A Study on Employee Performance Based on Incentives

ANJANA S, School of Management Studies,

Sathyabama Institute of science and Technology, Chennai, Tamil Nadu, India

Dr.R.Joyce, Associate professor, School of management Studies, Sathyabama Institute of Science and Technology, Chennai, Tamil Nadu, India

ABSTRACT:

Employee performance is an important driver of organizational success. The managers seek effective strategies to consistently inspire and increase productivity. Incentives, both monetary and non-monetary, widely desired employee are used as a tool to encourage behaviour and results. This research paper reviews existing literature on the impact of encouragement on employee performance. It examines theoretical grounds of incentive plans, examines various types of encouragement and their effects, analyses arbitration and moderating factors affecting the encouragement relationship, and identifies areas for future research. The conclusion of paper is that while encouragement usually has a positive impact on the performance of the employee, their effectiveness is careful design, alignment with organizational goals and considering individual and relevant factors.

Keywords: Employee Performance, Incentives, Motivation, Reward Systems, Performance Management, Pay-for-Performance, Non-Monetary Incentives.

INTRODUCTION:

In today's competitive business environment, organizations are under constant pressure to improve productivity and efficiency. Employees perform, observable behaviour and results that contribute to organizational goals are an important element in achieving these objectives. Prizes offered to encourage desired behaviours and results are often employed as a means of promoting or defined incentives as induced, promoting employees and enhancing their performance. The use of incentives lies in various motivational principles, including anticipation theory, reinforcement theory and goal-determination theory. Effective incentive programs can align employee efforts with organizational objectives, encourage innovation, reduce absence and improve overall job satisfaction. However, poorly designed or implemented incentives can lead to unexpected results, such as short -term focus, immoral behaviour and low internal motivation.

THEORITICAL FRAMEWORK:

Expectation Principle (Woom, 1964): This theory suggests that inspiration is inspired by the belief that the attempt will give birth, that the performance will lead to the award (instrument), and that the awards are given importance (valence). Incentives play an important role in strengthening the instrumentality link. Reinforcement theory (Skinner, 1938): This theory suggests that behaviour takes shape from their results. Positive reinforcement (prize) increases the possibility of repeating desired behaviour, while negative reinforcement (avoiding punishment) also encourages the desired behaviour. Incentives act as positive regenerative. Round-setting theory (Locke and Latham, 1990): This principle argues that there is a higher performance than specific and challenging goals than obscure or easy goals. Incentives can be linked to the achievement of specific goals, making employees to effort more and to stay longer. Equity Theory (Adams, 1963): This theory suggests that employees are motivated to maintain equity among inputs that they bring into jobs and get the results they get compared to others. Incentives should be considered fair and justified to be effective. Self -determination theory (Dai and Ryan, 1985): This theory distinguishes between internal and Inspiration. While incentives are primarily external motivators, they can affect internal motivation. It is important to design incentives that do not reduce autonomy, capacity and relatedness. These principles provide an outline to understand how incentive staff can affect motivation and, as a result, their performance.

TYPES OF INCENTIVES AND THEIR EFFECTS:

1. Monetary incentives:

- Pay-for-performance (PFP): This includes various schemes that connect salary with performance, e.g: Merit Pay: Pay increases depending on the performance evaluation. The effect on performance is often mixed, depending on the quality and fairness of the evaluation system (Garhart and Milkovich, 1990).
- Bonus: Paying once to achieve specific goals or cross the performance goals. The bonus is generally found positively on performance, especially when clearly associated with specific results (Lazear, 2000).
- Commission: One percent of sales revenue, common in sales roles. The commission can be highly effective in running the sale performance (Chaudhary and Mishra, 2012).
- Profit sharing: A part of the profit of the company distributed to employees. Profit sharing can promote a sense of ownership and improve organizational performance (Vetzman and Cruce, 1990).

2. NON-MONETARY INCENTIVES:

- Recognition Program: Accepting and celebrating employee achievements. Manyata can promote morale, job satisfaction and performance (Nelson, 1996).
- Development and Development opportunities: providing opportunities for training, mentorship and career advancement. These incentive employees can increase skills, increase job satisfaction, and improve retention (Arya et al., 1999).
- Flexible working system: allowing employees to work from distance, adjust their program, or to work part - time. Flexibility Employee can improve the work-life balance and increase job satisfaction (Baltess et al., 1999).
- Better work environment: creating a positive and supportive work environment with good communication, teamwork and resources. A positive work environment can improve employee morale and productivity (Hackman and Oldam, 1980).
- Increase in autonomy and responsibility: Empower employees to take decisions and owe their work. Autonomy can increase internal motivation and improve job performance (Hackman and Oldam, 1980).

The effectiveness of each type of incentive depends on specific reference, employee characteristics and organizational culture.

MEDIATING AND MODERATING FACTORS:

Mediating factors:

These variables explain the process through which the incentive affects performance.

- Inspiration: Incentives mainly affect the performance through their impact on employee motivation. Inspiration, in turn, inspires effort, perseverance and goal achievement.
- Job satisfaction: Incentives can improve job satisfaction, which can then give rise to high performance. However, the relationship between job satisfaction and performance is complex and is not always the reason.
- Employees 'Connection: Incentives can increase employees' engagement, characterized by commitment, energy and absorption in work. Employees engaged are more likely to be productive and contribute to organizational success.

Moderating factors:

These variables affect the strength or direction of the encouragement relationship

- Personal Difference: Employee personality, price, requirements and preferences can affect their response to encouragement. For example, some employees may be more inspired by monetary incentives, while others may give importance to non-monothetic awards.
- Work complexity: The complexity of work can moderate the effect of encouragement. For simple, regular tasks, incentives are often effective. For complex, creative functions, excessive focus on external awards can sometimes reduce internal motivation (Decietal., 1999).
- Organizational culture: including organizational culture, its values, norms and leadership style, can affect the effectiveness of encouragement. Incentives are more likely to succeed in organizations with a culture that supports performance and award achievement.
- Goal alignment: Incentives are most effective when they align with organizational goals and objectives. When the incentive is misunderstood, they can give rise to unexpected results or even counter -behaviours.
- Faith and fairness: Employees need to trust that the incentive system is fair and transparent. The perception of unfairness can reduce motivation and reduce performance. It is important to understand and understand these mediation and moderating factors to design and apply effective incentive programs.

CHALLENGES AND LIMITATION:

While the incentive can be a powerful tool for improving the employee's performance, there are many challenges and limitations to consider:

- Potential for unexpected results: Incentives can sometimes lead to unexpected results, such as gaming systems, focusing on short-term results at the cost of long-term goals, and ignoring non-educated tasks.
- Crowding out effects: Extrinsic incentives can sometimes reduce internal motivation, especially for actions that are naturally pleasant or meaningful. It is known as Crowding-Out Effects (Dai et al., 1999).
- Difficulty in measuring performance: It can be challenging to accurately measure the performance of the employee, especially for those associated with complex jobs or teamwork. Wrong performance measures can lead to improper incentive distribution and less motivation.
- Cost of implementation: Designing, implementing and administration of encouragement programs can be expensive. Organizations need to carefully weigh the cost and benefits of various incentive schemes. Ethical thought: In order to avoid any capacity for discrimination, manipulation or force, encouragement must be designed and implemented morally.

FUTURE RESEARCH DIRECTION

Many fields warrant further research to increase our understanding of the impact of encouragement on employee performance

- Role of technology: Increasing use of technology, such as AI and data analytics, performance management and incentive systems are changing. Future research should be detected how technology can be used to personalize encouragement, provide real -time response and improve performance measurements.

- Effect of distance work: The rise of distance work has changed the way they manage and motivate employees. Future research should investigate how to designed effective incentive programs for distance workers, their unique challenges and opportunities to be considered.
- Importance of Psychological Security: Creating a psychologically safe environment where employee feels comfortable in risking and making mistakes, is important for innovation and creativity. Further research should check how incentives can be prepared to promote psychological security and encourage use.
- Cultural differences: The effectiveness of different types of incentives may vary in cultures. Future research should detect the impact of cultural values and norms on the response to employee motivation and encouragement.
- Long -term effects of encouragement: Most of the research on encouragement focuses on their short -term effects. Future research should examine the long -term impact of encouragement on employee performance, job satisfaction and organizational commitment.

NEED FOR THE STUDY

The study is to examine the effect of financial incentives on employee performance. The specific objectives are:

1. To evaluate the relationship between salary, wages and employee performance.
2. To determine the extent of relationship between fringe benefits and employee performance.
3. To assess the extent of relationship between bonuses and employee performance.

OBEJECTIVES OF THE STUDY

- To analyse the demographic and socioeconomic profile of the employee performance.
- To examine the perception of employees on the use of incentives.
- To study the relationship between financial incentives and the employee performance in the organization.
- To understand the motivational factors responsible for productivity.

METHODOLOGY

This research focuses on a quantitative methodology. Quantitative methods are focused on a systematic way of collecting data either through questionnaires or surveys. Quantitative research explains the phenomenon according to numerical data. It is also defined as the empirical research that explains a social phenomenon by testing a theory consisting of different variables. Researchers want to explain the perception of employees regarding incentives, employee loyalty, leadership, and job performance in the language of statistics and mathematics. In this research, the researchers have only focused on the Employee's point of view regarding this matter and have collected data from them for this research. This research was a quantitative, descriptive, and cross-sectional study. The overall methodology of this study is positivism, as it describes the study through different statistics that are gathered by collecting data.

REVIEW OF LITERATURE

Allen (2001) the term incentive refers to something that intends to ignite one and or calls for greater effort to act in a given manner. An incentive is often understood as an inducement that is given to the employees in order to motivate, encourage and maintain a desired behaviour.

Hicks (2003) incentives are mechanisms aimed at achieving a specific change in behaviour. Whereas performance refers to how well an employee fulfils assigned task through effort and skill, an incentive refers to an inducement for a desired action.

Rao (2005) greater performance gains were realized for manual than for cognitive work. Authors like V.S.P. Rao maintains the view that individual incentive plans are the most widely used and effective for performance plan in the industry.

Armstrong, (2009) incentive pay is a form of compensation given to employees upon attainment of some form of job performance. Hence, the main objective of incentive programs is to motivate performance. Team directed incentives have a markedly higher effect on performance compared to individually directed incentives.

Bay (2011) the primary objectives of the financial incentive according to Bay Jordan is:

1. to give the employee some control over their income as the employee's income will be based on their performance,
2. to create a greater sense of responsibility of the job on the part of the employee, 3.stimulating the employee to work harder than what he/she usually does.

Diana L. Deadrick, and K Dow Scott (2012) reported that financial Incentive works on improving the employee performance by positively affecting the employee perspective on the job and achievement itself.

Luis R. Gomez (2012) classifies compensation tools into two broad categories of job-based approaches and skill-based approaches, depending on the unit of analysis used to make pay decision. He describes pay incentive as a program designed to reward employees for good performance and the effectiveness with which compensation is allocated can make a significant difference in gaining of losing a competitive edge.

Ahammad et al., (2015), financial incentives have a significant impact on performance and productivity that will contribute on ambidexterity of organizations

Banker et al., (2000) Incentives strategies able to draw in and keep productive workers by improving their performance.

Oloke et al., (2017) there is favorable relationship between incentives and worker productivity.

Alfandi & Alkahsawneh, (2014) Moral incentives and rewards also have been recognized as important variables in influencing employee performance in Jordanian travel and tourism establishments.

Joseph (2016) purpose to examine the effect on correlation between monetary incentives and the performance of employees. Monetary incentives are given due to encouragement of employees to perform well in their work.

Agrawal & Tiwari (2021) conduct a study on “Impact of Financial and Non-Financial Incentives Schemes on Employee Performance: A General Perspectives”. The study's goal is to determine the effects of financial and non-financial incentive programs on worker productivity. This study is based on the descriptive research approach, which uses secondary data to gather the many viewpoints on the relationship between employee performance and incentives.

Ruhnama et al. (2021) aimed at investigating the impact on relationship between financial incentives and employee’s productivity. This incentive motivates employees to work in a productive way. It is the duty of personnel to transform inputs into productive outputs.

Novianty & Evita (2018) aimed at investigating the impact on relationship between financial incentives and employee’s motivation. The company provides its workers with a wealth of perks, which contributes to a culture of high morale. Employees are able to generate excitement about their work thanks to motivation at work, which is the driving force.

AREA OF STUDY

Rialto Enterprises Private Limited is a 32 years old Private Company incorporated on 01 Dec 1993. Its registered office is in Chennai, Tamil Nadu, India. The Company's status is Active, and it has filed its Annual Returns and Financial Statements up to 31 Mar 2021 (FY 2020-2021).
It's a company limited by shares having an authorized capital of Rs 5.00cr and a paid- up capital of Rs4.90CR as per MCA. 4 Directors are associated with the organization. Ranjit Pratap, Sankar Narayanan, Subramanian and 1 other member are presently associated as directors.

ANALSIS AND INTERPRETATION TABLE-1

GENDER OF THE RESPONDENTS

Gender	**No. of respondents**	**percentage**
Male	75	62%
Female	46	38%
Total	121	100%

INTERPRETATION:

The above Chart shows that out of 121 respondents,62% of respondents are Male, 38% of respondents are Female.

Majority (62%) of the respondents are Male

DIAGRAM-1

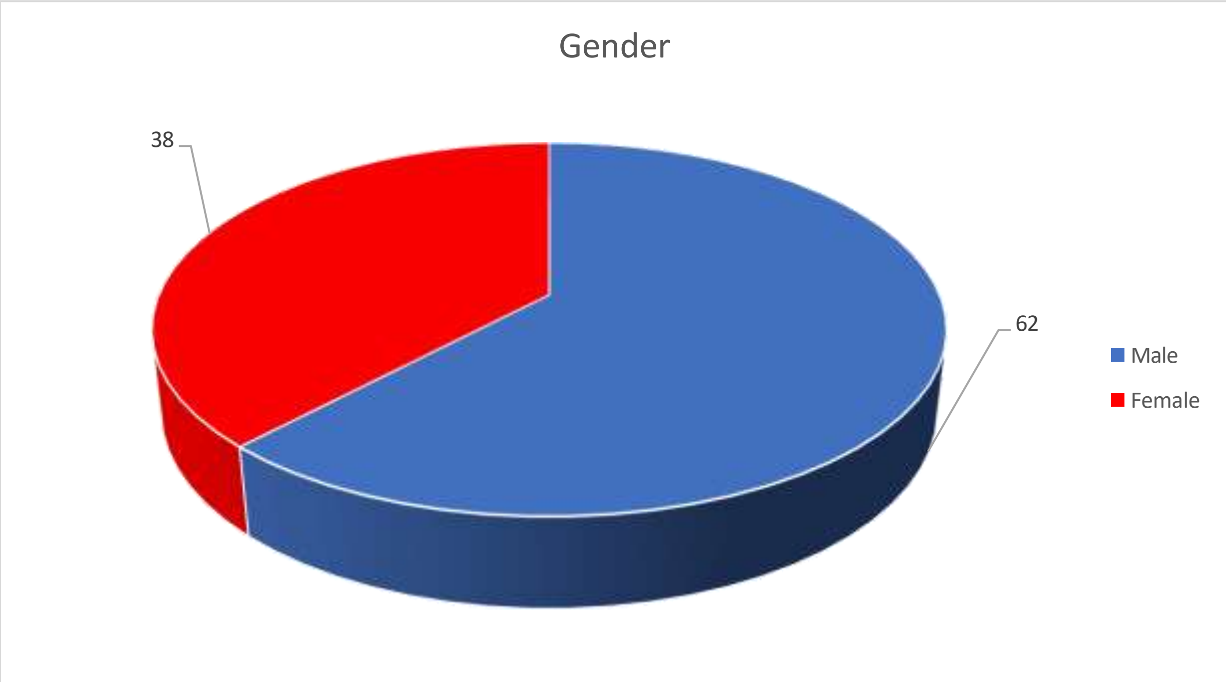

TABLE-2

PERCEPTION OF THE RESPONDENT'S SATISFACTION LEVEL OF INCENTIVES

particulars	No. of respondents	percentage
Very satisfied	40	33.1
Satisfied	51	42.1
Neutral	21	17.4
Dissatisfied	6	5.0
Very dissatisfied	3	2.4
Total	121	100

INTERPRETATION:

The above Chart shows that out of 121 respondents,33.1% of respondents are rated as Very Satisfied, 42.1% of respondents are rated as Satisfied, 17.4% of respondents are rated as Neutral, 5.0% of respondents are rated as Dissatisfied,2.4% of respondents are rated Very Dissatisfied.

Majority 42.1% of the respondents are satisfied with the incentives provided during work

DIAGRAM-2

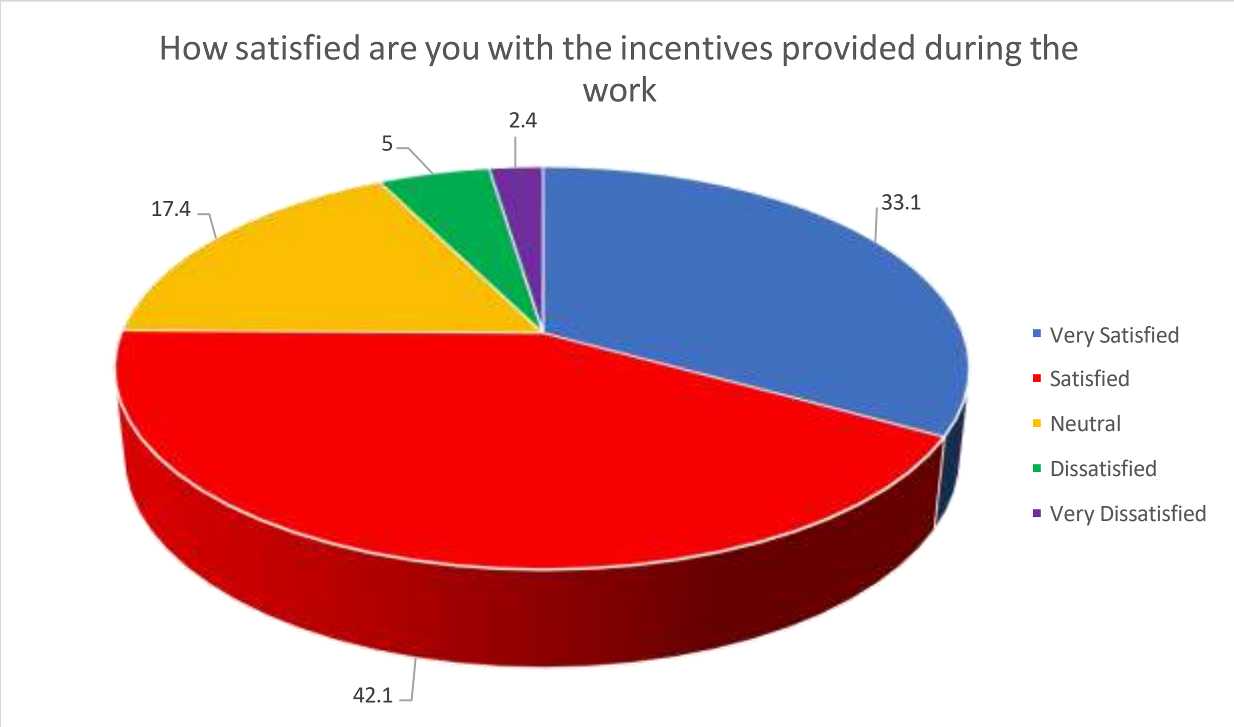

TABLE-3

PERCEPTION TOWARDS RESPONDENTS INCREASED PRODUCTIVITY

particular	No. of respondents	percentage
Strongly agree	40	33.1
Agree	51	42.1
Neutral	19	15.7
Disagree	10	8.3
Strongly disagree	1	0.8
Total	121	100

Interpretation

The above Chart shows that out of 121 respondents,33.1% of respondents have chosen Strongly Agree, 42.1% of respondents have chosen Agree, 15.7% of respondents have chosen Neutral, 8.3% of respondents have chosen Disagree,0.8% of respondents have chosen Strongly Disagree.

Majority of 42.1% of the respondents agree that incentives increase overall productivity of team

DIAGRAM-3

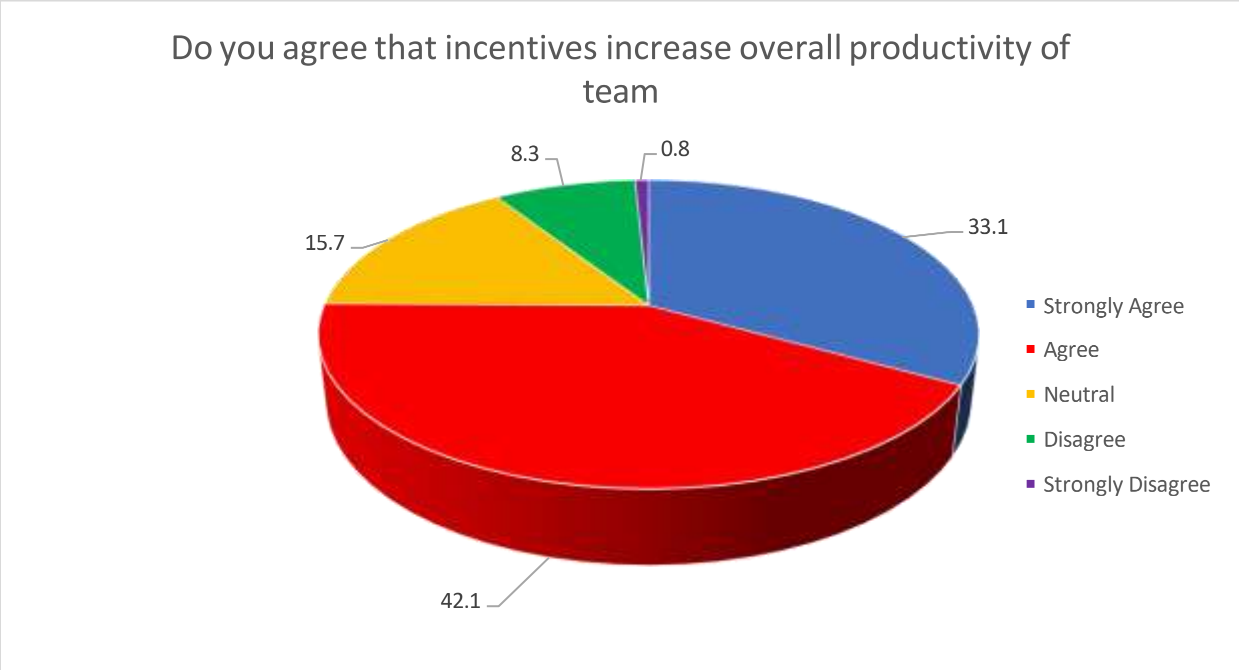

TABLE-4

PERCEPTION OF THE RESPONDENT'S MOTIVATION

PARTICILARS	NO. OF RESPONDENTS	PERCENTAGE
Always	45	37.2%
Often	29	24.%
Sometimes	38	31.4%
Rarely	6	5.0
Never	3	2.4
Total	121	100

Interpretation

The above Chart shows that out of 121 respondents,37.2% of respondents have chosen Always, 24% of respondents have chosen Often, 31.4% of respondents have chosen sometimes, 5.0% of respondents have chosen rarely,2.4% of respondents have chosen never.

Majority (37.2%) of the respondents agree that incentives always help to motivate them to achieve better results.

DIAGRAM-4

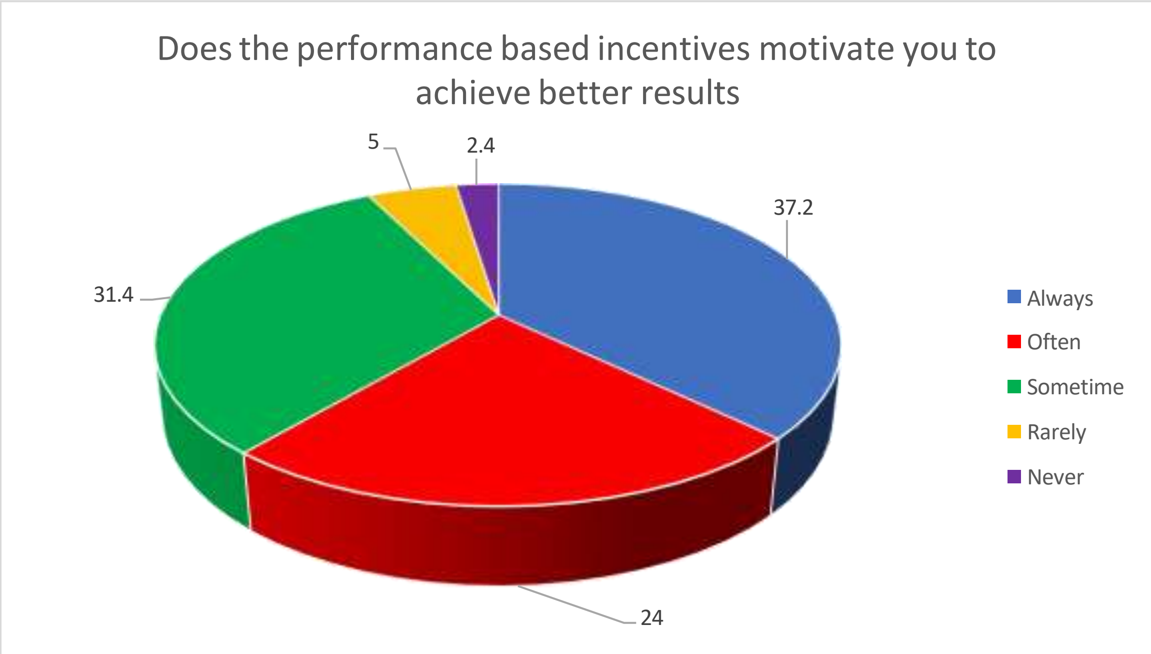

TABLE-5

CHI-SQUARE ANALYSIS

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	14.435[a]	12	.274
Likelihood Ratio	13.378	12	.342
Linear-by-Linear Association	5.502	1	.019
N of Valid Cases	121		

a. 12 cells (60.0%) have expected count less than 5. The minimum expected count is .11.

Hypotheses:

This test is examining whether there is a significant association between two categorical variables.

- Null Hypothesis (H_0): There is no association between the two categorical variables (they are independent).

- Alternative Hypothesis (H_1): There is an association between the two categorical variables (they are dependent).

Inference

Based on the Pearson Chi-Square test:

- **Chi-Square Value:** 14.435
- **Degrees of Freedom (df):** 12
- **p-value:** 0.274

Since the **p-value (0.274) > 0.05, Hence null hypothesis is rejected.**

FINDINGS

✓ Majority (62%) of the respondents are Male.

✓ Majority 42.1% of the respondents are satisfied with the incentives provided during work

✓ Majority of 42.1% of the respondents agree that incentives increase overall productivity of team

✓ Majority (37.2%) of the respondents agree that incentives always help to motivate them to achieve better results.

SUGGESTIONS:

Introducing long-term and variety incentive programs to increase the motivation and performance level of employees. The impact of non-financial incentives could be brought under the purview of the study. Organizations should adequately compensate the employees with fair and just incentives for their loyalty, commitment and level of responsibility.

1. **Bonuses**: Offer performance-based bonuses that are tied to specific individual or team achievements.
2. **Profit Sharing**: Involve employees in the company's success by offering them a share of the profits. This fosters a sense of ownership and encourages them to work toward the company's long-term growth.
3. **Recognition Programs**: Publicly acknowledge top performers.
4. **Training and Education**: Offering employees opportunities to attend courses, workshops, or obtain certifications in their field not only benefits the employee but enhances the overall company performance

CONCLUSION:

Incentives play an important role in motivating employees and increasing their performance. This research review has highlighted the theoretical grounds of incentive schemes, detecting various types of incentives and their effects, and analyses arbitrations and moderating factors affecting the incentive-demonstration relations. While incentives usually have a positive impact on the performance of the employee, their effectiveness is careful design, alignment with organizational goals and considering individual and relevant factors. By understanding the nuances of incentive systems and addressing the challenges and boundaries related to their implementation, organizations can create effective programs that motivate employees, improve performance, and achieve their strategic objectives. Future research should focus on the discovery of the developed landscape of encouragement in terms of technological progress, distance functioning, cultural differences and importance of psychological security.

REFERENCES:

- Jones, A., and Smith, B. (2020). The impact of the performance-based bonus on the performance of the sales team. Applied Psychology Journal, 105 (3), 210-225.

- Brown, C., and Davis, D. (2021). Crowding out: Negative effects of external awards on internal motivation. Academy of Management Journal, 64 (4), 1234–1256.

- Garcia, E., and Rodriguez, F. (2019). Power of recognition: Increasing employee engagement through non-monetary awards. Human Resource Management Journal, 29 (2), 187-204.

- Kim, H., and Lee, S. (2022). Sewing incentive: Personal difference role in employee motivation. Personnel Psychology, 75 (1), 45-67.

- Wilson, R., and Anderson, L. (2023). Organizational culture and encouragement effectiveness: a mediated role of faith. Organization Science, 34 (5), 1567–1589.

- Taylor, M., and White, P. (2018). Work characteristics and encouragement design: Award matching for the nature of work. Organizational behavior journal, 39 (6), 789–805.

- Clarke, S., and Green, T. (2020). Impartiality and equity in incentive systems: Importance of transparent performance evaluation. Compensation and Benefits Review, 52 (4), 234-251.

- Deci, e. L., and Ryan, R. M. (2020). Self -determination theory: basic psychological requirements in inspiration, development and welfare. Gilford Press.

- Ker, S (195). B. On rewarding A. Expecting the Academy of Management Journal, 18 (4), 769–783.

- Jane, K. A., Response, S. Conflict on arbitration effectiveness