity of the respondents. Data collection was performed without the interruption on the job process of the respondents.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

This chapter covers the analysis of the collected data and their interpretation the first part of this chapter presents demographic characteristics of the respondents such as gender, age, education level, experience and salary scale and the second part presents the analysis of responses in each questions in the questionnaire which are related to the objective of the study which is the effect of non- financial incentives on staff productivity.

A total of 140 questionnaires were distributed for permanent employees of Flintstone engineering and 140 questionnaires were filled and returned which is 100% of the total distributed questionnaire. The collected data were analyzed using descriptive and inferential statistics by SPSS version 20 software.

#### 4.1 Demographic characteristics of Respondents

The demographic information of respondents is presented in table 4.1 these include gender, educational level, work experience and salary scale of the respondents.

**Table 2 Summary of Demographic Profile**

Characteristics	Category	Frequency	Percent (%)
Gender	Male	101	72.1%
	Female	39	27.9%
	Total	140	100%
Age	18-25	9	6.4%
	26-35	29	20.7%
	36-45	19	56.4%
	Above 46	23	16.4%
	Total	140	100%
Education level	Certificate	0	0.0%
	Diploma	4	2.9%
	BA/BSC Degree	2	1.4%
	Masters degree	73	43.6%
	Above masters	61	52.1%

	Total	140	100%
Experience	1-5 years	20	14.3%
	6-10 years	4	2.9%
	11-15 years	40	28.6%
	more than 15 years	76	54.3%
	Total	140	100%
Salary	Below 3,000 birr	8	5.7%
	3,001-5000 birr	10	7.1%
	5,001-8,000 birr	75	53.6%
	8,001-11,000 birr	27	19.3%
	above 11,000 birr	20	14.3%
	Total	140	100%

As shown in the above table, 101 of the respondents were male which represents 72.1% of the total respondents, while 39 were females which are 27.9% of the total respondents. Considering educational background 4 respondents have diploma, 73 respondents have BA/BSC Degree, 61 respondents have Masters, and 2 respondents have above Masters which represents 2.9%, 52.1%, 43.6% and 1.4% of the respondents respectively this shows that most of the respondents have BA/BSC degree. Considering the years of work experience group of the respondents, the higher number of the respondents has the experience of 6-10 years, which represents 54.3%, followed by 11-15 years of work experience and 1-5 years of experience, which represents 28.6% and 14.3% of the total respondents respectively the lowest number of respondents have more than 15 years which represents 2.9% of the total respondents this implies that most of the respondents are well experienced. Considering the salary scale of the respondents 8 respondents are earning Below 3,000 birr representing 5.7% of the total respondents, 10 respondents are earning 3,001-5000 birr representing 7.1% of the total respondents, 75 respondents are earning 5,001-8,000 birr, 27 respondents are earning 8,001-11,000 birr and 20 respondents are earning above 11,000 birr representing 53.6%, 19.3% and 14.3% of the total respondents respectively. This shows that most of the respondents are earning 5,001-8,000 birr.

## 4.2. Descriptive Analysis of the Study Variables

To achieve the objectives, a total of 25 questions were grouped into the five dimensions which are recognition, promotion, performance feedback, working condition and employee productivity 5 questions were designed for each variable except performance feedback which has 6 questions a total of 26 questions were used to carry out the analysis. To compare the respondents' perception towards the variables frequencies, percents, mean and std. deviation were used. The analysis was made using mean value according to Zaidation & Bagheri(2009) the mean score below 3.39 is considered as low, the mean score from 3.40 up to 3.79 is considered as moderate and the mean score above 3.8 is considered as high.

### 4.2.1. Recognition

Recognition is the demonstration of appreciation for a level of performance, an achievement or a contribution to an objective, Individuals like to share their achievements with others and have it recognized and celebrated. When this need is satisfied, it works as an excellent motivator which leads employees to higher productivity When used correctly recognition is a cost-effective way of enhancing achievements and enable people to feel involved in the company culture (Pitts et al , 2005). According to these, the respondents reacted on the recognition practices of the company as follow. The purpose was to know how employees rate the recognition practice in the company.

**Table 3 Descriptive Statistics of Recognition**

NO	Statement	Mean	Std. Deviation
1	Employee's performance gets Recognized in the company on a continuous basis.	3.63	0.68
2	The organization grants certificates of appreciation for efficient employees.	3.56	0.59
3	Employee Recognition made for high performers motivated others to perform more.	4.35	0.96

4	Immediate rewarding of employee for registering best performance helps them to work harder and become more productive.	4.37	0.81
5	My superior adequately appreciates my effort at work.	3.48	0.76

The above table shows that the respondents agreement level is moderate to that the case company recognizes employees performance on continuous basis the respondents also moderately agree that the company grants certificate of appreciation for efficient employees with a mean value of 3.56, respondents highly agreed that employees recognition made for high performers motivated others to perform more. Respondents also agreed highly that immediate rewarding after they perform best motivates them to work harder and became more productive. Respondents moderately agreed that their supervisor adequately appreciates their effort at work. According to the above table it can be concluded that there is a good recognition practice in the company as indicated by the respondents and recognition motivates employees to put extra effort on their work.

#### **4.2.2. Promotion**

A promotion refers to the advancement of an employee's rank or position in a hierarchical structure. Job promotions usually include a new job title, a greater number of responsibilities and a pay increase Promotion incentive could inspire workers, especially who has abilities try their best to develop their knowledge and skills, to contribute more for their organization, and as a result this incentive benefits both employees and the organization. Normally, people consider promotions as good opportunities for themselves which could give them more benefits. By getting to higher positions they could have more chances to express and develop their capability which will in turn to give them more motivation to become more productive (Mary, 2010). Based on these facts, the respondents reacted on the promotion practices of the company as follow. The purpose was to know how employees rate the promotion practice in the company.

**Table 4 Descriptive Statistics of Promotion**

NO	Statement	Mean	Std. Deviation
1	There are enough promotion possibilities to stimulate me to be more productive.	2.06	1.04
2	When an employee performs well consistently they are promoted to next level.	2.21	1.07
3	Most of the job promotions are reasonable.	2.10	0.94
4	Promotions are openly communicated to employees.	2.15	1.00
5	There is an increasing responsibility within my job.	1.97	1.12

According to the above table respondents agreement level is low that there are enough promotion possibilities which stimulates them to be more productive, respondents agreement level is also low that when employees performs well they are promoted to next level it was indicated by most of the respondents that job promotions in the company are not reasonable with mean value of 2.10 which is low. Respondents agreement level is also low with the mean value of 2.15 that promotions made in the company are openly communicated with employees, most of the respondents did not agree that there is an increasing responsibility in their job. From the above table it can be concluded that there is poor promotion practice in the company that respondents' agreement level towards questions listed under promotion is low.

### **4.2.3. Performance feedback**

Providing employees with feedback on performance can, according to Payne and Hauty (1998), serve the following two functions: (a) It can act as a directive to keep goal directed behavior on course; and (b) it can act as an incentive to stimulate greater effort among workers. Effective feedback is critical to the success of each employee, team and company. It motivates employees to improve their job performance by enhancing ability, encouraging effort, and acknowledging results. If included in a managerial strategy and given consistently, effective feedback can reduce

employee mistakes, enhance performance and increase efficiency within the workplace. It is therefore critical that managers seeking to increase productivity level of employees provide effective feedback to their employees. According to these, the respondents reacted on the performance feedback practices of the company as follow. The purpose was to know how employees rate the performance feedback practice in the company.

**Table 5 Descriptive Statistics of Performance feedback**

NO	Statement	Mean	Std. Deviation
1	Performance feedback standard in the organization are reasonable.	4.15	0.68
2	Employees of the company receive regular job performance Feedback.	3.60	0.58
3	Immediate supervisor evaluates employee's performance fairly.	3.83	0.78
4	The organization genuinely addresses employees post performance feedback complaints.	3.73	0.84
5	The superior's feedbacks are accepted by employees.	3.50	0.77
6	Performance feedback leads employees to better performance.	4.11	0.66

According to the above table respondents highly agreed with a mean value of 4.15 that performance feedback standards in the organization are reasonable they moderately agreed with a mean value of 3.6 that they receive regular job performance feedback, the respondents also moderately agree that immediate supervisors evaluate their performance fairly. Respondents highly agree that the organization genuinely addresses their post performance feedback complaints they moderately agree that the superiors' feedbacks are accepted by employees and performance feedback leads employees to better performance. From respondents level of agreement for the questions under performance feedback it can be said that there is a reasonable

feedback standard in the organization where employees get regular performance feedback, supervisors evaluate employees performance fairly and the performance feedback employees get from superiors leads them to perform better.

#### 4.2.4. Working condition

A positive working condition which is having convenient working hours, felling free in performing duties and having well furnished offices guarantees the interests of workers which invariably will encourage them to apply themselves to their responsibilities with a high level of morale which may transform into higher productivity (Akinyele, 2007). Based on these facts, the respondents reacted on the working condition practices of the company as follow. The purpose was to know how employees rate the working condition practice in the company.

**Table 6 Descriptive Statistics of working condition**

NO	Statement	Mean	Std. Deviation
1	There is a positive working condition in the company that leads me to perform well on my job.	2.05	1.03
2	I am happy that the company provided me well furnished offices.	2.22	1.06
3	The working hours are convenient for me.	2.10	0.94
4	I have more freedom in performing my duties.	2.15	1.01
5	I have access to discounted services.	1.99	1.12

Table 4.5 shows that respondents agreement level is low with a mean value of 2.05 that there is a positive working condition in the company that leads them to perform well on their job, the respondents agreement level is also low that the company provided them well furnished offices this indicates that most of the respondents are not happy about the company offices. The respondents' agreement level is also low that the working hours are convenient for them and they have access to discount services most of the respondents agreed that they do not have more

freedom in performing their duties. According to the response of the participants towards working condition it can be concluded that the working conditioned of the company are very poor that all of the questions under working conditions have low agreement level which is between 0.94 to 1.12.

#### 4.2.5. Employee productivity

The productivity of workers contributes directly to an organization's level of effectiveness, efficiency and the achievement of administrative goals at large (Jennifer, 2006). Employees' level of productivity is reliant on the extent at which workers believe certain motivational desires should be fulfilled. Based on this assumption, the respondents reacted on the Relationship between non-financial incentives and their level of productivity as follow. The purpose was to understand how important non-financial incentives are to be more productive in employee's opinion.

**Table 7 Descriptive Statistics of Employee productivity**

NO	Statement	Mean	Std. Deviation
1	As long as there is a good recognition practice in the company I will be more productive.	4.00	0.68
2	A positive working condition makes me more productive.	3.89	0.64
3	Continuous Performance feedback helps me to improve my performance.	4.55	0.59
4	A Job promotion motivates me to do more.	4.43	0.68
5	Non-financial incentives encouraged me to exert more effort and improve my productivity.	4.00	0.73

The findings on table 4.6 revealed that most of the respondents agreed that they will be more productive if there is a good recognition practice in the company and also they moderately agree with a mean of 3.8 that positive working conditions make them more productive. Most of the respondents (mean 4.55) agreed that continuous performance feedback helps them to improve their performance also they highly agree that a job promotion motivates them to do more. Respondents highly agree that non financial incentives encouraged them to exert more effort on their job and improve their productivity. From the above analysis it can be concluded based on respondents' perception that non-financial incentives such as recognition, promotion, performance feedback and working condition leads employees to be more productive.

#### 4.4. Correlation analysis

The Pearson's Correlation Coefficient was computed to determine the relationship between recognition, promotion, performance feedback and working condition with employee productivity. It is functional in showing relationship among variables. The Pearson Correlation Coefficient reveals strength of the relationship (-1.0 to +1.0) and either as positive or negative correlation between two variables (Bazezew, 2017) presented five classical rules for interpreting the coefficient of correlation between two variables=0 to 0.20 shows negligible or no correlation; r=0.21to 0.40 shows positive but low degree of correlation=0.41to 0.60 shows positive moderate degree of correlation=0.61 to 0.80 shows positive and marked degree of correlation= 0.81 to 1.00 shows positive and high degree of correlation.

**Table 8 Correlations Matrix among Variables of the Study**

	Recognition	Promotion	Performance Feedback	Working Condition	Employee Productivity
Recognition	1				
Promotion	.555**	1			
Performance Feedback	.281**	.266**	1		
Working	.216**	.216**	0.074	1	

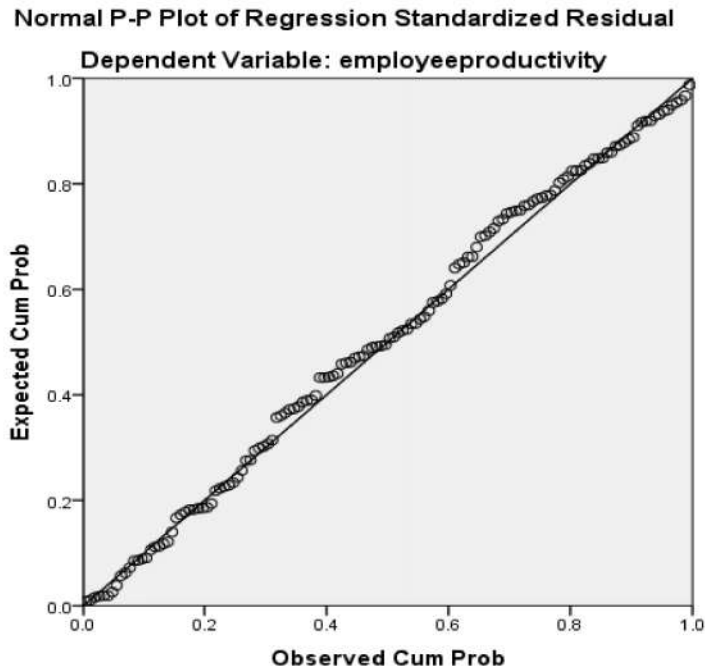
Condition					
Employee Productivity	.482**	.674**	.367**	.408**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

From the first correlation analysis, between recognition and employee productivity ( $r=0.48$ ,  $p<0.01$ ). This indicates that recognition and employee performance has a positive moderate degree of correlation at P value  $< 0.01$ . Also there is a positive and marked correlation between promotion and employee productivity ( $r=0.67$ ,  $p<0.01$ ). Performance feedback has positive but low degree of correlation with employee productivity ( $r=0.36$ ,  $p<0.01$ ). There is positive moderate degree of correlation between working condition and employee productivity. ( $r=0.40$ ,  $p<0.01$ ). This can be said that non -financial incentives (recognition, promotion, performance feedback and working condition have a positive relationship with employee productivity.

#### 4.5. Linearity test

Linearity refers to the degree that change in the dependent variable is related to the change in the independent variable in order to determine whether the relationship between dependent variable which is employees productivity and independent variables which are recognition, promotion, performance feedback and working condition is linear plots of regression residual through SPSS software had been used.

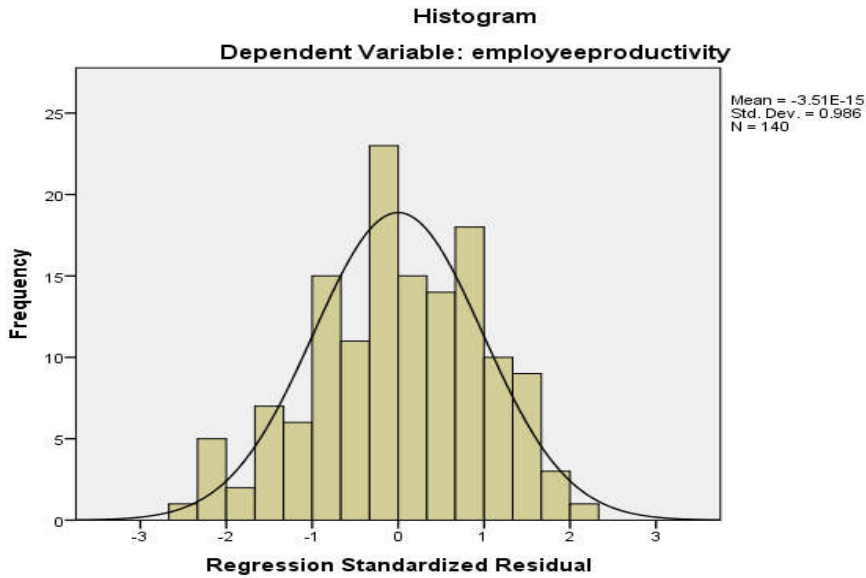


**Figure 2. Normal P-P Plot of Linearity Test**

The plot of residual show that there is no large difference in the spread of residual as it looks on figure 2. This result suggests the relationship is linear.

#### **4.6. Normality test**

According to the classical linear regression models assumption, the error term should be normally distributed or expected value of error terms should be zero. Normality test is used to determine if a data is well modeled by a normal distribution or not



**Figure 3. frequency distribution of standard residual (histogram)**

As shown in Figure 3 there are some residuals that are relatively far from the curve, many of the residuals are close. Likewise the histogram is bell shaped which indicates that the residual (disturbance or errors) are normally distributed.

#### 4.7. Regression Analysis

Regression analysis applied to find out the effect of the independent variable on dependent variable. It helps independent variables to predict the dependent variables. The purpose of this study is to find the effect of non- financial incentives on staff productivity.

##### 4.7.1 Model Summary

**Table 9 Model Summary of Regression Model**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.688 <sup>a</sup>	.474	.458	.27876

a. Predictors: (Constant), working condition, recognition, promotion, performance feedback

Table 9 presents a summary of the model, Model summary is used to determine how much the variance is measure the dependent variable (employee productivity) and it is also used to know how well the regression model fits the data. In this survey the amount of variation explained by independent variables (Recognition, Promotion, Performance feedback, Working condition) on the dependent variable (employee productivity) R square shows its 0.474 or 47.4 % which indicates that the variation in employee productivity is explained by the selected four non-financial incentives in the Study and  $p=.000$  which indicates a highly significant regression model. So this survey is good to decide the combination of these four non-financial incentives can change the employee productivity in 47.4 %

#### 4.7.2 Analysis of Variance (ANOVA)

**Table 10 ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	9.453	4	2.363	30.412	.000 <sup>b</sup>
Residual	10.490	135	.078		
Total	19.943	139			

a. Dependent Variable: employee productivity

b. Predictors: (Constant), working condition, recognition, promotion, performance feedback

Table 10 presents the analysis of variance (ANOVA) results. It is also known as model fit results. According to (Mugenda, 2013), ANOVA is a data analysis procedure that is used to determine whether there are significant differences between two or more groups or samples at a selected probability level. An independent variable is said to be a significant predictor of the dependent variable if the absolute t-value of the regression coefficient associated with that independent variable is greater than the absolute critical t-value. In this study, the significance value is .000 which is less than 0.05 thus the model is statistically significant in influencing the Employees' productivity with non-financial incentives. The F-ratio in the ANOVA table tests

whether the overall regression model is a good fit for the data. In the above table the results for ANOVA reveals that F is 30.412 with a p value of 0.000 implying that there is a significant influence of non-financial incentives on Employees' productivity. The ANOVA table shows the overall significance/acceptability of the model from a statistical perspective. As the significance value of F statistics shows a value (.000), which is less than  $p < 0.05$ , the model is significant. This indicates that the variation explained by the model is not due to chance. Therefore, suggest that the model has power to predict Employees' productivity significantly from the non-financial incentives practices scores.

### 4.7.3 Coefficients

**Table 11 Regression model for non financial incentive packages on employee productivity**

<b>Coefficients<sup>a</sup></b>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.071	.241		.295	.768
Recognition	.191	.073	.183	2.616	.003
Promotion	.428	.055	.522	7.848	.000
Performance feedback	.195	.060	.185	3.228	.002
Working condition	.342	.073	.263	4.693	.000

a. Dependent Variable: employees productivity

Standardized beta coefficient values indicate the strength of the effect of each independent variable in the dependent variable higher values of the beta coefficient indicates the stronger effect in this case recognition has 18.3% effect in employees productivity, promotion has 52.2% effect in employees productivity, performance feedback has 18.5% effect in employees productivity and working condition has 26.3% effect in employees' productivity. Comparing the

variables promotion has highest effect in employee productivity followed by working condition and recognition and performance feedback has lower effect in employees' productivity.

The regression equation for this research is presented below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where

Y = Employees productivity

$\beta_0$  = Constant,  $\beta_1$  to  $\beta_5$  = beta coefficients

X1 = Recognition

X2 = Promotion

X3 = Performance feedback

X4 = working condition

E = error term

$$\text{Employees productivity} = 0.71 + 0.191X_1 + 0.428X_2 + 0.195X_3 + 0.342X_4 + \varepsilon$$

#### **4.8. Hypothesis Testing**

In order to test the four hypothesis which plan to see if there is a relationship between the independent variables which are recognition, promotion, performance feedback, working condition and the dependent variable employee productivity, the test is summarized as follow

H<sub>1</sub> = recognition has a significant positive effect on staff productivity

According the result of multiple regression recognition has significant positive effect on employees' productivity, (B= .183, t=2.616, p<0.05) Accepted.

H<sub>2</sub> = promotion has a significant positive effect on staff productivity

As indicated in table 4.11 promotion has a significant positive effect on employees productivity, (B=.522, t= 7.848, p<0.05) Accepted.

H<sub>3</sub> = performance feedback has a significant positive effect on staff productivity

As a result of multiple regression performance feedback has a significant positive effect on staff productivity, (B=.185, t= 3.228, p<0.05) Accepted.

H<sub>4</sub> = working condition has a significant positive effect on staff productivity

As indicated in table 4.11 working condition has a significant positive effect on staff productivity (B=.263, t= 4.693, p<0.05) Accepted.

**Table 12 hypothesis results**

<b>Variables</b>	<b>P-Value</b>	<b>Result</b>
Recognition	.003	Accepted
Promotion	.000	Accepted
Performance feedback	.002	Accepted
Working condition	.000	Accepted

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

The main objective of this study was to examine the effect of non-financial incentives on staff productivity in Flintstone engineering. This chapter presents a summary of the major findings gathered from the analysis of the data. Conclusions based on the finding had been presented and recommendations are forwarded for Flintstone engineering.

#### 5.1 Summary of Findings

Based on the analyses, the results of the findings present the outcomes of both descriptive and inferential statistics. The descriptive statistics refers to the demographic characteristics of the respondents and the summary of their perception towards the study variables. It is intended to address the first specific objective that states the extent to which employees of Flintstone engineering rate non-financial incentives offered to them,. Meanwhile, the inferential statistics accounted for the relationship amongst predictors (non-financial incentives) along with their significant effect on the overall construct variable (employee productivity). This helps achieve the second and third specific objectives of the study.

- The demography of the sample population shows most of the respondents were male.; the largest part of employees are between the age of 36-35; most of the respondents have BA/BSC degree and many of the respondents have masters degree and few respondents have above masters degree, most of employees have (8-10) years of experience and most of the respondents salary scale is between 5001- 8000 birr.
- Most of the respondents indicated that the companies have a good recognition practice where employees' performance gets recognized in a continuous basis and also certificates have been granted for top performers generally the overall recognition practice of the company motivates the employees to be more productive.
- Most of the respondents do not believe that the promotion that the company offer induce employees for better performance. Also, the majority of the respondents agreed that there is no enough promotion possibilities in the company, most of job promotion are not reasonable, job promotions are not communicated with employees and also most of the respondent did not believe there is increase in their responsibility.

- Regarding the performance feedback most of the respondents agree the company have a good performance feedback practice which leads them to improve their performance and be more productive.
- Concerning working condition most of the respondents did not agree that the company offered them well furnished offices, the working hours are not convenient for them and they do not have freedom when performing their duties.
- The regression analysis revealed that recognition, promotion, performance feedback and working condition are the significant factors that positively determine employees' performance. These variables explained 47.4 percent of the variation in employees' productivity.
- The relationship between variables which is their correlation was conducted and the result shows that recognition and employee performance has a positive moderate degree of correlation at P value  $< 0.01$ . Also there is a positive and marked correlation between promotion and employee productivity ( $r=0.67$ ,  $p<0.01$ ). Performance feedback has positive but low degree of correlation with employee productivity ( $r=0.36$ ,  $p<0.01$ ). There is positive moderate degree of correlation between working condition and employee productivity. ( $r=0.40$ ,  $p<0.01$ ). This can be said that non -financial incentives (recognition, promotion, performance feedback and working condition have a positive relationship with employee productivity.
- The regression analysis revealed that each independent variable have positive and significant effect on employee productivity. Recognition has 18.3% effect on employees' productivity, promotion has 52.2% effect in employees' productivity, performance feedback has 18.5% effect in employees' productivity and working condition has 26.3% effect in employees' productivity. Comparing the variables promotion has highest effect in employee productivity followed by working condition and recognition and performance feedback has lower effect in employees' productivity.

## 5.2 Conclusion

Based on the research finding the conclusion answers the research question stated in chapter one which aims to assess the extent to which employees of Flintstone engineering rate non-financial incentives offered to them, To investigate the link between non-financial incentives and staff productivity, To determine the effect of non-financial incentives (recognition, performance feedback, promotion, and working condition) on staff productivity.

Descriptive statistics of the study shows that there is poor practice of job promotion and working condition where as good practice of recognition and performance feedback in Flintstone engineering. Generally, the study suggest that non-financial incentives which are promotion and working condition are important elements that Flintstone engineering needs to focus to enhance employees performance .

Correlation statistics was undergone to check the relationship between employees' productivity (dependent variable) and non-financial incentives recognition, promotion, performance feedback, working condition (independent variables) Then it is assured that positive and significance association is existed between them Particularly recognition and employee performance has a positive moderate degree of correlation there is a positive and marked correlation between promotion and employee productivity Performance feedback has positive but low degree of correlation with employee productivity and also There is positive moderate degree of correlation between working condition and employee productivity.

To investigate whether the independent variable determine employees' productivity, regression was carried out. Thereby it revealed that recognition, promotion, performance feedback and working condition are the significant factors that positively determine employees' performance. These variables explained 47.4 percent of the variation in employees' productivity.

To examine the effect of Non-Financial incentives (recognition, promotion, performance feedback, working condition) on employee productivity regression analysis was undergone revealed that each independent variable have positive and significant effect on employee productivity. Comparing the variables promotion has highest effect in employee productivity followed by working condition and recognition and performance feedback has lower effect in employees' productivity.

### **5.3 Recommendation**

Based on the conclusion of the study the researcher forwards the following recommendations

One of the few methods to boost employee productivity is by using incentive application. The company should consider its promotion and working condition practice to maintain and improve employee productivity in the organization since promotion and working condition in the company were rated low by the employees. Also the company must have a policy on promotion which is clear to everyone and treats every employee equally.

Employees expect job promotion after they perform best because nobody likes to be unappreciated for the efforts he or she made. The company should establish a plan that is designed to give promotion for top performers and initiates good performance by giving job promotion to employees.

The company should reconsider the working condition and must improve conditions to cope up with the dynamic work environment and try to maintain a positive working condition since its relation with employee productivity is significant. To do so, the Company should study the existing working conditions and create conducive, exciting and attractive working atmosphere to enhance employees' productivity.

### **Suggestion for further studies**

The study examined the effect of non-financial incentives on employee productivity by selecting specific variables however there are so many variables not included in this study thus it is recommended for further researches to further assess the effect of non-financial incentives by incorporating additional variables.

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**Appendix I**  
**Questionnaire**

Addis Ababa University  
College of Business and Economics  
School of Commerce  
Department of Business Leadership

This questionnaire is designed with the aim of gathering information to carry out a research on the topic of “The effect of non-financial incentives on staff productivity the case of Flintstone engineering” as a partial fulfillment of the requirements for the degree of Master of Business leadership at Addis Ababa University School of commerce. The researcher would like to thank you in advance for your kind response by allotting your precious time in filling the questionnaire. As your responses have a great impact on the study findings, you are kindly requested to provide your genuine responses freely without mentioning your name. The information provided is to be used only for the sake of this study and will be kept strictly confidential.

If you have any question with regard to the questionnaire please contact me using the following address.

I thank you in advance,

Hibist Tadesse – ([21hibist21@gmail.com](mailto:21hibist21@gmail.com))

Mob - 0923778149

**PART I: PERSONAL INFORMATION**

Direction: please select the option that describes you by putting [✓ ] mark in the box.

1. Gender:

Male           Female

2. Age:

18-25     26-35     36-45     Above 46

3. Level of education achievement so far?

Certificate       Diploma       BA/BSC Degree

Masters degree       above masters

4. How long have you been working in Flintstone engineering?

1-5 years       6-10 years

11-15 years       more than 15 years

5. In which of the following range your salary falls?

Bellow 3,000 birr       3,001-5000 birr       5,001-8,000 birr

8,001-11,000 birr       above 11,000 birr

**Part two: Close Ended Research Instruments for Data Collection**

The following questions are presented on a five point Likert-Scales. If the item strongly matches with your response choose 5(Strongly Agree), if you moderately agree on the idea choose 4(Agree), if you don't have any idea or information on the point choose 3(I don't know), if you moderately disagree with the point choose 2(Disagree) and if you completely disagree with the point choose 1(Strongly Disagree). In each statement please indicate your personal choice by a tick [✓] mark in the appropriate box.

Description	1	2	3	4	5
Recognition					
Employee's performance gets Recognized in the company on a continuous basis.					

The organization grants certificates of appreciation for efficient employees.					
Employee Recognition made for high performers motivated others to perform more.					
Immediate rewarding of employee for registering best performance helps them to work harder and become more productive.					
My superior adequately appreciates my effort at work.					
promotion					
There are enough promotion possibilities to stimulate me to be more productive.					
When an employee performs well consistently they are promoted to next level.					
Most of the job promotions are reasonable.					
Promotions are openly communicated to employees.					
There is an increasing responsibility within my job.					
Performance feedback					
Performance feedback standard in the organization are reasonable.					
Employees of the company receive regular job performance Feedback.					
Immediate supervisor evaluates employee's performance fairly.					
The organization genuinely addresses employees post performance					

feedback complaints.					
The superior's feedbacks are accepted by employees.					
Performance feedback leads employees to better performance.					
<b>Working condition</b>					
There is a positive working condition in the company that leads me to perform well on my job.					
I am happy that the company provided me well furnished offices.					
The working hours are convenient for me.					
I have more freedom in performing my duties.					
I have access to discounted services.					
<b>Employee productivity</b>					
As long as there is a good recognition practice in the company I will be more productive.					
A positive working condition makes me more productive.					
Continuous Performance feedback helps me to improve my performance.					
A Job promotion motivates me to do more.					
Non-financial incentives encouraged me to exert more effort and improve my productivity.					

