UNIVERSITY OF EDUCATION, WINNEBA

THE EFFECTS OF FINANCIAL AND NON-FINANCIAL INCENTIVES ON STAFF PERFORMANCE IN PUBLIC INSTITUTIONS: A STUDY OF KUMASI METROPOLITAN ASSEMBLY

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A Dissertation in the Department of Management Studies, Faculty of Business Education, submitted to the School of Graduate Studies, University of Education, Winneba in partial fulfillment of the requirements for the award of Master of Business Administration (Organizational Behaviour and Human Resource Management) degree.

AUGUST, 2017

DECLARATION

STUDENT'S DECLARATION

I, LINDA GYAMFI, declare that this thesis, with the exception of quotations and references contained in published works which have been identified and duly acknowledged, is entirely the result of my own original research work, and it has not been submitted, either in part or whole for another degree elsewhere.

SIGNATURE…………………………………….

DATE…………………………………………….

SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of this work was supervised in accordance with the guidelines for supervision of Dissertation as laid down by the University of Education, Winneba.

NAME: PROF. GABRIEL DWOMOH

SIGNATURE………………..……………………

DATE……………………….…………………….

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DEDICATION

I dedicate this work to Mr. and Mrs. Gyamfi

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ABSTRACT

The main purpose of this study was to examine the effects of financial and non-financial incentives on staff performance in public institutions. The detail of this research was conducted in an attempt to demonstrate whether incentives have a great potential to increase public employees' motivation and work performance. To fulfill the objective of the research as well as to obtain real and reliable data, a research study was conducted at the Kumasi Metropolitan Assembly. A projected sample size of 150 staff was used for the study. However, the study was based on the retrieved questionnaire totaling 136 from respondents. The representative sample approach by Krejeie and Morgan (1970) was adapted for the study. The method of this research study was implemented with a qualitative analysis to investigate the type of incentives that are existing in the organization, and to identify the correlation between the rewarding, recognition and employee work performance. The data analysis proved a significant correlation between incentives in the form of rewards and recognition, and better work performance. Based on the findings of this research study, most of the public employees in the above mentioned organization commented that both financial and non-financial incentives are significantly important to encourage and motivate them for greater work performance. It also indicated that employees keenly cherish financial incentive than non-financial benefits. Meanwhile, the level of utilization of non-financial incentives is extremely poor. Therefore, within the limitations of the research study, it could be concluded that both financial and non-financial incentives have a potential effect on staff motivation and work performance in the public service organization of the Kumasi Metropolitan Assembly.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In today's world, the competition between the companies and government organization are highly competitive, not only the organizations should prepare the best market strategy to improve their performance, but each corporate institution too has to come up with the way to keep their employee motivation on the highest level so that the institution as a whole can perform well within the competition.

Managing reward is largely about managing expectations what employees expect from their employers in return for their contribution and what employers expect from their employees in return for their pay and the opportunity to work and develop their skills. Expectorations are built into the employment relationship, the starting point of which, from the rewards point of view, is an undertaking by an employee to provide effort and skill to the employer, in return for which the employer provides the employee with a salary or a wage. The purpose of managing the system of rewards within the organization is to attract and retain the human resources the organisation needs to achieve its objectives. To retain the services of employees and maintain a high level of performance, it is necessary to increase their motivation and commitment. In effect the organisation is aiming to bring about an alignment of organizational and individual objectives when the spotlight is on reward management.

"Incentive" may be defined as a stimulus or encouragement for grater action. When used in terms of wage policies, it usually refers to additional remuneration paid to an employee, if the work units produced by him exceed an established standard. Incentives are offered to employees to encourage them to greater effort in production than would normally be expected. Varma and Agarwal (1994) defined; rewards are the payments made to the employees as compensation for the services rendered by them to the organisation. Compensation or remuneration is what employees receive in exchange for their work in the enterprise, and Criffeth, Hom (2001) defined that compensation is the benefits made to employees by employer for attracting and retaining personnel in the organisation. Thus, the concept of incentives/rewards implies increased willingness or motivation to work.

Reward strategy is the deliberate utilization of the pay system as an essential integrating mechanism through which the efforts of various sub units and individuals are directed towards the achievement of an organisation strategic objective, subject to internal or external constraints. Contemporary compensation administration frequently embraces a strategic approach where the mix and level of direct pay and benefits are chosen to reinforce the organisation's overall strategic objectives (Gomez-mejia, 1992). Integration among four basis policy decisions is required in the design of a consistent compensation system (Milkovich & Newman, 1993). These decisions involve: the comparison of jobs within an organisation (Internal equity/internal consistency); setting pay levels relative to competitors (External equity/External competitiveness); adjusting pay for individual employees (pay for performance, rewards systems, skill based pay design); the administration of the compensation function (benefits administration, and benefits communication).

Markova and Ford (2011) mentions that the real success of companies originate from employees' willingness to use their creativity, abilities and know-how in favour of the company and it is organization's task to encourage and nourish these positive employee inputs by putting effective reward practices in place. The importance of motivated employees cannot be highlighted enough in an organizational context (Lotta, 2012). Motivated employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low levels of motivation (Hunter, et al 1990). Entwistle (1987) is of the view that if an employee performs successfully, it leads to organizational rewards and as a result motivational factor of employees lies in their performance. The highly motivated employees serve as the competitive advantage for any company because their performance leads an organization to well accomplishment of its goals (Rizwan and Ali, 2010).

Luthans (2000) highlights two types of rewards which are financial (extrinsic) and non-financial (intrinsic) reward and both can be utilized positively to enhance employees performance. Financial rewards means pay-for-performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. Non-financial rewards are non-financial/non cash and it is a social recognition, praise and genuine appreciation etc. Lotta (2012) agree that financial incentives are indeed effective in motivating employees. Also, Ojokuku and Sajuyigbe (2009) find out that financial incentives (pay satisfactions dimensions) have significant effect on employees performance. But perry et al, (2006) discover that financial reward is not the most motivating factor and financial incentives have a de-motivating effect among employees (Srivastava, 2001). Nelson (2004) notes that praise and recognition are the most efficient intrinsic reward that enhance employees performance. And also, Jensen et al (2007) see intrinsic reward as a tool that motivate employees to perform as expected. This research tempts to examine the effects of incentives dimensions on staff performance with special reference to the Kumasi Metropolitan Assembly (Kumasi) in Ghana.

1.2 Problem Statement

It is widely accepted by the organizational theorists that manpower is one of the most important assets of an organization because things are getting done through employees. In other words, the success of an organization in realizing its objectives heavily depends on the performance of its employees. Therefore, it is important to focus on the factors affecting the performance of the employees. Performance is considered to be related with the concepts of ability, opportunity and motivation (Ivancevich & Matteson, 2008). Ability is a function of skills, education, experience and training. Opportunity refers to the infrastructure needed to perform a job. Finally, motivation is the desire to achieve a goal and willingness to exert effort for it. Motivation is something that can lead to better performance when other conditions are met. But, it has an advantage over others in the sense that while the opportunity and ability tend to be stable and difficult to change for the personnel, motivation has flexibility, that is, it can be changed by some means. Moreover, it is apparent that in the absence of willingness to perform; capacity and opportunity will not generate the desired results. If the situation is to be explained by a proverb; you can take the horse to the water but you cannot make it drink. All organizations, whether public or private, need motivated employees to be effective and efficient in their functioning, in addition to the other factors. Employees who are motivated to work energetically and creatively toward the accomplishment of organizational goals are one of the most important inputs to organizational success. Consequently, the challenge for organizations is to ensure that their employees are highly motivated. For these reasons the study will provide significant suggestions that will provide a measure with which management and government will use to address the challenges and ensure that employees are adequately motivated either financially or non-financially. It will also highlight which form of incentive(s) are desirable. It is in the light of these issues that, the researcher intends to investigate the effects of financial and non-financial incentives on staff performance in public institutions, using Kumasi Metropolitan Assembly as the case study.

1.3 Objectives of the Study

The broad objective of this study was to examine the effects of financial and non-financial rewards on staff performance in public institutions, using Kumasi Metropolitan Assembly as the case study. Other specific objectives are to:

1. To assess the degree of incentives prevailing amongst the employees of public sector organizations.
2. Ascertain the effects of financial and non-financial incentives in public institutions.
3. Identify the challenges in the administration of financial and non-financial incentive systems in public institutions.

1.4 Research Questions

The following research questions will guide the study:

1. What is the degree of incentive prevailing amongst the employees of public sector organizations?

2. What are the effects of financial and non-financial incentives on staff performance in public institutions?
3. What are the challenges in the administration of financial and non-financial incentive on staff e in public institutions?

1.5 Significance of the Study

Employee motivation has always been a major tool that many organizations use to reach their target. This has been regarded as the most vital issue that many organizations are looking forward to ensure it succeeds. Financial rewards are the set of forces that directs and makes people persist in their efforts to accomplish a goal. According to the basics of motivation theory people are motivated by unmet needs so in order to motivate a person or employee one must learn what his or her needs are. In the opinion of the researcher it is clear that not only financial rewards are the key to enhance employee performance but the question is what the best way to motivate an employee is in order to make him/her have confidence of working within his particular company.

An important feature is that employee's good performance will be rewarded with attractive rewards. If the incentives being offered are directly linked to their performance then workers will be motivated to take action and perform well to get their desired rewards. An intended effort will turn into visible effort when people expect their efforts will result in good performance. The important point to note here is that it is not just the financial rewards that cause people to perform well but also the employee needs to know that their efforts will turn into good performance. So it is clearly evident so far that financial rewards are important in motivation of executives but it is not the only factor and must be used in the correct way in order to achieve maximum results. So if the rewards are attractive and linked to performance (instrumentally) people are motivated to take action. Intended effort will turn into actual effort when people believe their hard work will result in good performance. The study will be significant to a number of organizations particularly MMDA's in that it will help these organizations to manage their human resources to achieve maximum efficiency and effectiveness in service delivery to suggest and recommend strategies that will motivate and improve productivity in the public service.

1.6 Limitations of the Study

The study was limited to the Kumasi Metropolitan Assembly. The inability of the researcher to cover all metropolitan assembly in Ashanti region is caused by inadequate funding. Again enormous difficulty was uncounted in the administration and collection of the primary data on this study. The researcher sent questionnaires to all the areas of operation but some respondents, upon several calls, did not submit their completed questionnaires. There was lack of co-operation by some staff because they showed little or no concern for the study. Some of the top personnel could not be reached due to their busy schedules. However, some also made themselves available for the study. The difficulty encountered in retaining the questionnaires and non-response delayed the completion of the study. It had been the wish of the researcher to cover a wider area and greater number of respondent, but for lack of funds it was not possible. Notwithstanding, these limitations did not affect the outcome of the study. It will be important for future research to be conducted at other district assemblies in other regions in Ghana.

1.7 Scope of the Study

The study was conducted at the Kumasi Metropolitan Assembly, due to the nearness of the assembly to the researcher and the fact that the researcher is a staff. The study covers K.M.A employees (Top Level Management and Lower level Management including coordinators and supervisors) namely directors, coordinators, consultants etc. All respondents are assumed to have experience in or have worked in the K.M.A. For these reasons the generalization of this study is only limited to the study area and may not be able to comprehensively generalize in other sectors with which the study would have been useful.

1.8 Organisation of the Study

This study will be divided into five chapters. Chapter one is the introduction part. It will consider the background, statement of the problem, objectives and research questions. It also looks at the significance, scope, limitations and the organisation of the study. Chapter Two focuses on literature reviews based on the research questions for this study. Chapter Three looks at the methodology used for the study. It explains the research design, population and sample, instrument and procedure that were used in collecting data for the study. Chapter Four presents the Analysis and findings of the study according to the research questions. The final Chapter which is chapter Five presents the conclusion. This chapter contains discussions, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction of the Study

The objective of this study was to examine the effects of financial and non-financial rewards on staff performance in public institutions, using Kumasi Metropolitan Assembly as the case study. This chapter deals with theoretical and empirical analytical literature on organizational rewards or incentives systems. Most institutions and organizations strive to improve quality service and performance of their products, service, internal or external operations. The reason for this can vary depending on the goals of the business or the organizational. Important goals could be to ensure a firm and stable work environment to promote good work performance. The competition between institutions and organizations can be a difficult task, making it difficult to reach higher goals and development (Bolman, 1997) as cited in Obonam (2011).

One strategy for reaching higher goals and development is proper reward/incentive system. Employees are motivated to render quality service and effectiveness which means that motivation is a key factor for progress within an institution or organization. A profound knowledge of reward/incentive and its meaning is therefore essential for success of the institution (Paré 2001). Proper reward system of employees is essential for the achievement of organizational goals.

2.1 Theoretical Framework

Employees who are effective and efficient are likely to be limited if they are not motivated to Perform. Mendonca, (2002) sees reward and compensation system that is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive there is a strong link between their performance and the reward they receive. Guest, (2002) is of the opinion that reward is one of the keys that motivate employees to perform as expected.

The reward and incentives can be in the form of cash, recognition and praise or a combination of both. Group Performance-related schemes reward a group or team of employees with a cash payment for achieving an agreed target. These schemes are all designed to enhance company performance by aligning the interests of employees with the financial performance of their companies (Chin-Ju, 2010). Huselid, (1995) sees reward as a system (e.g. profit sharing) that contributes to performance by linking the interests of employees to those of the team and the organization, thereby enhancing effort and performance. La Motta (1995) is of the view that performance at job is the result of ability and motivation.

Osterloh and Frey (2000) as cited in Lotta, (2012) defines an individual to be extrinsically motivated when employee needs are indirectly met through the use of financial rewards. They described pay for performance to be the ideal incentive for the extrinsically driven employees but blamed it to lack the long- term results. They described money to be a goal which provides satisfaction independent of the actual activity itself. Kanfer (1990) states that employees are constantly involved in a social exchange process wherein they contribute efforts in exchange for rewards (Sajuyigbe, Olaoye & Adeyemi, 2013). They also compare the effort or contribution that they put in towards accomplishing a certain task and acquiring rewards in exchange for the former (Sajuyigbe, Olaoye & Adeyemi, 2013).

Entwistle (1987) is of the view that if an employee performs successfully, it leads to organizational rewards and as a result motivational factor of employees lies in their performance. Freedman (1978) as cited in Rizwan and Ali, (2010) is of the view that when effective rewards and recognition are implemented within an organization, favorable working environment is produced which motivates employees to excel in their performance. Employees take recognition as their feelings of value and appreciation and as a result it boosts up morale of employee which ultimately increases productivity of organizations (Sajuyigbe, Olaoye & Adeyemi, 2013). Rewards play a vital role in determining the significant performance in job and it is positively associated with the process of motivation (Rizwan & Ali, 2010)

2.1.1 The Concept of Incentives/Reward and Motivation

According to Tep (2015) incentives have been defined and used in different areas. In the context of the health care industry, incentives are defined as "An available means apply with intention to influence the willingness of physicians and nurses to exert and maintain an effort toward attaining organizational goals" (Mathauer & Imhoff, 2006). Based on the World Health Report 2000, the definition of incentive in the health care industry is generally about "all the rewards and punishments that providers face as a consequence of the organizations in which they work, the institutions under which they operate and the specific interventions they provide" (Adam & Hicks, 2000; Tep, 2015). This defining primary places on individual, in the context of service provider, within a specific organization and acknowledges the importance of the wider institutional context as well as the particular work implemented by the individual or group will determine the incentives used and its outcome. In this sense, incentives are considered as factors within health care work environments that enable, encourage and motivate staff to stick with their careers, in their profession and within their national boundary (Tep, 2015).

According to a UNDP Capacity Development Resource (2006), "incentives are external measures that are designed and established to influence motivation and behavior of individuals, groups or organizations". Whereas, in the tourism sector, incentive has been defined differently. According to a study from the Society of Incentive and Travel Executive (SITE), Incentive is a "management tool that uses an exceptional travel experience to motivate and/or recognize participants or increase level of performance in support of organizational tools". It is a kind of compensation that has been designed to recognize employee's performance and their accomplishment.

Steel and MacDonnell (2012) recently deliberated about the behaviors that contribute to the success of the organization. These behaviors could be managed by using the traditional concept of "The carrot and the stick". Using the concept in a business setting means offering or removal of the reward. Organizations now days are extensively focused on the management of reward practices as at times these are not as worthwhile as anticipated. Organizations are challenged by high turnover issues of their employees. That is why researchers believe it to be tough for the organizations to attain competitive advantage in the absence of less effective reward policy (Kwenin, Muathe, & Nzulwa, 2013). Keeping in view the implications of reward Steel and MacDonnell (2012) upraised questions about the terms; reward, reward management and factors behind the effectiveness of the reward policy.

Reward management is a concept that convey the signal to the employees that are being appreciated in the organization (Shoaib, Noor, Tirmizi, & Bashir, 2009). Armstrong and Taylor (2014) designated that "reward management deals with the strategies, policies and processes required to safeguard that the value of people and the contribution they make to achieving organizational, departmental and team goals is recognized and rewarded". Whilst discussing the characteristics of reward management Armstrong (2014) indicated that reward management includes developmental and application relating areas of reward system that is a mean to achieve organizational targets. Similarly, Bratton and Gold (2001) mentioned that reward management is "central to the regulation of the employment relationship and is one of the central pillars of human resource management". Armstrong and Stephens (2005) in a different study added to the meaning of reward management by signifying that the ultimate aim of reward management is to enable organization to achieve its strategic goals.

Generally reward practices enable organization to answer two questions, (i) where do we want our reward practices to be in a few years' time? & (ii) how do we intend to get there? (Armstrong & Stephens, 2005). Similarly (Armstrong & Brown, 2001) suggested that reward management of an organization "deals with both ends and means". Putting simply acomprehensive reward strategy defines the purposes of the reward programs, their components, and how they allied to accomplish organizational objectives.

Kaplan (2007) in the same vein came up with the ability of reward strategy to define the philosophy behind the programs, which as a result offers the basis for future plan design. Armstrong and Murlis (2007) earlier arguments appear in line with the recent description of reward strategy, he mentioned that “a business-focused statement of the intention of the organization concerning the development of future reward processes and practices which are aligned to the business and human resource strategies of the organization, its culture, and environment in which it operates”. That is why Wilson (2003) regards reward strategies as a process by which an organization interprets its competitive business strategy into a sequence of programs and initiatives that will have an encouraging influence on human behavior. Despite of all of these benefits reward strategy is a mind boggling concept.

According to Kshirsagar (2014), motivation is the economic stimulus that causes us to act. The stimulus may be a need or a drive that energizes certain behaviours. At work, motivation is a combination of all factors in our working environment that lead to positive or negative efforts. If we understand what motivates us, we are more likely to achieve our personal and professional goals. Likewise, if organizations know how to motivate employees, they can increase productivity (Kshirsagar, 2014).

This ability to boost production is increasingly important as organizations compete in the global market. While all companies make some efforts to motivate employees, a growing number of organizations are introducing new strategies including different compensation packages, as a means of motivating today’s workers (Dalton, Hoyle & Watts, 2003). Thus rewards and motivation are interrelated. Money as a major motivating factor was endorsed by Taylor (1947), the founder of scientific management. People were seen to be motivated by self-interest and were keen to accept the challenge to maximize their income. The "economic man" school of thought gave way to the human relations perspective expounded by Mayo (1949). Following a series of experiments on the social and environmental conditions at work, the importance of recognition and good social relationship at work as motivational factors contributing to morale and productivity was heavily underlined.

Herzberg claimed that money is a so called "hygiene factor" which serves as a potential dissatisfied if not present in appropriate amounts, but not as a potential satisfier or positive motivation. Lawler and Porter (1967) suggested that performance increases satisfactions through the intermediate effect of rewards. In order to motivate employees for better organizational performance, it would be necessary to provide incentives and situational factors in such a way that their personal needs are integrated with organizational goals. The strength of motivation varies depending on the variables such as motive, expectancy and incentives which can be shown in the following equation (Atkinson, 1958).

Motivation = f (motive X expectancy X incentives).

From the above equation, the values of expectancy and incentives are normally based on the past experience of the individual concerned. The subjective assessment of these factors is therefore, more important in determining motivation of a person than the values that may be assigned to these factors through objective measurements.

Equity theory (Adams) revealed that satisfaction with pay is related to perceptions about the ratio between what one receives from the job (outcomes in the form of pay) to what one puts into it (inputs in the form of efforts and skill) compounded with the ratios obtained by others. Argyris (1957) and McGregor (1960) indicated that a man is striving for self-actualization through work. The emphasis shifted from extrinsic rewards through accomplishment, use of creativity and other potentialities at work.

Behaviourist theories of motivation are characterized as more properly a concern with psychological incentives managements in its current socio-historic institutionalized form as a process of social domination and work as a social experience of domination (Jackson & Vincent, 2005). But monetary incentives increase employee productivity and directly rational to the achievements of the productivity objectives of organizations (Nayana, 2006). Thus financial and non-financial motivation process has an equally important part to play in reward management.

Meanwhile, from organizational standpoints, incentive is defined as a technique, which is usually used by employers to carry out their end of the employment contract, a form of compensation to the employees for their effort (Hartman, Kurtz & Moser, 1994). Incentives are tangible or intangible rewards used to motivate a person or group of people to behave in a certain way (Collins, Tinkew & Burkhauser, 2008). A similar definition is given by Zurn, Dolea and Stilwell (2005), incentive is "an explicit or implicit financial or non-financial reward for performing a particular act" (Tep, 2015). Meanwhile Banjoko (2006) generally regards incentive as variable payments, which are made to employees or a group of employees on the basis of the amount of output or based on the achieved result. Optionally, it can be the payment made with the aim of pushing employee daily work performance in an attempt to reach a common goal. Incentive could also be defined as compensation other than basic salaries or wages that usually fluctuates based on employee exceptional performance and their attainment of some standard set by the organization (Martocchio, 2006).

From the above discussion, incentive can be defined in different ways with different contexts and situations. However, the core concept of those definitions is around tangible or intangible compensation, explicit or implicit ways to influence individuals or groups of people to exert more time and effort in order to achieve personal as well as organizational goals.

2.1.2 Types of Incentives

There are different types of incentives. Buchan, Thompson and O'May (2000) expressed that incentive can be positive, negative (as in disincentives), financial or non-financial, tangible or intangible. Some authors separate incentives into three types: (1) monetary incentive, (2) non-monetary tangible incentive (coupons or vouchers for foods, vocation trip or others), and (3) non-monetary intangible (employee recognition, praise or appreciation on job accomplishment, positive evaluation and feedback, etc.) (Condly, Clark & Stolovitch, 2003). Although there are significantly different types of incentives that could be utilized, a useful distinction between financial (monetary) and non-financial (non-monetary) incentive is commonly used (Tep, 2015). Financial incentives involve granting of financial reward such as bonuses, commission, pay increases or other benefits (De Cenzo et al, 1996; Buchan, Thompson & O'May, 2000). Whereas, non-financial incentives do not involve any payments or benefits and it mostly relates to psychological and emotional fulfillment (Assaf, 1999; Bunchan, Thompson & O'May, 2000). For instance, encouraging employees to participate in decision-making, providing more autonomy in their job, and improving their working environment, and so on.

2.2 Overview of Corporate Performance

Organization performance has been diversely defined by a wide-ranging expects and authorities with different attributes but is strongly linked to corporate efficiency. Daft (2003) defines corporate performance as the organization's ability to attain its goals by using resources in an efficient and effective manner. Armstrong (2003) noted that performance is a multi-dimensional construct, the measurement of which varies depending on a variety of factors.

Performance can be seen as a record of outcomes achieved as well as a person's accomplishments. Performance can therefore be regarded as behavior – the way in which organizations, teams and individuals get work done. Armstrong (2003) concludes that when managing the performance of teams and individuals both inputs (behavior) and output (results) need to be considered. This performance management covers competency levels and achievements as well as objective setting and review.

2.2.1 Performance Measures

Performance measures should allow progress against objectives to be measured. It should indicate what is expected and how well people are doing in attaining their objectives (Erbasi & Arat, 2012). Performance measures should be clear, concise, easy to collect and interpret, and relevant in that they should provide information that tells you and the organizations how well you are performing. The measures are usually related to efficiency (how quickly you deliver) effectiveness (how good, accurate or relevant the service delivery was to the customer), cost efficiency and cost effectiveness (Apuyusi, 2012). Performance measures usually cover information relating to: Finance – cost as well as income; Customers – new and lost; Market – penetration thereof; Resources – consumed, saved or required; Processes – how efficiently and effectively tasks and activities are accomplished; Deposits – how much money is well mobilized.

Performance measures should be agreed between job holder and his or her manager and should be reviewed regularly. There are a number of benefits to the organization and the individual in terms of personal development and corporate achievement (Business: The Ultimate Resource, 2002). Some valid aspects for measuring performance in relation to reward systems include: Rate of customer growth and retention annually; Annual growth in company profits; Annual increase in the company's market share; Rate of employee turnover over a certain number of years; Efficient and effective product and service spin-off and growth; Corporate expansion, opening of new branches and establishment of subsidies

2.2.2 Corporate Identity

Balmer and Gray (2000) stressed that in essence, corporate identity is the reality and uniqueness of an organization which is integrally related to its external and internal image and reputation through corporate communication. Corporate communication is the process through which stakeholders perceive that the company's identity and image and reputation are formed.

For today's knowledge organizations, the key to staying competitive is the ability to attract and retain skilled and motivated employees (Apusyusi, 2012). A favourable reputation can play a major role in achieving this, because the organization's reputation provides a certain psychological income to the individual. Furthermore, high calibre personnel can play a prominent role both formally and informally in communicating the firm's identity to the outside world. In today's volatile business environment corporate communication, when viewed and managed from a strategic perspective, can imbue many organizations with a distinct competitive advantage (Balmer and Gray, 2000). One sure way of retention of the right calibre of staff is by motivating them – and when we talk about motivation in the corporate world one sure thing that comes to mind is compensation or rewards.

2.2.3 Organizational climate and Employee Satisfaction

Organizational climate, as suggested by West et al. (2008), refers to the "perceptions that organization members share of fundamental elements of their organization". When perception by employees of greater involvement in decision making, information sharing and management support is favourable, then greater corporate effectiveness is also expected.

2.2.4 Employees as Stakeholders

Crowther (1996) identifies the perspective dimension of corporate performance as seeking to recognize stakeholders as having more than one perspective and that different stakeholder groups may have the same perspective. Identifying Employees as stakeholders, he argued further that, "this reflects both the fact that employees are interested in the performance of the organization and that the organization is concerned with the performance of its employees in helping meet its objectives". It is concerned, therefore, with the motivation of employees and the relationship between performance and rewards.

Empirical basis of the Study

2.3 Reward System

Nelson and Peter (2005) stated "You get what you reward". According to them, a reward system is the world's greatest management principal (Apeyusi, 2012). If the organization rewards a certain kind of employee behavior good or bad, that is what the company will get more of (Svensson, 2001). Every existing company has some form of reward system, whether it is outspoken or not, it exists (Jaghult, 2005). People correspond positively to praise, and praise in the right moment creates loyalty and affinity (Bernstein, 1998).

Rewards come in two different types. It can either be in a form of incentive motivation or personal growth motivation. The former is the kind that comes from within the individual, a feeling, being proud over something, feeling content and happy by something that you have done. The later is the type that is brought to you by another person or an organization (Kaplan & Atkinson, 1998), and is the one that will hold our focus through this study. Furthermore, extrinsic rewards can be financial or non-financial. The financial is usually a variable compensation, separated from the salary it is received as a consequence for extraordinary performance or as an encouragement and it can be either individually based or group based. The conditions to obtain this reward should be set in advance and the performance needs to be measurable (Jaghult, 2005). There exists a variety of purpose of a reward system, one very common is to motivate employees to perform better, but also for keeping the employess (Ax, Christer and Kullven, 2005). For a reward system to be ideally motivational, the reward should satisfy a number of criteria; have value, be large enough to have impact, be understandable, be timely, the effect should be durable and finally the rewards should be cost efficient (Merchant, 2007).

2.3.1 Purpose

A reward system puts together employees' natural self-interests with the organization's objectives and provides three types of management control benefits, informational, motivational and personnel related. Firstly, rewards should catch the employees' attention and at the same time it works as a reminder for the person in charge of what results should be completed in different working areas. Organizations use reward systems to emphasize on which parameters their employees should exert the extra effort on by including them in their reward program (Svensson, 2011).

This is a good way to emphasize and convince the employees of which performance areas that are important and create goal congruence within the organization and signals how the employees should direct their efforts. To motivate is the second control benefit. People sometimes need an incentive to perform tasks well and work hard. Last but not least we have the personnel related control benefit. Organizations give rewards for many different reasons e.g. to improve recruitment and retention by offering a compensation package that is competitive on the market (Merchant, 2007).

Reward systems refer primarily to things that employees value. It is important to bear in mind that a reward system can contain both positive and negative rewards. The negative rewards, often seen as punishments, usually manifest themselves through an absence of positive rewards. Examples of positive rewards would be autonomy, power, salary increases, bonuses and some negative rewards would be interference in job from superiors, zero salary increase, and no promotion (Svensson, 2001).

2.3.2 Different parts of a reward system

While constructing a reward system there are certain criteria to consider, and commonly these are considered in most outspoken reward systems. A reward can be either an "add- on", meaning that the employee has a normal salary, and the reward. Corporations have, just as humans, different life-stages, and depending on where the corporation is at the moment it has different needs and this affects the reward system, needing to create goal congruence. What goals the company have in regards of profitability and growth, are the parameters you measure to see if a reward should be paid or not. This usually requires a bread-down of the goals, making them easier to measure and more understandable for the employees, and there you also need to show them how their behavior affects the measured goals and parameters. Here the incentive system becomes a tool for management control and the choice of which goals you measure is important, since these are the ones the employees will put their focus on. Sometimes a financial reward is given based on individual or on departments' performance, although the company has losses. This can be avoided by adding a threshold requirement for the whole company, which then needs to be fulfilled before a bonus can be paid out in any departments. Factors such as when and how the reward should be paid out and if there should be a roof (a higher limit of the reward-amount) are things that always should be specified while designing the system (Jaghult, 2005).

Financial

"It is certainly not the only form of reward, and it is not necessarily always the best one, but it's use is so common that it deserves special mention" (Merchant, 2007). People value money and therefore making money an important form of reward. Financial reward systems can be classified into three main categories, performance-based salary increases, short-term incentive plans, and long-term incentive plans. The latter two rewards are common on managerial levels and are often linked to performance during a specific time period (Svensson, 2001). The first one is often considered to be the greatest motivational factor of them all (Samuelsson, 1999). Each and every organization gives salary increase to employees' at all organizational levels. This is normally a small portion of an employee's salary, by has a significant values due to its long-term perspective (Merchant, 2007).

One feature of financial incentives is that it is variable in nature (Tep, 2015). For instance, financial incentives are often called variable pay, as there are not guaranteed (Gross, 1995). It also refers to pay that is contingent based on actual performance of employees, as different to an entitlement. Another study of financial incentives shows that some employees are motivated by rewards and that money is a strong motivator for them (De Cenzo et al, 1996). According to a study on compensation and incentives conducted by Baker, Jensen and Murphy (1988) one person might not be as responsive as others to the same reward. For instance, one person might appreciate a compliment or recognition from their organization while another would prefer financial benefit like a salary increase. This finding has also been supported by a survey that was conducted in a Malaysian organization that found that most of the employees prefer to have a cash reward (Rafikul I. & Ahmad Zaki Hj. 2004).

In addition, financial incentives do not always deal with direct benefits like pay or wage, bonuses, pensions, allowances, etc. Sometimes it could be developed as indirect financial benefits such as subsidized food, accommodation, transportation, educational fees, childcare and so on (Buchan, Thompson & O'May, 2000).

From the above discussion, it can be concluded that financial incentives can be designed and developed into different forms with regard to different people, organizations and situations. And their main purpose is to encourage and motivate people for greater achievement. Short term incentives in some form are however commonly used in organizations. A cash bonus is usually based on performance measured on a time period of one year or less. Why a company primarily uses a variable pay is to differentiate it among the employees, so that the most successful employees will be rewarded. By recognizing the employee's contributions to the company it makes it easier for the organization to encourage excellent performance. The employees appreciate the possibility of receiving a reward for their performance (Svensson, 2001). Using a variable pay can also be an advantage for the company in terms of risk-sharing. This means that the expense for compensation varies more with company performance when the total compensation is partly variable, making the cost lower when no profit is made and when there is a profit this can be shared with the employees.

Rewards based on performance measures over time periods larger than one year are long- term incentive rewards. By using this, a company can reward employees for their outstanding work performance to maximize the firm's long-term value. This also works to attract and retain key talented persons (Merchant, 2007). Types of these can be stock- option programs, restricted stock plans or by a reward that is put in a "bonus-bank" that change according to result and runs over several years (Samuelsson, 1999).

A stock-option program is usually when a person is allowed to buy stocks in the future, but for today's price. This is an attractive way of rewarding a manager because the manager would want the value of the stock to increase and thus work harder on the long- term goals and commitments instead of focusing on short-term profits. Another advantage with this type of reward is, since the manger does not yet own the stock, he or she will still be taking risks with higher payoffs than they might had if they already owned them. There does, however, exist one great disadvantage though with the stock-option program. A manager does not have enough control over the value. Too many external and non- responsive factors influence the value, making it less appealing as an incentive (Kaplan & Atkinson, 1998).

A very popular type of long-term incentive is some form of a restricted stock plan. This reward is shares given as a bonus to the employee, however, they can only be sold after certain time period. After for instance one year, the employee will be able to sell one fifth of the shares, after two years he or she will be able to sell two-fifths and after three years three-fifths etc. this is a way to retain competence within the company, not to motivate employees, since if they choose to end their employment before the fifth year, they will lose the remaining parts. Some firms take this even further by withdrawing the shares you already received (Merchant, 2007).

Again another theoretical consideration relevant to this study of financial incentives revolves around whether the pay plan is focused on the individual or on the group (Peterson, 2006). Peterson (2006) posits that group-incentive systems include plans in which payouts are contingent on the achievement of group or unit goals and often include a formal employee involvement component. Profit sharing and gain sharing are the most common, but lump-sum bonuses delivered to a group in recognition of group performance levels or goal achievement are quickly supplanting other plans (Milkovich & Newman, 1999). There is initial evidence that well-designed pay plans based on group performance can increase productivity (Bowie-McCoy, Wendt, & Chope, 1993; Kruse, 1993; Peterson, 2006), but to date no research has shown the impact of financial incentives on business-unit profits, customer service, or employee turnover (Peterson, 2006).

Non-financial

Be given a thank you from your manager or to receive gratitude from your co-workers are both examples of non-financial rewards (Jagult, 2005). Financial rewards are often accused of being too short-termed, and not creating a long-term commitment which is normally what you want from your employees. To achieve long-lasting motivation for the employees the organization must pay attention to both the financial and the non-financial motivators, in order to provide the best mix (Armstrong, 1993). Henderson (1994) posits that non-financial reward is intrinsic, which are rewards that are internal to workers and which they give themselves. Intrinsic rewards include self-esteem, a sense of accomplishment, and a feeling of growth or development of special skills and talents. Many of these rewards are desired from the work itself. Intrinsic rewards are related to the worker's perception of the job and, hence, are affected by job design, intrinsic rewards may be called as "non-financial/non-monetary rewards.

Different types of Non-financial rewards lead employees more towards high satisfaction and motivation as compare to financial rewards (Nel et al., 2004). Stovall (2003) conducted research on non-financial rewards and their impact on employee's job satisfaction and concluded that an effective reward package could have a significant impact on the employee's performance. He explained that non-financial rewards motivate workers which lead to job satisfaction. Tippet and Kluvers (2009) regarded non- financial rewards as a helpful tool to develop employee's job satisfaction. Barton (2006) has considered employees' recognition as most the important factor among non-financial rewards to enhance the employees job satisfaction level. In same vein, Bull (2005) further added that challenging jobs also enhance the employees job satisfaction. Similarly, several studies were also conducted on university faculty which identified remuneration as the most important job satisfaction factor (Grace & Khalsa, 2003). Despite the significance of monetary rewards Budhwar & Bhatnagar, (2007) pointed towards other type of rewards that are in general ignored in discussions of employees' job satisfaction. Non-financial rewards have a significant role in employee's opinion concerning the reward climate in organization (Khan, Shahid, Nawab, & Wali, 2013). Ngatia (2015) conducted research on non-financial rewards and their impact on employee's job satisfaction and concluded that useful reward package could have a major impact on the employee's job satisfaction and performance. Similarly, Hayati and Caniago (2012) find the positive link between non-financial rewards and job satisfaction. Tausif (2012) examine the relationship between non-monetary rewards and job satisfaction among teachers in public schools in Pakistan and found that non-financial rewardsare the most dominant predictors of employees performance.

When employers give more attention to non-financial reward tools such as work-life balance, career advancement, educational benefits the employee may recognize the organization as helpful and supporting. Abdullah and Wan (2013) give more importance to the employee's recognition as the most dominant instrument that is being used in the organization to drive employee satisfaction. Rewards are imperative factors that elucidate certain job aspects that contribute significantly to the organization such as job satisfaction. Öztürk and Dündar (2003) conduct a survey from employees working in public sector organization in UK. The results of the study concluded that employees working in public sector organizations give more importance to non-financial rewards as compare to financial rewards for example performance appreciation, promotional opportunities, and involvement in decision making.

Non-financial incentives are sometimes known as moral incentives, which is concerned various aspects of psychological needs, and the increase concentration of these aspects are come after the emergence of human related theories (Akaili, 1996). Moral incentives mostly based on the respect of a human being who has emotional feeling, hopes and aspiration. Meanwhile, a similar study on moral incentive has been conducted by Johnson (2005)

> "A person has a moral incentive to behave in a particular way when he has been taught to believe that it is the right or admirable thing to do. If he behaves as others expect him to, he may expect the approval or even the admiration of the other members of the collective and enjoy an enhanced sense of acceptance or self-esteem. If he behaves improperly, he may expect verbal expression of condemnation, scorn, ridicule or even ostracism from the collectivity. And he may experience unpleasant feelings of guilt, shame or self condemnation".

From the above reviewed, it can be concluded that non-financial incentives are a set of motives, which are intended to meet the emotional and psychological needs among the employees. Also, it is an internal consequent for the individual such as job enrichment, job participation, responsibility, promotion, vacation time and the nature of supervision (Tep, 2015). In brief, a non-financial incentive has significant potential to fulfill employees needs and motivate them without using or affecting financial resources. It plays an important role in increasing motivational levels as well as promoting employees' work performance.

Individual-based vs. group-based rewards

For a group reward to provide a direct incentive effect, the employee to whom the rewards are promised has to believe that they can influence the performance on which the rewards are based on to a significant extent (Merchant, 2007). Achieving something as part of a group usually strengthens the ties between co-workers. However, if someone has been part of the group without contributing in the same way as the rest, usually creates great dissatisfaction among the rest, and teaches employees that they get rewards without input. This phenomenon is called the free-rider-problem. In many projects and companies, it is not possible to carry out a task by yourself but the task-completing-process is a process though the company, engaging many different people. In these cases a group- based reward is preferable since everyone has "pulled their weight", although it is hard to see the individual impact.

Individual-based rewards often lead to sub-optimization. When introducing an individual- based reward system, employees tend to concentrate on their own performance instead of the company's performance as a whole. Asking co-workers and managers for help is suddenly something you think twice about, as you might need to share a future reward if you do. This leads to tasks fulfilled with an okay result, instead of a better result that might had sprung from a collaboration with co-workers more competent to the task or parts of the task, hence sub-optimization. However, an individual-based reward creates the greatest motivation and larger incentives for the individual (Jaghult, 2005).

Increasing the responsibility for an employee usually tends to also increase motivation. This because increased responsibility makes the employee feel more appreciated and skillful. When in a group, people learn from each other, creating more and more positive actions, and also gets more effective. Rewarding a group suing a financial reward, often creates an intrinsic reward for the group-members, as they feel satisfied belonging to a group that has performed something extraordinary (Jaghult, 2005). There is also a possibility to combine these two kinds of rewards (Samuelsson, 1999). This can be done by basing the total reward on group performance, and the individuals" shares of this reward on individual performance (Kaplan and Atkinson, 1998).

2.3.3 Comparative Effects of Financial and Non-financial incentives

According to Ellis and Pennington (2004), the financial incentives have a short-term effect on the motivation levels of employees although they play a critical role in their motivation. Therefore, non-financial incentives are also required to give a long-term motivational effect instead of the short-term effects of financial incentives at these premises. Non-financial incentives are listed as enabling authority, participating in the management, job enrichment, promotion, holidays, better working atmosphere (opportunity of an air-conditioning, less noise, etc.), enhancing a sense of belonging.

The success of financial incentives on the motivation of employees has long been discusses in the literature. In addition to the studies, which claim that financial incentives have a positive effect on motivation, there are also many others, which also argues that they have a very low or a negative effect. It is very important for strategical administrative institutions at premises to determine to what extent these incentives affect the job satisfaction levels of employees. Therefore, it is required to determine which incentives the employees accept and which others do not serve for its purpose. Moreover, public relations in the premises will get the best benefit to draw their policies by determining the relations between financial incentives, non-financial incentives and some demographical variables related to the attitudes of employees in terms of job satisfaction. In this study, the purpose is to examine the effect of financial and non-financial incentives on job satisfaction, which are used in food chain premises and to indicate the difference of employee attitudes related to job satisfaction and incentives on some demographical variables.

There are many studies in the literature, which examine the financial and non-financial incentives and their effects on several variables. For example, Al-Nsour (2012) examined the effects of financial and non-financial incentives at Jordanian university in terms of organizational performance. A significant relation was observed between financial and non-financial incentives and organizational performance in accordance with the data obtained from this study. Moreover, the study showed that financial incentives were highly regarded than non-financial incentives. Naldöken et al. (2011) examined the financial incentive application on the motivations of employees at a state hospital in terms of their performance. It was concluded in the study that the medical employees, who benefited from these financial incentives were positively motivated by this application.

Scheepers (2009) also examined the extent to which incentive systems affected the motivations of employees at information and communication technology firms. In accordance with the results of the study, an entrepreneurial reward system tends to focus on formal acknowledgement, social incentives and organizational freedom of employees to encourage corporate entrepreneurship. Pouliakas (2008) tested the non-monotonic effect of monetary incentives on job satisfaction. In the study, 1998-2005 of the British Household Panel Survey was used to investigate the ceteris paribus association between the intensity of bonus/profit-sharing payments and the utility derived from work. According to the findings of the study, small amounts of financial incentives resulted a highly important effect on employee satisfaction, whereas large amounts of financial incentives affect them positively. Therefore, the researcher suggested no financial incentive unless sufficient amount of financial incentives were provided. Pınar et al. (2008) conducted surveys to 796 blue-collar employees at several institutions in order to determine the elements, which affect the job satisfaction of employees. According to the findings of the study, the most affected dimension in terms of job satisfactions of blue-collar employees was the job itself, and the second dimension was the payment and promotions.

Arnolds and Venter (2007) made an effort to determine the factors, which affected the motivations of blue-collar employees at manufacturing and clothing retail firms. According to the findings of the study, the most important individual motivational reward for blue-collar employees is paid holidays and for frontline employees, retirement plans. The most important motivational reward category for both blue-collar and frontline employees is fringe benefits (paid holidays, sick leave and housing loans). McDonald et al. (2007) examined the effects of financial incentives on the quality of care on practice organization, clinical autonomy, and internal motivation of doctors and nurses working in primary care.

Alwabel (2005) examined the role of financial and non-financial incentives in terms of increasing the performance of security officers during pilgrimage in their points of view. Kaya (2007) determined the factors affecting job satisfaction levels of employees at hotel managements. According to the results of the study, the most important factors affecting the job satisfaction levels were determined as the officers, physical and non-physical factors of its own nature and communication and integrity respectively. Based on these findings, the conclusion was that non-financial incentives were more effective then financial incentives in terms of the attitudes of employees.

According to the results of Career and Qualification Principles Survey conducted by the United States of America Career and Qualification Principles in 2005, it was determined that the most important element motivating both the employees and employers were job satisfaction and personal satisfaction for both groups. According to the results of the study, the financial incentives are placed as 8^{th} and 12^{th} in the sequence of elements affecting the motivation. In other words, non-financial incentives are given much importance than financial incentives (Coşkun & Dulkadiroğlu, 2009). Ağırbaş et al. (2005) examined to what extent the head physicians assistants working at hospitals are satisfied by the motivational tools applied in the hospitals and if available motivational tools have an important effect on job satisfaction. In the study, it is seen that no motivational tool provides the expectations of physician managers. It is also concluded in the study that such factors as the decrease of dismissal risk, improving the situations like promotion and appreciation and improving work place opportunities have significant and important effects on job satisfaction statistically.

Burgess and Ratto (2003) reviewed the incentive pay to improve public-sector efficiency and the evidence on its effects. The researchers concluded how optimal incentives for public sector differ from private sector and which types of incentives are the most appropriate for public sector. Moreover, the researchers commented on the design of new policies being introduced in the UK public sector in the light of the theoretical arguments and the evidence. Öztürk and Dündar (2003) made an effort to determine the relation between the factors, which motivate the public employees and professional variables at those institutions. According to the findings obtained in the research, it is seen that managers are more motivated by non-financial incentives than financial incentives in public employees; and employees are more motivated by financial incentives than non-financial incentives. Almost all of the public employees state that the appreciation of the actions completed create a feeling of satisfaction and give a positive motivation towards their job. It is also stated that giving an opportunity for promotion of employees and getting their opinions of their area of interest are among the important factors to motivate them for their jobs. Kitapçı and Sezen (2002) investigated the variables, which affect job satisfaction of employees according to their career period. Based on the results of the study, it is seen that the employees with different career periods have also different job satisfaction levels in terms of different variables. According to the findings of the study, the job satisfaction levels of employees in pre-professional trial period (18-24 age group) are affected by working conditions, training given by the premise and payment. Besides, according to the results of the study, the job satisfaction levels of employees in starting and progressing professional period (26-44 age group) are affected by working conditions, connections with colleagues and manager and in the stationery period (45 and above age group) by connections with managers and participatory management.

2.3.4 Performance measures and goal setting

The connection between performance and rewards are the goals set and the performance measured in contrast to these goals. There are two types of measures, financial and nonfinancial, although both are usually used, the financial reward is the most common. A company needs to understand what runs their returns to be able to manage the factors that create it. Financial measures, such as return on investment, tend to be short-term which makes them partially sub-optimized. The nonfinancial measures such as quality on the other hand, could be used by the company for long-run financial performance.

Financial measures are still however, very important since they correlate with the primary objective of companies, profit. A performance measure's purpose is to both make the employees focus on what is important, but also to be able to see and react when something is wrong. One way of connecting the non-financial measures and goals with the financial is by using a balanced scorecard for example (Kaplan and Atkinson, 1998).

One definition of a goal is a description of a wanted, future state. This is usually an overall vision, that gets broken-down to different levels in the company, and if this process functions as it should, even at the lowest level and in the tiniest goals, there exists congruence with the vision (Jacobsen and Thorsvik, 2008). A theory developed in 1979 by Latham and Locke suggests that motivation and performance increases when people set specific and achievable goals, when the goals are difficult but accepted and when there is some kind of feedback on the performance. This makes the participation of goal setting important, giving the employee possibility to influence his goals (Armstrong, 1993).

2.4 Components of the Wage Mix

A combination of internal and external factors can influence, directly or indirectly, the rates at which employees are paid.

2.4.1 Internal Factors

The internal factors that influence wage rates are the employee's compensation policy, the worth of a job, an employee's relative worth in meeting job requirements and an employer's ability to pay (Igbaekemem, 2014).

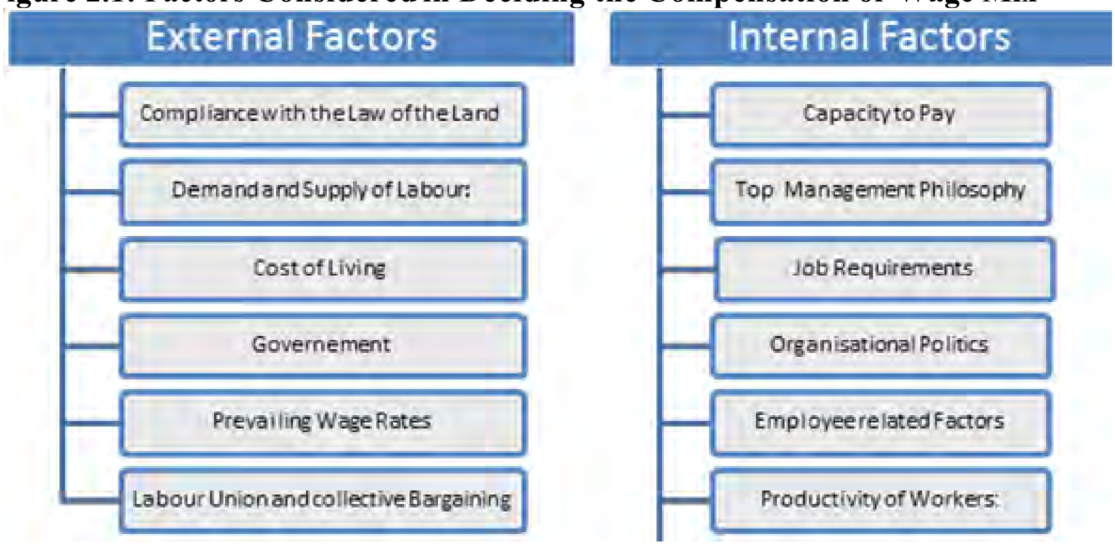
Conversely, Arul (2010) contends that internal factors to be considered are employers capacity to pay, top management philosophy, job requirement, organizational politics, employees related factors and productivity of workers. This is shown in figure 2.1.

2.4.2 External Factors

The major external factors that influence wage rates include labour market conditions, area wage rates, cost of living, and collective bargaining if the employer is unionized and legal requirements.

However, Arul (2010) posits that in considering factors that decide compensation and wage mix of employees, external factors that are worth considering are compliance with laws of the land, demand and supply of labour, cost of living, government policy, prevailing wage rates and labour union and collective bargaining agreement. This is shown in figure 2.1.

Figure 2.1: Factors Considered in Deciding the Compensation or Wage Mix



Source: (Adapted from Arul, 2010)

From the above assertions the researcher agrees with the opinion of Arul (2010). However, the external factors can be categorized into availability of labour, cost of living, government policy, wages of competitor firms and labour union and collective bargaining agreement.

2.5 Job Evaluation System

Job evaluation is the systematic process of determining the relative worth of jobs in order to establish which jobs should be paid more than others in the organization. The relative worth of a job may be determined by comparing it with others within the organization or by comparing it with a scale that has been constructed for this purpose (Igbaekemem, 2014).

2.5.1 Job Ranking System

The simplest and oldest system of job evaluation is the job ranking system, which arrays jobs in the basis of their relative worth. A common approach to job ranking is the paired- comparison method (Igbaekemem, 2014). Raters compare each job with all other jobs by means of a paired- comparison ranking table that lists the jobs in both rows and columns. Differences in ranking should then be reconciled into a single rating for all jobs. The basic weakness of the job ranking system is that it does not provide a very refined measure of each job's worth. Its simplicity, however, makes it ideal for use by smaller employers (Igbaekemem, 2014).

2.5.2 Job Classification System

In the job classification system, jobs are classified and grouped according to a series of predetermined grades. Successive grades require increasing amounts of job responsibility, skill, knowledge, ability or other factors selected to compare jobs (Igbaekemem, 2014). The job classification system is widely used by municipal and state governments.

2.5.3 Point System

The point system is a quantitative job evaluation procedure that determines a job's relative value by calculating the total points assigned to it. The point system permits jobs to be evaluated quantitatively on the basis of factors or elements commonly called compensable factors that constitute the job. The skills, efforts, responsibilities and working conditions that a job usually entails are the more common or major compensable factors that serve to rank one job as more or less important than another. Once selected, compensable factors will be assigned weight according to their relative importance to the organization (Igbaekemem, 2014). The point manual is a handbook that contains a description of the compensable factors and the degrees to which these factors may exist within jobs. The point value assigned to a job represents the sum of the numerical degree values of each compensable factor that the job possesses.

2.5.4 Factor Comparison System

This is a type of job evaluation system that permits the evaluation process to be accomplished on a factor-by-factor basis by developing a factor comparison scale. It differs from the point system, however, in that the compensable factors of the jobs to be evaluated are compared against the compensable factors of key jobs within the organization that serve as the job evaluation scale. Key jobs can be defined as those jobs that are important for wage-setting purposes and are widely known in the labour market (Igbaekemem, 2014). Key jobs are evaluated against five compensable factors – skill, mental effort, physical effort, responsibility and working conditions – resulting in ranking of the different factors for each key job. Normally a committee is selected to rank the criteria across key jobs.

2.5.5 Job Evaluation for Management Positions

Because management positions are more difficult to evaluate and involve certain demands not found in jobs at the lower levels, some organizations do not attempt to include them in their job evaluation programs. Several systems have been developed especially for the evaluation of executive, managerial and professional positions. One that is well known is the Hay Profile Method, developed by Edward N. Hay. The three broad factors that constitute the evaluation in the "profile" include knowledge (or know- how), mental activity (or problem solving) and accountability (Henderson, 1996). The Hay method uses only three factors because it is assumed that these factors represent the most important aspects of all executive and managerial positions.

2.6 Incentive Plans

The worth of a job is a significant factor in determining the pay rate for that job (Abonam, 2011). However, pay based on only this measure may fail to motivate employees to perform to their full capacity. Incentives linked with output causes workers to more fully apply their skills and knowledge to their jobs while encouraging them to work together as a team (Igbaekemem, 2014).

2.6.1 Reasons and Requirements for Incentive Plans

Erbasi and Arat (2012) posit that a clear trend in strategic compensation management is the growth of incentive plans, also called variable pay programs, for employees throughout the organization. Variable pay programs establish a performance "threshold" (a baseline performance level) and employee or group of employees must reach in order of quality for variable payments (Erbasi & Arat, 2012). Incentive plans create an operating environment that champions a philosophy of shared commitment through the belief that every individual contributes to organizational performance and success.

2.6.2 Incentive Plans as Links to staff Performance

By meshing compensation and organizational objectives, managers believe that employees will assume "ownership" of their jobs, thereby improving their effort and overall job performance (Al-Nsour, 2012). Various studies have demonstrated a measurable relationship between incentive plans and improved organizational performance. Unfortunately, studies also show that variable pay plans may not achieve their proposed objectives or lead of organizational improvements. A plan is more likely to work in an organization where morale is high, employees believe they are being treated fairly and there is harmony between employees and management. Al-Nsour (2012) suggested that some advantages of incentive pay programs may include:

i. Incentives focus employee efforts on specific performance targets. They provide real motivation that produces important employee and organizational gains.
ii. Incentive payouts are variable costs linked to the achievement of results.

Base salaries are fixed costs largely unrelated to output.

iii. Incentive compensation is directly related to operating performance. If performance objectives (quantity and or quality) are met, incentives are paid and vice versa.

iv. Incentives foster teamwork and unit cohesiveness when payments to individuals are based on team results.

v. Incentives are a way to distribute success among those responsible for producing that success (Al-Nsour, 2012).

2.6.3 Requirements for a Successful Incentive Plan

For an incentive plan to succeed, employees must have some desire for the plan (Bento & White, 1998). This desire can be influenced in part by how successful management is in introducing the plan and convincing employees of its benefits (McKenzie and Shilling, 1998). Encouraging employees to participate in developing and administering the plan is likely to increase their willingness to accept it (Heneman et al., 1998). Employees must be able to see a clear connection between the incentive payments they receive and their job performance. Compensation specialists also note the following as characteristics of a successful incentive plan:

i. Financial incentives are linked to value behavior

ii. The incentive program seems fair to employees

iii. Productivity/quality standard are challenging but achievable

iv. Payment formulas are simple and understandable.

2.6.4 Setting Performance Measures

Measurement is the key to the success of incentive plans because it communicates the importance of established organizational goals. What gets measured and rewarded gets attention. For example, if the organization desires to be a leader in quality, then performance indexes may focus on customer satisfaction, timeliness or being error-free. Finally (Al-Nsour, 2012), employers must guard against hiking performance goals by continually trying to exceed previous results. This result will be a mistrust of management and a backlash against the entire incentive program.

2.7 Significant Compensation Issues

As with other human resource activities, compensation management operates in a dynamic environment. According to Al-Nsour (2012) this is eluded to the following reasons;

2.7.1 The Issue of Equal Pay for Comparable Worth

Comparable worth is the concept that male and female jobs that are dissimilar, but equal in terms of value or worth to the employers, should be paid the same. This practice results in what critics term institutionalized sex discrimination, causing women to receive less pay for jobs that may be different from but comparable in worth to those performed by men. Rather, the argument for comparable worth is that jobs held by women are not compensated the same as those held by men, even though both job types may contribute equally to organizational success (Bohlander et al., 2001).

Problem of Measuring Comparability: advocates of comparable worth argue that there is no consensus on a comparable worth standard by which to evaluate jobs, nor is there agreement on the ability of present job evaluation techniques to remedy the problem (Gardner, 1998).

2.7.2 The Issue of Wage-Rate Compression

Wage-rate compression refers to the compression of differentials between job classes, particularly the differential between hourly workers and their workers (Aryeetey, 2011). The problem occurs when employees perceived that there is too narrow a difference between their compensation and that of colleagues in lower-rated jobs.

It can cause low employee morale, leading to issues of reduced employee performance, higher absenteeism and turnover, and even delinquent behavior such as employee theft. Wage-rate compression often occurs then organizations grant pay adjustments for lower- rate jobs without providing commensurate adjustments for occupations at the top of the job hierarchy (Aryeetey, 2011). Organizations wishing to minimize the problem may incorporate the following ideas into their pay policies: (1) provide equity adjustments for selected employees hardest hit by pay compression and (2) emphasize pay-for-performance and reward merit-worth employees (Aryeetey, 2011).

2.7.3 The Issue of Low Salary Budgets

Interestingly, low wage increases exist at a period when many industries have reported strong financial performance. Although smaller raises may seem an odd response to strong results, they reflect a general trend toward tight compensation-cost controls caused by the global competition for jobs, the reductions in workforce because of technology, and the growth use of temporary and part-time employees who receive low wages and few benefits (HR Focus, 1996). Unfortunately, low wages could portend unfavourable effects for employers and society, including: (1) increased turnover as employees change jobs for higher wages, and (2) diminishing employee output as employees perceive low pay-for-performance relationship (Aryeetey, 2011).

2.7.4 The Issue of Recognition Programs as a non-financial reward system

While most employees certainly appreciate financial awards for job well done, many people merely seek recognition of their hard work. Gram et al (2006) noted that effective recognition methods should be sincere, fair and consistent, timely and frequent, flexible, appropriate and specific. They go on to explain that it is important that every action which supports a company's goals is recognized, whether through informal feedback or formal company-wide recognition. Likewise, every employee should have the same opportunity to receive recognition for their work. Recognition also needs to occur in a timely fashion and on a frequent basis so that an employee's action does not go overlooked and so that it is reinforced to spur additional high performance. Finally, employees need to clearly understand the behavior or action being recognized. A small business owner can ensure this by being specific in what actions will be recognized and then reinforcing this by communicating exactly what an employee did to be recognized. Recognition can take a variety of forms. Structured programs can include regular recognition events such as banquets or breakfasts, employee of the month or year recognition, an annual report or yearbook which features the accomplishments of employees, and department or company recognition boards. Informal or spontaneous recognition can take the form of privileges such as working at home, starting late, leaving early, or long lunch breaks.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The purpose of the study was to assess the effects of financial and non-financial incentives on staff performance. This chapter enumerates the general strategy and logistics that was used in conducting this study, precisely in the gathering and analyzing of the data needed to completely answer the hypothesis that will justify the research findings. Also the chapter describes the population that was used in this study, the sample and sampling technique is well analyzed. The data sources used and their justification for its usage has also be looked at in reference to the research objectives.

3.1 Research Design

Social phenomena have to do with extremely varying human conditions in different environments that make it difficult for social science researchers to choose appropriate research approach and methods to investigate the specific problem concerned. However, this study will adopt a case study approach for investigating the phenomenon. That is, the effects of financial and non-financial rewards on staff performance. The purpose of assessment is that of a fact-finding and it describes conditions that exist at a particular point in time. The study was both qualitative and quantitative research. Quantitative, broadly defined, means 'a research that produces discreet numerical or quantifiable data (Simons, 2007). Descriptive survey design was adopted in conducting this study. This is because descriptive studies are not only restricted to fact findings, but often result in the formulation of important principles of knowledge and solution to significant problems (Orodho, 2003). The researcher used descriptive approach which was appropriate for this study because it involved fact-finding and enquiries to determine the conflict resolution as it existed in secondary school organisations. It was more than just a collection of data because the researcher was involved in measurement, classification, analysis, comparison and interpretation of data. Kombo and Tromp, (2007) further observe that descriptive approach is designed to obtain information concerning the current phenomenon and wherever possible to draw valid general conclusions from facts discussed. To effectively achieve this objective, the researcher administered a questionnaire to a sample of directors and assistant directors in the Kumasi Metropolitan Assembly. The researcher did carry out survey on these individuals to find out approaches, effects, challenges and attitudes used in managing conflict. In this study independent variables were identified as awareness and approaches.

3.2 Population of the Study

The target population is the group of individual that possess the information required by the researcher and bout which inference are to be made (Malhorta & Birks, 2016). The most important thing in defining the target population is the precise specification of who should and who should not be included in the sample (Churchill & locubucci, 2002; Malhorta & Birks, 2007). The study was conducted on all workers in the Kumasi Metropolitan Assembly which is made up of nine hundred and eighty nine (989) staff. The population was made up of 30 directors, 40 coordinators, and 919 junior staff

3.3 Sample and Sampling Techniques

A sample is a small subset of population said to be representative of a given population (Quinlan, 2011). Sampling can be a vital procedure when analyzing data as it is a valid way of collecting data without using the entire population, in particular when both time and budget constraints exist for the researcher. However, since every member of the Assembly is key and forms part of the targeted population for the study, a stratified simple random technique was employed to get the various stratums for the study sample.

Table 3.1: The Projected Population and Sample Size for the Study

Position	Projected employees	Projected sample size	Percentage chosen
Directors	30	20	66.7%
Coordinators	40	26	65.0%
Junior Staff	919	104	11.3%
Total	**989**	**150**	**15.2%**

Source: Field survey June, 2017

Hence, in order to make the sample representative of the entire population the study used the Krejeie and Morgan (1970) sampling table to determine the sample size for the 989 participants for the population size. Based on the table, the sample size for this study was 150. Again this sample size affirmed earlier works (Kline, 2005; Spector, 2006; Hair et al, 2010) who used the same range of sample size.

3.4 Sources of Data

The study employed both primary and secondary data as follows:

3.4.1 Primary Data

This is data originated by the researcher especially to address the research problem (Malhatra and Birks, 2007). Agyedu, Donkor, and Obeng, (2010) argued that primary data are first-hand information gotten from the research. This could be in the form of interview, response from questionnaires. Specifically the data for this study were gathered through the administration of a questionnaire to a cross - section of respondents drawn from various departments of K.M.A.

3.4.2 Secondary Data

Sources of secondary data were from various textbooks, journals, media and internet reports (both print and electronic). The research site was Kumasi Metropolitan Assembly. This site was suitable because it has large number of staff with varied departmental composition which has the tendency to trigger conflict. The data gathered were subjected to both qualitative and quantitative analysis data. These are documentation, archival records, interviews, direct observation, practical observation, physical artifacts, Yin (2012) as cited in Khiabani (2006). For the purpose of this research the researcher employed questionnaires and interviews.

3.5 Data Collection Instrument

The instrument for this study was developed by the researcher under the supervision and guidance of the eminent University Supervisors hereby appointed. Questionnaire was used for the data collection. This comprised both close ended and open ended questions. A likert scale questionnaire was used for the study as they were grouped into agree, neutral and disagree. Participants were asked to tick the appropriate option that they suggested and also to write where necessary. The general topics covered by the questionnaire were identified to reflect the objectives of the research. The questionnaire was then pretested by interviewing 25 employees with it, in order to collect feedback on unclear or insensitive questions. According to Nyanga (2015) a pilot test is a method that is used to test the design and/or methods and/or instrument before carrying out the research. It involves conducting and initial test of data collection instruments and processes to spot and eradicate errors. The purpose of pilot testing is to establish the accuracy and appropriateness of the research design and instrumentation (Saunders, Lewis & Thornhill, 2009). Cooper and Schindler (2008) state that the purpose of pilot testing is to detect weaknesses in design and implementation and to provide proxy for data collection of a probability sample. Sekaran (2008) reinforces that pi lot testing is necessary for testing the reliability of instruments and the validity of a study.

Further modifications were made on the questionnaire using the information collected from the trial. Results that emerged from the pretesting study included the need for more options to some questions. A second pretesting study was done to establish whether or not the earlier problems had been ironed out. Final administration of the questionnnaire in the actual study was done after the second pretesting study.

3.6 Data Collection Procedures

Questionnaires Administration

The questionnaires were administered to the 130 coordinators and associated employees and also to the 20 Directors. The respondents were briefed first about the purpose of the study and the instructions were explained. A written instruction was also available at the beginning of the questionnaire. The respondents were also informed that they are free to ask any questions if they do not understand something in the questionnaire. Questionnaire was completed within 14 to 20 days. However only 136 questionnaires was retrieved from the projected sample respondents for the study. As a results the findings of the study was based on the retrieved questionnaire.

Validity of Research Instruments

The study instrument was content-validated. Donald and Pamela (2001) posit that content validity is determined by expert judgment. The university supervisors scrutinized the instrument to find out whether it addressed all the possible areas that were intended to measure, ensured its appropriateness, completeness and accuracy. They were relied upon to determine whether items in the instrument were adequate representation of all the areas that were under investigation.

Reliability of Research Instruments

The researcher piloted the instrument to 25 employees who were drawn from the sample of 150 staff. Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Kothari (2009) reliability refers to consistency of measurement; the more reliable an instrument is, the more consistent the measure. Cooper and Schindler (2008) state that the size of a sample to be used for pilot testing varies depending on time, costs and practicality, but he same would tend to be 5-10 per cent of the main survey. Cooper and Schindler (2008) states that the respondents in a pilot test do not have to be statistically selected when testing the validity and reliability of the instruments. In this study, the data collection instrument, was a questionnaire, 10% of the questionnaires were tested to ensure that they were relevant and effective. Therefore, 30 questionnaires were piloted to respondents not part of the sample.

The researcher used split-half procedure to test the reliability of the principals' questionnaire through piloting. This procedure was chosen over the other methods such as the Kuder- Richardson approaches for its simplicity yet accurate (Fraenkel and Warren, 2000). The instrument was piloted. It tested the basic emerging variables of this study described in the conceptual framework.

The open-ended questions scored by giving a mark for a relevant response and a zero for irrelevant and blank responses. The questionnaires selected were divided into two equal halves taking odd numbered items against the even numbered items. The scores of the halves were then correlated using the split – half measure of reliability. This yielded a half test coefficient. The Spearmanm - Brown Prophecy formula for the full test was employed to obtain a total test coefficient of the instruments. They were considered reliable since the reliability fell between 0.7 - 1.0, which are considered adequate (Fraenkel and Warren, 2000).

Researchers seek to make research questionnaire consistent, clear and understandable by all. In addition, the questionnaire should achieve its goals. Therefore, reliability and validity was measure. To check the validity and reliability of the questionnaires in gathering the data required for purposes of the study, a pilot study was carried out (Nyanga, 2015).

3.7 Data Analysis

The secondary data obtained were scrutinized to determine their suitability, reliability, adequacy and accuracy. The responses from the questionnaire for various clients as well as the staff and management were coded. Statistical Package for Social Sciences (SPSS) and Excel were used to analyze data. Tables and statistical diagrams like bar charts, and pie charts also aided in the data presentation. Presentation of the data on these statistical tools made the analysis very easy. The statistical tools used conveyed the meaning of the figures captured and as such made the analysis straight forward.

3.8 Brief History on KMA

The Kumasi Metropolis is centrally located in the Ashanti Region of Ghana. Its unique central position makes it accessible from all corners of the country. It is the second largest city in the country and the administrative capital of Ashanti. It is a fast growing Metropolis with an estimated population of more than two million people and an annual growth rate of about 5.4%. The Metropolis is about 254 kilometers square; its physical structure is basically circular with a central located commercial area. There are concentrations of economic activities in the city. The first and most important location is the Central Business District (CBD), which embraces the Kejetia Lorry Park, the Central Market and the Adum Shopping Centre. The other economics nodes include the Suame Magazine (Vehicle repair centre) the Kaase/Asokwa Industrial Area and the Sokoba Wood Village. Most industries which deal in Timber processing, logging, Food processing and Soap making are concentrated at the Kaase/Asokwa Industrial Area. There is also number of satellite markets in the metropolis. These include Asafo Market, Bantama Market, Oforikrom Market and Atonsu Markets. It is estimated that 48%, 46% and 60% of the Metropolis are urban, peri-urban and rural respectively, confirming the fast rate of urbanization.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.0 Introduction

The main objective of this study was to examine the effects of financial and non-financial incentives on staff performance in public institutions, using Kumasi Metropolitan Assembly as the case study. This chapter contains the analyzed data. Microsoft Excel and SPSS version 20.0 were employed in analyzing the data. The findings are presented in bar graphs and tables. The researcher dedicates the first section to analyzing the management questionnaires and the second section to that of the staff.

A total of 150 questionnaires were administered, out of which 20 were given to the directors (which includes both assistant and main directors in various departments of the organization) and the remaining 130 were distributed to all the coordinators and junior staff of the Assembly. The researcher was able to retrieve 136 questionnaires out of 150 constituting 91.0% response rate. This is arguably an impressive response rate considering the fact that directors are very busy; often with little time to spare on other matters yet they were able to return their entire questionnaire. However 14 questionnaires were not returned by the junior staff as several effort by the researcher to retrieve them was not fruitful.

4.1 Demographic Characteristics of Respondents

The demographic variables includes the gender of respondents, their age groupings, educational level, status or tittles and the level of experience. Table 4.1 provides detailed discussion on the demographic characteristics of the respondents chosen for the study. The various categories that the researcher chose for the study are shown in Table 4.1.

Table 4.1: Demographic Characteristics of Respondents

Demographic Variables	Category	Frequency	Percentage (%)
Gender	Male	67	49.3
	Female	69	50.7
Age	20-30	41	30.1
	31-40	49	36.0
	41-50	28	20.6
	51+	18	13.2
Educational Qualification	SSCE	22	16.2
	DBS	17	12.5
	HND	42	30.9
	1st Degree	37	27.2
	Masters	18	13.2
Status	Lower Level	76	55.9
	Middle Level	40	29.4
	Top Level	20	14.7
Working Experience	1-5years	47	34.6
	6-10years	55	40.40
	11-15years	24	17.6
	16-20years	10	7.4

Source: Field Survey, 2017

(Gender N = 136, Age = 136, Educational Qualification N = 136, Status N = 136, Working Experience N = 136 where N=Frequency).

From Table 4.1 out of 136 respondents, 67 representing 49.30% were males with the remaining 69 respondents representing 50.70% being females. This confirms earlier work by Karikari (2016) that males dominated the working population of the Kumasi Metropolitan Assembly.

From Table 4.1, 41 respondents representing 30.1% were within the 20-30 years range; 49 respondents representing 36.0% were within the 31-40 age range with the remaining 28 respondents representing 20.60% falling within the 41-50 range and 18 respondents representing 13.20% were 51 years or more. This indicates that the majority of the working populations were within the active working class.

Table 4.1 again indicates the educational qualification of respondents used for the study. Thirty-seven (37) respondents representing 27.5% had first degree qualification; 42 respondents representing 30.9% had HND qualification; 22 respondents representing 16.2.% had SHS and 13.2 % of the respondents had Masters' degree qualification. The remaining seventeen (17) respondents representing 12.5% had DBS qualification. This indicates that a majority of the respondents had HND degree and first Degree representing an adequate qualification for the assembly.

From Table 4.1, 65 respondents representing 47.80% were at the lower level management; 46 respondents each representing 34.0% were at the middle level and top level management respectively. This indicates that most of the employees were at the lower level management and suffered most repercussions when it comes to the issue of conflict within the assembly.

From Table 4.1, more than half (52) of the respondents representing 35.0% had 1-5 years working experience; 55 respondents representing 40.4% had 6-10 years working experience with twenty nine (29) and 20 respondents representing 17.6% possessing 11-15 years and 16-20 years working experience respectively.

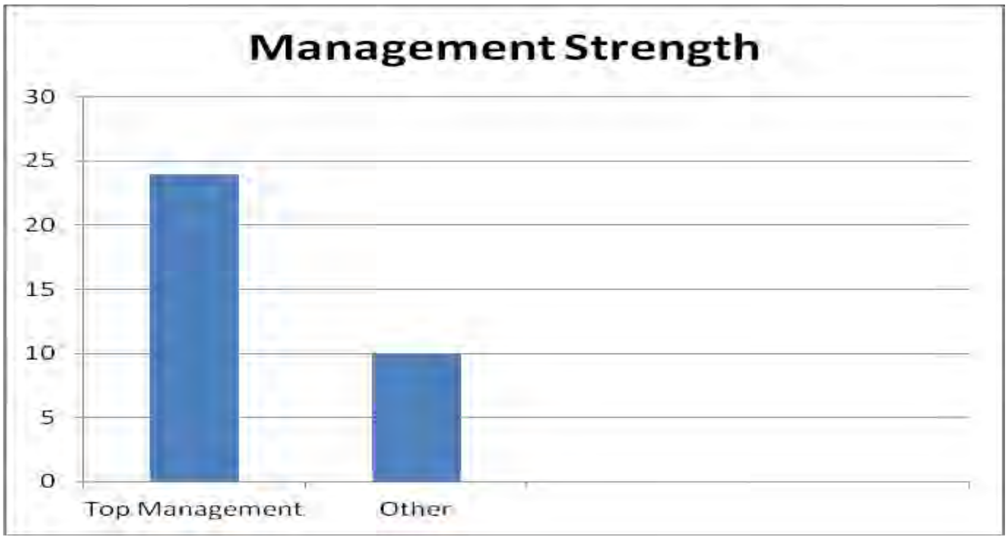
4.2 Management Perception about Incentives and Performance

Any good organizational drive depends on the potency of its leadership. Management plays the role of leadership and coordination in every organization, and therefore their views on any policy adopted by the organization are very important to the very survival of that organization. To this extent it was important that the views of management will be considered and incorporated in this study. The general view of majority of the management staff from the Assembly were emphatic that good incentives surely will lead to a good corporate performance. Even though their inference was not theoretically based, they implied that since employees have needs to fulfill, whichever company sees to the needs of the individual will have a satisfied employee who will deliver which will surely reflect on the bottom line. This does not deviate from the motivation theorists‟ perception of needs theory and that of equity theory which states that human beings have needs and will do anything to have those needs satisfied.

4.2.1 Management strength

Management strengths present the numerical strength of the management body of the Assembly. Figure 4.1 below summarizes the current management strength in the various departments of the Assembly under study.

Figure 4.1: Management Strength



Source: Field Survey, 2017

Our analysis revealed that 71% of the total management staff at the Assembly forms top management and the remaining 29% were coordinators of the Assembly who, were not necessarily in top management positions. It is also important to report that all directors the interviewer interviewed indicated that they have been working with the Assembly for not less than two (4) years. The researcher feels that since about 20 are in top management level; basically responsible for strategic decisions and also since they have worked in the Assembly for at least 4 years they are abreast with issues of incentives and performance and their views and opinions will be very useful.

4.2.2 The Degree of Incentives Prevailing amongst the Employees of Public Sector Organizations

This was done to test the kind of incentive that is common in the K. M. A. table 4.2 presents respondents view about incentives prevailing in the assembly.

Table 4.2: What is the first word that comes to mind when you think about "incentive"?

Variable	N	Mean	Std. Deviation
Financial	136	3.68	1.002
Non-financial	111	3.68	1.111
Both financial and non-financial	130	3.60	1.090
Others	00	00	00

Source: Source: Field Survey, 2017

It is worth noting that not all questions were answered by the respondents as shown in Table 4.2. This is confirm as only 111 and 130 out of 136 answered the question item regarding 'what is the first word that comes to mind when you think about incentive'. Table 2 gives a presentation of what employees know about incentives in the Kumasi Metropolitan Assembly. With mean scores of 3.68 (SA=1.002 and 1.111), 3.6

(SA=10090 and 1.027), respondents asserted that they are conversant with financial, non-financial and both financial and non-financial incentives as all did not have idea about any other.

4.3 Effects of Financial and Non-Financial Incentives in Public Institutions

It is very important for strategical administrative institutions at premises to determine to what extent these incentives affect the performance levels and job satisfaction levels of employees. Therefore, it is required to determine which incentives the employees accept and which others do not serve for its purpose. However the various incentives packages needs to be analyses and explored. This will assist the general analyses of the effect. Table 4.3 present common financial incentives in the KMA.

4.3.1 Component of financial incentives common in K. M. A

Table 4.3, shows the various components of financial incentives

Table 4.3: Component of financial incentives common in K. M. A

Financial incentive packages	**N**	**Min.**	**Max.**	**Mean**	**±SD**	**Reliability (α)**
Salary	136	1	5	3.40	1.507	
Fuel allowance	136	2	5	3.40	1.208	
Overtime allowance	132	1	5	3.00	1.424	**.456**
Risk allowance	135	1	5	2.43	1.141	
Responsibility allowance	136	2	5	3.80	1.230	
Car maintenance allowance	136	1	5	3.40	1.366	
Achievement benefit	136	1	5	3.17	1.277	
Accountability allowance	136	1	5	2.99	1.502	**1.411**
Transfer/Night allowance	136	1	3	2.04	.667	
Day trip allowance						

Source: Field Survey, 2017

Table 4.3 gives a presentation of respondents' responses on some selected financial incentive packages in the Kumasi Metropolitan Assembly. Data presented on Table 4.3 represents only number of answered question items on the questionnaire. This suggests why some values fall below the total retrieved sample size of 136. From table 3, majority of the respondents were neutral on the operation of day trip allowance (mean=3.40, SD=1.507), achievement benefit (mean=3.40, SD=1.208), car maintenance (mean=3.00, SD=1.424). Few respondents disagreed to the operation of transfer or night allowance (mean=2.43, SD=1.141).

That notwithstanding, few respondents agreed that there was the operation of responsibility allowance in the KMA (mean=3.80, SD=1.230). Majority were however neutral to the operations of fuel allowance (mean=3.40, SD=1.366), risk allowance (mean=3.17, SD=1.227). With respect salary, majority of the respondents agreed that there it was in full operation (mean=3.91, SD=1.168. According to Tep (2015), refers to financial incentives as it being contingent based on actual performance of employees, as different to an entitlement. The neutrality in respondents views indicates that respondents might somewhat not be receiving the required financial incentives. The responses however go contrary with the views of Buchan, Thompson & O'May, (2000) who posited that financial incentives do not always deal with direct benefits like pay or wage, bonuses, pensions, allowances, etc. Sometimes it could be developed as indirect financial benefits such as subsidized food, accommodation, transportation, educational fees, childcare and so on.

Moreover, their finding has also been supported by a survey that was conducted in a Malaysian organization that found that most of the employees prefer to have a cash reward (Rafikul I. & Ahmad Zaki Hj. 2004).

4.3.2 Non-financial incentives

Some non-financial incentives common in KMA. This is presented in table 4.4 below

Table 4.4: Non-financial incentives

Common non-financial incentive packages	Percent				
	1	**2**	**3**	**Mean**	**±SD**
A personal "thank you" or note from my superior or colleague	6.7	6.7	86.7	4.20	.838
The opportunity to work on an interesting assignment /project	10.7	9.3	80.0	3.99	.908
Participation in decision making	13.4	13.3	73.3	3.85	1.24 9
Acknowledgment for my years of service to the organization	16.0	16.0	68.0	3.81	1.07 4
Being recognized by superiors	13.3	20.0	66.7	3.80	.986
Being recognized by peers	24.0	2.7	73.3	3.73	1.40 8
Promotion and career growth in the company	10.7	9.3	80.0	3.99	.908
An award, certificate or anything to recognize my achievements	10.0	10.0	80.0	3.99	.908
Flexible working hours	13.0	13.7	73.3	3.85	1.24 9
Small personal gifts like watches, pins, decorative, plaques, diaries etc)	24.0	2.7	73.3	3.73	1.40 8
Autonomy over daily work schedule	10.0	23.3	66.7	3.80	.986
Increase responsibilities within current job	9.3	6.7	84.0	4.18	.736
Feedback from superior	5.0	2.0	93.0	5.0	.766

Source: Field survey, 2017* 1= disagree, 2=Neutral, 3=Agree, ±SD = Standard deviation

Table 4.4 shows respondents' responses on common non-financial incentive staff of KMA see as in operation. 86.7% agreed that personal "thank you" or note from my superior or colleague is enough to encourage and spur them on, 6.7% were neutral whereas 6.7% disagreed on a mean score of 4.20 which indicates that majority of the respondents agree with this assertion. With respect to opportunity to work on an interesting assignment project, 80% of respondents agreed that non-financial incentives ensures increased job satisfaction and performance, 9.3% were neutral whiles 6.7% disagreed that opportunity to work on an interesting assignment /project ensures increased employee performance on a mean score of 3.99.

In addition, 73.3% agreed that participation in decision making provides increased employee commitment, 13.3% were neutral whereas 13.4% disagreed on a mean value of 3.85. On the other hand, 68% of respondents agreed that non-financial incentive ensures improved working condition/environment, 16% remained neutral whereas 16% disagreed on a mean of 3.81.

That notwithstanding, 66.7% of respondents agreed that increase responsibilities within current job increases employees commitment and consequently improve performance, 20% remained neutral whiles 13.3% disagreed. The mean score for the responses was 3.8 indicating that respondents agree that increase responsibilities within current job increase employee performance.

Finally, 73.3% of respondents agreed that feedback from superior safeguards increased salaries/wages, 24% disagreed whiles 2.7% remained neutral on a mean score of 3.73. The responses gathered buttresses the view of Noe Henderson (1994) posits that non-financial reward is intrinsic, which are rewards that are internal to workers and which they give themselves. Intrinsic rewards include self-esteem, a sense of accomplishment, and a feeling of growth or development of special skills and talents. Many of these rewards are desired from the work itself. Intrinsic rewards are related to the worker's perception of the job and, hence, are affected by job design, intrinsic rewards may be called as "non-financial/non-monetary rewards. That notwithstanding, different types of Non-financial rewards lead employees more towards high satisfaction and motivation as compare to financial rewards (Nel et al., 2004). Stovall (2003) conducted research on non-financial rewards and their impact on employee's job satisfaction and concluded that an effective reward package could have a significant impact on the employee's performance. He explained that non-financial rewards motivate workers which lead to job satisfaction. Tippet and Kluvers (2009) regarded non- financial rewards as a helpful tool to develop employee's job satisfaction. Barton (2006) has considered employees' recognition as most the important factor among non-financial rewards to enhance the employees job satisfaction level. In same vein, Bull (2005) further added that challenging jobs also enhance the employees job satisfaction. Similarly, several studies were also conducted on university faculty which identified remuneration as the most important job satisfaction factor (Grace & Khalsa, 2003).

4.3.3 The Effects of Financial and Non-Financial Incentives in Public Institutions

A reward system puts together employees' natural self-interests with the organization's objectives and provides three types of management control benefits, informational, motivational and personnel related.

Table 4.5: Importance of Non-Financial Incentives in influencing staff willingness to exert more effort in their job Public Institutions

Variable	Frequency	Percentage %
Unattractive	13	9.6
Barely Attractive	17	12.5
Neutral	50	36.8
Attractive	30	22.1
Very Attractive	26	19.1
Total	**136**	**100.0**

Source: Field Survey, 2017

Table 4.5 shows respondents views on the attractiveness or importance of non-financial incentives in promoting employee effectiveness and efficiency at work in the Kumasi Metropolitan Assembly (K.M.A). 30 respondents representing 22.1% said non-financial incentive is attractive, 26 respondents representing 24.2% said it is very attractive, 17 respondents representing 12.5% said it is barely attractive, 13 respondents representing 9.6% saying it is unattractive with the remaining 50 representing 36.8 were indifferent.

Table 4.6: The Effects of Financial Incentives in Public Institutions

Financial Incentives on Staff Performance	1	2	3	Mean	±SD
Improve staff performance	6.7	6.7	86.7	4.20	.838
Is a key indicator for achieving growth in staff output	10.7	9.3	80.0	3.99	.908
Increase the staff motivation	13.4	13.3	73.3	3.85	1.249
Reduced the rate of employee turnover	16.0	16.0	68.0	3.81	1.074
Serve as a chief source of increasing staff commitment	13.3	20.0	66.7	3.80	.986
Play a key role in corporate expansion, attracting skilled and competent employees	24.0	2.7	73.3	3.73	1.408

Source: Field survey, 2017* 1= disagree, 2=Neutral, 3=Agree, ±SD = Standard deviation

Table 4.6 shows respondents' responses on the impact of financial incentives on staff performance. 86.7% agreed that financial incentives can improve staff performance to cope with the changes in the internal and external work environment, 6.7% were neutral whereas 6.7% disagreed on a mean score of 4.20 which indicates that majority of the respondents agree with this assertion.

With respect to its being a key indicator for achieving growth in staff output, 80% of respondents agreed that financial incentives ensures increased employee satisfaction, 9.3% were neutral whiles 6.7% disagreed that Increase the staff motivation increased employee satisfaction on a mean score of 3.99. In addition, 73.3% agreed that financial incentives provides increased job security, 13.3% were neutral whereas 13.4% disagreed on a mean value of 3.85. On the other hand, 68% of respondents agreed that financial incentives increase staff motivation, 16% remained neutral whereas 16% disagreed on a mean of 3.81. That notwithstanding, 66.7% of respondents agreed that financial incentives reduced the rate of employee turnover, 20% remained neutral whiles 13.3% disagreed. The mean score for the responses was 3.8 indicating that respondents agree that financial incentives increase employee performance in the Kumasi Metropolitan Assembly.

Finally, 73.3% of respondents agreed that financial incentives play a key role in corporate expansion, attracting skilled and competent employees, 24% disagreed whiles 2.7% remained neutral on a mean score of 3.73. The responses gathered buttresses the views of Svensson, (2001) that employees appreciate the possibility of receiving a reward in the form of financial nature for their performance. Another study of financial incentives shows that some employees are motivated by rewards and that money is a strong motivator for them (De Cenzo et al, 1996). According to a study on compensation and incentives conducted by Baker, Jensen and Murphy (1988) one person might not be as responsive as others to the same reward.

That notwithstanding, Ellis and Pennington (2004), the financial incentives have a short-term effect on the motivation levels of employees although they play a critical role in their motivation. Therefore, non-financial incentives are also required to give a long-term motivational effect instead of the short-term effects of financial incentives at these premises. Non-financial incentives are listed as enabling authority, participating in the management, job enrichment, promotion, holidays, better working atmosphere (opportunity of an air-conditioning, less noise, etc.), enhancing a sense of belonging.

4.4 Challenges in the Administration of Financial and Non-financial incentive systems in public institutions

The study further sort to investigate some inherent challenges in the administration of financial and non-financial incentives in public institutions. Table 4.7 display respondents view on the existence of this challenges and it effect in wage administration in the Assembly

Table 4.7: Challenges in the Administration of Financial and Non-financial incentive systems in public institutions

Statements	1	2	3	Mean	+SD
Non-financial					
It is devalued when there is large number of awards	6.7	6.7	86.7	4.20	.838
Poor selection method for the award of non-financial incentives may demotivate rather than motivate	10.7	9.3	80.0	3.99	.908
Government policies like taxation may be a demotivating factor	13.4	13.3	73.3	3.85	1.249
Financial					
Bullying or intimidating staff to achieve performance target	11.4	15.3	73.3	3.85	1.249
Creation of perverse incentives to exclude disadvantage groups	16.0	16.0	68.0	3.81	1.074
Over compensation or rewarding employees who already meet or exceed the target threshold	13.3	20.0	66.7	3.80	.986
Misreporting, gaming, or fraud	24.0	2.7	73.3	3.73	1.408

Source: Field survey, 2017* 1= disagree, 2=Neutral, 3=Agree, +SD = Standard deviation

From Table 4.7, it is clear that majority of the employees see non-financial incentives as being devalued when there is large number of awards. 86.7 percent of the respondents agreed with 6.7% disagreeing and 6.7% being neutral respectively. Again majority of the respondents believe that poor selection method for the award of non-financial incentives may demotivate rather than motivate as 80% of the respondents agreed, 10.7% disagreed with the remaining 9.3% remaining undecided. The mean score of these responses was 3.99 with a standard deviation of .908. Also majority of the respondents representing 73.3% posited that government policies like taxation may be a demotivating factor, 13.4% believe that is not an issue to be boarded with, with the remaining 13.3% being indifferent.

However, researcher's responses on the challenges in the administration of the financial incentives are not far from the non-financial incentives. Majority of the respondents believe that there is a challenge in the administration of financial incentive when managers bully or intimidate staff to achieve performance target. This represented 73.3% of the respondents siding with the assertion, 11.4% also disagreed and 15.3% being neutral. This recorded a mean score 3.81 with a deviation of 1.074. Majority of the respondents believe creation of perverse incentives to exclude disadvantage group also challenge fair administration of financial incentives. This represented 68.0% and 16.0% disagreeing with 16.0% being neutral.

On over compensation or rewarding employees who already meet or exceed the target threshold. Majority of the respondents representing 66.7% agreed, 13.3% disagreed with 20.0% being neutral. This scored a mean of 3.80 with a standard deviation of 1.408. Directors stated in no uncertain terms that their employees are not happy with the current incentives systems being operated. The fact that staff again suggested other incentives that they desire to enjoy reveals their discontent with their current incentives systems.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The objective of this study was to examine the effects of financial and non-financial rewards on staff performance in public institutions, using Kumasi Metropolitan Assembly as the case study. This chapter includes summary of findings, conclusions and recommendations in respect of the objectives of the study.

5.1 Summary of Findings

Degree of incentives prevailing amongst the employees of public sector organizations

From the findings of the study respondents asserted that they are conversant with financial, non-financial and both financial and non-financial incentives as all did not have idea about any other and aware of it existence and operations at the Kumasi Metropolitan Assembly. Detail of financial and non-financial incentives apart from the basic salary, other instituted packages were rent allowance, long service award, image enhancement allowance, food subsidy, utility allowance, accountable laundry expense, in-house (captive) group personal accident insurance policy, personal loans, housing loans, car loans, overtime allowance, car maintenance allowance, fuel allowance, risk allowance, transfer/night allowance, day trip allowance, refund of fees, and yearly appraisal (leading to increase in pay levels). In terms of knowledge of existing incentives systems, it was gathered that not all staff and directors are abreast with the total compensation packages of the Assembly.

The effects of financial and non-financial incentives in public institutions

The research showed that non-financial incentives are not very effective compared to financial incentives as such do not encourage employees very well. It is significantly clear that financial incentive is wholly accepted and employees are always yearning for more of financial incentives compared to non-financial incentives.

Challenges in the administration of financial and non-financial incentive systems in public institutions

Directors stated in no uncertain terms that their employees are not happy with the current incentives systems being operated. The fact that staff again suggested other incentives that they desire to enjoy reveals their discontent with their current incentives systems. Majority of the respondents believe creation of perverse incentives to exclude disadvantage group also challenge fair administration of financial incentives. This represented majority of the respondents view. Even though the departments under study were doing quite well in their incentives packages they did not communicate this to the employees. Employees were having variety of packages without realizing it was a means of rewarding their contribution to the organization. As a result they felt always left-out and wanted more (some of which they were already enjoying without their specific knowledge).

5.2 Conclusions

The study has attempted to look at the effects of financial and non-financial rewards on staff performance in public institutions, using Kumasi Metropolitan Assembly as the case study. The first research question of the study 'What is the degree of incentives prevailing amongst the employees of public sector organizations?'. The study found that, the employees are conversant with financial, non-financial and both financial and non-financial incentives as all did not have idea about any other and aware of it existence and operations at the Kumasi Metropolitan Assembly. From the study it was undoubted that indeed the employees and management are aware of the existence of financial and non-financial incentives. It can be concluded that, the concept of total incentives is not fully understood in the various departments of KMA and for that matter in Ghana. What most Ghanaians consider incentives is the basic salary which is enjoyed by everyone in the organization. The study also revealed a limited nature of compensation packages in Ghana, and the existing few are tailored to monitory terms ignoring things like recognition, advancement, flexible leave, etc. (Milcovich and Newman, 2009).

The second research question was 'What are the effects of financial and non-financial incentives in public institutions?' The research showed that non-financial incentives are not very effective compared to financial incentives as such do not encourage employees very well. There are many studies in the literature, which examine the financial and non-financial incentives and their effects on several variables. For example, Al-Nsour (2012) examined the effects of financial and non-financial incentives at Jordanian university in terms of organizational performance. It is significantly clear that financial incentive is wholly accepted and employees of KMA are yearning for more of financial incentives compared to non-financial incentives.

Lastly, the third research question was 'What are the challenges in the administration of financial and non-financial incentive systems in public institutions?' it could be deduced from the study that the incentive system is highly challenged with a number of factors. Many of the respondents believe that non-financial incentive is devalued when there is large number of awards and also poor selection method for the award of non-financial incentives may demotivate rather than motivate. This is most of the reasons why directors of the Assembly discourage non-financial incentives. Also financial incentives is also challenged when employees are being intimidated to achieve performance target and over compensation or rewarding employees who already meet or exceed the target threshold increase the general wage thresh hold hence increasing operation cost by government. However it generally accepted and cherished by the employees and management should work to ensure appropriate incentive package.

5.3 Recommendations

Non-financial Scheme is devalued when there is large number of awards. In order to create and improve the feelings of employees towards their workplace, their feelings and performance enhancement about management needs to be improved. For this following is necessary: Developing and improving face-to-face communications with employees and giving them enough information and present appropriate award, as well as proving the beauty, credibility and improving it through honesty and good morals. Showing care for and respect to employees by expressing appreciation and gratitude, creating chances to improve, getting employees involved with solving Organizational problems, being receptive to new ideas, and caring about the Employee's problems. Encourage open book managing. Build trust. Show employees that they are worth of it. Maintain their dignity & self-respect and ensure that successful performance is recognized.

Government policies like taxation may be a demotivating factor. It is therefore necessary for management to be aware of the existing government policy on government policy on taxation so to give appropriate incentive. This will to a large extent help management to take decision on the appropriate incentive package. An employee's total incentives package which includes both financial incentives and benefits should aim at improving employee work satisfaction, meet health and safety requirements of the employee, attract and motivate employees and reduce turnover whiles maintaining a favourable and competitive position for the organization. Incentives packages should be modified periodically as a response to the changing needs of the worker, organization concerned, the industry and the world as a whole.

On bullying or intimidating staff to achieve performance target it can be recommended that, after recruitment and selection, employees should be made aware of the incentives components in their employment contract. This will ensure that incentives are not taken for granted but as a component worth working for and also compensation packages should be linked to employee satisfaction. For this, employee opinion surveys should be sought in designing a good incentives package for the various job classes in the Assembly to ensure that employees feel satisfied rather feeling intimidated.

On over compensation or rewarding employees who already meet or exceed the target threshold, consideration must be given to the different needs of employees. For this purpose organizations can design a cafeteria type of incentive or benefit package to allow individual employees opt for their various mixes to meet their individual needs.

There is a high probability that when the individual is happy he will work more efficiently and effectively and this will add to the bottom line leading to higher performance at corporate level.

5.4 Suggestion for Further Research

Based on the limitations of this study, it is recommended that a more broad study should be undertaken that will encompass more or broad scope of organizations and more indicators as in looking at compensation management in both private and public sector and the influence of multiple incentives on employee's attitude to work, this will help unearth the impact of incentives on staff performance in the national context. Again it can be further suggested if possible a comparative study of companies with incentives systems and those without be undertaken.

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APPENDIX

COLLEG E OF TECHNOLOGY EDUCATION, KUMASI

UNIVERSITY OF EDUCATION WINNEBA

DEPARTMENT OF MANAGEMENT STUDIES

MBA (HUMAN RESOURCE MANAGEMENT AND ORGANIZATIONAL BEHAVIOUR) PROGRAMME

QUESTIONNAIRE TOPIC: Assessing the effects of Financial and Non-Financial Incentives on Staff Performance: A Case Study of the Kumasi Metropolitan Assembly

Questionnaire for Staff of Kumasi Metropolitan Assembly

This questionnaire is being used as a tool for collecting information on the **effects of Financial and Non-Financial Incentives on Staff Performance: A Case Study of the Kumasi Metropolitan Assembly**. The information that would be obtained shall be used to explore whether certain financial and non-financial incentives can induce staff to give out more and which one is more effective and efficient particularly in the public sector. The research is purely academic and any information provided shall be treated as confidential.

Please tick (√) in the appropriate box.

Section A: Demographic Characteristics of Respondents

1. Gender a. Male [ ] b. Female [ ]

2. Age Group a. 18 – 30 Years [ ] b. 31 – 40 Years [ ]
c. 41-50 Years [ ] d. 51-60 Years [ ]

3. Marital Status a. Single [ ] b. Married [ ]

4. Educational Level a. JHS/JSS [ ] b. Secondary [ ] c. Diploma [ ]
d. Degree [ ] e. MPhils/Master's Degree [ ] f .Others ………..

5. What is your position level?

a. Operative [ ] b . Supervisor [ ] c. _Manager [ ]

6. How long have you worked at your organization?

a. Less than 1 year [ ] b. 1-3 years [ ] c._4-6 years [ ] d. 7-9 years [ ]

e. More than 10 years

7. What department do you work in?

a. Finance [ ] b. Human Resource [ ] c. Management [ ] d. Accounts [ ]

e. IT [ ] f. Operation [ ] g. Other ....

Section B: The Degree of Incentives Prevailing amongst the Employees Of Public Sector Organizations

8. What is the first word that comes to mind when you think about "incentive"

....

a. Financial [ ]

b. Non-Financial [ ]

c. Both Financial and Non-Financial Incentives [ ]

d. Others [ ]

9. Component of financial and non-financial incentives common in K. M. A

Kindly tick were appropriate. Multiple tick [√] is allowed

Incentive packages	**Thick**
Salary	
Fuel allowance	
Overtime allowance	
Risk allowance	
Responsibility allowance	
Car maintenance	
Achievement benefit	
Accountability allowance	
Transfer/Night all	
Day trip allowance	
Total	

Section C: The Effects of Financial and Non-Financial Incentives in Public Institutions Direction:

Non-Financial

10. In General Terms, How Important Are Non-Financial Incentives in Influencing Your Willingness to Exert More Effort in Your Job.

	Unattractive	**Barely attractive**	**Neutral**	**Attractive**	**Very attractive**
How important are non-financial inventive in influencing your willingness to exert more effort in your job?					

18. Following are some of the job characteristics (attributes of non-financial incentives). Please indicate to what extent they are applied in your organization.

1= disagree, 2 = Neutral, 3 = Agree

	Types of Recognition/ Reward/Incentives	**1**	**2**	**3**
A	A personal "thank you" or note from my superior or colleague			
B	The opportunity to work on an interesting assignment /project			
C	Participation in decision making			
D	Acknowledgment for my years of service to the organization			
E	Being recognized by superiors			
F	Being recognized by peers			
G	Promotion and career growth in the company			

H	An award, certificate or anything to recognize my achievements			
I	Flexible working hours			
J	Small personal gifts like watches, pins, decorative, plaques, diaries etc)			
K	Autonomy over daily work schedule			
L	Increase responsibilities within current job			
M	Feedback from superior			

Effect of Financial Incentives on Staff Performance

Please respond to each of the items in this section by ticking the column that clearly represents your opinion as pertains in your organization.

Agree – 1 Neutral – 2 Disagree – 3

Financial Incentives on Staff Performance	**1**	**2**	**3**
Financial incentives can improve staff performance			
Financial incentives systems is a key indicator for achieving growth in staff output			
Financial incentives systems can increase the staff motivation			
Effective and efficient Financial incentives has reduced the rate of employee turnover			
Financial incentives serve as a chief source of increasing staff commitment			
Financial incentives play a key role in corporate expansion, attracting skilled and competent employees			

Section D: Challenges in the Administration of Financial and Non-financial incentive systems in public institutions

Please kindly indicate the extent of your agreement or disagreement by ticking [√] in the appropriate box. The scale used are 1 –Disagree, 2 – Neutral, 3 – Agree

Statements	**1**	**2**	**3**
Non-financial			
Non-financial Scheme is devalued when there is large number of awards			
Poor selection method for the award of non-financial incentives may demotivate rather than motivate			
Government policies like taxation may be a demotivating factor			
Financial			
Bullying or intimidating staff to achieve performance target			
Creation of perverse incentives to exclude disadvantage groups			
Over compensation or rewarding employees who already meet or exceed the target threshold			
Misreporting, gaming, or fraud			

Thanks for your cooperation