ISSN: 2012-7227

[02]

The Impact of Incentive Programs on Job Performance: A Study of Office Employees in Selected Manufacturing Companies in Colombo District, Sri Lanka

Maheesha, MJF and Perera, GDN

Abstract

Area of the Study

This study attempts to identify the impact of incentive programs on job performance of office employees in selected manufacturing companies in Colombo District, Sri Lanka.

Problem of the Study

There is a gap concerning incentive programs and job performance in Sri Lankan context regarding the office employees in manufacturing sector. Therefore this study is filling the empirical gap of the respective study area. Problem of this study is how incentive programs impact on job performance amongoffice employees in selected manufacturing companies in Colombo District, Sri Lanka?

Method of the study

The data was collected from 112 office employees in two manufacturing companies in Colombo District using universal sampling method. Primary data collection was through a questionnaire consisting of 39 statements with five point Likert scale. The data collected were subject to analyze using univariate, bivariate methods of SPSS.

Findings of the Study

This study found that incentives have the significant impact on job performance of the office employees in the selected manufacturing companies in Colombo District. In accordance with the regression analysis, 11.6%of the total variation of job performance explained by the incentive programs. Further, it was proved that there is a positive impact of dimensions of incentive programs on job performance.

Conclusion of the Study

It is concluded that both monetary incentive and non-monetary incentive have positive effect on office employees' performance in selected manufacturing companies in Colombo District, Sri-Lanka.Hence, it is concluded that incentive programs are essential for the enhance job performance.

Keywords: Incentives, Job Performance, Manufacturing Companies, Office Employees

Introduction

Human resource management poses major role in achieving organizational objectives. Every organization must ensure maximum use of their employees. To get maximum output from the human organizations has to ensure their need fulfillment. Therefore, relationships between employees and their employers and the organization and its shareholders are expected to be

ISSN: 2012-7227

interdependent. The only way employees will fulfill the employers dream is to share in their dream (Kotelniko 2010). As per literature clearly identified that incentive plays a major role in increasing employees' job performances (Waqas & Saleem 2014; Tep 2015; Armstrong 2007).

The term incentive means inducements which rouse or stimulates one to action in a desired direction; an incentive has a motivational power (Chand n.d). Marthis and Jackson (2000) mentioned "incentives are rewards designed to encourage and reimburse employees for effort beyond normal performance expectation". Incentive could also be defined as payment other than basic salaries or wages that usually fluctuates based on employee special performance and their attainment of some standard set by the organization (Martocchio cited in Tep, 2015).

Employees' performance refers to the effectiveness of the employees; this is because effectiveness is one of the characteristics that related to the practice of good governance which must be performed by each employee to provide good service delivery (Hamran et al. cited in Mohamad et al. 2016). According to Huang (2014) performance refers to the organization of a course of action to achieve their goals, and how far to accomplish a specific target level for a measure. As per Saeed, Nayyab and Lodhi (2013) performance means the degree to which employees complete their task out of the total mentioned objective.

Organizational incentive systems do have a significant influence on the performance of individuals and thus the organization overall (Balassanian 2006). As per Gohari et al. (2013) when there is a change in the rewarding offer, the work motivation of employees will change too and while the rewarding ways get enhanced, the employees' motivation will also get better. More researches (Pratheepkanth 2011: Edirisooriya 2014; Ajila & Abiola 2004) have divulged that incentive system causes satisfaction of employee, which directly influences the performance of the employee. Therefore, the aim of this study is to identify the impact of incentive programs on job performance of office employees in selected manufacturing companies in Colombo District, Sri Lanka.

Problem Background and Problem of the Study

Most of the organizations fail to identify the importance of incentives on employees' performance. Some organization implements incentive programs without consider needs of the human beings. It is very important to identify the relationship between incentive and job performance as well as requirements of the successful incentive program. Incentive schemes are expected to improve inter personal relationships, raise job satisfaction, lower absenteeism and misuse of intermediate material or capital, and lower turnover rates, all of which should produce lasting effect on company performance (Bryson, 2011). Employees fail to identify their compensation package and incentives they think about it only as a pay. It effects negatively to employee performance. Considerable numbers of researches have been done in other countries such as Lumumba (2012), Waqas and Saleem (2014), Njanja et.al (2013), Gohari and Kamkar (2013). It is clear that there is an empirical knowledge gap in the Sri

ISSN: 2012-7227

Lankan context with regard to the incentive programs and job performance therefore, there is shortage of researches done in this topic especially based on manufacturing sector in Colombo District Sri Lanka.To fill the existing gap the research problem addressed under this study is to investigate, *How incentive programs impact on job performance among office employees in selected manufacturing companies in Colombo District, Sri Lanka?*

Research Framework

The research framework entails with independent variable and dependent variable of the study. In this study independent variable is incentives and the dependent variable is job performance (refer Figure 1).

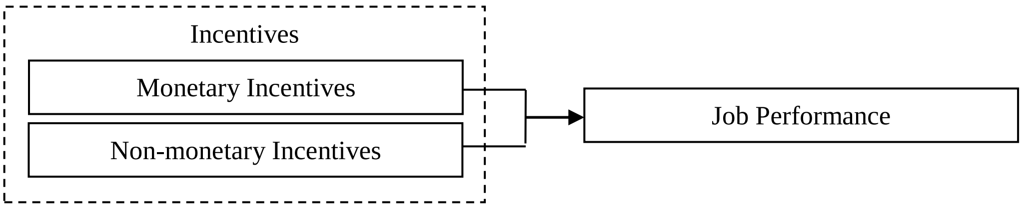
There is a positive relationship between monetary incentive and non-monetary incentive and employee performance (Edirisooriya 2014). As per Ajila and Abiola (2004 cited in Edirisooriya 2014) incentive package can influence on employee performance, base on their findings they concluded that incentive system helps to increase employee performance by enhancing employee skills, knowledge and abilities in order to achieve organizational objectives. Armstrong (2007 cited in Kirstein 2010) wrote money is a motivator because it satisfies a lot of needs. Rynes, Gerhart and Minette (2004 cited in Kirstein 2010) in their study on the importance of pay in employee motivation found that money is not a motivator for every person and not in every circumstance. Based on this information formulating the first hypothesis of the study as follows:

H_1: There is a significant impact on monetary incentives and job performance.

According to Tep (2015) showed that there is a significant relationship exists between non-monetary incentives and employees' job performance based on this information formulating the second hypothesis of the study as follows:

H_2: There is a significant impact on non-monetary incentives and job performance.

Figure1.Research Framework



Method

Study Design

The objective of this study was to find out the impact of incentive programs on job performance of office employees in selected manufacturing companies in Colombo District, Sri Lanka. Thus, the study is to establish the relationship between independent variable and dependent variable, therefore this study was analytical. This is a field study and none of the

ISSN: 2012-7227

variables were controlled or manipulated. As the study was conducted in a natural environment where events normally occur, that is non-contrived setting. No any artificial or contrived setting was created for the study. In this study the target population was office employees in selected manufacturing companies in Colombo District, Sri Lanka. This survey was carried out among 112 office level employees in selected manufacturing companies. In this study universal sampling method was used to collect data from the population.

Measures

In this study both primary and secondary data had been this study primary data collected through questionnaire. It consists three parts the first part of the questionnaire includes eight items to measure demographic profile of the respondent. Second part of the questionnaire was devoted to measure independent variable (monetary and non-monetary incentives) which was measured by an instrument consisting of 16 statements, which was developed by Al-Nsour (2012).Third part of the questionnaire consists of 15 statements to measure dependent variable (job performance) which were developed by Befort and Hattrup (2003), Alibegovic, Hawkins and Parmar (2009) and Koopmans et.al (2013). All the statements in part two and three of the questionnaire measured through five-point Likert scale indicating 5 for “strongly agree” and 1 for “strongly disagree”. Secondary data were collected through journals, research articles, books as well as internet sources.

Validity and Reliability

The internal reliability of the instrument was estimated using Cronbach’s Alpha. The result of Cronbach’s Alpha test is given in Table 1, which implies that the instrument employed in this study was reliable.

Table1: Reliability of variables

	Instrument	Cronbach's Alpha
1	Incentives	.809
2	Job performance	.771

The content validity of the instruments was ensured by the conceptualization and operationalization of the variables using the available literature, and indirectly by the high internal consistency reliability of the instruments as denoted by Alphas. While the construct validity of the variables of the study was ensured by the fact that the correlation and the regression analysis support the hypotheses formulated linking the relationship between independent variable and dependent variable.

Techniques of Data Analysis

Data collected from primary source were analyzed using the computer based statistical data analysis package, SPSS (Version 16.0) for validity, reliability and relationship testing .The data analysis included univariate and bivariate analyses.

ISSN: 2012-7227

Results

To investigate the responses for independent and dependent dimensions of the office employees of selected manufacturing companies, univariate analysis was used. The results of the univariate analysis are given in Table 2. According to Table 2, the level of incentive and job performance is approximately normally distributed. The mean value of incentive is 4.0536, which indicates that incentive of the respondents is "agree" and the mean value of job performance is 4.1786which indicates high level of job performance of office employees in selected manufacturing companies in Colombo District, Sri- Lanka.

Table 2: Univariate Analysis

		Incentive	Job Performance
N	Valid	112	112
	Missing	0	0
Mean		4.0536	4.1786
Median		4.0000	4.0000
Mode		4.00	4.00
Std. Deviation		.42637	.42900
Variance		.182	.184
Skewness		.502	.978
Std. Error of Skewness		.228	.228
Kurtosis		1.915	.838
Std. Error of Kurtosis		.453	.453
Minimum		3.00	3.00
Maximum		5.00	5.00
Sum		454.00	468.00

Furthermore, the objective of this study is to examine the impact of incentive programs on job performance among office employees in manufacturing companies in Colombo District. So, bivariate analysis was made to determine whether there is an impact of incentive on job performance. Regression analysis was used to find out the impact between independent variable and dependent variable (refer Table 3).

Table 3: Simple Linear Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.341[a]	.116	.108	.40508	1.615

It indicates that about 11.6% of the variance (R square) in the job performance is explained by incentive. The hypothesis testing was carried out using the results of Regression analysis (refer Table 4).

ISSN: 2012-7227

Table 4: Summary of Hypothesis Testing

No	Hypotheses	Value	Remark
H1	There is a significant impact on monetary incentives and job performance	b=0.242 sig=0.000	Accepted
H2	There is a significant impact on non-monetary incentives and job performance	b=0.357 sig=0.000	Accepted

Discussion and Conclusion

According to the Table 4, incentive have a positive impact on job performance with the strength of sig value 0.000 and value of R square is 0.116, depicting that job performance is explained by 11.6% through variation in incentive. This finding consists with prior research named as Impact of Rewards on Employee Performance: With Special Reference to ElectriCo done by Edirisooriya (2014).

There are statistical evidences to support to accept all the hypotheses formulated for the study. The first hypothesis was: there is a significant impact on monetary incentives and job performance. Monetary incentive have a positive impact on job performance with the strength of sig value 0.000 and value of R square is 0.059, depicting that job performance is explained by 5.9% through variation in monetary incentive. This finding consists with prior research named as “The Relationship between Reward Management System and Employee Performance with the Mediating Role of Motivation: A Quantitative Study on Global Banks” done by Gungor (2011).

The second hypothesis was: there is a significant impact on non-monetary incentives and job performance. Monetary incentive have a positive impact on job performance with the strength of sig value 0.000 and value of R square is 0.127, depicting that job performance is explained by 12.7% through variation in monetary incentive. This finding consists with prior research named as “Exploring the importance of employee incentives and their effectiveness in improving quality performance in a Cambodian public organization” done by Tep (2015).

According to the findings, it is substantiated that incentives have the significant impact on job performance of the office employees in the selected manufacturing companies in Colombo District.

It was possible for the independent variable (incentive) to account for 11.6% of the variation in job performance while the 88.4% of the variance was unexplained by this variable in the office employees. In fact other variables, which were not considered in this study, should be the variables that may account for the unexplained variables in job performance of office employees of these selected manufacturing companies. Therefore, future research is needed including many variables in a single model.

ISSN: 2012-7227

Reference

i. Ajila, C & Abiola, A 2004, “Influence of rewards on work performance in an organization” *J.Soc.sci*,vol. 8, no. 1 pp. 7-12.

ii. Ajila, C, & Abiola, A 2004, “Influence of rewards on work performance in an organization”*J.Soc.sci*,vol. 8, no. 1 pp. 7-12.

iii. Alibegovic, S, Hawkins, A &Parmar, M 2009, Empowerment, Contextual Performance & Job Satisfaction - A Case Study of the Scandic Hotels in Jonkoping. Bachelor Thesis, Jonkoping International Business School.

iv. Al-Nsour, M 2012, “Relationship between Incentives and Organizational Performance for Employees in the Jordanian Universities”, *International Journal of Business and Management*, vol.7, no.1 pp.78-89.

v. Armstrong, M 2007 “Employee Reward Management and Practice” *London and Philadelphia: Kogan Page.*

vi. Armstrong, M 2007 “Employee Reward Management and Practice” *London and Philadelphia: Kogan Page.*

vii. Balassanian, D 2006, Incentive Systems: Incentives, Motivation and Development Performance. *Capacity Development Group/BDP*, UNDP

viii. Befort, N & Hattrup, K 2003, “Valuing Task and Contextual Performance: Experience, Job Roles, and Ratings of the Importance of Job Behaviors” *Applied H.R.M. Research* ,vol. 8, no. 1 pp. 17–32.

ix. Bryson, A, Freeman, R, Lucifora, C, Pellizzari M & Perotin V 2011, “Paying for Performance Incentive Pay Schemes and Employees' Financial Participation” *Annual FRDB conference in Cagliari (Italy).* Available from:http://www.esopassociation.org/blog/template_permalink.asp?id=268.[6 October 2016].

x. Chnad S, n.d, *Incentive types: Financial and Non-Financial Incentives-Explained*. Available from: <http//www.yourarticlelibrary.com>. [13 October 2016].

xi. Edirisooriya, WA 2014, “Impact of Rewards on Employee Performance: With Special Reference to ElectriCo” *3rd International Conference on Management and Economics, Faculty of Management and Finance, University of Ruhuna, Sri Lanka.*

xii. Edirisooriya, WA 2014, “Impact of Rewards on Employee Performance: With Special Reference to ElectriCo” *3rd International Conference on Management and Economics, Faculty of Management and Finance, University of Ruhuna, Sri Lanka.*

xiii. Edirisooriya, WA 2014, “Impact of Rewards on Employee Performance: With Special Reference to ElectriCo” *3rd International Conference on Management and Economics, Faculty of Management and Finance, University of Ruhuna, Sri Lanka.*

xiv. Gohari P, Kamkar, A, Hosseinipour SJ & Zohoori M 2013, “Relationship between Rewards and Employee Performance: A Mediating Role of Job Satisfaction” *Interdisciplinary Journal Of Contemporary Research In Business*, vol. 5, no. 3 pp. 571-597.

xv. Gohari, P, Kamkar, A, Hosseinipour, SJ & Zohoori, M 2013, “Relationship between Rewards and Employee Performance: A Mediating Role of Job Satisfaction” *Interdisciplinary Journal of Contemporary Research in Business*, vol. 5, no. 3 pp. 571-597.

xvi. Gungor, P 2011, “The Relationship between Reward Management System and Employee Performance with the Mediating Role of Motivation: A Quantitative Study on Global Banks” *7th International Strategic Management Conference*, Okan University, Elsevier Ltd Istanbul, 34722 Turkey.

ISSN: 2012-7227

xvii. Hamran, MM, Zulkiflee, D & Kirana, KY 2014, "Impact on employees' good governance characteristics. The role of transformational leadership as determinant factor" *International Journal of Science, Environment and Technology*, vol. 3, no 1 pp. 320-338.

xviii. Huang, SM 2014, "A Study of the Effect of Incentive System on Job Performance-Locus of Control as a Moderator" *The Journal of International Management Studies*, vol. 9, no. 1 pp. 89-97.

xix. Koopmans, L, Bernaards, C, Hildebrandt, V, Buuren, SV, Beek, AJVD & Vet, HCWD 2013, "Development of an individual work performance questionnaire" *International Journal of Productivity and Performance Management*, vol.62,no.1, pp. 6-28.

xx. Kotelnikov, V 2010, *Effective Reward Systems: Increasing Performance & Creating Happier Employees*,<http://www.1000ventures.com/business-guide/crosscuttings/motivating-reward system.html>(20th October 2014).

xxi. Martocchio, J. (2006). Strategic Compensation: A Human Resource Management Approach, New Jersey: Prentice Hall.

xxii. Mathis, RL & Jackson, JH 2000, *Human Resource Management.* Available from: https://books.google.lk. [13 october 2016].

xxiii. Njanja, WL, Maina1, RN, KibetLK & Njagi K 2013 "Effect of Reward on Employee Performance: A Case of Kenya Power and Lighting Company Ltd., Nakuru, Keny" *International Journal of Business and Management*, vol. 8, no. 21 PP.41-49.

xxiv. Pratheepkanth, P 2011, "Reward System and Its Impact on Employee Motivation in Commercial Bank of Sri Lanka Plc, In Jaffna District" *Global Journal of Management and Business Research*, vol. 11, no. 4 pp. 85-92.

xxv. Rynes, S, Gerhart, B & Minette, K 2004, "The importance of pay in employee motivation: discrepancies in what people say and what they do" *Human Resource Management*, vol.43, no.4 pp. 381-394.

xxvi. Saeed, R, Nayyab, HH & Lodhi, RN 2013, "An Empirical Investigation of Rewards and Employee Performance: A Case Study of Technical Education Authority of Pakistan" *Middle-East Journal of Scientific Research*, vol.18, no.7 pp.892-898.

xxvii. Tep, O 2015, "*Exploring the Importance of Employee Incentives and their Effectiveness in Improving Quality Performance in a Cambodian public Organization*", Master thesis. Victoria University of Wellington.

xxviii. Tep, O 2015, "*Exploring the Importance of Employee Incentives and their Effectiveness in Improving Quality Performance in a Cambodian public Organization*", Master thesis. Victoria University of Wellington.

xxix. Tep, O 2015, "*Exploring the Importance of Employee Incentives and their Effectiveness in Improving Quality Performance in a Cambodian public Organization*", Master thesis. Victoria University of Wellington.

xxx. Waqas, Z & Saleem, S 2014, "The Effect of Monetary and Non-Monetary Rewards on Employee Engagement and Firm Performance" *European Journal of Business and Management*, vol. 6, no. 31 pp. 73-82.

xxxi. Waqas, Z & Saleem, S 2014, "The Effect of Monetary and Non-Monetary Rewards on Employee Engagement and Firm Performance" *European Journal of Business and Management*, vol. 6, no. 31 pp. 73-82.

ISSN: 2012-7227

Maheesha, MJF	Department of Human Resource Management University of Sri Jayewradenepura smaheeshas@gmail.com jhrm@sjp.ac.lk
Dr. (Mrs) G.D.N Perera	Senior Lecturer Department of Human Resource Management University of Sri Jayewradenepura jhrm@sjp.ac.lk dinokagnp@sjp.ac.lk

ISSN: 2012-7227