



Employees' perceptions of performance-based compensation systems at a state-owned enterprise

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Abstract

Performance-based compensation is the most commonly used method in measuring productivity and more and more institutions are increasingly using this method as it attempts to link compensation with performance. The primary aim of this research study was to explore the underlying structure of the construct: *employees' perceptions of performance-based compensation (PBC) systems*, and its subsequent impact on employee behaviour. This was achieved by identifying differences in the employees who received performance-based compensation and those who did not. In addition, the research also attempted to observe the impact that factors such as long-term service, job grade, gender and education may have on employees' perceptions of performance-based compensations systems.

A non-probability stratified convenience sampling method was adopted to meet the objectives of the research. A survey instrument was used to determine employees' attitudes towards PBC systems and its overall effect on employee perceived behaviour when performing job-related tasks. The survey was administered online to the Industrial Development Corporation (IDC) employees.

The latent structure of the data was explored using an exploratory factor analysis and appropriate comparative statistical methods were followed to gain sufficient evidence to either support or reject the guiding hypotheses. The study determined that it was possible to explain the main variability in the research construct by three latent factors. The results were encouraging in that there was sufficient evidence to explore the various research hypotheses. Differences in the perception of PBC systems were found between various demographic categories such as job level, gender, length of service and actually obtaining an incentive reward.

Key words: Nurturing communication, objective recognition, individual motivation, intrinsic motivation, extrinsic motivation.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Name: Mbulelo Ngubelanga

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Date: 7 November 2012

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Table of Contents

| | |
|--|-----------|
| Chapter 1: Introduction to the Research Problem | 1 |
| 1.1 Research Title | 1 |
| 1.2 Research Problem | 1 |
| 1.3 Research Aim | 3 |
| 1.4 Summary | 3 |
| Chapter 2: Literature Review | 5 |
| 2.1 Introduction | 5 |
| 2.2 Employee retention | 5 |
| 2.2.1 Retention initiative strategies | 6 |
| 2.3 Employee engagement | 9 |
| 2.4 Reward and compensation systems | 11 |
| 2.4.1 Incentives and organisational culture | 12 |
| 2.4.2 Rewards and recognition programmes | 13 |
| 2.5 Recognition and motivation theory | 15 |
| 2.5.1 Intrinsic motivation and self-determination theory (STD) | 16 |
| 2.5.2 Extrinsic motivation | 16 |
| 2.6 Performance management systems | 17 |
| 2.6.1 The correlation between performance management and performance appraisal | 18 |
| 2.6.2 Performance management and engagement management models | 19 |
| 2.7 Conclusion | 20 |
| Chapter 3: Research Hypotheses | 22 |
| Chapter 4: Research Methodology | 23 |
| 4.1 Research Design | 23 |
| 4.2 Unit of analysis | 23 |
| 4.3 Sampling method and size | 23 |
| 4.4 Data collection process | 24 |
| 4.5 Data analysis approach | 25 |
| 4.6 Research limitations | 26 |
| Chapter 5: Results | 28 |
| 5.1 Introduction | 28 |
| 5.2 Demographic description of the sample | 28 |

| | | |
|--|--|-----------|
| 5.2.1 | Gender | 28 |
| 5.2.2 | Job Grade | 29 |
| 5.2.3 | Time in Current Position | 29 |
| 5.2.4 | Years of experience at the IDC | 30 |
| 5.2.5 | Academic qualification | 30 |
| 5.3 | Exploratory Factor Analysis | 31 |
| 5.3.1 | Scale labelling | 34 |
| 5.4 | Factorial reliability | 36 |
| 5.5 | Summated scale | 37 |
| 5.6 | Test for normality | 38 |
| Chapter 6: Discussion | | 48 |
| 6.1 | Introduction | 48 |
| 6.2 | Sample generation and characteristics | 48 |
| 6.3 | Statistical analyses | 49 |
| 6.4 | Findings | 50 |
| 6.4.1 | Perceptions of performance-based compensation are affected by an employee's length of service. | 50 |
| 6.4.2 | Perceptions of performance-based compensation are affected by receiving a performance-based incentive. | 51 |
| 6.4.3 | Perceptions of performance-based compensation are affected by an employee's job grade. | 53 |
| 6.4.4 | Perceptions of performance-based compensation are affected by an employee's gender. | 54 |
| 6.5 | Summary | 56 |
| Chapter 7: Conclusion | | 57 |
| 7.1 | The overall findings and managerial implications | 57 |
| 7.2 | Recommendations for organisations and future research | 59 |
| Reference List | | 61 |
| Appendix 1: Survey Instrument – Questionnaire | | 70 |

List of Figures

| | |
|---|----|
| Figure 1: Model of the relationship of performance to satisfaction | 15 |
| Figure 2: The engagement management model | 19 |
| Figure 3: Distribution of respondents by gender | 29 |
| Figure 4: Distribution of respondents by job grade | 29 |
| Figure 5: Distribution of respondents by time in current position | 30 |
| Figure 6: Distribution of respondents by years of experience at the IDC | 30 |
| Figure 7: Distribution of respondents by highest level of education completed | 31 |
| Figure 8: Scree plot | 32 |

List of Tables

| | |
|--|----|
| Table 1: Retention Strategies | 8 |
| Table 2: Components of workforce engagement | 10 |
| Table 3: Items removed from the questionnaire | 32 |
| Table 4: Rotated Factor Matrix | 33 |
| Table 5: Total Variance Explained | 33 |
| Table 6: Factor 1 – Nurturing communication | 34 |
| Table 7: Factor 2 – Objective recognition | 35 |
| Table 8: Factor 3 – Individual motivation | 35 |
| Table 9: Cronbach’s alpha values for the three sub-scales | 36 |
| Table 10: Descriptive Statistics of the three factors | 37 |
| Table 11: One-Sample Kolmogorov-Smirnov Test | 38 |
| Table 12: Kruskal-Wallis Test: Comparison of the mean rank values by grouping variable length of service | 39 |
| Table 13: Mann-Whitney U Test: Comparison of the mean rank values by grouping variable length of service | 40 |
| Table 14: Mann-Whitney U Test: Comparison of the mean rank values by grouping receipt of performance–based compensation in the past financial year | 41 |
| Table 15: Kruskal-Wallis Test: Comparison of the mean rank values by Job Grade | 42 |
| Table 16: Mann-Whitney U–test | 43 |
| Table 17: Mann-Whitney U Test – Comparison of the mean rank values by grouping employee gender | 44 |
| Table 18: Kruskal-Wallis Test – Comparison of the mean rank values by education Level | 45 |
| Table 19: Mann-Whitney U Test – Comparison of the mean rank values by grouping education level | 46 |

Chapter 1: Introduction to the Research Problem

1.1 Research Title

Employees' perceptions of performance-based compensation systems at a state-owned enterprise.

1.2 Research Problem

Performance-based compensation is the most commonly used method in measuring productivity and more and more institutions are increasingly using this method as it attempts to link compensation with performance (Richter, 2006). It is therefore a forward looking system designed to influence future behaviour and one of the main objectives is that the system helps to align employee performance with organisational strategy (Naughton-Travers & Jardine, 2011). It is important to note that the principles of reward allocation and compensation vary across countries (Yunxia, 2007) and that the role of unemployment and income equality may influence organisational reward allocation (Fischer, Smith, Richey, Ferreira, Assmar, Maes & Stumpf, 2007). There have been various studies on compensation-based performance; however, it remains open to debate whether empirical studies from the private sector can be transferable to the public sector organisations and government agencies such as state-owned enterprises (Binderkrantz & Christensen, 2012). Hamner (1975) hypothesized that a common problem with pay for performance programmes is that managers are likely to make decisions about pay, based on factors other than performance, for instance, the potential length or time period of employees' service. However, employees in fact prefer an environment where their efforts will be recognised and rewarded by the organisations' merit system (Wisdom & Patzig, 1987) and that reward systems that are contingent to performance tend to have a positive impact on both job performance and job satisfaction (Cherrington, Reitz & Scott, 1971).

The Minister of Economic Development in charge of several state-owned institutions recently launched the New Growth Path (NGP) document, which seeks to create five million jobs by 2020 through various initiatives across the economy and reducing unemployment to 15% (NGP, 2010). However, the document proposes that salaries be capped and increases for the highest earners remain below the average inflation rate. Ajzen (1991, p.199) argued that the behaviour that is repeated tends to lead to enhanced perception of control and concluded that "the theory of planned behaviour is,

in principle, open to the inclusion of additional predictors if it can be shown that they capture a significant proportion in intention or behaviour after the theory's current variables have been taken into account". The question therefore remains; will employees in state-owned enterprises continue to diligently perform their tasks to the best of their ability, even if their salaries are curbed? In addition, capping the salaries of highest earners may lead to other macro-economic problems. Roberts (2012) reports that economists have warned government about the potential impact of this strategy. Freezing CEO's salaries merely addressed a symptom and would in fact cost the nation almost R5 billion in tax revenue, negatively affecting the fiscus in the long term.

In the past few years, governments have introduced reforms that aimed at improving the public sector management and one of the strategies have been pay reforms that combine lifelong tenure with fixed pay scales (Binderkrantz, & Christensen, 2012). This pay scale differential leads to a distinction between privately-owned organisations applying high-powered incentives and government organisations (state-owned enterprises) applying lower-powered incentives (Dixit, 2002).

There is also a perception that employees tend to be more productive if they are incentivised and that more pay results in better performance while poor performance has been associated with lower reward (Chang, 2003). These arguments are a testament to the scepticism about the real effectiveness of performance-based compensation as a universal solution for improving individual and organisational performance (Langbein, 2010). Wisdom and Patzig (1987) posited that past attitudes and experiences tend to present obstacles for merit system managers in that, if organisations created a norm of favouritism with regard to incentives without regard to performance differences, then employees inherit a legacy of scepticism and mistrust in pay performance programmes. It therefore remains to be seen what impact this recommendation will have on the existing performance-based systems in some of the state-owned institutions. In addition, the question of how the aforementioned proposals may influence employee behaviour and attitudes towards achieving the government's strategic objectives, needs further investigation (Richter, 2006).

Naughton-Travers and Jardine (2011) concluded that the success of the overall strategic plan is dependent upon the link between a compensation strategy and organisational objectives to employee rewards. It thus follows that the national government's (Economic Development) strategic plan will have an impact on compensation strategy and organisational objectives, and therefore employee behaviour.

1.3 Research Aim

The primary aim of the research study was to explore the underlying structure of the construct, *employees' perceptions of performance-based compensation (PBC) systems*, and its subsequent impact on employee behaviour. This was achieved by an elucidation of the following core concepts:

- Employee retention
- Employee engagement
- Reward/compensation systems
- Recognition and motivation theory
- Performance management systems.

Secondarily, the study attempted to theorise about the impact that the New Growth Path may have on employee behaviour and performance, following the proposed capping of salaries in terms of performance-based compensation.

To fulfil the research aims of the study, there was a need to clarify a definition of employee performance. However, definitions within the present literature proved to be relatively elusive due to the plethora of available performance measurement indicators. Nonetheless, in order to fulfil the objectives of the study, employee performance was defined as an organisational rating system used to determine the abilities and output of an employee as an individual influenced by environmental factors and other business related phenomena (Cummings & Schwab, 1973).

According to Cummings and Schwab (1973), the corporate environment and related business phenomena can have a profound effect on employee performance and in turn, employee retention efforts. In addition, organisational strengthening of employee retention is contemporaneously related to employee engagement. Wellins and Concelman, (2005, p.1) posited that employee engagement be considered “an amalgamation of commitment, loyalty, productivity and ownership”.

1.4 Summary

It is clear from the above analysis that most organisations understand very little about the way employees perceive the advantages and disadvantages of performance-based compensation and its overall impact on job behaviour. Accordingly, the primary aim of this research was to explore the latent structure of the construct and its subsequent

impact on employee behaviour. This was achieved by identifying differences in the employees who received performance-based compensation and those who did not. Furthermore, the research also attempted to observe the impact that factors such as long-term service, job grade, gender and education may have on employees' perceptions of performance-based compensations systems.

Chapter 2 critiques the literature available that was deemed most important on the topic and which builds the research construct under measurement in the present study.

Chapter 2: Literature Review

2.1 Introduction

This chapter presents and evaluates the literature in terms of both seminal and contemporary studies conducted on the subject under investigation.

The literature review considered previous studies on employees' perceptions of performance-based compensation systems. In doing this, the study attempted to critique the impact of employees' behaviour and perception variables on performance-based compensation. Specifically, the literature review considered the following: employee retention, employee engagement, reward and compensation systems, recognition and motivation theory and performance management systems.

2.2 Employee retention

Ramanaiah & Lavanya (2011, p.53) define employee retention as “a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs”. It is an ability to maintain a stable workforce and a process in which employees are encouraged to stay longer in organisations. McNatt, Glassman & McAfee (2007) are of the opinion that companies need to strike a balance between the need to hire new employees on the one hand and to motivate the current employees to high performance on the other hand.

The significance of pay for performance incentives can make a difference in the retention of supervisors who appear to be dissuaded from resigning from their jobs by the availability of performance-based rewards (Bertelli, 2006). This balance is critical in that it mitigates pay inversion effects thereby helping companies to attract, motivate and retain high quality employees. It follows that for an organisation to retain high quality employees, it is important for these employees to be satisfied with their allocated tasks. Banker, Leeb & Potter (1996) found empirical evidence to support the assumption that well-designed incentive compensation contracts improve employee performance.

Pay for performance schemes may increase employees' earnings in the short run and thus improve job satisfaction in this regard (Lok & Crawford, 2005). However, other aspects such as increased workloads and effort associated with these schemes

unfortunately may have less beneficial effects on job satisfaction in the long run (Green & Heywood, 2008). Furthermore, performance related schemes are positively related to satisfaction with pay and there is a negative relationship between the performance-based incentives and the task itself. Alternatively, Hersch (2008) found that the risk faced by companies in losing their quality employees to their rivals will enhance their compensation plans in order to attract and retain the highly skilled employee.

Scholarly research in this field therefore presents a dichotomy in consensus. In other words, the literature indicates that very little is understood in terms of whether performance-based incentives improve or confound employee retention. The present investigation thus attempted to address and further understand this conundrum from the perspective of the IDC.

2.2.1 Retention initiative strategies

The challenging and highly competitive business environment require industrial organisations all over the world to achieve both customer satisfaction and business development by retaining the competent and capable managers at different levels of the organisation (Gosh & Sahney, 2010). It can be argued that the balance between productivity and internal development requires methodical strategic planning. For instance, an organisation's competitive advantage would propagate from the combined effect of both social and technical design of managerial jobs in attracting and retaining quality managerial resources at all levels of the organisations (Green & Heywood, 2008). In turn stimulating both innovation and enhancing the quality of products available to customers.

Human Resources managers have to develop policies and retention strategies that will enable the organisation to retain talented employees and thus reduce the rate of attrition (De Vos & Meganck, 2009). The mismatch between the retention strategies and the employees' perception of these strategies, may lead to the underutilisation of staff and equipment, pervasive apathy, inflexibility in adapting to change, turnover of key personnel and growing disruptions (Ananthan & Sudheendra, 2011). However, employee retention is not always correlated with high quality organisational or corporate policies. The study by Terborg & Lee (1984) found that the variation in annual labour turnover rates across organisations was related to both employee demographic characteristics and local labour market environmental conditions. Such conclusions provided the impetus to secondarily examine phenomena associated with specific demographic variables within the present study.

The success of organisations is largely dependent on employees who hold attitudes, values and expectations that are aligned to the organisation's strategic vision (Ajzen, 1991; Naughton-Travers & Jardine, 2011). It is in this regard that organisations are constantly searching for techniques that will improve and cement linkages between employees and the business vision in order to attract new, more talented employees while retaining the existing high performing employees (Ananthan & Sudheendra, 2011). Allen & Vardaman (2010) concluded that organisations, with a strong employee attachment and subsequently greater employee alignment with the organisation, tend to have lower attrition rates, or a lower intention to leave than would those with weak commitment. Commitment has been defined as an employee's psychological attachment to the organisation, which in turn has been shown to be a valid predictor of work variables such as turnover, organisational citizenship behaviour and work performance (Wiener, 1982). Specific demographic variables such as job position (in particular amongst those employees occupying higher level positions), tenure, age and level of education, were found to be highly correlated with employees' levels of commitment (Sommer, Bae & Luthans, 1996). Therefore, the level of employee commitment may be largely dependent on the organisational culture, which presents preferences for alternative outcomes as well as the means of achieving those outcomes in terms of employee-organisation fit and alignment (Parker & Bradley, 2000). Organisational culture is defined as "widely shared and strongly held values" (Chatman & Jehn, 1994, p.524). Shared employee values, are then a pattern of collective behaviours and assumptions, generally taught to new employees as a means of aligning the organisational, corporate and business culture with individual perceptions or belief systems (Schein, 1992). It may be argued that misalignment or paradoxical beliefs, values, norms or intentions, between employee and employer can lead to dissatisfaction from both parties, and a low employee retention rate. To maintain retention, it is important then, that performance-based incentives, methodology and strategies, are aligned with the belief systems of both the employee and employer.

Some scholars have argued that retention programmes and similar strategies are often unsustainable, leaving companies unsure of whether such plans are profitable or provide the necessary competitive advantages (Fernández-Aráoz, Groysberg, & Nohria, 2011). It is therefore imperative that an organisation's strategy and culture influence the nature of the programme that will be most effective. For example, Sheridan (1996) suggests that variations in employees' perceptions of organisational cultural values had a statistically significant effect ($p < 0.05$) on the rates at which

newly hired employees voluntarily terminated employment. Additionally from a financial perspective, the lack of person-organisation fit, in terms of cultural values and retention plans, policies or programmes cost industries billions of rands in lost revenue (Sheridan, 1996).

There are a number of various retention strategies that organisations can implement in order to retain high performing and talented employees. These include amongst others, but are not limited to (Fernández-Aráoz *et al.*, 2011; Ananthan & Sudheendra, 2011; James & Mathew, 2012; Price & Mueller, 1981; Steers, 1977):

Table 1: Retention Strategies

| Fernández-Aráoz <i>et al.</i> , 2011 Ananthan & Sudheendra, 2011 | James & Mathew, 2012 | Price & Mueller, 1981 Steers, 1977 |
|--|--|---|
| <ul style="list-style-type: none"> • Training and development strategies • Reward and recognition strategies • Employee benefits strategies • Communications strategies • Retention bonuses • Employee idea and suggestion strategies. | <ul style="list-style-type: none"> • Rewards and recognition • Training and development opportunities • Mentoring/coaching sessions • Career planning, flexible work time • Employee suggestion plans • Stock investment opportunities • Annual performance appraisal • Financial support • Contract agreements • On-site day-care facilities. | <ul style="list-style-type: none"> • Advancement opportunities • Constituent attachments • Extrinsic rewards. • Flexible work arrangements. • Job satisfaction: The degree to which individuals like their jobs • Beliefs about the unavailability of jobs outside the organisation. • Organisational commitment • Organisational justice • Organisational prestige. |

It can be concluded from the aforementioned findings that such schemes often lead to increased work effort and subsequent improved working hours. However, lack of proper strategic policy with the necessary implementation, may result in difficulty for corporations to retain their quality employees, resulting in increased turnover.

Buchenroth (2006) eloquently summarises employee retention initiatives by pointing out that the difficult labour market requires companies to revisit, re-design or re-engineer their performance-based incentives in order to use human resources in a competitive advantage paradigm and that a methodical alignment of pay with

performance, will be the crux in attracting and retaining top talent. Rappaport, Bancroft & Okum (2003) similarly argue that those organisations that are unable to retain their top performing employees are at risk of being understaffed and as a result have a less qualified workforce that will ultimately hinder their ability to remain competitive.

2.3 Employee engagement

Employee engagement may be defined as “workers’ willingness and ability to contribute to a company’s success, the extent to which employees put discretionary effort into their work” (Gebauer, 2006, p.96). It has been suggested that companies should always attempt to create a culture of engagement (Tomlinson, 2010) by engaging employees at all levels as this is the foundation for a successful and profitable workplace environment (Wright, 2012). For employee engagement to be successful for employees, workgroups and managers; Harter, Schmidt & Keyes (2002) developed an employee engagement model featuring four specific elements:

- Clarity of expectations and basic materials and equipment being provided.
- Feelings of contribution to the organisation.
- Feeling a sense of belonging to something beyond oneself.
- Feeling as though there are opportunities to discuss progress and grow.

Konrad (2006) suggests that one of the practices for generating high engagement and high performance among employees is incentive-based pay, concluding that a key element in the high-involvement or engagement equation is reward for performance. Such rewards ensure that employees use their power and knowledge for the good of the company (Ajzen, 1991). This implies that highly involved employees are compensated accordingly for utilising discretionary effort in achieving the company’s goals and enhancing its performance. These sentiments furthermore align with the model of engagement suggested by Harter *et al.* (2002). That is, when employees have a sense of future fulfilment in adding value and belonging to an organisation, it can be argued then that employees’ attitudes will propagate into behaviour conducive to a performance-based compensation strategy.

Tomlinson (2010) indicated that the human resources effort focusing on employee engagement should be about the organisation creating an emotional connection with employees so that they are passionate and promote the corporate brand. The importance of such an emotive element within the employee engagement construct is furthermore reinforced by the term “feelings” within three of the four elements in the

model proposed by Harter *et al.* (2002). Tomlinson (2010) in fact points out that companies experiencing high levels of engagement have consistently invested in employees' training and development, providing them with opportunities for growth, both emotionally and functionally. Hence, research suggests that perpetual education and development of employees prepares the organisation for future challenges and therefore provides a sustainable form of competitive advantage (Kaliprasad, 2006). The purpose of continuous training and development is twofold; namely, it aids employee engagement and it provides direction that increases the value of the employees to the organisation (Kennedy & Daim, 2010). The employees' level of loyalty, dedication and involvement should be measured against those employees who are engaged in their jobs rather than those who are not (Roche, 2005).

The aforementioned argument suggests that the unique benefits of employee engagement transcend disciplinary boundaries. According to Tomlinson (2010), employee engagement strategies go beyond the functional nature of the job, by including skills, knowledge and attitudes which enhance overall organisational behaviour. Hundley, Jacobs & Drizin (2005) posit that employee engagement strategies improve the level of understanding of organisational practices and employee perspectives by simplifying an ongoing process of recruiting, retraining, rewarding and retaining productive employees. Table 2 describes the grouping of the core components of workforce engagement.

Table 2: Components of workforce engagement

| Area of emphasis | Workforce engagement components |
|------------------------|---|
| Strategic issues | <ul style="list-style-type: none"> ▪ Effective senior leadership ▪ Reputation management ▪ Ethics, diversity and safety ▪ Stakeholder input |
| Core HR processes | <ul style="list-style-type: none"> ▪ Workforce selection ▪ Organisational orientation ▪ Rewards and recognition ▪ Work/life balance |
| Operational components | <ul style="list-style-type: none"> ▪ Performance management ▪ Tools and technology ▪ Opportunities for advancement ▪ Daily satisfaction |

Source: Components of workforce engagement (Hundley et al., 2005)

Nonetheless, Rice (2011) argues that improving compensation does not always yield high levels of performance or employee engagement, because performance-related pay may also create different and unanticipated results depending on the job role. Studies have shown that performance-based compensation systems tend to motivate higher levels of engagement and performance for professions requiring manual work (Kennedy & Daim, 2010). Whilst on the other hand, for professions driven by knowledge, performance-based payment can decrease engagement by turning intrinsic motivation into external expectation (Rice, 2011).

In conclusion, it is clear from the above review that it is imperative to understand that performance-based incentives are discretionary, in that employees need to show high involvement, as opposed to a feeling of entitlement to incentives. Thus the measurement of phenomena associated with the impact that employees' perceptions of PBC systems have on the organisation, and subsequent employee behaviour, can assist management in understanding engagement and thereby improving the strategic decision-making process.

2.4 Reward and compensation systems

There is a strong belief that the practice of incentives related to remuneration are unjust, as such policies appear to contribute significantly to staff turnover among the relatively under-rewarded (Roth, 2006). Roth further argued that since pay incentive practices affect an employee's understanding of equality, it would be in the best interest of employers to reduce perceptions that the allocation of earnings is unjust, thereby minimising turnover costs. In fact, Daniels, Daniels & Abernathy (2006) found that the success of pay for performance schemes is highly dependent on both an understanding and application of behavioural principles within the early design phase, and should continue throughout the implementation and administration of the process. Indeed, Vyrastekova, Onderstal & Koning (2012) support such sentiments. Their study strongly suggests that high-powered incentives can result in improved performance of companies and further propose that companies that traditionally relied on reciprocal relationships of work groups should in the short term, be cautious about not increasing the power of the employees' incentive schemes.

There is a plethora of theories within the literature regarding the motivation of employees and what drives such motivation (Ajzen, 1991; Herzberg, Mausner & Snyderman, 1993; Kunz & Linder, 2012). It was first suggested that worker satisfaction is based largely on achievement and growth from the quality of the work itself. Whilst

studies focused on interpersonal dissatisfaction within the organisation, research into long-term job satisfaction domains such as training and quality production were relatively neglected. Herzberg *et al.* (1993) and later Daniels, Daniels & Abernathy (2006) proposed a non-hygiene view of motivation, by integrating a compensation and reward system.

Production of quality work requires that the system be designed based on financial outcomes rather than behavioural outcomes, such that compensation and benefits are used as a means to motivate employees (Daniels *et al.*, 2006). Performance measurement systems should therefore integrate organisational, team and individual performance to achieve an accurate assessment of the business objectives (Mohrman, Mohrman & Lawler, 1992).

2.4.1 Incentives and organisational culture

Notwithstanding the fact that incentive programmes promote knowledge sharing, there is a risk that these programmes can create undesirable expectations of rewards for behaviour that should be normal for performing tasks in the organisation (Milne, 2007). Gomez-Mejia & Balkin (1992, p.124) define reward programmes as the “deliberate utilisation of the pay system as an essential integrating mechanism through which the efforts of various sub-units or individuals are directed towards the achievement of an organisation’s strategic objectives”. Milne (2007, p.30) refers to recognition as “non-financial award given to employees selectively, in appreciation of a high level of behaviour or accomplishment that is not dependent on achievement against a given target”.

Employees come to work for various reasons other than pay and that rewards that keep them in organisations have to do more with the way employees are treated than any particular pay scheme (Lachance, 2000). Milne (2007) indicated that managers need to understand and be certain about the behaviour they need to reward in order to make sure that they are rewarding the correct behaviour. An organisation is an open system that exists in multiple environments. Changes in the environment result in stresses and strains inside the organisation and as new employees join the organisation bringing in new beliefs and assumptions, the current held assumptions are significantly influenced by new beliefs and assumptions (Schein, 1990). Leaders in organisations engage in a number of activities to produce the desired cultural changes as suggested below by Schein (1990, p.117):

- Leaders may unfreeze the present system by highlighting the threats to the organisation if no change occurs and at the same time, encourage the organisation to believe that change is possible and desirable.
- They articulate a new direction and new set of assumptions, thus providing a clear and new role model.
- Key positions in the organisation may be filled with new incumbents who hold the new assumptions because they are either hybrids, mutants or brought in from outside.
- Leaders may systematically reward the adoption of new directions and punish adherence to the old direction.
- Organisation members may be seduced or coerced into adopting new behaviours that are more consistent with new assumptions.
- Visible scandals may be created to discredit sacred cows, to explode myths that preserve dysfunctional traditions and destroy symbolically the artifacts associated with them.
- Leaders may create new emotionally charged rituals and develop new symbols and artifacts around new assumptions to be embraced.

It is evident from the above analysis that in order to change the culture of entitlement and the employees' perceptions on performance-based incentives, there is a need for organisational leaders to direct guided cultural evolution and manage change. This is critical, since employees who have grown up in the organisation may find it difficult to change their long-held assumptions (Lachance, 2000; Milne, 2007; Schein, 1990).

2.4.2 Rewards and recognition programmes

Rewards and recognition programmes refer to those programmes that reward employees for their performance and loyalty. For these programmes to be successful, they should command respect among employees, since those employees who earn such rewards are seen as those to emulate (*Editorial*).

Non-monetary rewards

Kunz & Linder (2012) argued that most researchers tend to focus on monetary rewards such as bonuses whilst paying little attention to non-monetary rewards. Non-monetary rewards are the signals of appreciation and recognition by peers or superiors and are correlated to the strengthening of social ties (Kunz & Linder, 2012). In order for the organisations to overcome the challenge of retaining their talent, they also need to

explore non-monetary rewards as an option (Sonawane, 2008). Sonawane concluded that non-monetary rewards tend to reinforce the organisational values in employees and improve the working conditions by making it easier and pleasant. Alternatively, Hart (2012) proposed that for organisations to defend their recognition and appreciation programmes, the overall corporate strategies, vision and values, should align with non-monetary reward systems. Studies have highlighted that failure of alignment leads to the recognition system being an unnecessary expense (Basset-Jones & Lloyd, 2005).

According to Angliss (2007), pay cheques in isolation are no assurance that employees will or want to, keep working productively. Some authors therefore continue arguing that organisations should demonstrate their appreciation to their employees in both financially and in other various available compensatory methods (Lachance, 2000; Sonawane, 2008). It is possible that purely a monetary reward for work can keep employees from absenteeism (Angliss, 2007), however, it is non-monetary employee recognition programmes that in return will reward an organisation with improved morale and better performance (Hart, 2012). Organisations should therefore identify what role their recognition programmes play, or could play, in supporting the business strategy. In fact, O'neal (1992) found empirical evidence that supports the idea that innovative recognition programmes add vitality to an organisation's strategies, as long as it is positioned as a management tool. Such innovative recognition programmes (which most state-owned institutions such as the IDC have) include: Star Awards which recognises best employee in each business unit, the best department in the organisation, and innovation awards which provide incentives for innovative ideas by employees. These recognition programmes have been positioned as part of a broader strategy that involves employees in the business process, where recognition for exceptional performance is appropriately rewarded.

It can be concluded from the above review that organisations need to be certain about the behaviours they need to reward and that such behavioural outcomes should be directed towards organisations' strategic objectives. This is critical in that it eliminates the unwanted employee perception that the allocation of performance-based compensation is unjust. Tactically and strategically aligning different employee behavioural outcomes with the performance of the organisation effectively eliminates the entitlement culture. This is paramount in state-owned organisations (Hart, 2012). Furthermore, since employees may be motivated for various reasons other than financial needs, it is evident from the available studies on the topic that non-monetary

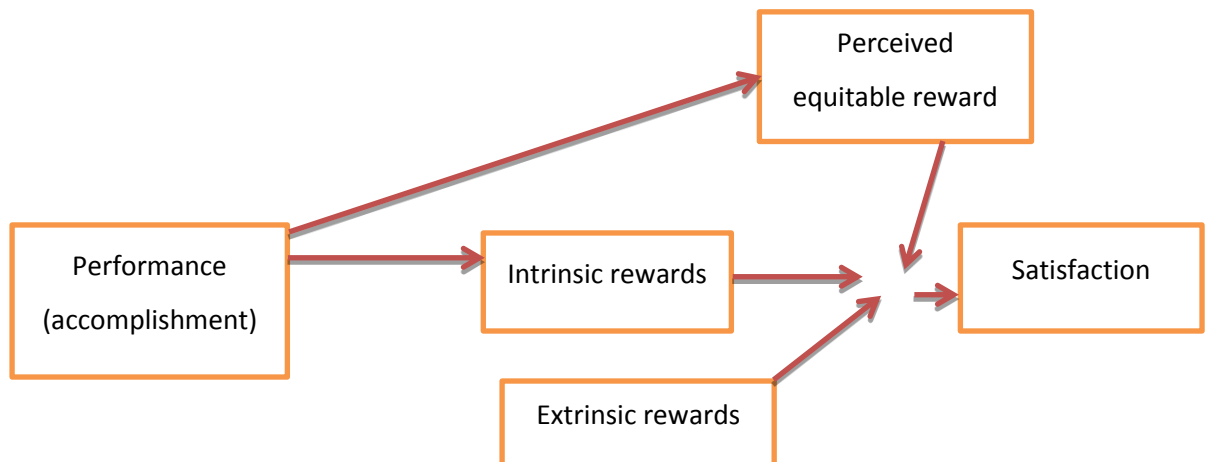
incentives tend to reward the overall organisation with improved employee morale, sustainable competitive advantage and high quality products.

2.5 Recognition and motivation theory

According to Basset-Jones & Lloyd (2005), motivators associated with intrinsic drivers can outweigh those linked to financial inducement while observing those benefiting from recognition of extrinsic rewards. “The absence of change in attitude towards pay supports the contention that rewards that are contingent upon performance will decrease intrinsic motivation in the presence of other reward schedules that may be operating” (Jordan, 1986, p411). McConvill (2006) suggested that top executives focusing on a company’s performance are motivated by both personal and company-driven strategic goals and objectives.

The model of Lawler and Porter (Figure 1), illustrates the significant differences in relationship of performance to job satisfaction in terms of the two categories, intrinsic and extrinsic motivators.

Figure 1: Model of the relationship of performance to satisfaction



Source: Model of the relationship of performance to satisfaction (Lawler & Porter, 1973)

Extrinsic rewards as defined by Lawler & Porter (1973) are monetary incentives, promotions, status and security and have a weak link to performance and these may include monetary rewards. On the other hand, Hayenga & Corpus (2010) describe intrinsic rewards as internally focused and are more directly related to good performance and these may include non-monetary rewards.

2.5.1 Intrinsic motivation and self-determination theory (STD)

Intrinsic motivation refers to engaging in a task for its own inherent reward (Hayenga & Corpus, 2010). Additionally, Ryan & Deci (2000) stated that a person is intrinsically motivated when moved to act for the challenge or fun associated with the task, rather than for a reward or instrumental value. Self-determination theory advocates that individuals have three universal psychological needs that are vital for psychological growth, optimal functioning and well-being; namely, autonomy, competence and relatedness (Ankli & Palliam, 2012).

“Self-determination posits that extrinsic rewards undermine intrinsic motivation in most circumstances and moreover, self-determination suggests that an intrinsically motivated workforce manifests a wide range of phenomena, feelings of competence as well as feelings of autonomy leading to greater depth of cognitive learning and more creative output” (Ankli & Palliam, 2012, p9). Kuvaas (2006) suggested that there is a strong relationship between the intrinsic motivation and self-reported work performance among the knowledge workers in that such workers are likely to be more energised by intrinsic motivation and the work itself.

Furnham, Eracleous & Chomorro-Premuzic (2009) argued that motivators are intrinsic to the job itself and encompass aspects such as achievement, development, recognition and responsibility. Studies show that there is a positive relationship between pay and intrinsic motivation, as well as intrinsic motivation and job satisfaction. However, pay satisfaction has the strongest link with job satisfaction (Stringer, Didham & Theivananthampillai, 2011). Performance-based incentive systems aim to stimulate employee behaviour associated with innovation and the generation of ideas within an enterprise. The link between intrinsic motivation, self-determination and performance-based incentives were observed in Markova & Ford’s (2011) study, which found that creative employees are intrinsically motivated mainly for two reasons. Firstly, the creation and exchange of knowledge and ideas stimulates interest and creates intrinsically motivated individuals. Secondly, the time allocated to creative employees’ tasks is likely to increase and individual productivity improved.

2.5.2 Extrinsic motivation

Extrinsic motivation refers to engaging in a task in order to attain some reward and or separable outcome (Hayenga & Corpus, 2010). Employees who are rewarded accordingly develop a strong commitment to the organisation and are likely to remain in

those organisations for an extended period of time (Bartol & Srivastava, 2002). Furthermore, employees need to have a sense of feeling that organisations provide them with meaningful rewards, providing quality of life more than simply recognition and membership.

In their study of extrinsic motivation on individuals' knowledge sharing behaviour, Hung, Durcikova, Lai & Lin (2011) argued that economic reward is the most obvious way to reward an employee for a suitable behaviour. Thus, to encourage knowledge sharing, the organisation can provide various forms of economic rewards such as salary increases, bonuses, job security or promotions.

Both intrinsic and extrinsic methods to motivate the employee are attempts by the enterprise to stimulate organisational performance. The literature then provides the data to conclude that no specific method or principle adopted by an employee may be a solution to creating a highly performing business. More evidence and data may be necessary to measure the state of employee motivation strategies in place. Understanding the behavioural factors associated with various performance-enhancing techniques adopted by the organisation has a critical role to play in maintaining an effective solution. Understanding employees' perceptions of incentive systems now becomes a core domain of performance management.

2.6 Performance management systems

Aguinis (2009, p.504) defines performance management as “a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organisation”. However, performance management systems associated with performance-based incentive schemes may produce undesirable results as these schemes may increase the work effort, which employees may dislike (Green & Heywood, 2008). Green & Heywood further propose that the subjectivity of evaluation measures of performance might be tied to the company's bottom line, which in turn may reduce employee job satisfaction. Furthermore, the subjectivity of performance evaluations practices impacts negatively on managerial motivation in the public sector in two ways:

- Subjectivity decreases perceived mission clarity, which is positively associated with motivation, and
- Subjectivity negatively affects trust in the superior (Van Rinsum & Verbeeten, 2012).

Van Rinsum & Verbeeten (2012) further point out that decentralisation of the decision-making authority in public sector organisations requires a subjective system to deal with the trade-off between different dimensions of performance when they are assigned to a decision-making authority. Performance systems, which traditionally link employee performance to financial remuneration, are anticipated to have a desired effect on the perception of employees (Helm, 2007). It is critical for companies to pay attention to the instrumental and behavioural side of performance and that applying the strategic performance systems results in a performance-driven organisation in which all employees work towards high achievement (De Waal, 2007).

2.6.1 The correlation between performance management and performance appraisal

For the purposes of this study, employees are regarded as a valuable resource that should be addressed during the formulation of the strategy with a view of linking human resource management with the organisational performance and overall business strategy. Performance appraisal on the other hand focuses on the measurement of work performance with a mission of taking a snapshot of work performance (Landy & Farr, 1983). There is a shift from the exclusive use of performance appraisal to more comprehensive and developmentally focussed performance management processes (Gravina & Siers, 2011). Furthermore, performance appraisal is a component of performance management processes and performance appraisals assist organisations in achieving functions; namely, documenting performance and making comparisons between employees (Gravina & Siers, 2011).

Aguinis (2009) is of the view that performance management is anticipated to serve six functions:

- Linking work behaviours to the organisation's strategic purposes.
- Serving as a basis for administrative decisions.
- Communicating performance standards and performance feedback to employees.
- Establishing developmental objectives for training and coaching activities.
- providing data for organisation-wide maintenance and interventions
- Documenting performance records for organisational and legal purposes.

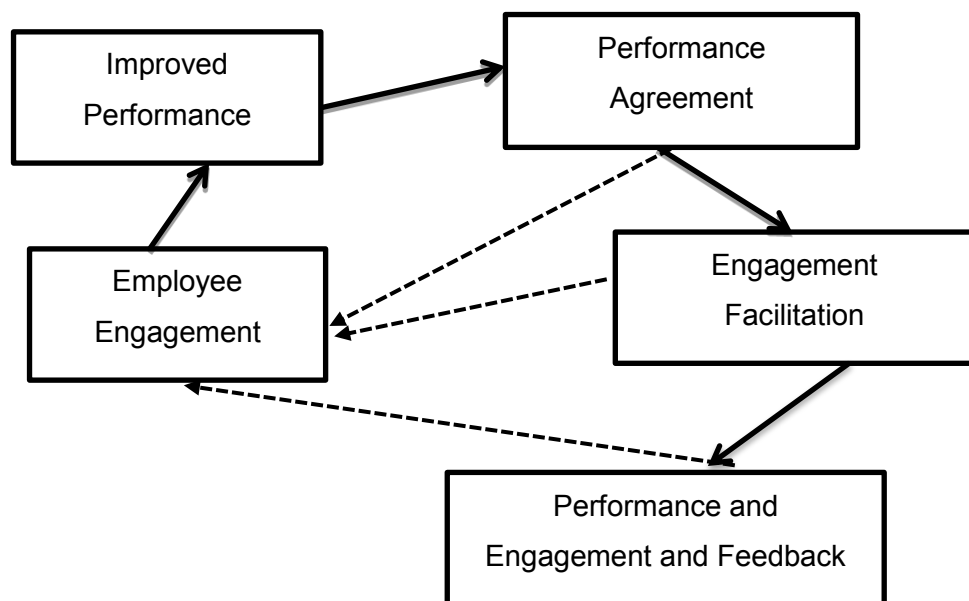
Allan (1992) postulates that a performance appraisal portrays strengths and weaknesses of employees in a non-continuous basis. He further argued that

performance appraisals tend to measure wrong behaviours by focusing on employees’ personal characteristics rather than on job performance. However, Pfeffer (1998) on the other hand indicated that HR practices that strengthen and complement each other are necessary for an organisation’s architecture to deliver the desired performance. Producing desired outcomes that precedes enhanced performance is a vital step in the performance management process (Gruman & Saks, 2011). In addition, performance management will be enhanced by focusing on employee engagement as a determinant of job performance and desired outcome (Gruman & Saks, 2011).

2.6.2 Performance management and engagement management models

Engagement is an ongoing and continuous process, with performance agreement feeding into employee engagement (Gruman & Saks, 2011; Tomlinson, 2010). Gruman and Saks’s model of engagement management depicts a sequence of stages that focuses on fostering engagement management and performance management that encompasses the entire organisation as well as addressing components of performance.

Figure 2: The engagement management model



Source: The engagement management model (Gruman & Saks, 2011).

In Figure 2, the arrows represent the engagement management process while the dotted lines represent the drivers of employee engagement. “Performance agreement

involves the negotiation of goals that employees will accomplish” (Gruman & Saks, 2011, p.128). The performance agreement stage involves goal setting and psychological contract. A psychological contract is an exchange agreement between an employee and the organisation formed in terms of the implied or expressed beliefs about the promises (Rousseau, 2004). It is therefore a reciprocal relationship, which defines mutual expectations of the employee and the organisation and it concerns a sense of recognition and achievement including the quality of relationships (Adams & Hicks, 2000). Although goals should support an organisation’s overall objectives, individuals’ developmental goals should also be taken into consideration (Pulakos, 2009). Individual employees must be allowed to formulate their own goals within the broader organisational context when taking into account the achievement of corporate objectives (Armstrong, 2000). Furthermore, employees’ intrinsic and explicit expectations can be the basis of psychological contracts that involve reciprocal obligations between employees and employers (Rousseau, 1990).

Engagement facilitation involves job design, coaching, leadership and focuses on identifying and providing employees with the necessary resources they need to become engaged with the business strategy. Performance and appraisal feedback involves an assessment of employees’ engagement behaviour and focuses on enhancing engagement, trust and justice perceptions (Pulakos, 2009).

It may be drawn from the aforementioned models that for performance management to be successful, a complete communication loop is necessary. That is, both employer and employee should attain high alignment of belief systems and any miscommunication handled timeously by management so as to sustain employee engagement.

2.7 Conclusion

The literature review has shown that organisations need to create an environment that encourages employees to remain in the organisation and that the availability of performance-based rewards help organisations to attract and retain high quality employees. Organisations thus need to introduce sustainable retention strategies that will foster employee commitment and attachment towards the organisation, thereby reducing the attrition rates.

There is also evidence that incentive-based pay generates high engagement and high performance and such rewards should ensure that employees use their power and

knowledge for the good of the company. Thus employees need to show high involvement rather than having a feeling of entitlement to incentives.

One of the important factors that stands out from the literature review is that organisations tend to focus on monetary rewards whilst paying little attention on non-monetary rewards which are the signals of appreciation and recognition by colleagues and management. Most of the studies conducted indicate that monetary rewards more often result in undesirable behaviour by creating a sense of entitlement and that non-monetary incentives tend to reward the organisation with improved staff morale and sustainable competitive advantage.

Some studies have concluded that more often motivators associated with intrinsic drivers outweigh those linked to financial inducement while observing those benefiting from recognition of extrinsic rewards. The literature then provides the data to conclude that no specific method or principle adopted by an employee may be a solution to creating a highly performing business. More evidence and data may be necessary to measure the state of employee motivation strategies in place.

This paper proposes understanding the behavioural factors associated with various performance enhancing techniques as well as understanding employees' perceptions of incentive systems as a core domain of performance management.

Chapter 3: Research Hypotheses

The primary aim of the study is to explore the underlying structure of employees' perceptions of performance-based compensation and its subsequent impact on employee behaviour. The following propositions and hypotheses were therefore formulated to support the exploration of the research construct:

Proposition 1:

Employees who received performance-based incentives are more likely to remain longer with the organisation.

There is a significant difference in years of service between employees who received a performance-based incentive and those who did not.

Proposition 2:

Employees who receive a performance-based incentive are more likely to engage with the organisation.

A secondary objective of the study was to analyse the relationships between the demographic characteristics of employees and their perceptions of performance-based compensation systems.

The following general hypotheses were therefore formulated to guide the secondary objectives of the study:

- H_{a1} : There are significant differences between the perceptions of organisational performance-based compensation held by employees with long service and those with shorter-term service.
- H_{a2} : There is a significant difference between employees who received a performance-based incentive and those who did not, on their perceptions of performance-based compensation systems.
- H_{a3} : There are significant relationships between employees' perceptions of performance-based compensation, and their demographic characteristics.

Chapter 4: Research Methodology

4.1 Research Design

A quantitative, positivist design was adopted so as to gain a deeper understanding of the phenomena associated with the perceptions of performance-based compensation systems. This was achieved by firstly describing the data and characteristics of the sample frame in terms of retention, employee engagement, reward and compensation, recognition and motivation, and employees' perceptions of performance management systems.

The analyses of the data involved describing it, reducing the dataset to more manageable variables, and comparing demographic categories. Descriptive research seeks to describe accurate representation of persons, events or situations (Saunders & Lewis, 2012). While a data reduction method, such as factor analysis, seeks to find commonality and clustering between the data points, the overall approach taken in this study involved empirical data collection. Therefore, the specific process used to explore the latent structure of the research construct was founded in empiricism, where a structured questionnaire was used as the observation tool of choice. Furthermore, a rationalist approach was taken to build any new theory based on the results of the research.

4.2 Unit of analysis

Cooper & Schindler (2011) defined a population as the collection of units about which a researcher makes some inferences. The unit of analysis for this research was permanent employees at the Industrial Development Corporation (IDC). The employees were classified by their gender, age, years of service and job titles. The demographics included both employees who have received performance-based incentives and those who did not.

4.3 Sampling method and size

A non-probability stratified convenience sampling method was adopted to meet the objectives of the research. For studies of this nature, an alpha probability level of 0.05 is generally accepted. Hence, according to Saunders, Lewis & Thornhill (2007), a sample size of between 150 and 200 is deemed appropriate when comparing paired

samples (dependent groups) in the social sciences and to achieve acceptable levels of analytical power. The present sample consisted of over 200 respondents and was therefore deemed appropriate for further statistical analyses.

The unit of analysis in the study was permanent employees at the IDC, classified by their gender, age, years of service and job titles. The size of the population was estimated at around 730 employees. The questionnaire was distributed electronically and was endorsed by the Human Resources Executive at the IDC so as to improve the response rate.

It is often difficult to collect data from the entire population. Problems are mainly attributable to the fact that the researcher does not always know what the exact consistency of the population is, or it may be difficult to make contact with the elements within an entire population (Saunders & Lewis, 2012). On the other hand, because a probability sampling technique requires that every member of the population has an equal chance of being selected; it was convenient to utilise a non-probability sampling technique for the study, because the selection of sampling units was arbitrary or non-random, as the researcher relied on personal judgment (Zikmund, 2003). However, Zikmund (2003, p.380) cautioned that “there are no appropriate statistical techniques for measuring random sampling error from a non-probability sample and thus, projecting the data beyond the sample is statistically inappropriate”.

Nonetheless, the non-probability method has specific advantages over the random method (Doherty, 1994):

- Less costly.
- Used when sampling frame is not available.
- Useful when the population is so widely dispersed that cluster sampling would not be efficient.
- Often used in exploratory studies for example, for hypotheses generation.

Since the main objective of the research was to measure employee behaviour in a state-owned enterprise, a non-probability purposive sampling method was utilised based on the aforementioned advantages.

4.4 Data collection process

The required information or data was gathered by means of a survey. The survey method allowed for the collection of data in a highly structured manner from a large

number of participants in a cost-effective way. In addition, the survey method made it possible to generate sufficient empirical evidence so as to confidently infer findings or generate conclusions about the broader population under study (Saunders & Lewis, 2012). The construct, *employees' perceptions of performance-based incentive systems*, was operationalised based on theory analysed in the literature review. An appropriate questionnaire was then designed, tested and constructed in order to cover the various domains of the main research construct. The instrument was then distributed to a convenience sample of the population, electronically. According to Zikmund (2003), convenience sampling allows the researcher to obtain a significant number of completed questionnaires quickly and in a more economical way.

A survey with 25 statements was used to determine employees' attitudes towards performance-based compensation (PBC) systems and its overall effect on employee perceived behaviour when performing job-related tasks. All questions or statements were asked on a five-point Likert designed item, from 1 (strongly disagree) to 5 (strongly agree). The survey was administered online to the IDC employees. An email invite was sent to potential participants with a link to the survey, which included information in terms of completion instructions, the voluntary nature of the survey and an assurance of confidentiality.

4.5 Data analysis approach

The latent structure of the data was explored using a reduction method, namely, exploratory factor analysis. Because it was believed that the domains of the research construct were not completely related, an orthogonal rotation of the factors was deemed appropriate. Thus, a third order principle axis factoring (PAF) with a varimax (orthogonal) rotation and Kaiser's normalisation process was followed to understand the research construct, *employees' perceptions of performance-based compensation systems*. Computing the value of Cronbach's co-efficient alpha assessed the internal consistencies of the underlying factors in the research construct. In testing the hypotheses, which were generated to guide the study, appropriate comparative statistical methods were adopted (Abright, Winston & Zappe, 2009). This empirical design was followed to gain sufficient evidence to either support or reject the guiding hypotheses.

Due to the nature of the sample data, which was somewhat skewed, in relation to the Gaussian distribution, and the less tolerant exploratory nature of parametric tests such as t-test or ANOVA, additional statistical analyses were conducted to determine the

nature and the extent of the relationships of the variables. In this regard, more robust non-parametric statistical methods; namely, Mann-Whitney and Kruskal-Wallis were adopted since the dataset was not normally distributed.

Furthermore, in order to uncover the underlying structure of a large set of variables, a multivariate statistical method, exploratory factor analysis (EFA) was conducted to ensure that the questions asked relate to the construct intended to be measured.

Initially 25 statements or questions were used to determine employees' attitudes towards PBC systems and its overall effect on employee perceived behaviour, when performing job-related tasks. However, after conducting an exploratory factor analysis, the statements in the survey questionnaire were reduced to three well-defined scales, or factors, encompassing 18 items from the original 25 items namely: "Nurturing communication", "Objective recognition" and "Individual motivation".

4.6 Research limitations

Overall, the final results and analyses suggested that the latent scales responsible for the majority of the variability in the main construct of interest, were sufficiently valid and reliable. However, the following delimitations in the study were identified:

- The research study was not based on all state-owned enterprises as the survey was distributed only to the Industrial Development Corporation (IDC) as one of the key Development Funding Institutions. There are approximately 300 state-owned enterprises divided into five industries: key infrastructure, service industries, energy, financial services and transportation. Hence, only the IDC which falls under the financial services of the Department of Economic Development was used to conduct the research study.
- This study was limited to the exploration of monetary incentives that recognise exceptional employee performance. Future research should expand this focus to a broader set of non-monetary rewards.
- In this study, relationships between variables were tested using a reduction method, namely, exploratory factor analysis, and more robust non-parametric statistical methods; namely, the Mann-Whitney U and Kruskal-Wallis tests as an alternative to the more commonly used parametric tests such as the Student's t-test. It is, however, possible to replicate the study by using less tolerant parametric tests, such as, t-test or ANOVA. It is believed that results examined in this manner would produce very similar conclusions.

- Sample make-up and size presented another limitation. The sample is a convenience sample and the respondents may have some characteristics that set them apart from other state-owned enterprises implementing performance-based compensation.
- Although the number of IDC employees who responded to the survey questionnaire was substantial, the overall adjusted response rate of 40.1% raises questions about the representativeness of the respondents.

Chapter 5: Results

5.1 Introduction

This chapter presents the findings of the online survey that was conducted based on the methodology described in Chapter 4. It evaluates whether there is sufficient evidence to accept or reject the research hypotheses presented in Chapter 3 and to further examine the supporting propositions. This chapter primarily explores the latent structure of the dataset so as to gain a deeper understanding of the research hypotheses.

A total of 290 usable responses were received from an estimated population of 723 employees, equating to an overall response rate of 40.1%. This response rate is deemed highly acceptable for survey research of this nature, where the general response rate is around 30% (Cooper & Schindler, 2003). Completed questionnaires were collated electronically into a data matrix and screened for errors. The 290 usable responses were a result of a thorough post-analytic data cleaning phase. In other words, participants who submitted incomplete or highly erroneous responses were omitted from the final dataset and subsequent statistical analyses.

5.2 Demographic description of the sample

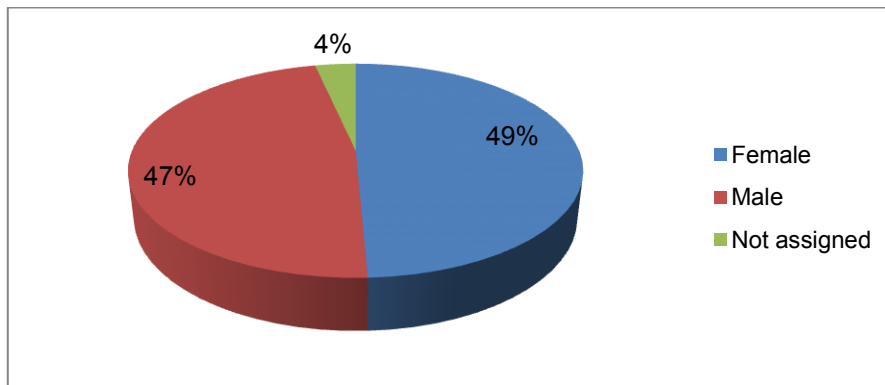
In order to measure any statistical differences between categories, demographic information was requested from the participants. Briefly, this data consisted of items related to respondents' gender, job grade, time in present position, years of experience in the IDC and level of education.

5.2.1 Gender

For the purposes of this study, it was imperative to understand whether males and females have different opinions on performance-based compensation issues. It was significantly noteworthy that both genders responded almost equally to the study.

The sample under analysis consisted of 49% female, 47% male. Figure 3 graphically depicts the distribution of the participants by gender.

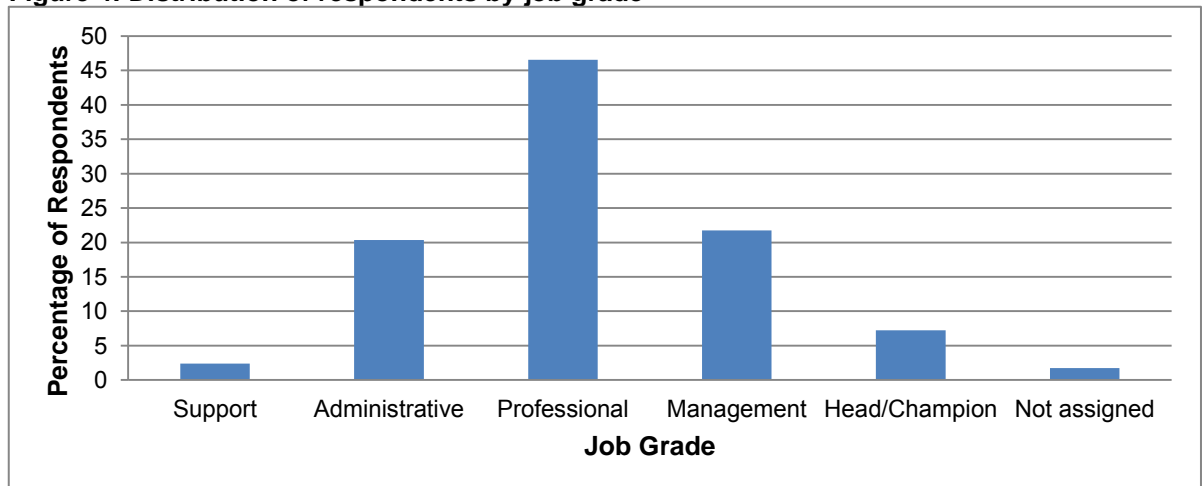
Figure 3: Distribution of respondents by gender



5.2.2 Job Grade

The largest proportion of the respondents (47%) was professional employees, followed by 22% in management, 20% administrative workers, 7% head/champion, 2% support and the other 2% did not specify their job grade. Both professional and management grade employees accounted for 69% of the respondents and this reflects the specialised nature of the IDC functions. These are employees who are graduates with a degree and above qualifications, comprised mainly of accountants and engineers.

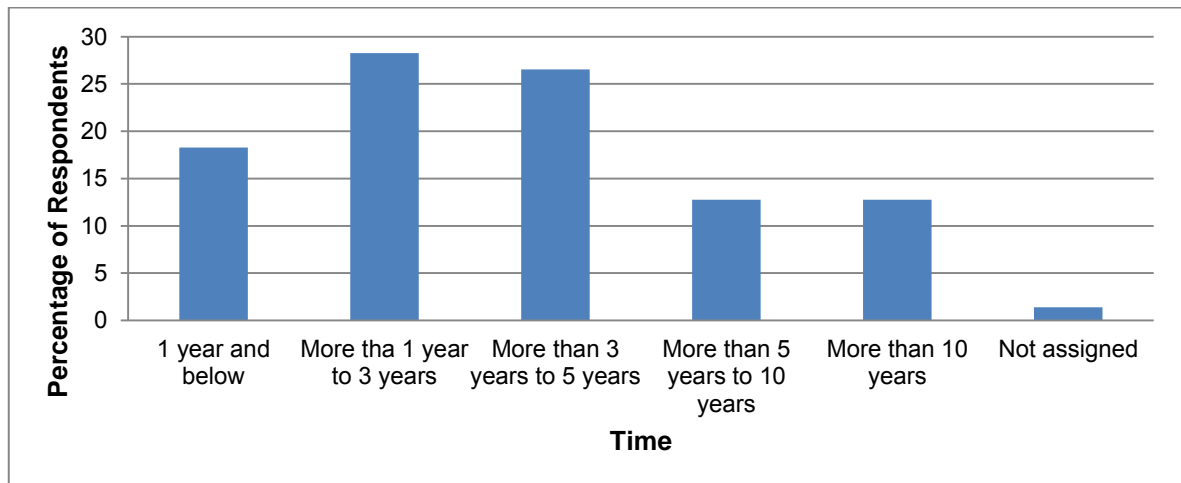
Figure 4: Distribution of respondents by job grade



5.2.3 Time in Current Position

The majority of the respondents (63%) had five years or less in their current position, 12.8% of the sample indicated that they had either between 5-10 years' experience or more than 10 years' experience respectively.

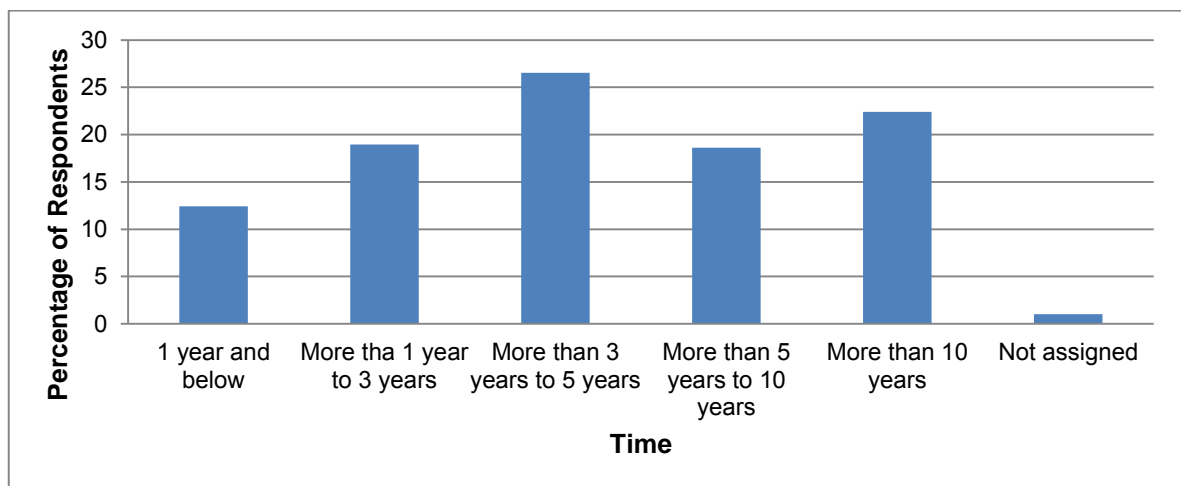
Figure 5: Distribution of respondents by time in current position



5.2.4 Years of experience at the IDC

The results in the figure below shows that 12% of the respondents had been with IDC for one year or less, 19% had been with IDC for more than a year to three years, 27% for more than three years to five years, 19% for more than five years to 10 years, and 22% for more than 10 years.

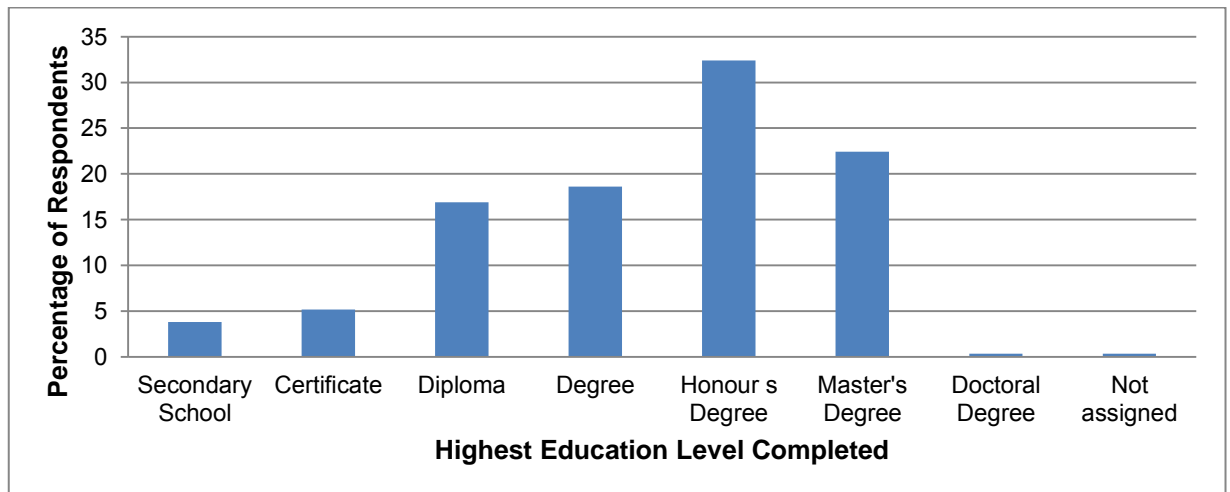
Figure 6: Distribution of respondents by years of experience at the IDC



5.2.5 Academic qualification

The academic educational qualifications of IDC employees appear to play a significant role at the organisation. Figure 7 clearly shows that the majority of the respondents (55%) had an honours degree or higher, 19% had degrees, 17% had diplomas and 5% certificates.

Figure 7: Distribution of respondents by highest level of education completed



5.3 Exploratory Factor Analysis

The essence of the study was to determine the fundamental factors responsible for the majority of the variability in the dependent variable (perception of performance-based compensation systems). Exploratory Factor Analysis (EFA) was used to discover patterns in the variations of the variables. The method also assessed whether the items measured substantive constructs or factors that correlate highly with the variables and that are also independent of one another (Clark & Watson, 1995).

The EFA was carried out by means of principal axis factoring (PAF), and was rotated using the varimax option with Kaiser’s normalisation to an orthogonal solution. This allowed for a solution that sought the lowest number of factors that can account for the common variance in the set of variables.

Twenty-six statements on employees’ attitudes towards performance-based compensation and its effect on employee perceived behaviour when performing job-related tasks were rated on five point Likert type items. Such that a rating of “1” corresponds to a respondent’s indication of strongly disagreeing with the statement and a rating of “5” indicating strong agreement with the statement.

After three rounds of PAF, eight items that had factor loadings lower than 0.35 or cross-loaded were omitted (Table 3).

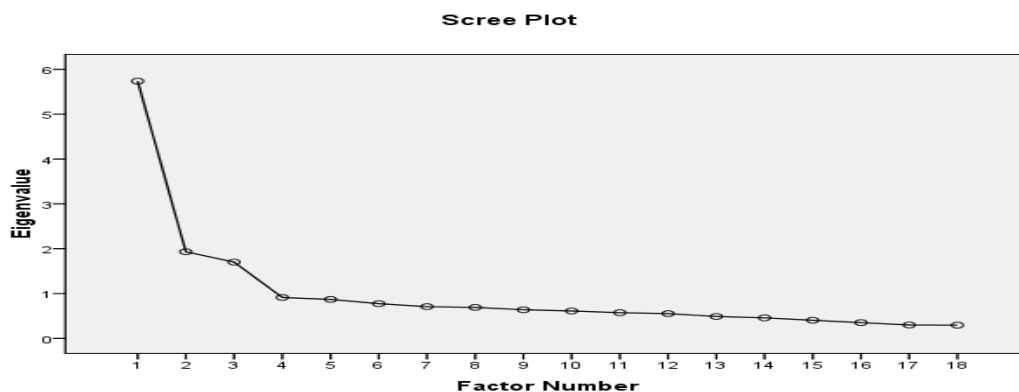
Table 3: Items removed from the questionnaire

| Item Removed | Removed in |
|--|------------|
| The actions necessary to obtain this financial incentive are largely within my control | Round 1 |
| Obtaining the financial incentive brings me favourable recognition from my colleagues | |
| Pay-related pay has a positive impact on employee retention | |
| The performance-related pay lead to greater motivation of employees | |
| Recognition awards should be based not on length of service or subjective factor, but more objective, performance-enhancing behaviours | Round 2 |
| Rewards have positive relationship with job satisfaction | |
| I know the amount of the financial incentive I will receive if I achieve the quality target | |
| I have adequate information about the scoring system used to compute the incentive amount | |

A total of 18 items were retained and were subjected to a final round of EFA with varimax rotation. The Kaiser-Meyer-Olkin (KMO) test for measuring sampling adequacy and Bartlett’s test of sphericity displayed satisfactory results. Both diagnostic tests confirmed that the data was suitable for factor analysis. The calculated KMO value of 0.875 was greater than the recommended 0.7 (Field, 2009). Bartlett’s test of sphericity [$\chi^2 (325) = 2740.681, p < 0.01$] confirmed that the properties of the correlation matrix of the item scores were suitable for factor analysis.

Based on Kaiser’s criterion, three factors with eigenvalues higher than one were extracted. All the items had loadings greater than 0.40 and the factors were well determined (see Table 4). The six factors explained 42.867% of the total variance in the data (Table 5). An inspection of the Scree plot confirmed that three factors had been satisfactorily determined (Figure 8).

Figure 8: Scree plot



The table below shows the factor loadings of the retained factors.

Table 4: Rotated Factor Matrix

| (Third and final round) Rotated Factor Matrix | | | |
|--|--------|-------|-------|
| | Factor | | |
| | 1 | 2 | 3 |
| My manager/supervisor/head seem to care about you as a person | .741 | .138 | .150 |
| I get useful feedback regarding my progress toward achieving the quality target | .739 | .222 | .058 |
| I have been provided with a feedback about my work progress in the last six months | .682 | .097 | .167 |
| In the last year I have received recognition or praise for a job well done | .568 | .300 | .128 |
| I have adequate information about the definition of the quality target | .562 | .278 | -.002 |
| I know what is expected of me at work | .494 | -.016 | .253 |
| The IDC's mission makes me feel my job is important | .457 | .326 | .295 |
| The IDC encourages my career development | .374 | .243 | .292 |
| The IDC provides genuine recognition and appreciation for desired performance behaviours | .319 | .746 | .206 |
| The IDC employee yearly awards process for recognition, is fair | .163 | .676 | -.076 |
| The current bonus system rewards excellent performance | .227 | .604 | .326 |
| Non-Financial rewards (the IDC employee awards and long service awards) enhance employee performance | .117 | .557 | .171 |
| Top performing employees receive more pay and recognition than average performers | .090 | .537 | .072 |
| Rewards encouraged positive behaviour | .116 | .008 | .670 |
| Relating pay to performance is good | .066 | .088 | .624 |
| I prefer financial incentive (bonus) | .058 | .066 | .571 |
| The quality target helps me focus my time and effort constructively | .219 | .169 | .504 |
| Performance-based compensation motivates those who are eligible | .216 | .207 | .473 |
| Extraction Method: Principal Axis Factoring. | | | |
| Rotation Method: Varimax with Kaiser Normalisation. | | | |
| Rotation converged in 5 iterations. | | | |

Table 5: Total Variance Explained

| Total Variance Explained | | | | | | |
|---------------------------------|---------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| Factor | Initial Eigenvalues | | | Rotation Sums of Squared Loadings | | |
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 5.736 | 31.868 | 31.868 | 3.109 | 17.270 | 17.270 |
| 2 | 1.932 | 10.732 | 42.600 | 2.470 | 13.722 | 30.992 |
| 3 | 1.701 | 9.450 | 52.050 | 2.138 | 11.875 | 42.867 |
| 4 | .914 | 5.075 | 57.126 | | | |
| 5 | .869 | 4.828 | 61.954 | | | |

| | | | | | | |
|--|------|-------|---------|--|--|--|
| 6 | .774 | 4.302 | 66.256 | | | |
| 7 | .708 | 3.933 | 70.189 | | | |
| 8 | .691 | 3.840 | 74.029 | | | |
| 9 | .639 | 3.549 | 77.577 | | | |
| 10 | .612 | 3.398 | 80.975 | | | |
| 11 | .573 | 3.184 | 84.159 | | | |
| 12 | .553 | 3.074 | 87.233 | | | |
| 13 | .489 | 2.718 | 89.951 | | | |
| 14 | .459 | 2.548 | 92.498 | | | |
| 15 | .405 | 2.248 | 94.746 | | | |
| 16 | .352 | 1.953 | 96.700 | | | |
| 17 | .299 | 1.660 | 98.360 | | | |
| 18 | .295 | 1.640 | 100.000 | | | |
| Extraction Method: Principal Axis Factoring. | | | | | | |

5.3.1 Scale labelling

The factor analysis after three rounds of principal axis factoring resulted in three strong sub-scales, which explained 42.867% of the variance in the research construct, *employees' perceptions of performance-based incentive systems*. After examination and based on the strongest loading items, the three factors were subsequently labelled: “Nurturing communication”, “Objective recognition”, and “Individual motivation”.

The behavioural sub-scale “Nurturing communication” explained 17% of the variation in the research construct, while “Objective recognition” explained 14%, and “Individual motivation” explained 12% of the research construct.

The items that were retained in each factor are indicated in the following three tables.

Table 6: Factor 1 – Nurturing communication

| Item | Rotated Factor Loading |
|--|------------------------|
| 1. My manager/supervisor/head seem to care about you as a person | 0.741 |
| 2. I get useful feedback regarding my progress toward achieving the quality target | 0.739 |
| 3. I have been provided with a feedback about my work progress in the last six | 0.682 |

| | |
|---|-------|
| months | |
| 4. In the last year I have received recognition or praise for a job well done | 0.568 |
| 5. I have adequate information about the definition of the quality target | 0.562 |
| 6. I know what is expected of me at work | 0.494 |
| 7. The IDC's mission makes me feel my job is important | 0.457 |
| 8. The IDC encourages my career development | 0.374 |

"Nurturing communication" refers to the perception an employee has in terms of how much a manager or supervisor cares about communicating performance-based compensation issues. It appears that this scale taps into the parental role played by management when allocating or defining the performance-based compensation for their employees.

Table 7: Factor 2 – Objective recognition

| Item | Rotated Factor Loading |
|---|------------------------|
| 1. The IDC provides genuine recognition and appreciation for desired performance behaviours | 0.746 |
| 2. The IDC employee yearly awards process for recognition, is fair | 0.676 |
| 3. The current bonus system rewards excellent performance | 0.604 |
| 4. Non-Financial rewards (the IDC employee awards and long service awards) enhance employee performance | 0.557 |
| 5. Top performing employees receive more pay and recognition than average performers | 0.537 |

The "Objective recognition" scale refers to the perception that an IDC employee has of IDC's recognition strategies, both financial and non-financial. It provides a guideline as to how employees are being evaluated or assessed for possible rewards. In other words, organisations need to be certain about the behaviours they need to reward and that such behavioural outcomes should be directed towards the organisations' strategic objectives.

Table 8: Factor 3 – Individual motivation

| Item | Rotated Factor Loading |
|--|------------------------|
| 1. Rewards encouraged positive behaviour | 0.67 |
| 2. Relating pay to performance is good | 0.624 |

| | |
|--|-------|
| 3. I prefer financial incentive (bonus) | 0.571 |
| 4. The quality target helps me focus my time and effort constructively | 0.504 |
| 5. Performance-based compensation motivates those who are eligible | 0.473 |

The “Individual motivation” scale refers to both intrinsic and extrinsic methods to motivate the employee as an attempt by the enterprise to stimulate organisational performance. It taps into understanding the behavioural factors associated with various performance-enhancing techniques adopted by the organisation and has a critical role to play in maintaining an effective solution.

5.4 Factorial reliability

The reliability of the factors of the main construct (perception of performance-based compensation systems) was determined by making use of Cronbach’s alpha coefficient, as recommended by Field (2009). The alpha coefficient was calculated to assess the internal consistency (reliability) of the items in each factor. The results are indicated in Table 9.

Table 9: Cronbach’s alpha values for the three sub-scales

| Construct | Number of Items | Cronbach's Alpha |
|-------------------------|--|------------------|
| Nurturing communication | My manager/supervisor/head seem to care about you as a person | 0.840 |
| | I get useful feedback regarding my progress toward achieving the quality target | |
| | I have been provided with a feedback about my work progress in the last six months | |
| | In the last year I have received recognition or praise for a job well done | |
| | I have adequate information about the definition of the quality target | |
| | I know what is expected of me at work | |
| | The IDC’s mission makes me feel my job is important | |
| | The IDC encourages my career development | |
| Objective recognition | The IDC provides genuine recognition and appreciation for desired performance behaviours | 0.791 |
| | The IDC employee yearly awards process for recognition, is fair | |
| | The current bonus system rewards excellent performance | |
| | Non-Financial rewards (the IDC employee awards and long service awards) enhance employee performance | |
| | Top performing employees receive more pay and recognition than | |

| | | |
|-----------------------|---|-------|
| | average performers | |
| Individual motivation | Rewards encouraged positive behaviour | 0.738 |
| | Relating pay to performance is good | |
| | I prefer financial incentive (bonus) | |
| | The quality target helps me focus my time and effort constructively | |
| | Performance-based compensation motivates those who are eligible | |

Compared to the guideline of ≥ 0.70 for Cronbach's coefficient alpha, recommended by Nunnally & Bernstein (1994), the alpha values for all three factors were considered highly acceptable (Factor 1 = 0.840; Factor 2 = 0.791; Factor 3 = 0.738. Furthermore, deleting any of the items within any sub-scale did not statistically increase the internal consistency of a factor. This provided sufficient evidence to conclude that each of the items was a reliable measure of the construct it purported to measure.

5.5 Summated scale

A summated scale was constructed for each factor by computing the mean of the items describing each construct. Further analysis was conducted on each of the summated scales: "Nurturing communication", "Objective recognition", and "Individual motivation". Before the factors could be used in further statistical analyses, it was also necessary to examine the distribution statistics of the factors or scales of the main construct under study. Using descriptive statistics, the mean, standard deviations, skewness and kurtosis of the summated scores for each factor were analysed.

Table 10: Descriptive Statistics of the three factors

| Descriptive Statistics | | | | | | | |
|-------------------------|-----|---------|---------|------|----------------|----------|----------|
| | N | Minimum | Maximum | Mean | Std. Deviation | Skewness | Kurtosis |
| Nurturing communication | 290 | 1.00 | 5.00 | 3.60 | .704 | -.417 | .095 |
| Objective recognition | 289 | 1.00 | 5.00 | 2.92 | .786 | -.308 | -.163 |
| Individual motivation | 290 | 1.00 | 5.00 | 4.12 | .619 | -1.493 | 4.423 |

Table 10 clearly shows that Individual motivation (mean = 4.12) was the highest rated sub-scale by the respondents. This statistic therefore indicates that employees at the IDC are driven by a latent desire for individual satisfaction in wanting performance-based compensation. That is, there appears to be a personal will to achieve

performance recognition and such information about particular PBC systems may be useful to management in encouraging excellent performance from employees.

5.6 Test for normality

A normality test was conducted using the One-Sample Kolmogorov-Smirnov Test to assess whether the summated scales followed a normal distribution. According to Cooper & Schindler (2003), the Kolmogorov-Smirnov test (often called the K-S test) is used to analyse the normality of the distributions of a variable and is the preferred statistic for the requirements of similar studies in the behavioural and social sciences. For instance, Field (2009) proposes that the K-S test be applied to determine whether a sample comes from a population with a specific distribution or can comply with a set of assumptions. The results of this computation are shown in Table 11.

Table 11: One-Sample Kolmogorov-Smirnov Test

| One-Sample Kolmogorov-Smirnov Test | | | | |
|------------------------------------|--------|-------------------------|-------------------------|-------------------------|
| | | Nurturing communication | Objective recognition | Individual motivation |
| N | | 290 | 289 | 290 |
| Normal Parameters | 3.6019 | 2.9190 | 4.1172 | 4.1338 |
| | .70416 | .78574 | .61853 | .62963 |
| Most Extreme Differences | .076 | .093 | .142 | .133 |
| | .033 | .044 | .080 | .083 |
| | -.076 | -.093 | -.142 | -.133 |
| Kolmogorov-Smirnov Z | | 1.301 | 1.580 | 2.419 |
| Asymp. Sig. (2-tailed) | | .068 | .014 | .000 |
| | | normal distribution | non-normal distribution | non-normal distribution |

The K-S test on each factor clearly shows that the sub-scales of “Objective recognition” and “Individual motivation” should be regarded as non-normally distributed ($p < 0.05$). On the other hand, the factor describing the “Nurturing communication” scale was not statistically significant ($p > 0.05$) and hence regarded as normally distributed. Nevertheless, subsequent analyses in terms of meeting the goals of the present research were conducted using an appropriate family of non-parametric methods.

H_{a1}: There are significant differences between the perceptions of organisational performance-based compensation held by employees with long service and those with shorter-term service.

The Kruskal-Wallis test was used to assess whether there was a general difference in the rating of the three sub-constructs of employees' perceptions of organisational performance-based compensation, depending on their years of service at the IDC. The null hypothesis tested was that the mean rank of the sub-constructs is equal for all employee lengths of service at IDC.

Table 12: Kruskal-Wallis Test: Comparison of the mean rank values by grouping variable length of service

| Ranks | | | |
|-------------------------|-------------------------------|-----|-----------|
| | How Long in IDC | N | Mean Rank |
| Nurturing communication | 1 Year and below | 36 | 155.43 |
| | More than 1 year to 3 years | 55 | 132.37 |
| | More than 3 years to 5 years | 77 | 139.92 |
| | More than 5 years to 10 years | 54 | 165.06 |
| | More than 10 years | 65 | 134.85 |
| | Total | 287 | |
| Objective recognition | 1 year and below | 36 | 186.75 |
| | More than 1 year to 3 years | 55 | 145.62 |
| | More than 3 years to 5 years | 76 | 129.72 |
| | More than 5 years to 10 years | 54 | 144.44 |
| | More than 10 years | 65 | 133.09 |
| | Total | 286 | |
| Individual motivation | 1 year and below | 36 | 160.19 |
| | More than 1 year to 3 years | 55 | 153.34 |
| | More than 3 years to 5 years | 77 | 138.08 |
| | More than 5 years to 10 years | 54 | 142.15 |
| | More than 10 years | 65 | 135.68 |
| | Total | 287 | |

| Test Statistics ^{a,b} | | | |
|--------------------------------|-------------------------|-----------------------|-----------------------|
| | Nurturing communication | Objective recognition | Individual motivation |
| Chi-Square | 6.238 | 13.110 | 3.177 |
| df | 4 | 4 | 4 |
| Asymp. Sig. | .182 | .011 | .529 |

The evidence supports the hypothesis that there is a difference in employees' perception regarding the various levels of service at IDC groups based only on the behavioural scale, "Objective recognition" ($p < 0.05$). However, the results show that there is no statistically significant difference in the perceptions of employees with varying years of service regarding the behavioural scales of "Nurturing communication" ($p = 0.182$), and "Individual motivation" ($p = 0.529$).

The employee lengths of service at IDC was grouped into two groups, which are one month to three years and the other group was more than three years at the IDC. The Mann-Whitney U test was conducted *post hoc* to reassess the difference between the rating of constructs and length of service at IDC. The results are shown in Table 13.

Table 13: Mann-Whitney U Test: Comparison of the mean rank values by grouping variable length of service

| Ranks | | | | |
|--|--------------------------|-----------------------|-----------------------|--------------|
| | Length of Service at IDC | N | Mean Rank | Sum of Ranks |
| Nurturing communication | 3 years and below | 91 | 141.49 | 12876.00 |
| | More than 3 years | 196 | 145.16 | 28452.00 |
| | Total | 287 | | |
| Objective recognition | 3 years and below | 91 | 161.89 | 14732.00 |
| | More than 3 years | 195 | 134.92 | 26309.00 |
| | Total | 286 | | |
| Individual motivation | 3 years and below | 91 | 156.05 | 14200.50 |
| | More than 3 years | 196 | 138.41 | 27127.50 |
| | Total | 287 | | |
| Test Statistics ^a | | | | |
| | Nurturing communication | Objective recognition | Individual motivation | |
| Mann-Whitney U | 8690.000 | 7199.000 | 7821.500 | |
| Wilcoxon W | 12876.000 | 26309.000 | 27127.500 | |
| Z | -.349 | -2.577 | -1.686 | |
| Asymp. Sig. (2-tailed) | .727 | .010 | .092 | |
| a. Grouping Variable: Length of Service at IDC | | | | |

The results indicate that there is a significant difference between the scores of those employees who had served with the IDC for three years or less (Mean Rank = 161.89) and the scores of employees who had over three years' service at the IDC (Mean Rank = 134.92) with regard to their views of "Objective recognition" ($U = 7199.000$, $p < 0.05$).

It appears from an analysis of the results that longer serving employees at the IDC (>3 years) may have a sense of unfairness regarding the awarding of PBC bonuses. The reason for this may be that employees with more time spent at the IDC have at some point received a PBC incentive; however, the incentive may have been inappropriate or inadequate for the quantity of work put in as perceived by the employee.

H_{a2}: There is a significant difference between employees who received a performance-based incentive and those who did not, on their perceptions of performance-based compensation systems.

The Mann-Whitney U Test was used to assess whether there was a difference in the rating of the three sub-constructs of employees' perceptions of organisational performance-based compensation, depending on whether the respondents received performance-based incentives in the past financial year or not. The null hypothesis tested was that the medians of the sub-constructs are equal for both groups of respondents.

Table 14: Mann-Whitney U Test: Comparison of the mean rank values by grouping receipt of performance-based compensation in the past financial year

| Ranks | | | | |
|------------------------------|---|-----------------------|-----------------------|--------------|
| | Did you receive any performance-based compensation in the past financial year | N | Mean Rank | Sum of Ranks |
| Nurturing communication | Yes | 252 | 143.37 | 36128.50 |
| | No | 36 | 152.43 | 5487.50 |
| | Total | 288 | | |
| Objective recognition | Yes | 251 | 140.11 | 35168.00 |
| | No | 36 | 171.11 | 6160.00 |
| | Total | 287 | | |
| Individual motivation | Yes | 252 | 143.81 | 36239.50 |
| | No | 36 | 149.35 | 5376.50 |
| | Total | 288 | | |
| Test Statistics ^a | | | | |
| | Nurturing communication | Objective recognition | Individual motivation | |
| Mann-Whitney U | 4250.500 | 3542.000 | 4361.500 | |
| Wilcoxon W | 36128.500 | 35168.000 | 36239.500 | |
| Z | -.612 | -2.103 | -.376 | |
| Asymp. Sig. (2-tailed) | .541 | .036 | .707 | |

The results indicate that there is a significant difference between the scores of those employees who received performance-based compensation in the past financial year (Mean Rank = 140.11) and the scores of employees who did not receive any performance-based compensation in the past financial year (Mean Rank = 171.11) with regard to their views of “Objective recognition” ($U = 3542.000$, $p < 0.05$).

It appears from the analysis of the results that employees who did not receive a performance-based compensation payment in the past financial year rated the behavioural scale “Objective recognition” more highly, as compared to those who did receive performance-based compensations in the past financial year. This could be attributable to the fact that those employees who received performance-based compensation are used to getting the incentives and they tend to have a sense of entitlement, thereby having a less favourable perception of the system in place.

There were no significant differences detected between the two groups on the sub-scales “Nurturing communication”, and “Individual motivation” ($p > 0.05$).

H_{a3.1}: There is a significant relationship between employees’ perceptions of performance-based compensation and their job grade.

The Kruskal-Wallis test was used to assess whether there was a general difference in the rating of the three sub-constructs of employees’ perceptions of organisational performance-based compensation, depending on their job grade. The null hypothesis tested was that the mean rank of the constructs is equal for all employee job grades.

Table 15: Kruskal-Wallis Test: Comparison of the mean rank values by Job Grade

| Ranks | | | |
|-------------------------|----------------|-----|-----------|
| | Job Grade | N | Mean Rank |
| Nurturing communication | Support | 7 | 157.43 |
| | Administrative | 59 | 120.85 |
| | Professional | 135 | 137.72 |
| | Management | 63 | 164.33 |
| | Head/Champion | 21 | 170.40 |
| | Total | 285 | |
| Objective recognition | Support | 7 | 155.79 |
| | Administrative | 58 | 130.11 |
| | Professional | 135 | 147.68 |
| | Management | 63 | 134.66 |
| | Head/Champion | 21 | 162.52 |

| | | | |
|--------------------------------------|-------------------------|-----------------------|-----------------------|
| | Total | 284 | |
| Individual motivation | Support | 7 | 134.43 |
| | Administrative | 59 | 94.39 |
| | Professional | 135 | 160.63 |
| | Management | 63 | 151.79 |
| | Head/Champion | 21 | 142.71 |
| | Total | 285 | |
| Test Statistics^{a,b} | | | |
| | Nurturing communication | Objective recognition | Individual motivation |
| Chi-Square | 11.608 | 3.886 | 27.840 |
| Df | 4 | 4 | 4 |
| Asymp. Sig. | .021 | .422 | .000 |

The evidence supports the hypothesis that there is a difference in employees' perception regarding the job level groups based only on the behavioural scales of "Nurturing communication" ($p < 0.05$), and "Individual motivation" ($p < 0.05$). However, the results show that there is no statistically significant difference in the perceptions of employees with varying job levels regarding the behavioural scale of "Objective recognition" ($p = 0.422$).

For further *post hoc* examination, the job grades were collapsed into two categories: Employees (Support, Administrative, and Professional employees) and Management (Management and Head/Champion). The Mann-Whitney U test was conducted to reassess the difference between the rating of constructs and job grade.

Table 16: Mann-Whitney U–test

| Ranks | | | | |
|------------------------------------|-------------------------|-----------------------|-----------------------|--------------|
| | Job | N | Mean Rank | Sum of Ranks |
| Nurturing communication | Employees | 201 | 133.45 | 26824.00 |
| | Management | 84 | 165.85 | 13931.00 |
| | Total | 285 | | |
| Objective recognition | Employees | 200 | 142.87 | 28573.50 |
| | Management | 84 | 141.63 | 11896.50 |
| | Total | 284 | | |
| Individual motivation | Employees | 201 | 140.27 | 28195.00 |
| | Management | 84 | 149.52 | 12560.00 |
| | Total | 285 | | |
| Test Statistics^a | | | | |
| | Nurturing communication | Objective recognition | Individual motivation | |

| | | | |
|------------------------|-----------|-----------|-----------|
| Mann-Whitney U | 6523.000 | 8326.500 | 7894.000 |
| Wilcoxon W | 26824.000 | 11896.500 | 28195.000 |
| Z | -3.030 | -.117 | -.869 |
| Asymp. Sig. (2-tailed) | .002 | .907 | .385 |

The results indicate that there is a significant difference between the scores of those in management (Mean Rank = 165.85) and the scores of lower-level employees (Mean Rank = 133.45) with regard to their views of “Nurturing communication” (U = 6523.000, $p < 0.05$). It appears from an analysis of the results that high-level employees (management) have a higher mean ranking of 165.85. This is largely due to the fact that employees at this level earn high salaries, since they have a significant influence in driving the IDC’s strategic objectives, and are possibly the group likely to be in charge of the reward system, having control of the environment.

H_{a3.2}: There is a significant relationship between employees’ perceptions of performance-based compensation and gender.

For analysis, the Mann-Whitney U Test was used to assess whether there was a difference in the rating of the three sub-constructs of employees’ perceptions of organisational performance-based compensation, depending on employees’ gender. The null hypothesis was that the medians of the constructs are equal for both gender groups.

Table 17: Mann-Whitney U Test – Comparison of the mean rank values by grouping employee gender

| Ranks | | | | |
|------------------------------|-------------------------|-----------------------|-----------------------|--------------|
| | Gender | N | Mean Rank | Sum of Ranks |
| Nurturing communication | Female | 143 | 133.93 | 19151.50 |
| | Male | 137 | 147.36 | 20188.50 |
| | Total | 280 | | |
| Objective recognition | Female | 143 | 128.72 | 18407.50 |
| | Male | 136 | 151.86 | 20652.50 |
| | Total | 279 | | |
| Individual motivation | Female | 143 | 131.60 | 18818.50 |
| | Male | 137 | 149.79 | 20521.50 |
| | Total | 280 | | |
| Test Statistics ^a | | | | |
| | Nurturing communication | Objective recognition | Individual motivation | |
| Mann-Whitney U | 8855.500 | 8111.500 | 8522.500 | |

| | | | |
|------------------------|-----------|-----------|-----------|
| Wilcoxon W | 19151.500 | 18407.500 | 18818.500 |
| Z | -1.390 | -2.401 | -1.891 |
| Asymp. Sig. (2-tailed) | .165 | .016 | .059 |

The results indicate that there is a significant difference between the scores of female employees (Mean Rank = 133.93) and the scores of males employees (Mean Rank = 147.36) with regard to their views of “Objective recognition” ($U = 8111.500$, $p < 0.05$). The results show that females perceive the PBC system as less fair. It is possible that female employees at the IDC have a sense of discrimination when being recognised for their job performance. So as to ensure fairness in the workplace, management should examine such perceptions of prejudice. The findings therefore suggest that female employees, feel unfairly treated or discriminated against, when compensated under the performance-based system. However, this is not necessarily the case, since the majority of male employees are at a management and professional level job grades.

It appears from an analysis of the results that male employees have a higher rating for “Objective recognition” compared to female employees.

There were no significant differences for “Nurturing communication”, and “Individual motivation” ($p > 0.05$).

H_{a3.3}: There is a significant relationship between employees’ perceptions of performance-based compensation and education.

The Kruskal-Wallis test was used to assess whether there was a general difference in the rating of the three sub-constructs of employees’ perceptions of organisational performance-based compensation, depending on their education level. The null hypothesis tested was that the mean rank of the constructs is equal for all employees of different education levels (Table 18).

Table 18: Kruskal-Wallis Test – Comparison of the mean rank values by education level

| Ranks | | | |
|-------------------------|-------------------|----|-----------|
| | Highest Education | N | Mean Rank |
| Nurturing communication | Secondary School | 11 | 166.95 |
| | Certificate | 15 | 127.03 |
| | Diploma | 49 | 129.94 |
| | Degree | 54 | 149.60 |
| | Honour s Degree | 94 | 155.97 |
| | Master's Degree | 65 | 137.51 |

| | | | |
|--------------------------------------|-------------------------|-----------------------|-----------------------|
| | Doctoral Degree | 1 | 118.50 |
| | Total | 289 | |
| Objective recognition | Secondary School | 11 | 188.45 |
| | Certificate | 15 | 100.90 |
| | Diploma | 48 | 145.11 |
| | Degree | 54 | 154.11 |
| | Honour s Degree | 94 | 144.03 |
| | Master's Degree | 65 | 141.18 |
| | Doctoral Degree | 1 | 27.00 |
| | Total | 288 | |
| Individual motivation | Secondary School | 11 | 144.86 |
| | Certificate | 15 | 85.23 |
| | Diploma | 49 | 129.99 |
| | Degree | 54 | 135.83 |
| | Honour s Degree | 94 | 178.78 |
| | Master's Degree | 65 | 130.37 |
| | Doctoral Degree | 1 | 49.00 |
| | Total | 289 | |
| Test Statistics^{a,b} | | | |
| | Nurturing communication | Objective recognition | Individual motivation |
| Chi-Square | 5.467 | 10.057 | 28.928 |
| Df | 6 | 6 | 6 |
| Asymp. Sig. | .485 | .122 | .000 |

The evidence supports the hypothesis that there is a difference in employees' perception regarding the education levels based only on the behavioural scales of "Individual motivation" ($p < 0.05$). However, the results show that there is no statistically significant difference in employees with varying education levels in their perceptions regarding the behavioural scale of "Nurturing communication" ($p = 0.485$), and "Objective recognition" ($p = 0.122$). The reason for this is similar to the above-mentioned observation relating to the perceptions that the majority of male employees are at a management and professional level job grades.

The education levels were combined into two groups which are: Diploma and below and Degree and above. For *post hoc* examination, the Mann-Whitney U test was conducted to reassess the difference between the rating of constructs and education level.

Table 19: Mann-Whitney U Test – Comparison of the mean rank values by grouping education level

| Ranks | | | | |
|------------------------------------|-------------------------|-----------------------|-----------------------|--------------|
| | Education | N | Mean Rank | Sum of Ranks |
| Nurturing communication | Diploma and below | 75 | 134.79 | 10109.00 |
| | Degree and above | 214 | 148.58 | 31796.00 |
| | Total | 289 | | |
| Objective recognition | Diploma and below | 74 | 142.59 | 10552.00 |
| | Degree and above | 214 | 145.16 | 31064.00 |
| | Total | 288 | | |
| Individual motivation | Diploma and below | 75 | 123.22 | 9241.50 |
| | Degree and above | 214 | 152.63 | 32663.50 |
| | Total | 289 | | |
| Test Statistics^a | | | | |
| | Nurturing communication | Objective recognition | Individual motivation | |
| Mann-Whitney U | 7259.000 | 7777.000 | 6391.500 | |
| Wilcoxon W | 10109.000 | 10552.000 | 9241.500 | |
| Z | -1.232 | -.229 | -2.639 | |
| Asymp. Sig. (2-tailed) | .218 | .819 | .008 | |
| a. Grouping Variable: Education | | | | |

It appears from an analysis of the results that employees with a formal degree or more have a higher rating for “Individual motivation” compared to those employees with a Diploma and below. There were no significant differences for “Nurturing communication”, and “Objective recognition” by education level since the p-values were greater than 0.05.

The more educated employees appear to have a better perception of being recognised and therefore motivated to receive a performance-based compensation. The reason for the difference in this scale may be due to the fact that the more educated employees work in a more sophisticated environment and thus are more satisfied by their job functions. Management should thus examine whether less qualified employees are in fact less motivated or simply have a legitimate reason for being dissatisfied with the fairness of the PBC system. Lesser-qualified employees may need to be educated with regards to what the performance system entails in terms of the complexity of the work, versus the payout.

Chapter 6: Discussion

6.1 Introduction

The purpose of this study was to investigate employees' perceptions of performance-based compensation systems. In so doing, an association between incentive-based organisational rewards and employee behaviour was sought. This chapter presents the discussion of the results as reported in Chapter 5. It sets out the details of the sample analysed and discusses the results for each proposition and hypothesis as presented in Chapter 3.

6.2 Sample generation and characteristics

A total of 290 usable responses were received from an estimated population of 723 employees, equating to an overall response rate of 40.1%. In terms of gender, the response rate was marginally biased towards male respondents, however, both genders responded equally to the study. Furthermore, it was noteworthy that the majority of respondents indicated their job status as "professional" (47%). A smaller proportion indicated their status as "administrative staff" (2%). The highly specialised nature of the IDC job functions requires that the organisation constantly recruit and retain highly experienced and technically skilled employees in order to remain competitive. This is evidenced by the significant response rate of the highly experienced and technically capable employees with an overall response rate of 75% (represented by professionals, management and head/champions job grades).

It is interesting to note that a significantly high percentage of respondents at 75.8% comprised of those employees who have been with the organisation for periods ranging between 1-3 years to more than 5-10 years. This is largely attributable to the fact that the majority of these employees had previously received performance-based compensation in the past as they have been in the organisation long enough to understand what is expected of them in their allocated tasks. Furthermore, these employees are familiar with the overall strategic objectives and policies of the organisation as opposed to the fairly new employees who have either received proportional or pro-rata incentives or have not received any as yet.

A similar trend can also be noted in relation to the years of experience category, as it was anticipated that employees with long years of service with the IDC would have

more experience than those who are fairly new in the organisation. The academic educational qualifications of IDC employees appear to play a significant role at the organisation, because this demographic shows that the majority of the respondents (55%) had an honours degree or higher, 19% had degrees, 17% had diplomas, 5% certificates. This may be due to the nature of most of the IDC job functions which require highly specialised skills and thus requires that the organisation constantly recruits and retains highly experienced and technical employees. In addition, as part of the IDC benefits, the organisation invests a lot of money in the development and training of employees who are encouraged to study further to improve and upgrade their qualifications. The organisation has a system of offering bursaries to the employees in exchange for their commitment in the organisation.

6.3 Statistical analyses

In testing the hypotheses, statistical analyses were conducted to determine the nature and the extent of the relationships of the variables. In this regard, non-parametric comparative tests, such as the Mann-Whitney and Kruskal-Wallis tests were utilised. The non-normality of the dataset required the adoption of these more robust statistical methods.

A data reduction method, namely, exploratory factor analysis (EFA), was conducted to ascertain the latent structure of the construct under investigation (perceptions of performance-based compensation). After conducting an exploratory factor analysis, the statements in the survey questionnaire were reduced to three well-defined behavioural scales or factors encompassing 18 items. A final round of principal axis factoring resulted in three strong sub-scales (as per Section 5.3.1), which explained 42.867% of the variance in the research construct. The three factors were subsequently labelled, “Nurturing communication” (responsible for 17% of the data variability), “Objective recognition” (responsible for 14% of the data variability), and “Individual motivation” (responsible for 12% of the data variability).

The variations in the means were explained by a summated scale, which was constructed for each factor and these factors were further tested for normality by conducting the Kolmogorov-Smirnov test. A reflection of the descriptive statistics showed that the sub-scale, “Individual motivation” had a highest mean ranking at 4.12 which clearly indicates that IDC employees are driven by a desire for individual motivation and a personal will to achieve individual performance recognition as a way of earning performance-based compensation. The Kolmogorov-Smirnov test conducted

on each factor indicated that the sub-scales of “Objective recognition” and “Individual motivation” should be regarded as non-normally distributed ($p < 0.05$), while the “Nurturing communication” scale was not statistically significant ($p > 0.05$) and hence regarded as normally distributed.

6.4 Findings

6.4.1 Perceptions of performance-based compensation are affected by an employee’s length of service.

The finding based on a non-parametric multivariate test revealed that only the behavioural scale “Objective recognition” ($p < 0.05$) affected employees’ perceptions of performance-based compensation when categorised by length of service at the IDC.

The evidence supports the hypothesis that there is a difference in perception of the different employee job levels based only on the behavioural scales of “Nurturing communication” ($p < 0.05$), and “Individual motivation” ($p < 0.05$). However, the results show that there is no statistically significant difference in the perceptions of employees with varying job levels regarding the behavioural scale of “Objective recognition” ($p = 0.422$).

Employees’ length of service was collapsed into two main groupings: a shorter length of service versus a longer length of service. It was found that there was a statistically significant difference between the mean scores of those employees who had served for three years or less and the scores of employees who had over three years of service at the IDC (mean ranks = 134.92) with regards to the “Objective recognition” behavioural scale ($U = 7199.000$, $p < 0.05$).

It appears from an analysis of the results that longer serving employees at the IDC (> three years) may have a sense of unfairness regarding the awarding of PBC bonuses. The reason for this may be that employees with more time spent at the IDC have at some point received a performance-based compensation incentive; however, the incentive may have been inappropriate or inadequate for the quality of work put in as perceived by the employee. This is contrary to the studies conducted by Bartol & Srivastava (2002) which pointed out, that employees who are rewarded accordingly, develop a strong commitment to the organisation and are likely to remain in those organisations for an extended period of time. Furthermore, employees need to have a sense of feeling that organisations provide them with meaningful rewards, providing an

intrinsic motivation, such as a quality of life, rather than simple recognition and mere membership. Therefore, it may be concluded from these findings that recognition rewards should not only be based on the length of service or subjective factors, but rather, organisations should base employee rewards on objective, performance-enhancing behaviours (Luthans, 2000).

The analytical findings suggest that employees with less time served at the IDC (<three years) may have a sense of expectation in terms of receiving an appropriate PBC incentive. Therefore, having not received the incentive as yet, the employee with less time served at the IDC could believe that the PBC system is fair and will reward them appropriately. The lack of experience in the PBC system generates a positive perception of the rewards, which may accrue. The findings therefore suggest that the organisation should ensure that employee expectations in this regard are fulfilled. Such alignment (expectation fulfillment) will then propagate the positive perceptions of the reward system to employees who are longer at the IDC.

Management may further use information about the perceptions of the two categories of employees to further understand why employees view the PBC system in place as fair or unfair. Specifically, the organisation can redesign the PBC paradigm so as to gain the confidence of longer serving employees in the reward system based on performance.

6.4.2 Perceptions of performance-based compensation are affected by receiving a performance-based incentive.

The null hypothesis tested was that the medians of constructs are equal for both groups of respondents, those who received a performance-based compensation and those who did not. For this purpose, the Mann-Whitney U test was utilised to assess whether there was a difference in the rating of the sub-constructs of employees' perceptions of organisational performance-based compensation for both groups. The results indicated that there is a significant difference between the scores of those employees who received performance-based compensation in the past financial year (Mean Rank = 140.11) and the scores of employees who did not receive any performance-based compensation in the past financial year (Mean Rank = 171.11) with regard to their views of "Objective recognition" ($U = 3542.000$, $p < 0.05$). However, the findings revealed that there were no significant differences for "Nurturing communication", and "Individual motivation" ($p < 0.05$).

Ironically, it appears from the analysis of the results that employees who did not receive performance-based compensation in the past financial year have a higher rating for “Objective recognition” compared to those who received a performance reward. This could be attributable to the fact that those employees who received performance-based compensation are used to getting the incentives and they tend to have a sense of entitlement, thereby having a less favourable perception of the system in place. It may be possible that the employees, who have received and continue to receive performance incentives or bonuses, have become complacent. This finding is contrary to the studies of extrinsic motivation conducted by Bartol & Srivastava (2002) which concluded that employees, who are rewarded accordingly, develop a strong commitment to the organisation and display organisational citizenship behaviour, with continued excellent performance. Other studies have supported the notion that continued economic reward is the most obvious way to incentivise an employee for a suitable behaviour and maintain continued performance (Hung, Durcikova, Lai & Lin, 2011). The findings of the present study however, suggest that employees at the IDC, who are receiving performance-based rewards, are not receiving such incentives within context, but are rather receiving the compensation or bonuses regardless of work performance. Such continued payment has possibly created the perception of entitlement to rewards by the employees. The findings therefore suggest that the organisation re-look at how employees are being evaluated or assessed for possible rewards.

Thus, it is anticipated that those employees who did not receive the performance-based compensation are still motivated by the fact that the organisation can provide various forms of economic rewards such as salary increases, bonuses, job security, or promotions.

Both intrinsic and extrinsic methods to motivate the employee may be an attempt by the enterprise to stimulate organisational performance. Furthermore, those employees who did not receive incentives are in most cases motivated by the fact that they are still in the development phases of their careers and that both intrinsic and extrinsic rewards offered by the IDC remain the significant motivating factor for their recognition of outstanding performance. Non-financial rewards such as the yearly IDC employee awards, which recognise individual, departmental and divisional outstanding performance, tend to have a positive impact on enhancement of employee performance. As a result, these rewards tend to motivate those employees who are

eligible by providing genuine recognition and appreciation for desired performance behaviours.

6.4.3 Perceptions of performance-based compensation are affected by an employee's job grade.

The null hypothesis tested was that the mean rank of the constructs is equal for all employee job grades and this was achieved through the utilisation of the Kruskal-Wallis test. The initial finding revealed that there is evidence that supports the hypothesis that there is a difference in employees' perception regarding the job level groups based only on the behavioural scales of "Nurturing communication" ($p < 0.05$) and "Individual motivation" ($p < 0.05$).

However, the results show that there is no statistically significant difference in the perceptions of employees with varying job levels regarding the behavioural scale of "Objective recognition" ($p = 0.422$). However, when the job grades were combined into Employees (made up of Support, Administrative, and Professional employees) and Management (made up of Management and Head/Champion), a *post hoc* test indicated group differences. The results showed that there is a significant difference between the scores of those regarded as management (Mean Rank = 165.85) to the scores of lower level employees (Mean Rank = 133.45) with regard to their views of "Nurturing communication" ($U = 6523.000, p < 0.05$).

The present study's findings are contrary to what Cowherd & Levine (1992) found, in that a pay differential between lower-level employees and upper-echelon managers (after controlling for inputs) would more often than not, lead to high production quality by increasing lower-level employees' commitment to top-management goals, effort and cooperation. It appears from the present examination of results that high level employees (management) have a better perception of the PBC system, in terms of effect factors such as communication and the organisation's ability to provide a supportive environment for reward. This is largely due to the fact that employees at this level earn high salaries since they have a significant influence in driving the IDC's strategic objectives, and are possibly the group likely to be in charge of the reward system, having control of the environment. Furthermore, this statement is supported by the fact that the allocation of performance-based compensation at the management level is the maximum of 60% of the annual total package against the 20% maximum for the employees at the lower end. In addition, a significant number of management employees have subordinates reporting to them. Management sets the divisional or

departmental targets for subordinates, therefore controlling the lower employees' reward system environment. Nonetheless, management has to lead by example in achieving those targets and they would know clearly what is expected for success, closing the communication loop. However, this may not be clearly articulated to the lower-level employees, leaving gaps in, or open-ended communication. Conversely, pay equity can substantially affect lower-level employees' work effort as employees who experience inequity are more likely to attempt to change their objective situations by decreasing their inputs than by increasing their outcomes, since they typically have more control over inputs.

6.4.4 Perceptions of performance-based compensation are affected by an employee's gender.

The null hypothesis tested was that the medians of the constructs are equal for both gender groups. To assess whether there was a difference in the rating of the three sub-constructs of employees' perceptions of organisational performance-based compensation, depending on employees gender, the Mann-Whitney U test was utilised. The results revealed that there is a significant difference between the scores of female employees (Mean Rank = 133.93) to the scores of male employees (Mean Rank = 147.36) with regard to their views of "Objective recognition" ($U = 8111.500, p < 0.05$).

It appears from an analysis of the results that male employees have a higher rating for "Objective recognition" compared to female employees. The findings therefore suggest that female employees feel unfairly treated or discriminated against, when compensated under the performance-based system. There were no significant differences for "Nurturing communication", and "Individual motivation" ($p < 0.05$). Notwithstanding the inclusion of workplace characteristics such as high performance workplace practices, foreign ownership, non-profit organisations, training expenditures, or desirable employment contracts, a significant portion of gender pay differentials remains unexplained as men still enjoy a wage advantage over women (Drolet, 2002). Although there are initiatives by the IDC in place to promote and develop the previously disadvantaged employees, which includes women both black and white, the majority of male employees are at a management and professional level job grades. Over the recent years this gap has been narrowed following various programmes initiated by the organisation such as the Women Leadership Programme, which is driven by the office of the Chief Executive of the IDC.

6.4.5 Perceptions of performance-based compensation are affected by an employee's education level.

The null hypothesis tested was that the mean rank of the constructs is equal for all employees of different education levels. The Kruskal-Wallis test was used to assess whether there was a general difference in the rating of the three sub-constructs of employees' perceptions of organisational performance-based compensation, depending on their education level.

The initial evidence supported the hypothesis that there is a difference in employees' perception regarding their levels of education based only on the behavioural scales of "Individual motivation" ($p < 0.05$). However, the results show that there is no statistically significant difference in employees with varying education levels in their perceptions regarding the behavioural scale of "Nurturing communication" ($p = 0.485$), and "Objective recognition" ($p = 0.122$). PBC systems are perceived better by highly educated employees, as it is possible that this group may be competitive and driven to achieve the high rewards associated with the accompanying job level correlating with their qualifications.

Education levels were combined into two groups: Diploma and below; Degree and above. A *post hoc* Mann-Whitney U Test revealed differences between the two groups. The results indicated that there is a significant difference between the scores of employees with only a diploma or less education (Mean Rank = 123.22) and the scores of employees with a degree and more (Mean Rank = 152.63) with regard to their views of "Objective recognition" ($U = 6391.500$, $p < 0.05$). These findings suggest that less educated employees feel discriminated against when compared to the rewards received by their more educated colleagues. The organisation may need to embark on a sensitisation campaign which educates employees on the correlation between qualifications, work performance and reward.

A further examination of these results show that employees with a university degree or more, have a higher rating for "Individual motivation", as compared to those employees with a diploma and below. There were no significant differences for "Nurturing communication", and "Objective recognition" by education level ($p < 0.05$).

The reason for this is similar to the above-mentioned observation relating to the perceptions that, the majority of male employees are at a management and professional level job grades. However, the gap is narrowing as a result of leadership programmes and further training for women in the organisation.

6.5 Summary

The nature of the present study was to uncover the phenomena present within the dataset. The latent structure of the data was explored using a reduction method; namely, exploratory factor analysis and appropriate comparative statistical methods were followed to gain sufficient evidence to either support or reject the guiding hypotheses. The study determined that it was possible to explain the main variability in the research construct by three latent factors. The results were furthermore encouraging in that there was sufficient evidence to explore the various research hypotheses. Differences in the perception of PBC systems were found between various demographic categories such as job level, gender, length of service and actually obtaining an incentive reward.

Chapter 7: Conclusion

7.1 The overall findings and managerial implications

This study found evidence to suggest that three strong sub-scales or factors explained 42.867% of the variance in the research construct, *employees' perceptions of performance-based incentive systems*. After examining the items, which described each sub-construct, the three sub-scales were labelled “Nurturing communication”, “Objective recognition”, and “Individual motivation”. In order to gain a deeper understanding of the research hypotheses, a survey questionnaire was distributed to a convenience sample of the population electronically. The electronic distribution method enabled the researcher to gain access to a larger portion of the population under study. As a secondary purpose, the study sought to explore the relationships between demographic categories and phenomena relating to the data in terms of the latent sub-constructs that emerged from the empirical observation.

A total of 290 usable responses were received equating to an overall response rate of 40.1%. The sample frame was represented adequately. It was noted that 75% of the respondents represented professionals, management and head or champion job grades. It was determined that the probable reason for this large group was based on the fact that many job categories were of a specialised nature. These IDC job functions require the organisation to therefore constantly recruit and retain experienced and technically skilled employees.

The findings revealed that there are differences in the perception of PBC systems between various demographic categories such as job level, gender, length of service and actually obtaining an incentive reward. Descriptive statistics conducted revealed that the sub-scale, “Individual motivation” had the highest mean ranking, clearly indicating that IDC employees are driven by a desire for individual motivation and a personal will to achieve personal performance recognition as a way of earning performance-based compensation.

The conclusion drawn from the hypothesis that perceptions of performance-based compensation is affected by an employee's length of service, revealed that longer servicing employees may have a sense of unfairness with regards to the awarding PBC incentives. The probable reason for this phenomenon may be that these employees perceived past incentive rewards as inadequate, incomplete, or inequitable. On the other hand, the findings suggested that employees with less service at the IDC might

have a sense of expectation with regards to receiving such performance-related incentives. This is largely attributable to the fact that they have not received the PBC as yet and thus believe that the PBC is fair and should reward them appropriately. Therefore the mere sense of expectation creates a halo effect (bias) in that employees believe that the organisation's reward system is fair, and that they will be rewarded appropriately for personal performance. Nonetheless, after receiving the expected reward, the data shows that employees are somehow disappointed. Thus it may be concluded that employee expectations do not always align with the actual benefit, or employees' expectations of performance rewards are unrealistic. Secondly, this phenomenon suggests that employees may have an exaggerated view of their own performance.

Significant differences were detected between those employees who received performance-based compensation in the past and those who did not, on their perception of PBC, with regards to their view of "Objective recognition". The findings suggest that employees at the IDC who are receiving performance-based rewards, are not receiving such incentives within context, but are rather receiving the compensation or bonuses regardless of work performance. Such continued payment has possibly created the perception of entitlement to rewards by the employees. It was also interesting to note from the findings that employees who did not receive performance-based compensation in the past financial year had a higher rating for "Objective recognition" compared to those who did receive it. This phenomenon ties up with the employee halo bias discussed earlier.

This study has shown that high-level employees have a better perception of the performance-based compensation system in terms of factors such as communication and the organisation's ability to provide a supportive environment for reward. Significant differences were also noted between female and male employees on their perception of performance-based compensation with regards to their view of "Objective recognition". Thus the findings suggested that female employees feel unfairly treated or discriminated against when rewarded under the present performance-based compensation system.

Finally, the conclusion drawn from the hypothesis that perceptions of performance-based compensation is affected by an employee's educational level revealed that there is no significant difference regarding the perception of PBC on the "Nurturing communication" behavioural scale. However, it was noted that there is a significant difference with regards to the "Objective recognition" behavioural scale. Thus, the

findings suggest that less educated employees feel discriminated against when compared to the rewards earned by their educated colleagues.

7.2 Recommendations for organisations and future research

To ensure that follow-up studies offer other avenues for future exploration, the following recommendations and/or suggestions are thus forwarded:

- Recognition awards should not be based only on the length of service or subjective factors, but rather on objective, performance-enhancing behaviours. Organisations should ensure that employees' expectations are fulfilled with regards to PBC to disseminate the positive perceptions of the reward system to employees with long service in an organisation.
- Organisations should design the performance-based compensation paradigm to gain the confidence of longer serving employees in the reward system based on performance.
- Organisations should clearly examine how employees are being evaluated or assessed for possible rewards, as there has been a finding that some employees are not receiving performance incentives within its context, but rather receiving the compensation regardless of work performance.
- Managers should consider using creative combinations of both non-financial and financial rewards, so as to motivate employees who are eligible by providing genuine recognition and appreciation for desired performance behaviours. Focusing solely on financially-based rewards may not provide the value needed to enhance an enterprise's products.
- The significant gender pay differentials, which remain unexplained, should be narrowed by introducing programmes that will enable women to earn the same as their male counterparts.
- In this study, relationships between variables were tested using a reduction method, namely, exploratory factor analysis, and more robust non-parametric statistical methods; namely, the Mann-Whitney U and Kruskal-Wallis tests as an alternative to the more commonly used parametric tests such as the Student's t-test. This approach allowed the researcher to examine the phenomena more precisely and provided a rich source of data. It is however possible to replicate the study by using less tolerant parametric tests such as t-test or ANOVA. It is believed that results examined in this manner would produce very similar conclusions.

- The same study can be conducted utilising other variables as mentioned in Sections 2.2 and 2.3 of the literature review.

While there is clear evidence that the present approaches to PBC reach their objectives in the broader sense, many opportunities have been identified in this study that could improve the value of the reward programme being offered to the employees of the IDC.

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Appendix 1

Survey Instrument – Questionnaire

Employees' perceptions of performance-based compensation systems at a state-owned enterprise

Exit this survey

Employees' perceptions of performance-based compensation systems at a state-owned enterprise

Dear Colleague,

You are invited to participate in an academic research study as one of the IDC employees. I am a Masters in Business Administration (MBA) Student at the Gordon Institute of Business Science (GIBS) which is part of the University of Pretoria. As part of my MBA qualification I am doing research on the impact of performance-based compensation on employee behaviour in state-owned enterprises. This study involves an anonymous survey which has been endorsed by Human Resources Executive of the Industrial Development Corporation (IDC). Your name will not appear on the questionnaire and the responses you provide will be treated as strictly confidential. Furthermore, you cannot be identified from the responses you provide. Any data you provide can only be accessed by the researchers at the University of Pretoria. Please assist me with my research by taking 10 minutes to indicate your response to the questions asked below by clicking in the appropriate box that most closely represents your answer.

By completing the questionnaire you are declaring that the answers you provide are voluntary and can be used in my MBA Research. If you have any concerns, please contact me or my supervisor. Our details are provided below.

Mbulelo Ngubelanga: mbulelon@idc.co.za
Preven Naidoo: prevennaidoo@rocketmail.com

Yours sincerely,
Mbulelo

Next

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Employees' perceptions of performance-based compensation systems at a state-owned enterprise

[Exit this survey](#)

1. What is your gender?

- Female
- Male

2. What is the job grade for your current position?

- S - Support
- A - Administrative
- P - Professional
- M - Management
- Head/Champion
- VP - Divisional Executive

3. About how long have you been in your current position?

- 1 month to 1 year
- 2 years to 3 years
- 3 years to 5 years
- 5 years - 10 years
- 10 years +

4. About how many years of service at the IDC?

- 1 month to 1 year
- 2 years to 3 years
- 3 years to 5 years
- 5 years - 10 years
- 10 years +

5. What is the highest level of education you have completed?

- Primary School
- Secondary School
- Certificate
- Diploma
- Degree
- Honour s Degree
- Master's Degree
- Doctoral Degree

[Prev](#)

[Next](#)

Employees' perceptions of performance-based compensation systems at a state-owned enterprise

Exit this survey

6. Please indicate your response to the statements below.

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Relating pay to performance is good principle of compensation. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Rewards encouraged positive behavior. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| I prefer financial incentive (bonus). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Obtaining the financial incentive brings me favourable recognition from my colleagues. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The quality target helps me focus my time and effort constructively. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The actions necessary to obtain this financial incentive are largely within my control. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The current bonus system rewards excellent performance. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Performance-based compensation motivates those who are eligible. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Non-Financial rewards (the IDC employee awards and long service awards) enhance employee performance. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Recognition awards should be based not on length of service or subjective factor, but more objective, | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Strongly Disagree Disagree Neutral Agree Strongly Agree

performance-enhancing behaviours.

The IDC provides

genuine recognition and appreciation for desired performance behaviors.

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

The IDC employee yearly awards process for recognition, is fair.

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

Top performing employees receive more pay and recognition than average performers.

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

In the last year I have received recognition or praise for a job well done.

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

My manager/supervisor/head seem to care about you as a person.

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

The IDC's mission makes me feel my job is important.

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

The IDC encourages my career development.

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

I have been provided with a feedback about my work progress in the last six months.

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

I know what is expected of me at work.

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

I have adequate information about the scoring system used to compute the incentive amount.

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

I know the amount of the financial incentive I will receive if I achieve the quality target.

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

I get useful feedback regarding my progress

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

Strongly Disagree Disagree Neutral Agree Strongly Agree

toward achieving the quality target.

I have adequate information about the definition of the quality target.

The performance-related pay lead to greater motivation of employees.

Pay-related pay has a positive impact on employee retention.

Rewards have positive relationship with job satisfaction.

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

| | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

7. Did you receive any performance-based compesation in the past financial year?

Yes

No