

AN EXAMINATION OF AN INCENTIVE SYSTEM  
TO MAXIMIZE PERFORMANCE IN AN  
AUTOMOBILE MANUFACTURING  
ENVIRONMENT.

A thesis submitted in partial fulfillment of  
the requirements for the degree of

MASTERS IN BUSINESS ADMINISTRATION

RHODES UNIVERSITY

by

DAWIE FOURIE

Supervisor:

Mr. Mike Routledge

December 2008

# **DECLARATION**

I declare that this Master's thesis represents my own work and due acknowledgement is given when cited from literature sources. All cited literature can also be found in the reference list. I also declare that no part of this Master's thesis has been submitted before or is submitted concurrently for any other qualification at any university.

Signed.....

Date .....

# **ACKNOWLEDGEMENTS**

First and foremost, I praise the Lord Almighty, the source of all knowledge and wisdom, for carrying me through this tough journey. I enjoyed every stride and it has been a blessed and wonderful experience.

I am deeply indebted to my supervisor, Mike Routledge, for his patience and guidance throughout this investigation. I wouldn't have been able to complete this without him.

To Professor Sarah Radloff, for analyzing the statistical data.

To Miss Susha Matthew, who has been a pillar of strength and support through all the tough times I went through, especially in the early stages of this journey. I couldn't have done it without you.

To my two boys, Tersius and Davenio, whom I love so much. You are the drive behind my pursuit of career advancement.

To my wife, Michelle, thanks for the stunning job that you did of looking after our boys during this stressful period. Your support has meant a great deal. It is now my turn to give back!

To my family as a whole, my brothers; sisters; farther; my late mother; and all others not mentioned, thanks for the support. This journey has been easier knowing that you were behind me all the way.

To my friend, John, who has made this journey so much easier. Thanks a million.

To all my classmates, MBA 2003, you are the best. I will be forever grateful to have been part of such a great network. Let's keep the comm's flowing!

# **ABSTRACT**

This investigation was undertaken to explore an incentive system to maximize performance in an automotive manufacturing environment. The unit under study was a motor manufacturing company in the Eastern Cape in South Africa. The approach to this investigation was to start with a quantitative analysis to identify if there was a relationship between the incentive reward and employee satisfaction. This was to be done by correlation analysis between the Job Descriptive Index (JDI) and the performance related incentive reward (PBR) of the abovementioned company. The data was then used to develop an interview guide, which was used in a focus group study, to evaluate the current incentive system as a motivator of performance. The analysis of the qualitative interview data was to be done through the use of thematic analysis.

Using a percentage based estimation per production line, 150 workers were selected from the 2100 shop floor workers. The Job Descriptive Index (JDI) questionnaires were used to measure the satisfaction index of the workers. The performance data was gathered from the company's incentive statistics over the past year, 2004. All other related data was obtained though thematic analysis by the researcher, who was interested to get the insiders' view. From the emic perspective, more data could be obtained by the researcher by probing with follow-up questions.

After both the quantitative and qualitative procedures were completed, the results of the study were found to be much the same as those described in the reviewed literature. The quantitative analysis did not prove a significant correlation between incentive reward and satisfaction; *and* employees were most satisfied with work, supervision and co-workers and less satisfied with pay and promotion. The qualitative procedure (thematic analysis) highlighted that the current reward system was not motivating performance, but rather demoralised employees, as it was used as a punitive measure to encourage work attendance. The current system also confirmed the error made by many organisations, where the organization purely concentrates on motivating employees with extrinsic rewards and little thought is given to intrinsic recognition.

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# **1 CHAPTER 1: INTRODUCTION**

## **1.1 Overview of the study**

Compensation impacts on everyone in the organization to some degree and it can prove to be a very valuable and powerful motivational tool – either intentionally or unintentionally (Lawler, 1996). To understand this motivational possibility, it is important to look at the potential roles of compensation.

One of the underlying assumptions of compensation theory is that compensation influences behaviour. In summary if you reward a person for a certain behaviour, that person will most likely repeat that behaviour. Translated into organizational terms, if you reward an employee for exhibiting behaviours or producing results, that employee will be more likely to repeat those same actions. According to Lawler (1996), it is critical for an organization to comprehend the impact of its compensation system. If not carefully designed and implemented, compensation systems can unintentionally fail to motivate the desired behaviour (e.g. ineffective compensation plan) or worse, motivate undesired behaviour (e.g. individualistic behaviour in a team environment).

For many years people have sought ways of encouraging their subordinates to work well. The old established way is the reward-punishment system of the so-called 'hedonists' whose view of a human being is that of a creature whose objectives in life are to seek pleasure and avoid painful experiences (Ibbetson and Whitmore, 1977:61). Originally the emphasis was on punishment, but in more recent times the reward system has been applied, for example in the form of bonus schemes, profit sharing, and merit rating.

Incentive compensation in one form or another has been a common feature of employment contracts. The use of incentive systems is not only a defense mechanism adopted by failing firms, but more often is also a positive action in recognition of the strategic role of compensation in furthering corporate goals. The important point is that many companies are beginning to experiment with compensation alternatives, as the flexibility to try new forms of management is an important need.

The ways in which employees are rewarded are starting to alter rapidly. In the past pay systems remained relatively stable while the world about them was dramatically changed. According to Heery (1996), these major changes began in the early 1980's, led by the American motor industry giants who had seen their market share quickly eroded by Japanese reliability and price advantage. The motor industry began the West's long march towards customer orientation, efficiency and quality, dragging its employees through successive traumas of re-structuring, re-engineering, redundancy and revitalization. It became clear that amongst many other changes, hierarchical structures in predictable environments altered to adaptive organizations working in uncertain environments (Heery, 1996). The evolution of the concept of Human Resource Management in the mid – 1980's led to the recognition that the workforce was one of the key areas of competitive advantage. How that workforce was recruited, trained, challenged and involved became critical components in ultimate organizational success. In each of these components, reward issues need to play a major part to produce a well-oiled high-performance people machine, focused on organizational objectives.

Ideas as to what constitutes an effective compensation system are changing. Traditionally, compensation was designed to compliment Theory X, business environments (Kanin-Lovers and Cameron, 1993; Lawler, 1990; Ledford and Lawler, 1994; Schuster and Zingheim, 1992). These systems focused on individuals, hierarchies and division of labor. Jobs, pay scales and pay grades were the building blocks of these systems, while control and secrecy were their principal operating philosophies.

The problem is that these old pay schemes no longer fit with the changing business environment (Lawler, 1990, 1995; Schuster and Zingheim, 1992). Emerging collaborative work arrangements need improved compensation systems that are supportive of this new environment, not one that undermines the very culture they are trying to create. Firstly traditional compensation and "new pay" differ dramatically in their overall pay philosophies and strategies (Schuster and Zingheim, 1992).

Traditional and “new pay” also differ in the specific pay practices they emphasize (Schuster and Zingheim, 1992). In a traditional system, compensation is primarily distributed through base pay and merit based pay. In new pay systems, base pay is merely the foundation for the more critical compensation components like variable pay. Some examples of variable pay used in new pay systems are incentive bonuses, profit sharing, recognition and other fringe benefits such as car and housing allowances. These are the elements of the compensation system that most likely keep employees motivated to commit and focus on quality output (how the job is done).

A comprehensive understanding of the way in which organizations function requires that at least some attention be directed toward the question of why people behave as they do on the job (that is, the determinants of employee work behaviour and the ramifications of such behaviour for an organization.) An understanding of the topic of motivation is thus essential in order to comprehend more fully the effects of variations in other factors (such as leadership style, job redesign, and salary systems) as they relate to performance and satisfaction.

### **1.1.1 Problem definition and motivation for the study**

The basic motivation for this study was because the compensation system at the below-mentioned manufacturing company was due for change. According to the recognition agreement (Siyaphambili agreement), between the union and management at this organization, the compensation system would be reviewed every 4 years and the current agreement had already reached its final year – current agreement “Siyaphambili Agreement” 2001 to 2005. It was therefore a necessary to evaluate the current remuneration method and compare it with world wide trends within the same or similar industries.

It could be argued that the compensation system at this organization was not really comparable with traditional pay systems, as explained by Schuster and Zingheim (1992). It had many elements of the new pay systems, but the ultimate question was, “Does it motivate the behaviour needed to benefit both the employees and the organization?”

This question could only be answered by an evaluation of the everyday life effects that this pay system had on the organization as well as on all the employees who took part in this system. For the purpose of this study, we assumed that the effect on the organization was positive so that we could spend more time evaluating the effects on the employees who took part in this scheme.

This evaluation also sought to establish whether the compensation was supportive of the work environment and did not undermine the culture that the collaborative agreement between the union and management was trying to create.

### **1.1.2 The manufacturing company**

The relevant motor manufacturer, DaimlerChrysler of South Africa (also known as DCSA), is located in the Eastern Cape province of South Africa and employs about 3000 employees of which 2100 are shop floor workers. The same motor manufacturer is a wholly owned subsidiary of a world-class automotive manufacturing company with its parent company in Germany, and therefore occupies a good position amongst the worldwide circle of manufacturing plants. It is the largest single employer and the only motor manufacturing plant in the Border-Kei region of the Eastern Cape and therefore earns its status as a major contributor to the region's economic growth.

Within the said motor manufacturer, employee *morale* is one of the five Key Performance Indicators (KPI's) and is therefore considered very important to the success of the business. The other four are said to be *SHE*-Safety, Health and Environment; *Quality, Delivery*, and *Cost*. According to Beach (1975), some writers have recognised that morale is a multidimensional phenomenon, and have defined it as the total satisfaction a person derives from his/her job, work group, boss, the organisation, and the environment.

Lawler's (1971) theory argued that motivational frameworks drove job satisfaction; hence the difference between the exact amount a person received and what they expected determined satisfaction. The current incentive - Performance Based Reward

(PBR) – system of the said automobile manufacturer is a ‘gain sharing’ reward, which works on the concept of goal theory, where payments are related to the achievement of targets and specific objectives, which the organisation deems to be their key performance indicators (KPI’s). These targets are revised on an annual basis to align with management derived target agreements. In meeting these targets, additional income over and above the basic pay is paid out as a percentage of a week’s wage on the first or second week of every month for the previous month’s achievements. The KPI’s used for bonus payout are Quality, On-time delivery and Cost on a team basis, and Absenteeism on an individual basis. Initially, the potential payout for these KPI’s were 200%, 150%, 150%, and 100% respectively and equates to an overall annual earnings potential of 45.36%. This situation is depicted by the table below.

**PBR Annualised Earnings Potential**

	Week Base	100%	Max Factor	Max Week	Max PBR
<b>Monthly PBR</b>					
Quality	4 Weeks	7.70%	200%	8.00	15.40%
On-Time	4 Weeks	7.70%	150%	6.00	11.55%
Cost	2 Weeks	3.84%	150%	3.00	5.76%
Monthly PBR Total	10 Weeks	19.24%		17.00	32.71%
<b>Annual Top-up PBR</b>					
Quality	.75 Weeks	1.44%	200%	1.50	2.88%
Absenteeism	.75 Weeks	1.44%	100%	0.75	1.44%
Annual Top-up PBR Total	1.5 Weeks	2.88%		2.25	4.32%
13th Cheque	4.3 Weeks	8.33%		4.30	8.33%
<b>Grand Total</b>	<b>15.8 Weeks</b>	<b>30.45%</b>		<b>23.55</b>	<b>45.36%</b>

**Figure 1: Source: The Siyaphambili Agreement, 2001 - 2005.**

As explained before, these targets are adjusted on an annual basis to align with management’s target agreements, and in most cases, as the market gets more competitive, the targets are tightened.

## **1.2 Aim of the study**

The purpose of this study is to investigate the relationship between reward, motivation and job satisfaction in a motor manufacturing plant in the Eastern Cape of South Africa. This will be done by identifying the level of job satisfaction of the research population. Once this has been established, the researcher will proceed by undertaking a correlation analysis between the levels of employee satisfaction (using the Job Descriptive Index - JDI) and performance (PBR). Thereafter, a thematic analysis will be conducted to explore the strength and weaknesses of the current performance based reward system, with the aim of establishing whether this system is really a motivator of performance.

## **1.3 Thesis Outline**

The study is divided into five chapters. Besides this introductory chapter, in which the problem is defined, the research motivated, the aim and method of the study provided, the other chapters are organised as per the headings below.

### **1.3.1 Chapter 2 - Literature Review**

The literature review section is divided into the three main topics – a review of the literature on reward, motivation and job satisfaction and the relationship between the three variables and performance. In these three topics the definitions, theories and dimensions of the topics under question will be discussed.

### **1.3.2 Chapter 3 - Research Methodology**

In the research methodology chapter, the methodology employed in the investigation of the relationship between the variables will be discussed. A brief description of the research paradigm will be given and the sample, the administration of the questionnaires; the history of the measuring instrument used (the Job Descriptive Index), the thematic analysis performed on the focus group interviews, the ethical considerations as well as the reliability and validity of the study will be discussed. In this chapter, the methodology used involves three distinct phases, of which the first two are quantitative and the third a qualitative study.

### **1.3.3 Chapter 4 - Analysis and Discussion of Results**

This chapter contains the results, i.e. a description of the results followed by the analysis of the relationship (interpretation of the results) and explanations of what interpretation the researcher derived from the results. A comparison is done of the results obtained with other research results conducted on the same topic as well as the literature discussed in the literature review section.

### **1.3.4 Chapter 5 – Summary, Recommendations and Conclusion**

The thesis ends with a summary, the concluding remarks and recommendations for further research on the relationship between variables and other influential psychological and sociological variables.

## **2 CHAPTER 2: LITERATURE REVIEW**

### **2.1 Introduction**

The striving to generate knowledge is an integral aspect of being human. There are various forms of human knowledge, ranging from ordinary know-how to scientific knowledge. In order to bring meaning to an ordinary problem one has to look into different theories, concepts and models for the purpose of comparing, evaluating and solving the unknown mysteries of such a problem. It goes without saying that it is only possible to do so with a sufficiently developed 'body of knowledge'.

This chapter will discuss the theoretical build-up of the three variables at hand – reward, motivation and job satisfaction. In this chapter the researcher will seek to cover as much literature as possible to cater for all inadequacies mentioned in the previous chapter (problem definition). With this in mind the researcher also hopes to create sufficient links with the main objective, which is to identify whether there is a significant correlation between reward (incentive) and performance (through motivation and job satisfaction).

The review in this chapter starts by highlighting the different roles of reward after setting a clear definition of the same. It then discusses different types of reward and finally links reward to performance. In the motivation section of this chapter, the definition of motivation is discussed, followed by the different theories of motivation and the links between motivation and performance. The last section of this chapter is the discussion of job satisfaction. In this section the discussion starts with the definition, followed by the dimensions as well as the theories around the facets of job satisfaction. The discussion of job satisfaction is finalized by considering its measurement and its links to performance. The summary of whole chapter is used to conclude this chapter.

### **2.2 REWARD**

#### **2.2.1 Definition**

Reward is a term often referred to in a variety of ways. In this case, it is meant to be that part of compensation, which is variable in nature, for example, incentives and

recognition (financial and non financial) are often called variable pay, as they are not guaranteed. In this study incentive and variable pay will be use synonymously, as we will mainly refer to reward that is granted in addition to the normal compensation, aimed at motivating increased performance.

Incentive pay also refers to pay that is contingent upon actual performance, as opposed to an entitlement (Gross, 1995). It is important to note that compensation and corresponding categories defined above are not necessarily standard across the literature. For example McAdams (1996) only includes base pay and base pay adjustments in his definition of compensation. He considers everything else to be rewards and recognition. When Gross (1995) refers to recognition, he is including both the financial and non-financial components.

## **2.2.2 The role of compensation and reward**

Compensation and reward have many roles. This is highlighted by numerous studies on the topic of compensation and reward. Amongst roles highlighted are; alignment to strategic objectives; influencing behaviour; communications and shaping organisational culture; indicating personal value; and a tool to retain talent. To understand this power, it is important to look deeper at the potential roles of compensation.

### **2.2.2.1 Alignment to strategic objectives**

Compensation systems have traditionally been designed to attract and retain employees and to motivate them to increase their effort and output towards the achievement of organizational goals (Bergmann and Scarpello, 2001). Compensation strategies should facilitate the achievement of organizational objectives and to be effective, must be in alignment with the strategic plan and be cost effective in terms of the input/output ratio that is within a firm's ability to pay – increases in total compensation levels should be correlated with some measure of organizational goal achievement whether it be increased productivity, profitability, employee retention or any other organizational strategic objective.

### 2.2.2.2 Influencing behaviour

One of the underlying foundations of compensation theory is that compensation influences behaviour. According to Lawler (1996), it is critical for an organization to comprehend the impact of its compensation system, because if translated into organizational terms, the current behaviour is most likely being sustained by the organizations compensation practice. This is better explained by the phrase mentioned earlier, "...if you reward an organism for certain behaviour, that organism will most likely repeat that behaviour." If one is not careful during their design and implementation, compensation systems can unintentionally fail to motivate the desired behaviour (e.g. ineffective compensation plan) or worse.

Behaviour of the individuals within an organization is also believed to be influenced by the type of compensation received. For the purposes of rewarding for equity and fairness, basic pay, as an element of total compensation, is the key influencer of the behaviour on the job. However, for the purposes of rewarding for outcomes, incentive pay is the key influencer. It would therefore depend on the organization to decide what is regarded as the behavioural need for their specific situation.

McClune (1997:73-101) explains the elements of total compensation as follows:

<b>Elements of Total Compensation</b>		
<b>Direct compensation</b> <ul style="list-style-type: none"><li>- cash compensation</li><li>- basic salary</li><li>- deferred cash</li></ul>	<b>Other direct compensation</b> <ul style="list-style-type: none"><li>- share options</li><li>- share ownership</li><li>- restricted shares</li></ul>	<b>Incentives</b> <ul style="list-style-type: none"><li>- bonuses</li><li>- profit-sharing</li><li>- recognition</li></ul>
<b>Employee benefits</b> <ul style="list-style-type: none"><li>- retirement benefit</li><li>- death benefit</li><li>- disability benefit</li><li>- medical benefit</li><li>- other</li></ul>	<b>Perquisites / fringe benefits</b> <ul style="list-style-type: none"><li>- cars</li><li>- holidays, loans</li><li>- other</li></ul>	

**Figure 2: Source: Elements of total compensation - McClune (1997:73-101)**

According to McClune (1997), direct compensation (basic pay) is the fixed pay that an employee receives on a regular basis. This is believed to focus on rewarding the employee to get the job done. On the other hand, incentive pay is regarded as a reward for good performance, because of its focus on how the job is done.

### **2.2.2.3 Communicates and shapes organizational culture**

Another role of compensation is that of a communicator (Lawler, 1995; Lawler and Jenkins, 1992; Ledford and Lawler, 1994). Gross (1995) suggests that pay is primarily a communication device. Ultimately, compensation is not about the money. It is a symbol of what an organization believes is valuable. More specifically, it communicates the degree to which an organization values its employees. Through its message, compensation also influences and shapes an organizations' culture (Lawler, 1995; Lawler and Jenkins, 1992; Ledford and Lawler, 1994; McAdams, 1996). The way pay is developed, administered and managed can impact on how employees perceive their environment. By definition a team-based organization thrives in a culture characterized by participation and empowerment. When compensation practices are operated from the top through control and secrecy, employees are sent mixed messages. Thus organizations must pay attention to the impact their compensation systems are having on their desired culture.

The need for a motivated and high performing work force is crucial for organizational effectiveness. The basics of incentive pay and how it correlates with known organizational behaviour theories can be inked with the achievement of corporate goals through the use of reward system.

### **2.2.2.4 An indicator of personal value**

For employees, compensation is an important issue since pay is perceived to be an indication of their personal and market value to the organization. A person's paycheque is the best way to communicate the value and importance of teamwork (Caudron, 1994; Zingheim and Schuster, 1997). Considering that there is a tendency to standardize wage rates among competitors, and that there is a desire to control labour costs, it becomes

important to find ways to motivate personal development and high performance, while managing the intrinsic compensation.

#### **2.2.2.5 As a tool for retaining talent**

In a global setting the success of global corporations is influenced by the quality of their international employees. Compensation systems that attract, retain and motivate outstanding individuals into foreign assignments can have a significant impact on the achievement of strategic goals (Bergmann and Scarpello, 2001).

#### **2.2.3 Reward and its topology**

Designing any ideal reward system is ultimately about strategic thinking (Lawler, 1990, 1995; Schuster and Zingheim, 1992). It involves custom tailoring a reward system that will best support the overall objectives of the organization, the unit, the team, and the individual. In addition to understanding the types of reward options available, the roles that reward can play, and the need for reward systems, organizations must recognize the importance of understanding the nature and culture of its employees and what they would consider as being the most appropriate reward (Calder and Staw, 1975).

Two types of reward practices are commonly distinguished. These practices are intrinsic and extrinsic reward practices. Calder and Staw (1975) associate these reward practices with intrinsic and extrinsic motivation of employees. Characteristically, these rewards are normally separate and not added to the base salary. Examples of these include financial incentives, bonuses, recognition, gain sharing and profit sharing. Incentives are awards given for accomplishments, behaviours and/or other related events. Gain sharing plans pay out benefits based on productivity gains, typically at the unit or plant level. Profit sharing plans distribute a portion of company profits usually annually.

According to Porter & Lawler (1968), intrinsic reward practices include the following:

- ◆ Non monetary forms of recognition to acknowledge achievement of quality improvement goals such as certificates, letters, complimentary tickets and merchandise.

- ◆ Celebrations to acknowledge achievement of quality improvement goals such as lunches, dinners and special events.
- ◆ Regular expressions of appreciation by managers/leaders to employees to acknowledge achievement of quality improvement goals such as praise or 'pats on the back'.
- ◆ 360-degree performance appraisals wherein feedback from co-workers (other than just the immediate supervisor) and/or customers is incorporated into performance appraisals.
- ◆ Having suggestion systems available for individuals to make quality improvement suggestions, such as a suggestion box.
- ◆ Use of development based performance appraisals wherein performance appraisals are used primarily for developing employees to perform better in the future rather than for evaluating their past accomplishments and failures.
- ◆ Quality based promotions wherein promotions are based primarily on the achievement of quality-based goals contrasted with quantity based goals.

According to Porter & Lawler (1968), extrinsic reward practices include the following:

- ◆ Profit share wherein the organization shares some portion of profits with employees.
- ◆ Gain sharing work in portions of individual work, unit gains in productivity, quality, cost effectiveness, or other performance improvements are shared with employees in the form of bonuses based on a predetermined formula.
- ◆ Employment security such as having a corporate policy or union contract designed to prevent lay-offs.
- ◆ "Comp" time wherein workers are given the option to be compensated for overtime hours worked in the form of additional time off rather than additional pay.
- ◆ Individual based performance system wherein performance appraisals and pay increases are based primarily on individual achievements.
- ◆ Quantity based performance appraisals wherein performance appraisals are based primarily on achieving quantity related goals.

It is also important to use intrinsic reward practices to support a quality strategy. In addition, according to Porter and Lawler (1968), the empirical evidence is not as strong

as for extrinsic reward practices, the use of intrinsic rewards tends to exhibit a more positive impact on organisational performance.

### **2.2.3.1 Gain sharing**

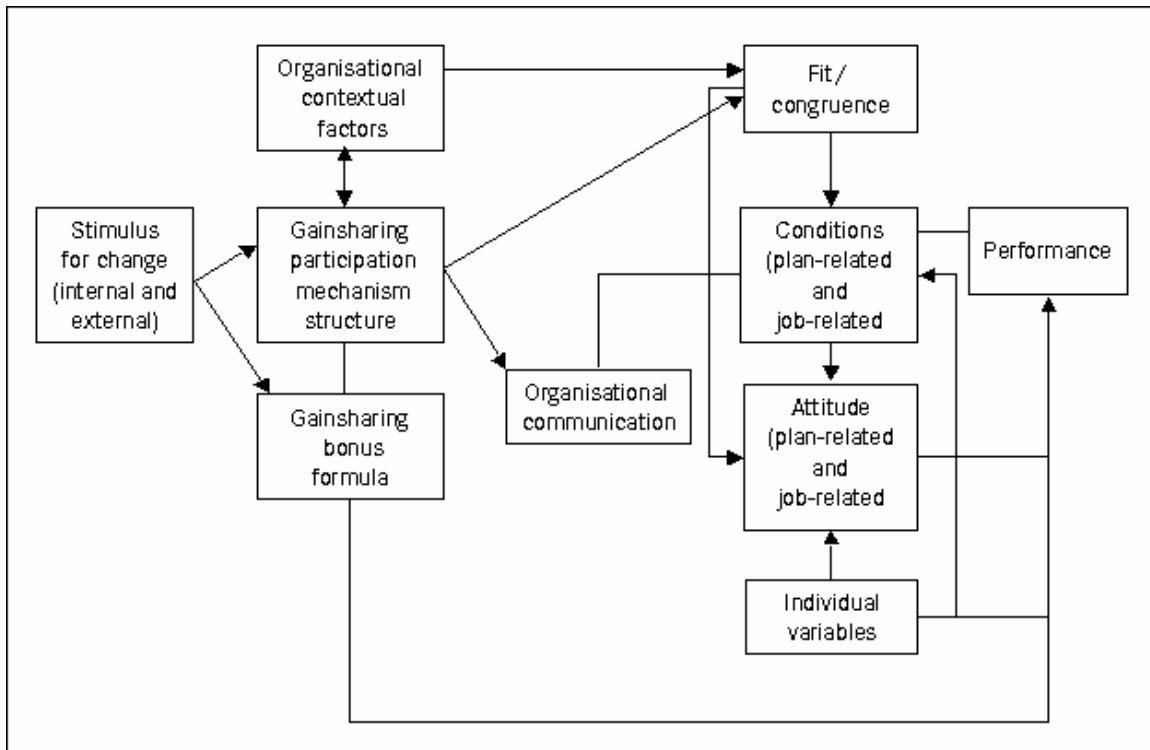
The first recognizable gain-sharing plan was introduced in 1936. The system has grown in popularity in recent years. According to Hanlon and Taylor (1991), in 1988, 26 per cent of companies in the United States were using gain sharing plans.

Implicit in gain sharing is an incentive and contingent reward system with three essential elements: a values base, an involvement mechanism and a tangible reward, usually financial. Graham-Moore and Ross (1990) also claim that although there is no definitive gain sharing scheme, most would fit the following profile:

- ◆ Based on values of management co-operation with the workforce, including communication of goals, substantial access to performance information and empowerment to identify and resolve impediments to performance.
- ◆ Systematic involvement of employees in identifying and implementing productivity improvements, often through an employee suggestion scheme, supplemented by committees of worker and management representatives to consider suggestions and make decisions or recommendations as appropriate.
- ◆ Payment of an equitable financial bonus for qualified improvement in productivity, usually to all employees in an organization including managers.

Of these three, the extrinsic financial reward system seems the least important determinant of success. Hatcher, Ross and Collins (1991:25-43) found that the three main reasons for active participation in a scheme are a desire to improve personal and organizational performance, to simplify work and to become more involved in work decisions. The desire for influence and involvement out-rated the appeal of a bonus by more than 3:1 for employees and 2.5:1 for supervisors. According to Graham-Moore and Ross (1990), no other incentive system incorporates the behaviourally intrinsic variables of employee involvement, recognition, problem identification and accountability with extrinsic rewards as does gain sharing.

Amongst the available compensation alternatives, gain sharing seems particularly suited to the task of organizational change. The most compelling theoretical explanation of gain sharing was developed by Hanlon and Taylor in 1991. They suggest that gain sharing utilizes both streams of incentive and rewards - intrinsic and extrinsic - to motivate improvement in job performance. Since the incentive relates to collective performance, it prompts improvement in the content, quality and climate of organizational communication, both laterally and vertically. They also conclude that, over time, the two streams enhance workplace relations, as well as employee identification with the organization, commitment to its objectives and assumed responsibility for its success. The figure below represents a model of Hanlon and Taylor's (1991) theoretical construct.



**Figure 3: Source: Hanlon and Taylor, 1991. Group and Organisation studies**

This theoretical construct affirms the argument that employees hold the essential knowledge to maximize productivity in an organisation and if the reward system (in this case gain sharing) is set up in such a manner that ensures congruence or fit, the performance of the organisation will increase. The human resource in this case is

therefore deemed to be the most essential and durable source of competitive advantage and the organisation should find the best rewards programme that will unleash its potential.

### **2.2.3.2 Profit sharing**

The concept of profit sharing was introduced in 1794 by Albert Galletin (Henderson, 1979:373). Henderson (1979), further explains by adding that profit sharing was developed simultaneously with the concept of democracy and the worth and dignity of human labour in America. Today, profit sharing is widely accepted as a fundamental part of the compensation program in organisations all over the world. Henderson (1979:374) defines profit sharing as "any procedure under which an employer pays or makes available to regular employees, subject to the reasonable eligibility rules, in addition to prevailing rates of pay, special current or deferred sums based on the profit of the business".

Henderson (1979) also explains that the major philosophical issue behind all profit sharing programs is the need to educate employees in the importance of profits, the employee's effect on profits and how increased profits could be of benefit to them. The major weakness in any profit-sharing initiative is that once they have been incorporated into the compensation system, they become institutionalized, accepted as permanent, and have little to no motivational impact on employees for improving their work performance. Most successful profit sharing programs are the ones which have a reward that varies according to the success of the business. These are deemed to have some motivational impact on the employees to improve performance. However, the basis on which the success of the business is measured also plays an important role. The main reason is that the employee cannot be motivated to increase performance if his effort does not impact directly on business success.

### **2.2.4 Reward and performance**

In this increasingly competitive business environment, both locally and globally, companies are attempting to identify innovative compensation strategies that are linked to improving organizational performance.

The basics of incentive pay and how it correlates with known organizational behaviour theories can be linked with the achievement of corporate goals through the use of the reward system.

### **2.2.5 Effects on motivation and job satisfaction**

Research on motivation has distinguished between intrinsic and extrinsic motivation (Calder and Staw, 1975). Extrinsic motivation is motivation gained from externally influenced need satisfaction and is thus, for example, stimulated by monetary incentives (Frey, 1997). Agency theorists rely exclusively on extrinsic motivation in order to assess the amount of effort an agent is expected to display. In this way, they neglect the potential effects of the incentive contract on intrinsic motivation. The existence of intrinsic motivation is difficult to reconcile with agency theory. Intrinsic motivation indicates that under certain conditions employees are prepared to undertake a task for immediate need satisfaction or for its own sake (Calder and Staw, 1975; Deci and Ryan, 1985) and that some tasks will be performed without monetary payments. This contradicts the standard economic assumptions of employees being self-interested and the disutility of labour. Although agency theorists consider intrinsic motivation irrelevant for their purposes (Frey, 1997), even the founders of agency theory have stressed the importance of the psychological impact of incentive compensation on behaviour (Jensen, 1994).

One of the most salient attributes of work organizations is the power to create tangible outcomes. Among the most obvious rewards are pay, promotion, interesting work, status symbols and fringe benefits. The giving and withholding of these rewards can have a tremendous influence on motivation and satisfaction as shown by a number of studies in this area.

Herzberg, Mausner and Snyderman (1959) reviewed a number of studies that had attempted to determine the importance of job factors by simply asking people to rate these factors in terms of importance. The result shows that an extrinsic reward (promotion), intrinsic factors and an interpersonal factor are rated as relatively high in importance. Surprisingly, pay was ranked only seventh. A later review found that pay is

ranked third in a scale of importance. Pay might be first in importance for one individual because it satisfies his strong need for security; for another individual, pay might be first because it satisfies his self esteem. For still another it might be last in importance because it cannot satisfy his strong social needs.

A study of piece rate pay plans by Dalton (1948) distinguishes between rate busters (employees who are very productive and for whom pay is very important) and restrictors (employees who restrict their productivity and for whom pay is less important). Dalton sees the two groups as quite different in terms of family background.

The motivation model indicates that outcomes will be motivators of job performance. Research also shows that for most people in most situations rewards such as pay and promotions are important. Thus when such rewards are tied to performance so that their attainment appears to be dependant on good performance, they should motivate good job performance. In fact many studies have shown that tying pay to performance does increase motivation (Lawler, 1971).

## **2.3 MOTIVATION**

### **2.3.1 Definition**

The term 'motivation' was originally derived from the Latin word *mouvere*, which means 'to move'. However, this one word is obviously an inadequate definition for our purposes here. What is needed is a description, which sufficiently covers the various aspects inherent in the process by which human behaviour is activated.

Motivation is one of the most-researched phenomena of human psychology. Therefore, there are many definitions of this motivation. Bindra (1959) has said that the core of what is usually called the problem of motivation lies in the "pur-positive" or goal-directed aspect of behaviour. Other definitions include: ... The contemporary (immediate) influences on the direction, vigour and persistence of action. (Atkinson, 1964); ... "How behaviour gets started, is energized, is sustained, is directed, is stopped, and what kind of subjective reaction is present in the organism while all this is going on." (Jones 1955); ... To steer ones actions toward certain goals and to commit a certain part of one's energies towards reaching them. (Gellerman, 1968).

Lawler (1996:6) argues that all definitions describing the term motivation generally appear to have three common denominators which may be said to characterise this phenomenon: (1) What energizes human behaviour; (2) what directs or channels such behaviour; and (3) how this behaviour is maintained or sustained. He also argues that each of these three components represents an important factor in our understanding of human behaviour at work.

According to Lawler (1996) in his introduction of '*Motivation in Work Organisation*', "any motivation theory must answer three questions: (1) What activates behaviour? (2) What directs behaviour? and (3) What reactions do individuals have to the outcome that results from their behaviour?"

### **2.3.2 Factors of motivation**

Motivation as a concept represents a highly complex phenomenon that affects and is affected by a multitude of factors in the organization. To begin with, managers and

organizational researchers began to direct attention toward the behavioural requirements of an organization. More specifically, Katz and Kahn (1966) have stated that organizations have three behavioural requirements in this regard:

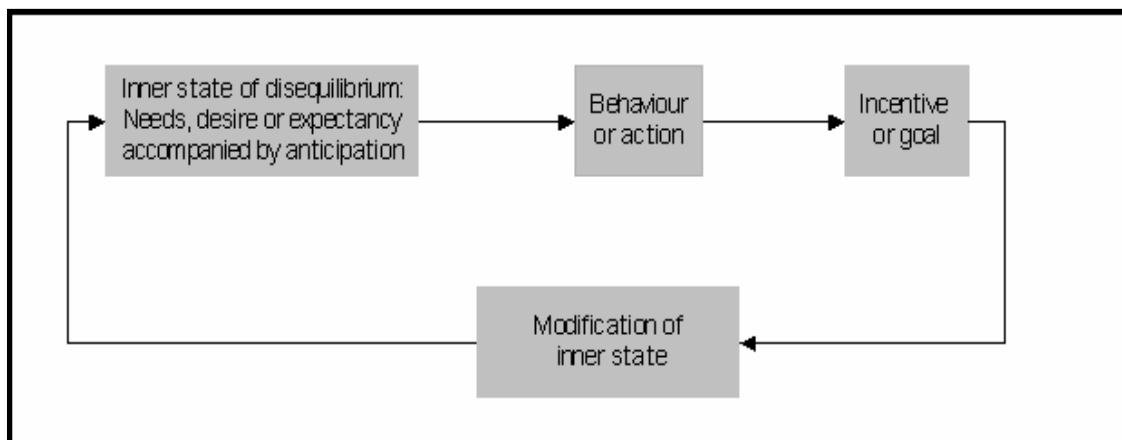
- 1 People must be attracted not only to join the organization but also to remain in it.
- 2 People must perform the tasks for which they are hired, and must do so in a dependable manner.
- 3 People must go beyond this dependable role of performance and engage in some form of creative, spontaneous, and innovative behaviour at work. In other words, for an organization to be effective, according to this reasoning, it must come to grips with the motivational problems of stimulating both the decision to participate and the decision to produce at work (March & Simon, 1958).

At least two types of human behaviour can be identified as they relate to motivational processes: instrumental and consumatory (Birch & Veroff, 1966). Instrumental behaviour concerns acts that are directed toward the means to certain ends, while consumatory behaviour concerns acts that are directed toward the ends themselves. However it should be noted that in some instances it is difficult to distinguish which type of behaviour a given act represents. For example, a person who works hard and puts in a considerable amount of overtime on the job may do so either because he or she wants the added income to buy a new car (an instrumental act) or simply because he or she enjoys working (a consumatory act). Birch and Veroff (1966) point out a further distinction between these two forms of behaviour; the intensity of instrumental behaviour generally persists or even increases as such behaviour occurs, while the intensity of consumatory behaviour tends to diminish as it occurs, at least until the need of prompting such behaviour again becomes manifest. That is to use an example, a person seeking water (instrumental behaviour) will continue to seek it until it is found, while a person drinking the water (consumatory behaviour) will eventually feel a lessening desire for the water, at least until he or she is thirsty again.

To complicate matters more, as technology increases in complexity, machines tend to become necessary but their benefits are affected by either efficient or inefficient

operators. Modern technology can no longer be considered synonymous with the term 'automation'. In other words it becomes necessary for an organization to ensure it has employees who are capable of using and are willing to use advanced technology to achieve organizational objectives.

According to Steers and Porter, the basic building blocks of a generalized model of motivation are: 1) Needs or expectation; 2) Behaviour; 3) Goals and; 4) Some form of feedback. The interaction of these variables is shown in the figure below.



**Figure 4:A general model of the basic motivation process. Source: Steers & Porter, 1975.**

According to Steers and Porter (1975), this model affirms that individuals possess in varying strengths a multitude of needs, desires and expectations. For example, they may have a high need for affiliation, a strong desire for additional income or an expectation that increased effort on the job would lead to a promotion. These 'activators' are generally characterized by two phenomena. First, the emergence of such a need, desire, or expectation generally creates a state of disequilibrium within the individuals which they will try to reduce; hence the energetic component of the definition above. Second, the presence of such needs, desires or expectation is generally associated with an anticipation or belief that certain action will lead to reduction of this disequilibrium; hence, the goal-orientation component of the definition.

Despite the fact that large-scale complex organizations have existed for several hundred years, managerial attention to the role of motivation in such organizations is a most recent phenomenon. Before the industrial revolution, the major form of 'motivation' took the form of fear or punishment – physical, financial or social. However, as manufacturing processes became more complex, large-scale factories emerged which destroyed many of the social and exchange relationships which had existed under 'home industries', or the 'putting-out', system of small manufacturing. These traditional patterns of behaviour between workers and their 'patrons' were replaced by the more sterile and tenuous relationship between employees and their company. Thus the industrial revolution was not only a revolution in a production sense but also in a social sense.

### **2.3.3 Theories of motivation**

One of the most critical processes in any company is the motivation of the workforce. It is not surprising then, that a vast array of literature exists examining motivation within organizations. One point to bear in mind when reading such material, is that although there are several theories of motivation, each has a valuable contribution to make our understanding of motivation in organizations.

How motivated we are depends on:

- ◆ The strength of fairly consistent motives or needs inside us.
- ◆ Our expectation of what outcomes certain actions will produce.
- ◆ How badly at this time a certain payoff has over all the other wants we have and over the risks we face.

The needs, expectations, and incentives are mostly learned, and together with these factors (our motivation), largely determine what we do and how far we get in life. Although the past experiences related to these factors are unalterable, we can change these factors that influence our lives so enormously. That is the beauty of being human.

According to Nicholson (1995:330), three assumptions guide contemporary research on human motivation:

- 1 Motivation is inferred from a systematic analysis of how personal, task and environmental characteristics influence behaviour and job performance.

- 2 Motivation is not a fixed trait. It refers to a dynamic internal state resulting from the influence of personal and situational factors. As such motivation may change with changes in personal, social or other factors.
- 3 Motivation affects behaviour, rather than performance. Initiatives designed to enhance job performance by increasing employee motivation may not be successful if there is a weak link between job performance and an employee's efforts.

The psychological forces that determine the direction of a person's behaviour in an organization, a person's level of effort, and a person's level of persistence are dependent on how the person has been motivated. As was already mentioned, there are two basic ways in which a person can be motivated – intrinsically or extrinsically. Intrinsically motivated work behaviour is behaviour that is performed for its own sake (or motivated by internal 'needs') and extrinsically motivated work behaviour is behaviour that is performed to acquire material or social rewards or to avoid punishment (or motivated to obtain or avoid some 'goal')

Much of the research that looks specifically into group performance, employs non or quasi-experimental survey techniques, and focuses on organizational climate issues such as the impacts of an individuals' autonomy, degree of cooperation, degree of structure, etc. (Abbey and Dickson 1983; Amabile, Conti, Coon, Lazenby & Herron, 1996).

Rewards, such as monetary bonuses, affect group creativity by acting on members' motivation, as opposed to their knowledge, skills, or traits (Deci and Ryan 1985; Amabile Conti, Coon, Lazenby & Herron, 1996). Therefore, the impact of rewards on performance can be fruitfully studied through their effects on motivation.

Individuals' motivation has been described as coming from both extrinsic and intrinsic sources (Deci and Ryan 1985). Though some theorists are unclear whether extrinsic and intrinsic motivations are conceptually distinct, recent work supports the distinction and its importance for performance through creativity (Amabile Conti, Coon, Lazenby & Herron, 1996; Amabile 1988; Woodman, Sawyer & Griffin 1993). Atkinson's model (1964) stated that an individual's general evaluation of motive and incentive is

associated with task outcomes, meaning that the individual would want to associate himself/herself with the task with the highest expected incentive. In contrast, Staw's (1977) expectancy model differentiates between intrinsic and extrinsic outcomes and adds that potential value is associated with task behavior for its own sake.

Here, extrinsic outcome can be monetary rewards, desirable working conditions and recognition. These outcomes can result from task accomplishment. For example, monetary bonuses and recognition may result from an individual successfully completing a given task and represents the expected valence associated with behaviors that lead to task accomplishment which in turn results in extrinsic outcomes. Extrinsic outcomes can also result from task behaviors alone. For example, an individual might earn a salary or recognition for merely attempting to develop a new innovation. This represents the expected valence associated with behaviors that directly result in extrinsic outcomes. These valences involve Atkinson's notions of motive and incentive, and are related to how well the outcomes are perceived as satisfying the individual's needs. For example, Maslow (1954) recognizes an individual's need for self-esteem, which can be satisfied by recognition from an individual's supervisor.

Need satisfaction can also come from outcomes intrinsic to task behavior. For example, enjoyment of task behaviours, autonomy in carrying out task behaviors, and opportunities for individual or professional growth that can be derived directly from task behaviors have been found to be important for performance (Elam and Mead 1990; Ryan and Grolnick 1986; Amabile 1988). These outcomes are independent of any rewards or recognition by others, and help to satisfy individuals' needs for pleasure, self-determination, and self-efficacy, respectively (Bandura 1986; Deci and Ryan 1985). In addition, need satisfaction can come from outcomes intrinsic to task accomplishment. For example, accomplishment of the task independent of any rewards or recognition by others, can satisfy an individual's need for self-efficacy. That is, an individual may enjoy the challenge associated with successfully creating information systems solutions that satisfy conflicting user requirements.

Examples of some intrinsic motives:

- ◆ Interesting work;
- ◆ challenging work;
- ◆ learning new things;
- ◆ making important contributions;
- ◆ responsibility; autonomy;
- ◆ being creative

Examples of some extrinsic motives:

- ◆ Pay;
- ◆ promotion;
- ◆ leadership style;
- ◆ job design;
- ◆ culture.

The general model of motivational process appears fairly simple and straightforward. This is not the case however; several complexities exist which tend to complicate the theoretical simplicity. Dunentte and Kirchner (1965) and others have identified four such complications. First, motives can only be inferred; they cannot be seen. Thus when we observe individuals working a great deal of overtime, we really do not know whether they are doing it because of the extra income they receive or simply because they enjoy their work. In fact at least five reasons have been identified as to why it is difficult to infer motives from observed behavior;

- ◆ Any single act may express several motives
- ◆ Motives may appear in disguised forms
- ◆ Several motives may be expressed through similar or identical acts
- ◆ Similar motives may be expressed in different modes of behavior
- ◆ Cultural and personal variations may significantly moderate the modes of expression of certain motives (Hilgard & Atkinson, 1967)

### **2.3.4 Types of motivation theories**

There are two types of motivation theories distinguishable by how they define motivation, these are:

- Content theories

Define motivation in terms of need satisfaction. Some examples of these are:

- Maslow's Hierarchy of Needs Theory
- Herzberg's Two-Factor Theory
- Alderfer's ERG Theory
- McClelland's Learned Needs Theory

- Process theories

Define motivation as a rational cognitive process. Some examples of these are:

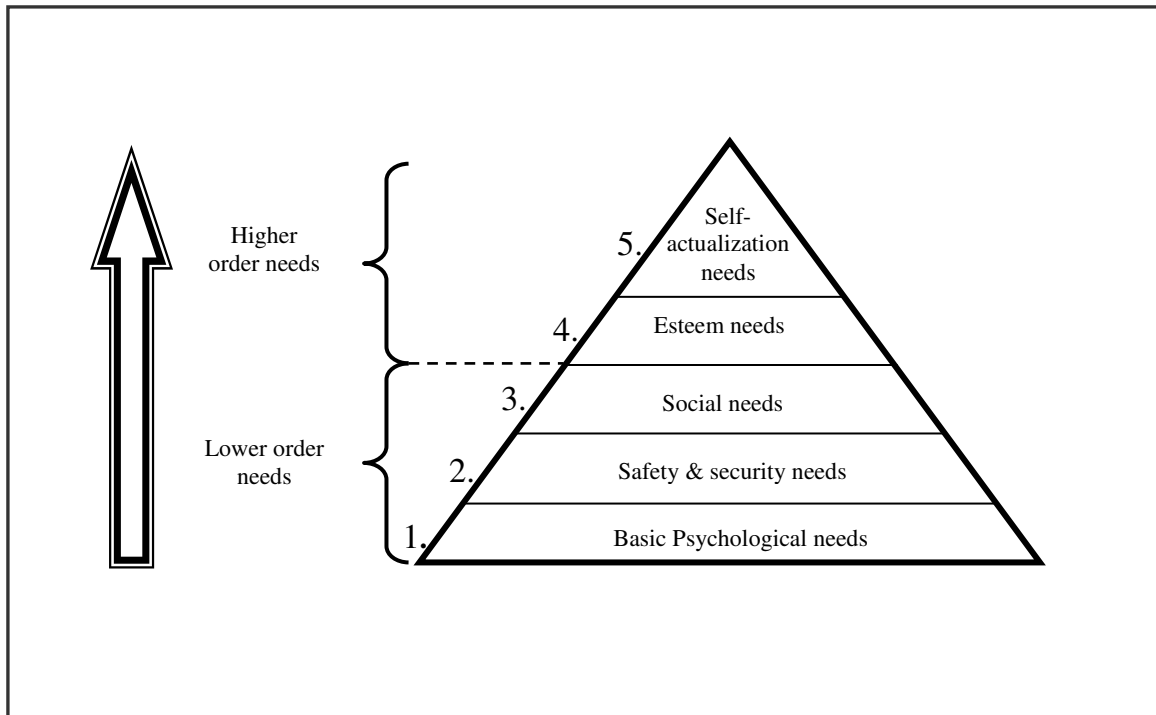
- Vroom's Expectancy Theory
- Adams' Equity Theory
- Skinner's Reinforcement Theory
- Locke's Goal Setting Theory

Within this section, these theories are discussed in the order listed above and in this discussion, the detail of their differences is highlighted.

#### **2.3.4.1 Maslow's hierarchy of needs**

Need theories are concerned with the factors which motivate workers. The opposites of the needs theories are the process theories, which deal with how different factors cause workers to become motivated. Managers can use these two theories, together to motivate their workers.

According to Abraham Maslow (1954), human growth and development needs form a predictable hierarchy: The first layer consists of survival needs, the next layer concerns security needs, and so on through a series of increasingly complex human needs. Each layer in the hierarchy builds on the previous layers and all of them together form a triangle, with 'self actualization' as the final layer – the top of the hierarchy, the tip of the triangle.



**Figure 5: Maslow's hierarchy of needs (1954)**

Maslow has set up a hierarchical theory of needs in which all the primary needs are at the bottom, and the needs which influence a human being's highest potential are at the top. The hierarchical theory is often represented as a pyramid, with the larger, lower levels representing the lower needs, and the upper point representing the need for self-actualization. Each level of the pyramid is dependant on the previous level, for example a person is not motivated by the second level of needs until the demands of the first have been satisfied.

#### **2.3.4.2 The two-factor (dual factor) theory**

The two-factor theory (also known as Herzberg's Motivation-Hygiene Theory) was developed by Frederick Herzberg, a psychologist who found that job satisfaction and job dissatisfaction acted independently of each other. The two-factor theory states that there are certain factors in the workplace that cause job satisfaction, while a separate set of factors cause dissatisfaction. (Herzberg, Mausner & Snyderman, 1959)

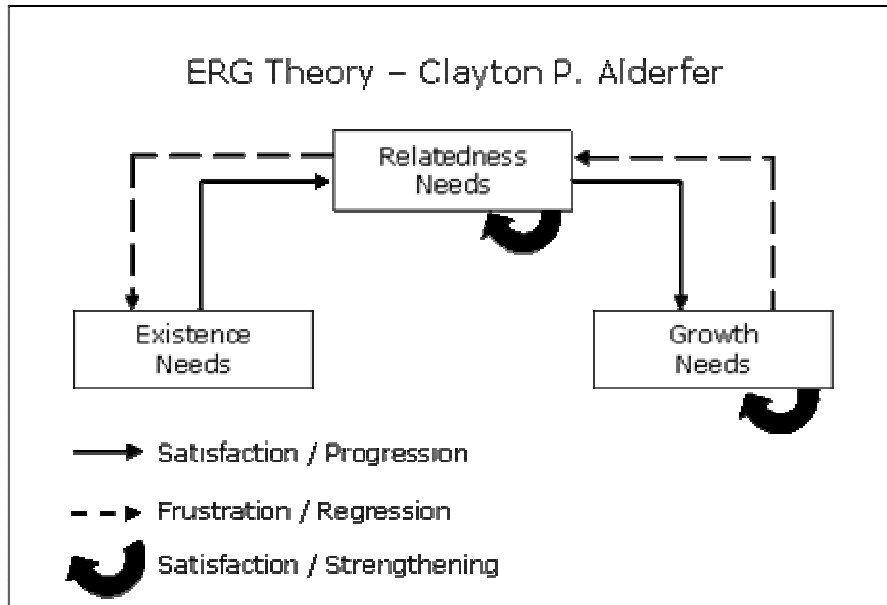
The two-factor theory distinguishes between:

- **Motivators;** (e.g. challenging work, recognition, responsibility) which give positive satisfaction, arising from intrinsic conditions of the job itself, such as recognition, achievement, or personal growth, *and*
- **Hygiene factors;** (e.g. status, job security, salary and fringe benefits) which do not give positive satisfaction, although dissatisfaction results from their absence. These are extrinsic to the work itself, and include aspects such as company policies, supervisory practices, or wages/salary.

Essentially, hygiene factors are needed to ensure an employee is not dissatisfied. Motivation factors are needed in order to motivate an employee to higher performance, Herzberg also further classified our actions and how and why we do them, for example, if you perform a work related action because you *have* to then that is classed as **movement**, but if you perform a work related action because you *want* to then that is classed as **motivation**.

#### **2.3.4.3 Alderfer's ERG theory**

Alderfer (1969) developed another need theory that streamlines Maslow's theory. Alderfer does not disagree with Maslow's hierarchy of needs completely. He suggests that as more concrete needs are satisfied, less concrete needs become more important. Instead of the five needs that Maslow believes should be satisfied. Alderfer says there are only three important needs; (ERG) Existence, Relatedness and Growth. According to Alderfer (1969) lower order needs (Physiological and Safety) fits into the Existence category. He fits Maslow's interpersonal love and esteem needs into the Relatedness category. The Growth category contains the self actualization and self esteem needs.



**Figure 6: Model of the Alderfer's ERG Theory (1969).**

Alderfer's Existence/Relatedness/Growth (ERG) Theory of Needs (Alderfer, 1969)

postulates that there are three groups of needs:

- **Existence** - This group of needs is concerned with providing the basic requirements for material existence, such as physiological and safety needs. These needs are satisfied by money earned in a job so that one may buy food, shelter, clothing, etc.
- **Relationships** - This group of needs centers upon the desire to establish and maintain interpersonal relationships. Since a person normally spends approximately half his/her waking hours on the job, this need is normally satisfied to some degree by their co-workers.
- **Growth** - These needs are met by personal development. A person's job, career, or profession provides significant satisfaction of growth needs.

Alderfer also acknowledges that if higher level needs remain unfulfilled, the person may regress to lower order needs that appear easier to satisfy. This is known as the frustration regression principle, which is depicted in the figure above.

#### **2.3.4.4 McClelland's learned needs theory**

McClelland's (1961) achievement motivation theory proposed that an individual's specific needs are acquired over time and are shaped by one's early life experiences. Most of these needs can be categorised as the needs for achievement, affiliation, or power. A person's motivation and effectiveness in certain job functions are influenced by these three needs. McClelland's theory sometimes is referred to as the three need theory or as the learned needs theory.

**Achievement:** People with a high need for achievement seek to excel and thus tend to avoid both low-risk and high-risk situations. Predominantly Achievement-motivated individuals avoid low-risk situations because the easily attained success is not seen as a genuine achievement. In high-risk projects, the Achievement-motivated see the outcome as one of chance rather than the results of one's own efforts. Achievement-motivated individuals need regular feedback in order to monitor the progress of their achievements. They prefer either to work alone or with others like themselves.

**Affiliation:** Those with a high need for affiliation need harmonious relationships with other people and need to feel accepted by other people. They tend to conform to the norms of their work group. These individuals prefer work that provides significant personal interaction. They enjoy being part of groups and when not anxious make excellent team members, though sometimes are distracted through social interaction. They can perform well in customer service and client interaction situations.

**Power:** A person's need for power can be one of two types - personal and institutional. Those who need personal power want to direct others, and this need often is perceived as undesirable. Persons who need institutional power (also known as social power) want to organize the efforts of others to further the goals of the organization.

#### **2.3.4.5 Expectancy theory**

Vroom's (1964) theory assumes that behavior results from conscious choices among alternatives whose purpose it is to maximize pleasure and minimize pain. The key elements to this theory are referred to as Expectancy (E), Instrumentality (I), and

Valence (V). Critical to the understanding of the theory is the understanding that each of these factors represents a belief.

Vroom's theory suggests that the individual will consider the outcomes associated with various levels of performance (from an entire spectrum of performance possibilities), and elect to pursue the level that generates the greatest reward for him or her.

**Expectancy:** This refers to the strength of a person's belief about whether or not a particular job performance is attainable. Assuming all other things are equal, an employee will be motivated to try a task, if he or she believes that it can be done.

**Instrumentality:** "What is the probability that, if I do a good job, there will be some kind of outcome in it for me?" If an employee believes that a high level of performance will be instrumental for the acquisition of outcomes which may be gratifying, then the employee will place a high value on performing well.

**Valence:** "Is the outcome I get of any value to me?" The term Valence refers to the emotional orientations people hold with respect to outcomes (rewards). An outcome is positively valent if an employee would prefer having it to not having it. An outcome that the employee would rather avoid (fatigue, stress, noise, layoffs) is negatively valent. Outcomes towards which the employee appears indifferent are said to have zero valence. Valences refer to the level of satisfaction people expect to get from the outcome (as opposed to the actual satisfaction they get once they have attained the reward).

Vroom (1964) suggests that an employee's beliefs about Expectancy, Instrumentality, and Valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoid pain. This force can be 'calculated' through using the following formula:

**Motivation = Valance x Expectancy (Instrumentality).**

This formula can be used to indicate and predict such things as job satisfaction, one's occupational choice, the likelihood of staying in a job, and the effort one might expend at work.

#### **2.3.4.6 Equity theory**

Adams' (1965) equity theory implies that in order to motivate employees, it is important to ensure that equity or fairness exists for all employees in the workplace. This theory suggests that an employee's perceptions of the work situation, and not the facts of the situation, influence their levels of motivation. Specifically, an employee will determine his or her own work outcomes versus the effort or inputs required to achieve the outcomes, and compare these with the outcomes and effort of other employees. For example, if the employee perceives that he/she is required to work harder than a colleague to achieve the same pay (they are both paid an hourly rate) and no other rewards are given, then over time the employee will attempt to even out the perceived imbalance by working less hard.

Managers should ensure that where several employees are doing the same job they each put in the requisite level of effort to achieve the desired results. In other words a less productive worker cannot be 'carried' indefinitely by colleagues who do more work to compensate. Sooner or later the more productive employees will perceive the situation as unfair. The manager should take action immediately to rectify any such imbalances, ensuring that all employees do their fair share of the work.

#### **2.3.4.7 Reinforcement theory**

According to Skinner (1956) managers should motivate staff by encouraging desired behaviours and discouraging undesirable behaviours exhibited by the employee. This may be achieved through the use of reinforcers, such as higher pay or better training opportunities, which are given when the desired behaviour occurs.

Skinner (1956) also argued that reinforcers are defined by a change in response strength (that is, functionally rather than causally), and that what a reinforcer is to one person, it may not be to another. According to his theory the opposite of reinforcers (punishers) also exist, and both reinforcers and punishers could be positive or negative.

#### **2.3.4.8 Goal setting theory**

Locke's (2001) Goal-setting theory holds that the process of setting goals can focus behaviour and motivate employees by giving them something specific to achieve. Furthermore, motivation is increased if employees receive ongoing feedback about their progress towards achieving the goals. This feedback acts as reinforcement that helps to keep motivation high.

Locke (2001) also affirms that for goals to be effective they should:

- ◆ Be specific, with the results clearly observable by the employees and managers;
- ◆ Be achievable with a reasonable amount of effort expended by the employees and
- ◆ Be accepted by the employees as reasonable goals to achieve in the circumstances
- ◆ Create Effective Reward Systems

As the preceding theories of motivation suggest, there is a combination of factors for a manager to consider when creating reward systems for employees. Rewards are frequently associated with financial rewards, but in fact, there are many more options for the manager to consider. Thus when creating a reward system, managers should consider creating reward packages made up of several elements.

#### **2.3.5 Motivation and performance**

Often the strongest potential motivators are the things employees value but lack. If managers adequately and regularly administer surveys to determine these issues and appropriately consider their results, companies and employees would gain a great deal. Perhaps companies would gain a competitive advantage through motivated, productive employees and the employees would gain the work-related rewards they value.

During the past two decades the quest for better ways of motivating people at work has caused some researchers to concentrate on the psychological factors that stimulate workers rather than developing the incentives of financial reward. Not only will the form of motivation vary with the type of organization, the type of work and even with the particular job, but also any form of motivation will not have the same appeal for individual workers engaged on the same job. Motivating is both one of the simplest and

most complex of management jobs. It is simple because people are basically motivated or driven to behave in a way that they feel leads to rewards. So motivating someone should be easy: just find out what he or she wants and hold it out as a possible reward (or 'incentive').

But this is where many experts believe that the complexity of motivation comes in. For one thing, what one person considers an important reward another person might consider useless. For example a glass of water would probably be a lot more 'motivating' to a person who just spent three hours on a hot beach than it would be to someone who recently had three soft drinks. The reason is that the reward itself will not motivate him/her unless he/she feels that effort on his/her part will probably lead to him/her obtaining that reward.

Recognition of a job well-done or full appreciation for work done is often among the top motivators of employee performance (Stuart, 1992:102) and involves feedback. Positive feedback follows the principles advocated in reinforcement theory, which state that behaviour is contingent on reinforcement. Examples of positive reinforcement in this context may include workplace visits by top executives to high performance employees, personal handwritten notes of thanks accompanying paychecks and telephone calls by top executives to employees at home (Knippen and Green, 1990:4; Steele, 1992:96).

McClelland's socially acquired needs theory suggests that people with high achievement needs are motivated by challenging tasks with clearly attainable objectives, timely feedback and more responsibility for innovative assignments. Thus both factors (promotion and growth in the organization and interesting work) often are addressed through job redesign. The aim of job redesign is to enrich a job so that the employee is more motivated to do the work. Job redesign tenets may be found in contemporary management strategies, including employee involvement and empowerment. Workers who are more involved in their jobs display more work commitment and have lower employment turnover (Jauch and Sekeran, 1978).

## **2.4 JOB SATISFACTION**

### **2.4.1 Definition**

Satisfaction is the degree to which employees have a positive orientation towards employment by the organization (Vroom, 1964:99; Locke, 1976). Dissatisfied employees will of course have a negative affective orientation towards the organization. Reference is often made to 'job satisfaction rather than to 'satisfaction' (Lawler, 1973:70). Satisfaction is an example of the creation of a number of important dimensions. The different dimensions are part of a more general concept. Satisfaction with work, for instance, is included within the domain of affective orientation towards employment in the organization. It is also defined in the related work by Lofquist and Dawis (1969:176) as 'fulfillment of the requirements of an individual by the work environment'. Intrinsic, extrinsic, and general satisfaction are implicitly defined by instruments of data collection.

The most simplified definition of Job satisfaction is given by Smith, Kendall & Hulin (1969:6) when they defined job satisfaction as '... The feelings a worker has about his/her job....' Five dimensions of job satisfaction are distinguished: work, supervision, pay, promotions and co-workers. Job satisfaction is a function of the perceived characteristics of job in relation to an individual's frame of reference. A particular job condition on the basis of this theory can be a satisfier, a dissatisfier or irrelevant depending on conditions in comparable jobs, conditions of other people with the qualifications and past experience of the individual as well as on numerous situational variables in the present job. Thus job satisfaction is not an absolute phenomenon but is relative to the alternatives available to the individual (Smith, Kendall & Hulin, 1969:14).

According to the two factor theory of job satisfaction, the primary determinants of job satisfaction are intrinsic aspects of the job, called motivators (e.g. achievement, recognition, the work itself, responsibility and advancement), whereas the primary determinants of job dissatisfaction are extrinsic factors, called hygiene (e.g. company policy and administration, quality of supervision, salary, interpersonal relations with co-workers and working conditions). An individual's degree of satisfaction with his job reflects the degree to which he believes (explicitly or implicitly) that it fulfils or allows

the fulfillment of his job values (Locke, 1969). It follows that a supervisor can influence employee satisfaction by facilitating or blocking subordinate value attainment.

#### **2.4.2 Dimensions of job satisfaction**

Various dimensions or facets of satisfaction are commonly distinguished. Work, supervision, pay, promotion and co-workers are widely used dimensions (Smith, Kendall & Hulin, 1969:83).

#### **2.4.3 Theories of job satisfaction**

Four approaches can be identified in the theoretical work on satisfaction; fulfillment theory was the first approach to develop. Equity theory and discrepancy theory developed later, partly as reactions against shortcomings of fulfillment theory. The two-factor theory, the fourth approach, represents an attempt to develop a completely new approach to thinking about satisfaction. Job Satisfaction Models derived from The Affect Theory, The Dispositional Theory as well as the Job Characteristic Model will also be topics discussed in this section.

##### **2.4.3.1 Fulfillment theory**

Schaffer (1953:3) has argued that 'job satisfaction will vary directly with the extent to which those needs of an individual which can be satisfied are actually satisfied'. Vroom (1964:100) also sees job satisfaction in terms of the degree to which a job provides the person with positively valued outcomes. He equates satisfaction with valence and adds 'if we describe a person satisfied with an object, we mean that the object has positive valence for him. However, satisfaction has a much more restricted usage. Commonly we refer to a person's satisfaction only with reference to objects which he/she possesses. Researchers who have adopted the fulfillment approach measure people's satisfaction by simply asking how much of a given facet or outcome they are receiving. Thus, these researchers view satisfaction as depending on how much of a given outcome or group of outcomes a person receives.

Fulfillment theorists have concluded how facet-satisfaction measures combine to determine overall satisfaction. The crucial issue is whether the facet-satisfaction

measures should be weighted by their importance to the person when combined. We know that some job factors are more important than other job factors for each individual; therefore the important factors need to be weighted more in determining the individual's total satisfaction. However, there is evidence that the individuals' facet satisfaction scores reflect this emphasis already and thus do not need to be further weighted (Mobley & Locke, 1970).

A great deal of research shows that people's satisfaction is a function both of how much they receive and how much they feel they should and /or want to receive (Locke, 1969). The point is that people's reaction to what they receive is not simply a function of how much they receive; their reactions are strongly influenced by such individual-difference factors as what they want and what they feel they should receive. Individual-difference factors suggest that the fulfillment theory approach to job satisfaction is not valid since this approach fails to take into account differences in people's feelings about what outcomes they should receive.

#### **2.4.3.2 Discrepancy theory**

Recently many psychologists have argued for a discrepancy approach to thinking about satisfaction. They maintain that satisfaction is determined by the differences between the actual outcomes a person receives and some other outcome level. The theories differ widely in their definitions of this other outcome level. For some theories it is the outcome level the person feels he/she should receive and for other theories it is the outcome level the person expects to receive.

Porter and Lawler's (1968) model can be contrasted with both the March and Simon (1958) model and the theory of work adjustment on the question of sufficiency of performance for satisfaction. The Porter Lawler (1968) model implies that satisfaction results from rewards associated with performance. It does not therefore appear to take into account all sources of employee satisfaction.

### **2.4.3.3 Dual factor (two-factor) theory**

As in the case of the earlier discussion of the two factor theory, Herzberg's dual factor theory also has strong links to job satisfaction theory. In 1959, Herzberg, Mausner and Snyderman reported research findings that suggested that human beings have two sets of needs; his/her need as an animal to avoid pain and his/her need as a human being to grow psychologically. These findings led them to advance a 'dual factor' theory of motivation. Since that time, the theory has caught the attention to both industrial managers and psychologists.

Herzberg and associates concluded that job satisfaction consisted of two separate independent dimensions: the first dimension was related to job satisfaction, and the second dimension to job dissatisfaction. These dimensions are not opposite ends of the same continuum, but instead represent two distinct continua. High satisfaction is not in the main brought about by the absence factors that cause dissatisfaction. Those job characteristics that are important for, and lead to job satisfaction but not to job dissatisfaction are classified as satisfiers while those that important for and lead to job dissatisfaction but not to job satisfaction are classified as dissatisfiers. A few job characteristics functioned in both directions.

According to this theory the satisfiers are related to the nature of the work itself and the rewards that flow directly from the performance of that work. The most potent of these are those characteristics that foster the individual's needs for self actualization and self realization in his/her work. These work related or intrinsic factors are achievement, recognition, the work itself, responsibility and advancement.

A sense of performing interesting and important work (work itself), job responsibility and advancement are the most important factors for a lasting attitude change. Achievement, more so than recognition, was frequently associated with long-range factors of responsibility and the nature of the work itself. Recognition that produces good feelings about the job does not necessarily have to come from superiors; it might come from peers, customers, or subordinates. Where recognition is based on achievement, it provides more intense satisfaction. The dissatisfaction factors are

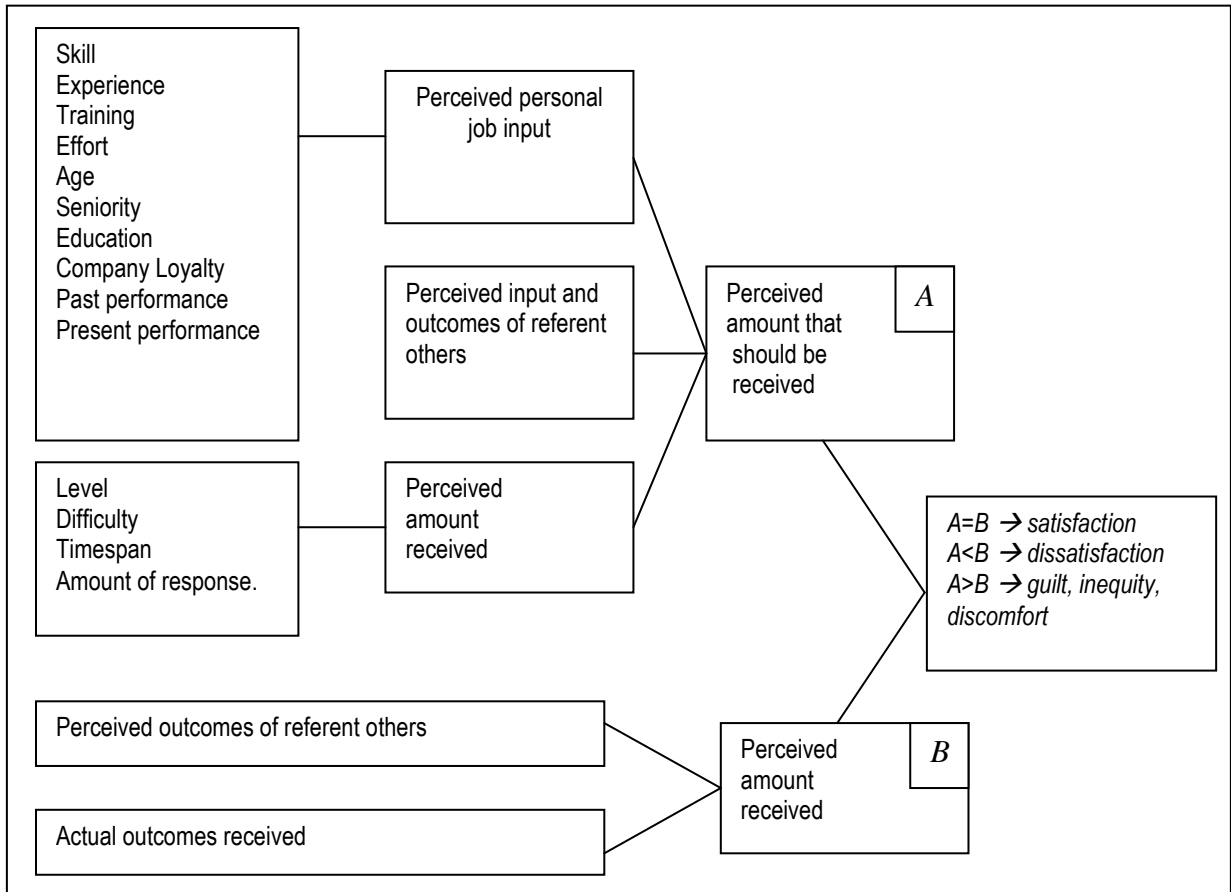
associated with the individuals' relationship to the context or environment in which he/she does his/her work. The most important of these is company policy and administration that promotes ineffectiveness or inefficiency within the organization. The second most important is incompetent technical supervision – supervision that lacks knowledge of the job or the ability to delegate responsibility and teach subordinates. Working conditions, interpersonal relations with supervisors, salary, and lack of recognition and achievement can also cause dissatisfaction.

The second major hypothesis of the dual-theory of motivation is that the satisfiers are effective in motivating the individual to superior performance and effort, but the dissatisfiers are not.

#### **2.4.3.4 Equity theory**

Equity theory is primarily a motivation theory, hence the earlier discussion of Adams (1965) under Theories of Motivation, but has some important things to say about the causes of satisfaction/dissatisfaction. Adams (1963, 1965) argues in his version of equity theory that a person's perceived input-outcome balance determines satisfaction. As can be seen, depicted in the figure below, when the person perceives that the input-outcome balance is favourable, then equity exists and satisfaction will be the end result. If the perception is that the input-outcome balance is unfavourable and inequity exists, then the end result would be that of dissatisfaction.

According to the equity theory, either under-reward or over-reward can lead to dissatisfaction, although the feeling would be somewhat different. The theory emphasizes that under-reward leads to feelings of unfair treatment, while over-reward leads to feelings of guilt. Another important factor that is emphasized by the equity theory is the perception of the input-outcome balance of other people. The equity theory argues that people evaluate the fairness of their own input-outcome balance, by comparing it to the perceived input-outcome balance of the next person.



**Figure 7: Model of the determinants of Satisfaction. Source:Lawler, 1996.**

### 2.4.3.5 Affect Theory

Locke’s Affect Theory (1976) is arguably the most famous job satisfaction model. The main premise of this theory is that satisfaction is determined by a discrepancy between what one wants in a job and what one has in a job. Further, the theory states that how much one values a given facet of work (e.g. the degree of autonomy in a position) moderates how satisfied/dissatisfied one becomes when expectations are/are not met. When a person values a particular facet of a job, his/her satisfaction is more greatly impacted both positively (when expectations are met) and negatively (when expectations are not met), compared to one who does not value that facet.

#### **2.4.3.6 Dispositional Theory**

Another well-known job satisfaction theory is the Dispositional Theory. It is a very general theory that suggests that people have innate dispositions that cause them to have tendencies toward a certain level of satisfaction, regardless of their job. This approach became a fashionable explanation of job satisfaction in light of evidence that job satisfaction tends to be stable over time and across careers and jobs. A significant model that narrowed the scope of the Dispositional Theory was the Core Self-evaluations Model, (Judge, Locke, Durham & Kluger, 1998).

In this model Judge, Locke, Durham & Kluger (1998) argued that there are four Core Self-evaluations that determine one's disposition towards job satisfaction: self-esteem, general self-efficacy, locus of control, and neuroticism. This model states that higher levels of self-esteem (the value one places on his self) and general self-efficacy (the belief in one's own competence) lead to higher work satisfaction. Having an internal locus of control (believing one has control over her\his own life, as opposed to outside forces having control) leads to higher job satisfaction. Finally, lower levels of neuroticism lead to higher job satisfaction.

#### **2.4.3.7 Job Characteristics Model**

Hackman & Oldham (1976) proposed the Job Characteristics Model, which is widely used as a framework to study how particular job characteristics impact on job outcomes, including job satisfaction. The model states that there are five core job characteristics (skill variety, task identity, task significance, autonomy, and feedback) which impact on three critical psychological states (experienced meaningfulness, experienced responsibility for outcomes, and knowledge of the actual results), in turn influencing work outcomes (job satisfaction, absenteeism, work motivation, etc.)

#### **2.4.4 The measurement of job satisfaction**

Satisfaction is measured holistically and dimensionally. The first four selections – Brayfield and Rothe (1951), Dunham and Herman (1975), Quinn and Staines (1979), and Ironson, Smith, Brannick, Gibson and Paul (1989) – provide overall measures of

satisfaction. The last two selections – Weiss, Dawis, England & Lofquist (1967) and Smith, Kendall & Hulin (1969) – present dimensional measures. It is assumed that both holistic and dimensional measures are appropriate ways to measure satisfaction. The measures are different but both are appropriate. The measures in this chapter embody different approaches to the measurement of satisfaction. Consider first the global measures. The Brayfield and Rothe measure is a standard questionnaire measure, with the widely used Likert response pattern of agree-disagree items. Dunham and Herman's measure uses pictures to assess satisfaction.

Quinn and Staines use an interview, rather than a questionnaire, to collect their data. Finally, Ironson and her colleagues base their questionnaire on the format used by the Job Descriptive Index (JDI). Consider next the dimensional measures. Weiss, Dawis, England & Lofquist (1967) ask the respondents directly about satisfaction – note the term “feel” in their lead-in statement – whereas Smith, Kendall & Hulin (1969) (JDI) collect data pertinent to satisfaction indirectly. The two dimensions used by Weiss, Dawis, England & Lofquist (1967), intrinsic and extrinsic, also differ from the five dimensions used by Smith, Kendall & Hulin (1969) (work, quality of supervision, pay, promotion, and relationships with co-workers). Finally, the dimensions used by Weiss, Dawis, England & Lofquist (1967) can be combined into a measure of general satisfaction; such a combination is not possible with the JDI. Provision of a diversity of measures is a guide the handbook uses in selecting its scales.

#### **2.4.5 Job satisfaction and performance**

The relationship between job attitudes and job behaviour has long been a topic of interest to both practicing managers and organizational researchers. Such interest dates back at least to the human relations movement of the 1930's, when it was generally felt that a happy worker was a productive one. A causal relationship was largely assumed during this time whereby job satisfaction ‘caused’ improved job performance. The managerial implication was thus quite simple: keep your employees satisfied.

### **2.4.5.1 The satisfaction performance controversy**

As was mentioned earlier in this study, it will be assumed that high morale delivers good performance, and that morale constitutes high motivation and satisfaction. With this in mind, it would therefore be safe to state that high morale is considered as a prerequisite of performance. But more than this, the nature of the relationship between performance and satisfaction is open to serious questioning.

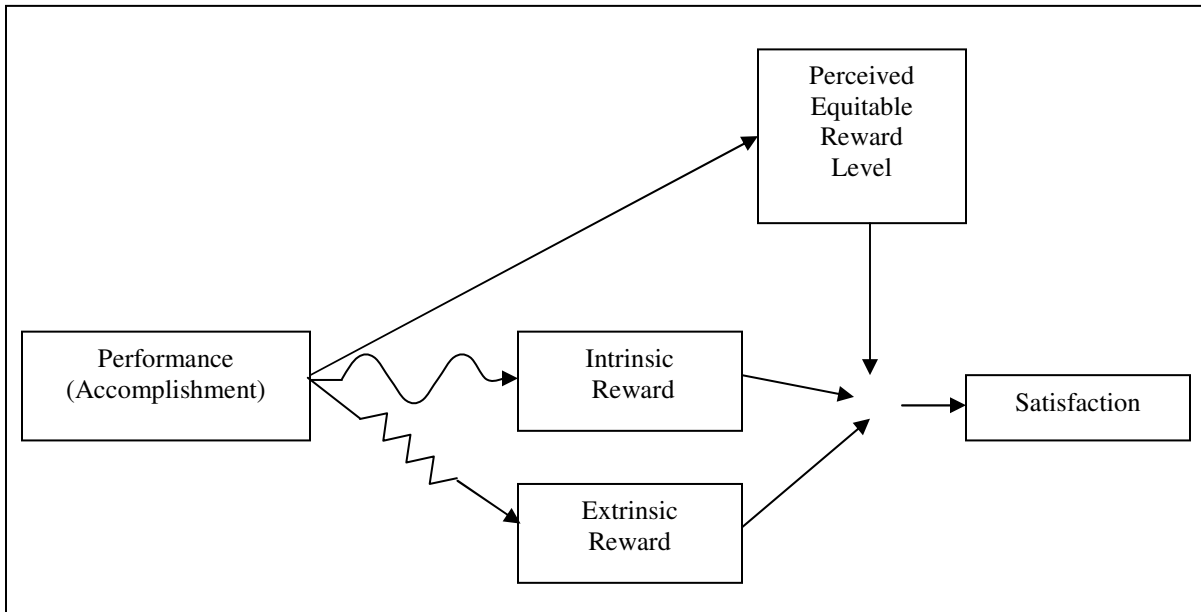
#### **2.4.5.1.1 Satisfaction causes performance:**

The degree of self satisfaction felt by an employee determines his performance, which means satisfaction causes performance. This proposition has theoretical roots, but it also reflects the popular belief that 'a happy worker is a productive worker' and the notion that "all good things go together", it is far more pleasant to increase an employee's happiness than to deal directly with his performance when a performance problem exists. Therefore there is more acceptance of the "satisfaction causes performance" proposition as a solution which makes good sense, particularly for the manager because it represents the path of least resistance. At a theoretical level is Vroom's (1964) model, "job satisfaction reflects the valence (attractiveness) of the job". It follows from his theory that the force exerted on an employee to remain on the job is an increasing function of the valence of the job. Management has discovered that there is greater production, and hence greater profit when workers are satisfied with their jobs. Improve the morale of a company and you improve production.

#### **2.4.5.1.2 Performance causes satisfaction:**

According to this view, best represented by the work of Porter and Lawler (1968), satisfaction is considered not as a cause but as an effect of performance, that is, performance causes satisfaction. Differential performance determines rewards, which in turn produce variances in levels of satisfaction. In other words, rewards constitute a necessary intervening variable and thus satisfaction is considered to be a function of performance related rewards. 'Rewards' are a causal factor. Closely related to Porter and Lawler predictions is a still more recent theoretical position, which considers both satisfaction and performance to be function of rewards. In this view, rewards cause

satisfaction, and rewards that are based on current performance affect subsequent performance.



**Figure 8: Model of the relationship of Performance and Satisfaction. Source: Porter & Lawler, 1967.**

Good performance may lead to rewards, which in turn lead to satisfaction; this formulation then would say that satisfaction, rather than causing performance as was previously assumed is caused by it. The performance – satisfaction theory represents an important departure from earlier views about the relationship between these two variables. Human relationists, not without some qualification, postulated that high levels of satisfaction would result in high levels of performance. The performance-satisfaction theory while it retains the idea of intervening variables, stresses the importance of variations in effort and performance as causes of variations in job satisfaction.

## **2.5 Conclusion**

In summary of this section, it could be concluded that there are a vast array of definitions for both motivation and job satisfaction. The literature covered also provides us with a good understanding of the complexity of the three variables in question: Reward; Motivation and; Job Satisfaction.

To improve organizational competitiveness, there should be a clear and well balanced formula that could be used to balance the three variables mentioned above. The literature has given a broad overview of these variables and it is now the duty of the researcher to analyze the relationship between these variables, with a view of balancing it for the motor manufacturing company which was selected for this study. To the knowledge of the researcher, there have been no studies conducted in the area of reward vs. performance within the motor manufacturing industry, therefore the comparison evaluation with other research studies may not be possible; however, research done in unrelated industries on the same topic shows the following results:

South African nurses are most satisfied with supervision and co-workers and least satisfied with promotion and pay (Westaway, Wessie, Viljoen, Booysen & Wolmarans 1996). Westaway, Wessie, Viljoen, Booysen & Wolmarans (1996) also revealed that the quality of life of the South African nurses, as well as their overall satisfaction (using the Job Descriptive Index (JDI)) were significantly lower than that of their American counterparts.

In a study conducted by Arnolds and Boshoff (2002) empirical results have shown that satisfaction (esteem) as a personality variable exerts a significant influence on job performance of both top managers and frontline employees. According to Arnolds and Boshoff (2002), these and other findings provide important guidelines on how to address the motivational needs of top managers and frontline employees.

In a study conducted by Igalens & Roussel (2000) an examination of the elements of total compensation and the influence it might have on work motivation and job satisfaction of temporary and permanent employees revealed the following:

1. Under certain conditions, individualized compensation of permanent employees can be a factor of work motivation;
2. Flexible pay of temporary employees neither motivates them nor increases job satisfaction;
3. Benefits of all employees (temporary and permanent) do not affect motivation or job satisfaction.

The discussion on reward, motivation and job satisfaction in this chapter has laid the foundation and will be the basis of discussion through the entire study. In the following chapter the researcher will deal with the methodology of the study. This will be done as a three phased approach, where the first two phases will deal with a quantitative research method - a survey (Job Descriptive Index), which seeks to identify the current Job satisfaction level as well as to find a correlation between the JDI and the PBR. The third phase of the study will deal with a qualitative research method, where the researcher will use focus group interviews to establish whether the PBR was motivating or not motivating employees. Strengths and weaknesses of the PBR will also be highlighted during this phase of the study.

### **3 CHAPTER 3: RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The primary objective of this chapter is to set a clear methodological approach that will guide the way to the primary objective, which is to investigate whether there is a significant correlation between reward (incentive) and performance (satisfaction). As a build-up of a theoretical body of knowledge, the previous chapter provided a literature review of different variables that could be explored in this study. With this theory used as a base this chapter will seek to prepare for an exploration of the problem at hand.

The approach to this chapter will be to discuss certain theoretical assumptions, in order to explain why a combination of paradigms will be used in this exploratory study. The reason for this discussion is to clarify the complexity of having to conduct a partly quantitative (post-positivist paradigm) and partly qualitative (interpretive or participatory research paradigm) study. In this study to satisfy the researcher's curiosity and desire for a better understanding, no specific paradigm will be followed religiously, instead, an exploratory methodology will be followed (Babbie and Mouton, 2003:80).

Following the theoretical assumptions discussion, the goals of the research as well as an in-depth discussion of both the quantitative and qualitative processes are discussed. Lastly, the limitations to this specific case and some ethical considerations are discussed before the chapter is concluded.

#### **3.2 Theoretical assumption**

Research methodology is a structured set of guidelines or activities to assist in generating valid and reliable research results. (Mingers, 2001). In any research inquiry, the researcher has to address the issue of whether the study will employ a quantitative or a qualitative methodology. According to Bryman, Guba and Lincoln view quantitative and qualitative research as resting on divergent paradigms, and hence assumptions, about the proper study of social life. In the opinion of Richardson (1996), the quantity versus quality debate has been anchored within two apparently opposed epistemological positions known variously as 'experimental', hypothetico-deductive or 'positivism' and

the 'naturalistic', 'contextual' or 'interpretive' approaches respectively. Bryman (1988:108) adds to this quantitative versus qualitative debate by suggesting, "...the distinction between qualitative and quantitative research is really a technical matter whereby the choice between them is to do with their suitability in answering particular research questions."

It is for the reason above that the research design that was chosen in this case was both qualitative and quantitative. It was most suitable to answer the first question of "What" was the level of satisfaction that the employees within the said context feel about the current incentive scheme, by means of a quantitative survey, before the second question of "Why" the incentive scheme motivated/did not motivate employees could be established qualitatively by means of focus group interviews. It was always desirable to select a methodology that maximized generalisability, realism, and precision.

### **3.3 Goals of the research**

For the purpose of this exploratory study, the main aim was to identify whether there was a significant correlation between reward (performance incentive) and employee satisfaction as well as to establish whether the current performance based reward was a motivator of performance. In this study it will be assumed that employees with high satisfaction, motivation and morale deliver good performances. Because of the relatedness and complexity of the variables in this study, a procedural phased approach was used to cover the requirements of the research.

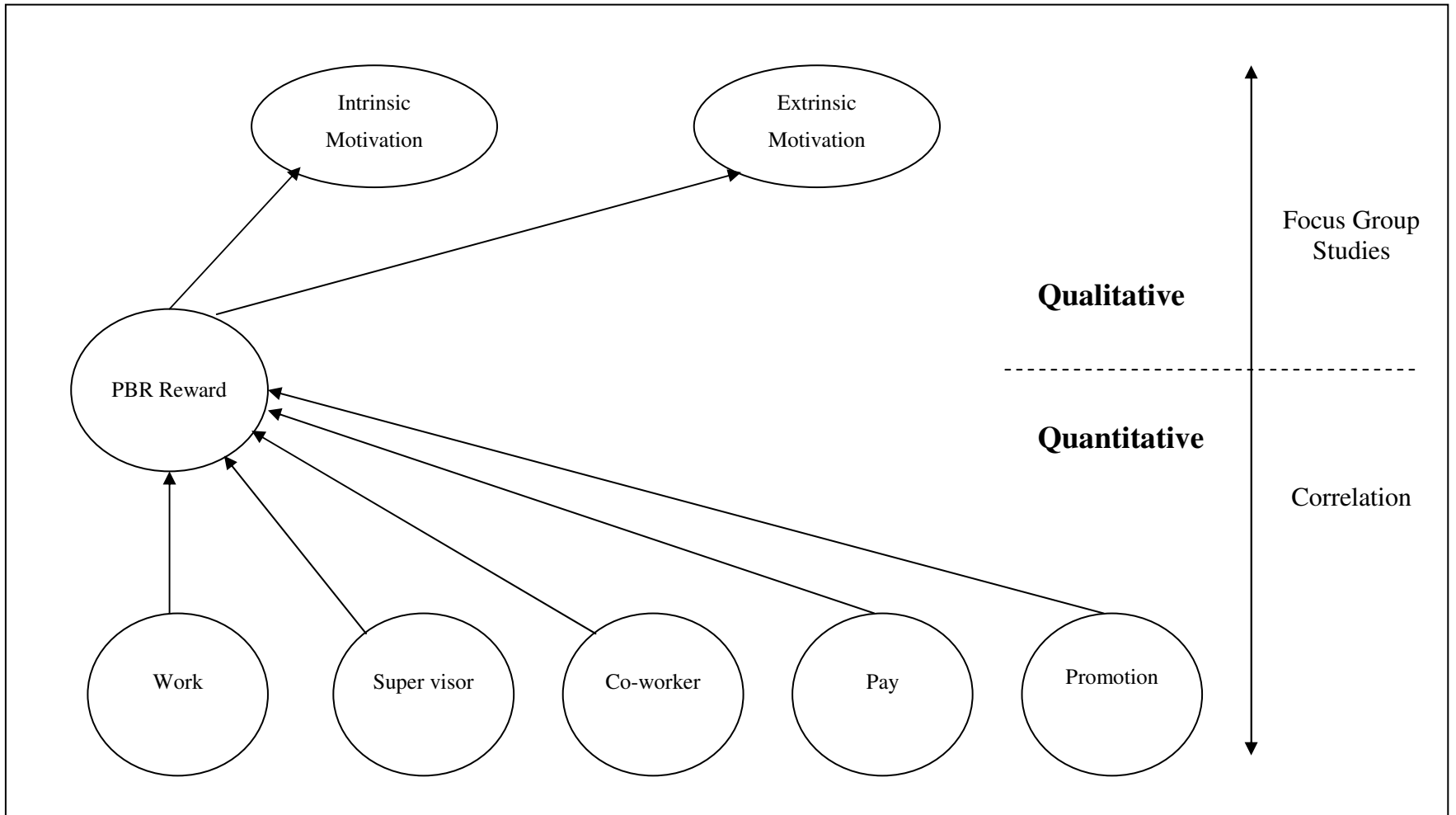
The procedural phases were:

- **Investigate the relationship between incentive (performance reward) and satisfaction in two phases.**

1. *Phase one* was a JDI survey, which sought to identify the current job satisfaction level of the employees.
2. *Phase two* sought to find the correlation between JDI scores and the incentive reward (PBR).

- **Identify the strengths and weaknesses of the current PBR system as a motivator of performance in the final phase.**

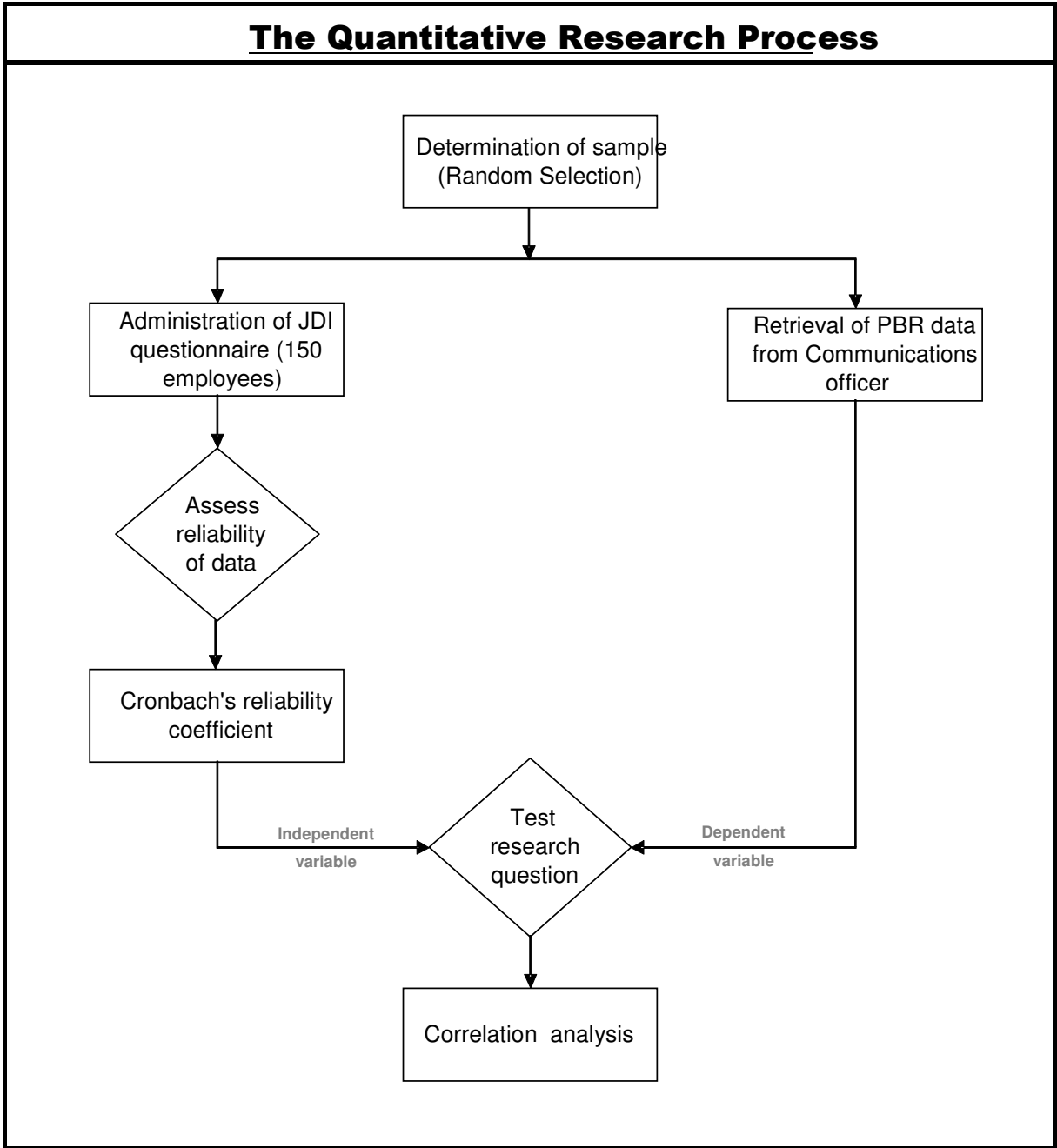
3. *Phase three* used focus groups to establish why employees were motivated/not motivated by the PBR and whether this had an effect on their output.



**Figure 9: Theoretical construct of the study**

### **3.4 The Quantitative Research Process**

Quantitative research is labeled by Kaplan and Duchon (1988:580) as being “generally characterized by a methodology of formulating hypotheses and is tested through controlled experiment or statistical analysis.” The underlying assumption of quantitative research is that the research design should be based on the positivist approach. The positivist approach has its origins in a school of thought within a philosophy of science known as ‘logical positivism’ or ‘logical empiricism’. The quantitative part of this study included the collection and analysis of survey (questionnaire) data from shop-floor operators, in which the researcher sought to establish the current job satisfaction levels as well as a correlation with the performance of the afore-mentioned employees. This information was then used to develop pre-determined interview questions, which were used during the third phase of the study (focus group interviews).



**Figure 10: The Quantitative Research Process**

### **3.4.1 Population and Sampling Procedure**

The research population is defined as a group that the research wants to generalise to, and the sample as the group of people that are selected to be in the study (Trochin, 2000). In this case, the research population was hourly-paid employees in an automobile manufacturing plant in the Eastern Cape Province, also commonly known as shop-floor workers, who were active participants in the Performance Based Reward (PBR) incentive scheme. The sample consisted of 150 employees, who were supposed to be randomly selected by means of an Excel Random Sample Generator. At the time of the sample generation, however, the Random Sample Generator was not in operation, and due to time constraints the researcher could not wait for the same to be repaired. As a matter of contingency the sample had to be manually selected. The selection was based on representivity of the 80:20 ratio between the two manufacturing divisions, the Mercedes Benz passenger car and the Mitsubishi Colt division respectively. This was also supplemented by an email from the HRD Manager to encourage team managers to encourage the identified employees in the sample to participate in the research.

### **3.4.2 Data collection and analysis**

The research was set out to identify whether there was a significant relationship between incentive reward (PBR) and employee satisfaction (JDI). The assumption used as a guiding principle was that employees with high morale deliver good performance and that high morale consists of high motivation and job satisfaction. The data which was collected from the respondents were tested, using Cronbach's Alpha method of reliability testing and then correlation analysis was used to find the degree of the relationship between the variables.

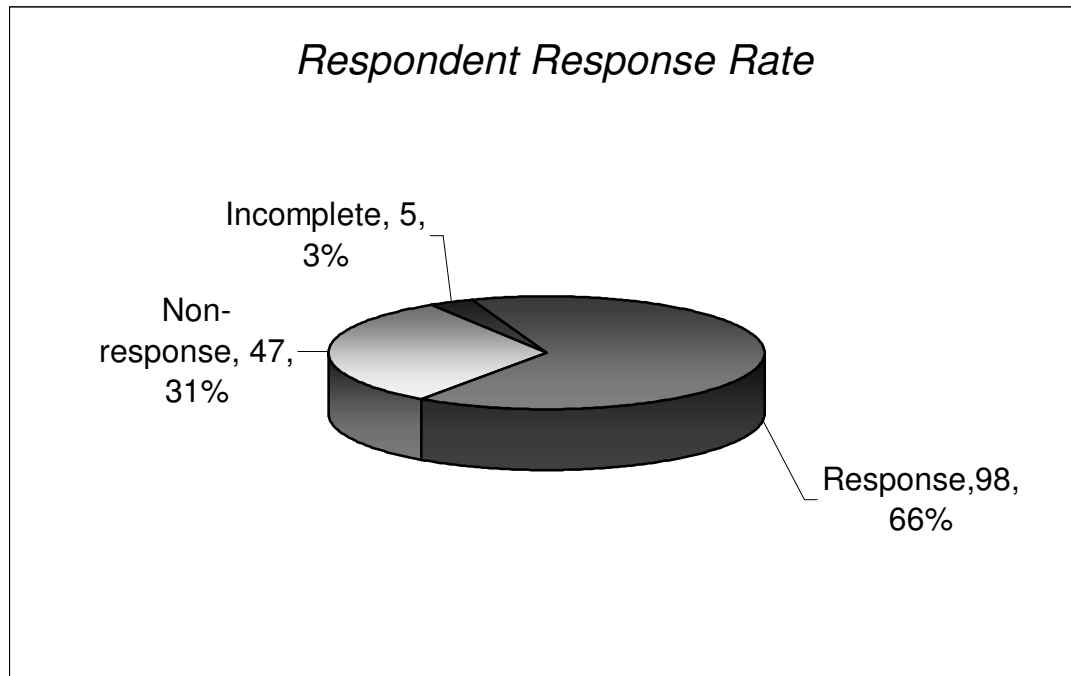
### **3.4.3 Selection of research method/instrument**

For the purpose of this study questionnaires were used to collect the data needed to complete the qualitative phase of the research. These questionnaires included factors of job satisfaction, and were measured by means of the Job Descriptive Index (JDI). The Job Descriptive Index was first developed more than twenty years ago (Smith, Kendall and Hulin, 1969), and has since become the most widely used instrument for measuring job satisfaction (O'Connor, Peters, and Gordon, 1978).

#### **3.4.4 Administration of the questionnaire**

The administration of the JDI questionnaires was done on a manual basis, whereby the researcher handed these questionnaires to different team managers. The team managers were selected according to their location, so as to ensure that the result would be representative of the population. The number-of-employees ratio between the two products (Mercedes-Benz passenger car and Mitsubishi Colt) was about 80:20 respectively, therefore the 150 questionnaires was handed out in more or less the same ratio within the two divisions of DCSA. The team managers were entrusted to do the hand-out as well as the collection of these questionnaires within their respective teams. Although the method of selection would differ per team manager, the researcher was confident that the variation of the sampling procedure per team will be filtered out during the focus group session of the study.

To ease the process, employees who were selected were not expected to write their names on the questionnaire. The omission of their names could not impact on the analysis by any means, as the PBR bonus payment was the same for everyone across the division. The shop-floor employees were encouraged to complete this questionnaire during the free time and at their own pace, and thereafter return it to their respective team managers. The completion of these questionnaires was also encouraged by an email that was sent by the HRD manager to all team managers, highlighting the reason for and importance of the responses to the JDI questionnaire. This in turn encouraged the team managers to persuade the shop-floor employees to complete these questionnaires. The responses are shown in the pie-chart below.



**Figure 11: Questionnaire response rate**

98 questionnaires were returned complete, while 5 were incomplete. This response rate translated to 69% (103 of the 150 questionnaires) returned, and from that only 66 % (98 of 150) were usable and complete. The overall return rate of 69% was considered to be adequate, so no follow-up was done. The results were recorded and prepared in a useful format for statistical analysis. The analysis can be found in appendix 2 at the end of this document.

The administration process was not always easy and had many obstacles. Below are the advantages and disadvantages of using the hand distributed questionnaire system, according to Dixon, Schnetler & Stoker (1989).

Advantages

1. Homogeneous stimulus: since the questionnaire is the only means of communication between the researcher and the respondent, and since the questionnaires are identical, the stimulus provided is identical in all cases.
2. Freedom of respondent: the respondent is free to complete the questionnaire or not, with freedom to decide the time, place and tempo of the completion.
3. Ease of processing: being structured it is relatively easy to process the data

### Disadvantages

1. Impersonal: a questionnaire is an impersonal instrument of data collection; a respondent, for example, does not have the opportunity to qualify answers.
2. Limited to literate respondents: with reference to the demographics of the Eastern Cape where illiteracy levels are very high, respondents must be able to read and write to complete the questionnaire.
3. Negative attitudes to questionnaires: sometimes questionnaires are seen as a nuisance, a waste of time and are treated that way.
4. Lack of control: there is no control over the accuracy of the responses.

### **3.4.5 Quantitative Measurement**

The Job Descriptive Index (JDI) designed by Smith, Kendall & Hulin (1969) was used to assess shop-floor employees' job attitudes, including their perceptions of pay (with 9 items), co-workers (with 18 items), work environment (with 18 items), supervision (with 18 items) and promotion (with 9 items). This 72-item instrument was to be responded to by giving 'N', if the item did not fit to the true job situation, 'Y', if the item fitted the true situation, or 'N/A' for not sure. 3 points were allocated if the respondent's answer matched the standard answer positively, and 0 points if it was negative. For any 'N/A' response 1 point was allocated. Missing data was not coded, and the survey was treated as a spoilt paper. Points of the same dimension were computed and the sum of all the points was recorded as the score for the particular dimension. Dimensional scores were then computed to determine the total job satisfaction.

### **3.4.6 Validity and Reliability**

The JDI, designed by Smith, Kendall & Hulin (1969) illustrates the way that measurement research could be done in the study of organizations. A total of ten years were devoted to the development and the evaluation of the scale. Smith, Kendall & Hulin (1969) assessed convergent and discriminant validity. Hulin's (1969) evaluation of the JDI scoring system, using polychotomous item response theory, led her to conclude that "the overall scoring procedure is still justified today". Not only has the JDI scoring protocol been evaluated; it has also been revised by Kinicki, McKee-Ryan, Schriesheim &

Carson (2002) who found that the results of their meta-analysis were consistent with the predictions of Smith, Kendall & Hulin (1969) and from other explanations in the field, and supported the construct validity of the JDI.

To illustrate reliability, the table below presents a series of split-half correlation coefficients for the JDI. The mean of the five coefficients is 0.85.

Scale	Correlation of random split-halves	Correlation corrected to full length by Spearman-Brown formula
Work	0.73	0.84
Pay	0.67	0.80
Promotions	0.75	0.86
Supervision	0.77	0.87
Co-workers	0.78	0.88

**Table 1: Split-half correlation coefficients. - Source Kinicki (2002)**

### **3.5 The Qualitative Research Process**

The qualitative research process was completed as a third phase of the study. The method used for this was focus group study. The main aim in doing the focus group study was to establish why employees were motivated or not motivated by the PBR and whether this had an effect on their output. The strength and weaknesses of the PBR were also explored during this phase.

#### **3.5.1 Data collection and administration**

The qualitative data were collected by doing focus group studies. These sessions were conducted during the lunch break of the people in the groups. Because of the limited time available, the researcher had to formulate an interview guide, which was used to guide the discussion as well as to formulate and communicate clear rules of procedure before the commencement of the group interviews. The interview guide as well as a scanned register (first two groups), which shows signatures to prove the members' consent to be exposed to the process, are listed in appendix 3 and appendix 4 at the end of this document.

As explained earlier, it was necessary to tape record proceedings during the focus group study. This was done in conjunction with short hand writing, which was undertaken by a research assistant, who also controlled the recording of the proceedings. The transcription of these recordings was done the following day so that the analysis could be completed in its entirety and follow-up questions could be set for the follow-up sessions. Four focus group sessions were conducted, involving 40 employees in total. These employees were selected from the same group of 150 who completed the JDI questionnaire. The sessions covered mixed groups from all divisions, of which most were from the Mercedes Benz division. No clear splits of the different divisions were collected at this point of the study.

As an incentive – to cover the “what is in it for me” question – the researcher provided each group member with lunch and a beverage. All members of the groups participated well and at times the conversation became very emotional. This was clearly apparent in their facial expressions and body language.

#### **3.5.1.1 Focus Group Studies**

At this point of the study, the researcher had established that the level of job satisfaction was low and there was no significant correlation between the job satisfaction level of employees and their performance outputs. The next step in the sequence of events was to gather small groups of the sample population for the purpose of having discussions in order to find reasons for the quantitative results. According to Smith (1993), group interviews are the best method to be used in situations where groups are small enough to permit genuine discussion amongst all the members. It was later suggested by MacDougall and Fugde (2001) that interviewing more than one person at a time sometimes proves to be very useful and that some topics are better discussed by a small group of people who know each other.

The term ‘focus group’ was coined by Merton and Kendall in 1956 to apply to a situation in which the interviewer asks group members very specific questions about a topic after considerable research has already been completed. By using this type of interview, the

researcher hoped to involve people where their disclosures were encouraged in a nurturing environment as well as to gather data which could not have been obtained during the quantitative data gathering process.

Stewart and Shamdasani (1992:15) state that focus group studies can be used at any point of a research program and more common uses could be summarized as follows:

- ◆ Obtaining general background information about the topic of interest;
- ◆ Generating research hypotheses that can be submitted to further research and testing;
- ◆ Stimulating new ideas and creative concepts;
- ◆ Diagnosing the potential for problems with a new program, service or product;
- ◆ Generating impressions of products, programs, services, institutions, or other objects of interest;
- ◆ Learning how respondents talk about the phenomenon of interest which may facilitate quantitative research tools;
- ◆ Interpreting previously obtained qualitative and quantitative results.

### **3.5.1..2 Advantages and disadvantages**

A few potentials highlighted in favour of focus group studies:

- ◆ The opportunity to be involved in a decision-making process;
- ◆ To be valued as an expert and to be given a chance to collaborate in research;
- ◆ A chance afforded to the participant to rise from insignificance and interact between participants to highlight or share his/her world view;
- ◆ Afford the opportunity for the researcher to find a response to a question, as well as the reason for the response;
- ◆ The researcher could probe to the required depth needed to conclude a question;

Although focus group study has many limitations, most of these could be eliminated by thorough preparation. However some which are unavoidable in most cases are listed below:

- ◆ The researcher has less control of the data produced;
- ◆ Participants could distort or influence each others views;

- ◆ If not controlled properly, stronger participants could manipulate the results by steering the session in the direction of their world view.
- ◆ By nature focus group interviews are open-ended and cannot be entirely predetermined.
- ◆ In some cultures groups should be handpicked carefully, as participants within the group may not feel free to express their views in front of other participants, for a variety of reasons

### **3.5.2 Credibility and dependability**

Credibility is ultimately tested by answering the question, "Does it 'ring true'?" The best way to elicit the various and divergent construction of reality that exists within a context of a study is to collect information about different events and relationships from different points of view (Babbie and Mouton, 2003:277). This will prove triangulation of the study. In this study, different questions were asked, seeking different sources and using different methods. Member checks, to check the interpretation of the sources of information from different members of the sample population, were also undertaken to ensure credibility of the collected information.

An enquiry must also provide its audience with evidence that if it were to be repeated with the same or similar respondents in the same context, its findings would be similar (Babbie and Mouton, 2003:278). This seeks to prove dependability. In this study the focus group interviews were done on different shifts, and at different times using the same audience from the two shifts, and the results were very similar. In all cases the themes highlighted by the focus group sessions were very close.

### **3.5.3 Data analysis**

The qualitative data was analysed using thematic analysis. In view of the open ended nature of focus group studies, it made sense to use thematic analysis, so that the scope of the collected data could be brought together by the evaluation of the common themes identified.

### **Thematic analysis:**

There are many ways to analyse informants' talk about their experiences (Mahrer, 1988; Spradley, 1979; Taylor and Bogdan, 1984), and thematic analysis is one such way. Thematic analysis is a structured process used to analyse data by focusing on identifiable themes and patterns of behaviour (Aronson, 1992). This is also confirmed by Yin (1994) who characterized this analytical method as pattern-matching, where patterns emerging from the collected data are matched with patterns in the theory or in alternative predictions.

### **3.6 Ethical consideration**

Whenever any form of social research is being conducted, the need arises to address ethical issues. According to Cohen, (2000:50), each research situation is an event and frequently offers a spectrum of different possibilities, therefore it cannot be, and indeed should not be, forced into a procrustean system of ethics.

Ethical considerations of openness, informed consent, confidentiality and anonymity were upheld in this specific case. The survey responses as well as the focus group recordings were anonymous and would not identify specific individuals. Although audiotapes were used for the focus groups, these were under strict control and were erased after the analysis and all individual comments were therefore confidential. During focus group interviews there were no names mentioned and to invite openness, a clear distinction was drawn between on-the-record and off-the-record statements. A register was also administered which included signatures of consent from all the participants in the focus group discussions. See appendix 4.

### **3.7 Limitations of the investigation**

A number of unforeseen circumstances arose during the process of conducting this research. These have not changed the result of the research.

### **Random generation of sample:**

As was explained earlier, the Excel Random Sample Generator was not in operation during the time when it was needed. However, the contingency that was put in place

was to select the sample based on product line representivity. This was achieved by issuing 80% of the total of 150 questionnaires to employees in the Mercedes Benz passenger car division and 20% to employees in the Mitsubishi Colt division, as this equates to the approximate split of employees in the company. By so doing an equal percentage of employees in both divisions were covered. The response rate of the 80:20 subsample stratification was only slightly compromised, as it resulted in an 81:13 ratio result. This was mainly due to the 5 spoilt ballots made up of questionnaires that came incompletely filled out from the Mitsubishi Colt division.

**Low literacy rate:**

Although the research questionnaire (JDI) is an English based questionnaire and the first language of the study population is Xhosa, the ease of use of the JDI was believed to be sufficient for the respondents to understand and respond to the questions. The fear of low literacy levels in the Eastern Cape was not a factor in this case, as incomplete data that could be attributed to literacy errors only constituted 3% of the total returned questionnaires. However, an increase in response rate might have been the result if a questionnaire could have been developed in the first language of the majority of the respondents (Xhosa).

**The Absenteeism variable within the PBR calculation:**

As can be seen in the Fig15 scatter graph on page 75, a very weak correlation between the JDI and the PBR was evident. This was mainly because the PBR bonus payment was a divisional payment and everyone in the same division received the same payout. In this organization there were two divisions – the Mercedes Benz Passenger car division and the Mitsubishi Colt commercial vehicle division. The only other variable was when absenteeism per individual was included in the calculation. To have a greater spread in the PBR result, the absenteeism variable should have been included; however, for reasons of time as well as the proven fact that there was no significant correlation with the JDI, this variable was excluded.

### **Process of data retrieval from the organisation:**

As is the case with many organisations in South Africa, this specific motor manufacturing plant in the Eastern Cape does not part easily with company information to be used in a case study. There was a long bureaucratic process followed to get information, which created time pressures for the researcher.

### **3.8 Conclusion**

From this whole chapter it is apparent that the tools used to study the correlation are not without their own advantages and disadvantages. In using the JDI, it was found that although the tool proved to be homogeneous stimulant and provided freedom of response to the respondents, the results could also be processed with relative ease. However, it also had its disadvantages such as impersonality and not being able to be adopted to the limited literacy level of the participants without having to go through a lengthy translation process.

The quantitative results revealed low satisfaction and no significant relationship between the job satisfaction level and performance output. Advantages in using the focus group included significant interaction resulting in more valuable outputs from the participants. It also proved to be advantageous to the researcher in gaining a more in depth knowledge. Along with the advantages there were also some disadvantages that could not be avoided, such as the dynamics of the group chosen. The degree of interaction depended on the dynamics of the group i.e. the comfort zone where the employees felt able to participate better if they were comfortable with their fellow employees in the group.

The following chapter provides view of the analysis and the discussion of the results obtained during the collection of the data. The approach taken in this chapter is to deal with the analysis of the quantitative data first, followed by the analysis of the qualitative data.

## **4 CHAPTER 4: ANALYSIS AND DISCUSSION OF RESULTS**

### **4.1 Introduction**

Following the discussion of the methodology in the previous chapter, this chapter provides details of the results obtained during the discussions and the studies made on the sample population selected and shows an in depth picture of views regarding performance and reward.

While the literature states that job satisfaction can be obtained from incentives which also result in motivation and good morale, the results obtained from this study show a totally opposite effect to what was expected. Details of the unexpected result and how the conclusions were made are clearly mapped out in this section. The participant's perspective of the company and their views on certain points of the PBR were clearly described as well as quoted to indicate more fully the attitude and morale of the hourly paid employees in the company.

The relation between PBR and JDI is also studied and explained to show the actual relationship between the two concepts. The good and the bad aspects of the incentive scheme used is shown and explained from the point of view of the people who were affected by it. Before the next chapter, where the recommendations are discussed, this chapter will give a summary of the results which will be categorized as in the previous chapter into quantitative and qualitative categories. The main discussion of the qualitative category is taken from the statistical analysis, while the qualitative category discussion is based on the thematic analysis of the focus group study.

### **4.2 Summary of Results**

Before proceeding with the discussion of the results obtained from the different phases of the study, a summarized outline of both quantitative and qualitative results are given. The earlier part of this section will summarise the findings that were obtained during the data collection stage of both the quantitative and qualitative phases; and later the detail of the results are put into perspective by the discussion. The discussion of the results will highlight the findings by discussing the following:

- Current job satisfaction levels;
- Correlation between JDI and PBR;
- The PBR as a motivator / de-motivator of performance; and
- Strengths and weaknesses of the PBR

#### 4.2.1 Quantitative Results

The quantitative data were gathered by means of the JDI questionnaire which was sent to a representative sample of the research population. The main aim of this section of the study was to find the level of satisfaction of the sample of employees as well as completing a correlation analysis between job satisfaction (JDI) and performance (PBR) results. This was then analysed to show how motivated or de-motivated the employees were. This assumption was taken from Lawler's (1971) theory, which argued that motivational frameworks drove job satisfaction; hence the difference between the exact amounts of remuneration a person received and what they expected determined satisfaction. In this case the population is from DCSA, a motor manufacturing company in the Eastern Cape.

	Mean Female	Mean Male	t-value	df	p	N Female	N Male	Std.Dev. Female	Std.Dev. Male
Age	29.9231	33.0339	-2.61793	96	0.010280	39	59	3.15715	6.95296
Work	37.7949	34.0169	1.54673	96	0.125218	39	59	11.67809	11.93732
Supv.	31.1538	34.5763	-1.44952	96	0.150450	39	59	10.83984	11.81788
Co-wkrs	29.4103	31.3559	-0.85258	96	0.396013	39	59	11.83376	10.51889
Pay	11.8462	10.1356	1.52017	96	0.131754	39	59	5.17351	5.62770
Prom	12.2821	8.6949	2.94489	96	0.004053	39	59	5.94691	5.87295
Total	122.4872	118.7797	0.62918	96	0.530728	39	59	33.35603	24.90954
PBR %	107.9969	108.9512	-1.58136	96	0.117086	39	59	2.34049	3.25005

**Table 2: Detailed Employee Gender per JDI facet and age**

In total, 103 of the total of 150 questionnaires were returned, and of those 98 were complete. Among these 98 participants, there were 39 female employees (40%) and the rest, 59 (60%) were male employees. See the table above for the male and female variables.

	<b>Mean Colt</b>	<b>Mean Merc</b>	<b>t-value</b>	<b>df</b>	<b>p</b>	<b>N Colt</b>	<b>N Merc</b>	<b>Std.Dev. Colt</b>	<b>Std.Dev. Merc</b>
Age	35.2308	30.8250	2.70688	91	0.008111	13	80	8.37808	4.84383
Work	29.0769	36.7750	-2.16123	91	0.033303	13	80	12.51307	11.81715
Supv.	39.3846	32.0000	2.26920	91	0.025619	13	80	13.38867	10.44940
Co-wkrs	35.0769	29.3375	1.74468	91	0.084417	13	80	12.02401	10.83705
Pay	11.6154	10.5750	0.68251	91	0.496651	13	80	6.77666	4.79128
Prom	9.0000	10.5625	-0.85663	91	0.393900	13	80	7.88458	5.78046
Total	124.1538	119.2500	0.56801	91	0.571425	13	80	38.22923	27.16825
PBR %	116.0000	107.3300		91		13	80	0.00000	0.00000

**Table 3: Detail Employee Divisions (Mercedes Benz and Colt) per JDI facets and age**

Also among the same 98 participants, 13 of the participants (13%) worked on the Colt production line and 80 of the participants (82%) worked on the Mercedes Benz production line. The remaining 5 participants (5%) were from the paintshop, where there is no clear distinction of the product line. All products pass through a common paintshop process, and the employees within the paintshop therefore worked on both products. The table above depicts the variables for Mercedes and Colt.

The age distribution of the sample spreads from 24 years to a maximum of 54 years, with a standard deviation of 5.929 and a mean of 31.795. Taking 30 as a cutoff, there were 49 employees (50%) on or younger than 30 years of age and the other 49 employees (50%) were older than 30 years of age.

#### 4.2.2 Qualitative Results

The process followed while doing the focus group study was to cover both the different shifts to ensure that the data was representative. The overall attendance was 100% as per the plan and the male: female ratio was 60:40. The focus groups were done in two rounds per shift, covering four group sessions over a 2 week span. The first round was to start the process with the five question guide (see Appendix 3). These questions were as follows:

- 1) *What, in your opinion is good and what is bad about the current PBR system? What could be changed, and what should it be changed to?*
- 2) *Does the current PBR motivate you to perform better or to come to work?*
- 3) *What do you understand as being the main aim for having PBR for employees?*
- 4) *What would the effect be if the PBR would be discontinued?*
- 5) *Why, in your opinion, is there no significant relationship between the JDI and the PBR?*

After transcription and analysis of the first round, the researcher had a chance to probe deeper in the second round.

After the analysis of the transcribed data of the first round the explicit presence of four themes were identified:

- 1) The PBR rewarded attendance rather than performance;**
- 2) The calculation of the PBR was not clear. There was no transparency in the calculation;**
- 3) Demerits on quality which affects the PBR were at times out of the control of the employees; and**
- 4) The PBR was experienced as a financial strain rather than a financial aid to those who had no financial budgeting skills.**

Most questions were answered concisely and follow-up motivations to answers were given when the researcher felt the necessity to probe. There was also a strong sense of confidence felt when the questions were answered, much as though the participants were making the researcher aware that they knew what they were talking about. During

the first round there was just enough time to cover the five guiding questions and for the second round, only three guiding questions were prepared. The questions for the second round were to steer the conversation in a totally different direction. They steered the conversation away from the PBR into a more culture and work attitude discussion.

The questions were as follows:

- 1) *Why do you work?*
- 2) *Are there not other things you would rather do? If yes, what are they?*
- 3) *Is your culture or the culture in the organization a constraint to your attitude to work?*

By asking these basic questions, the researcher sought to determine the reasons why the predominant feeling was that “the PBR motivates me to come to work and not to work better.” It was clear that the participants were extrinsically motivated by the money received through this incentive scheme, however, no signs of intrinsic motivation were evident, as most of them felt burdened or rather forced to attend. This is also depicted by the ‘Yes’ (for extrinsic motivation) and ‘No’ (for intrinsic motivation) in Figure 14: The Theoretical construct of the Study.

As will be discussed later in this chapter, the participants did not show any signs of unhappiness with their jobs as such, but rather signs of ambivalence in the way they found themselves in an awkward situation when they had to attend to something of an urgent nature. There was no flexibility included in the formula for the PBR that allowed for family responsibility, which was considered very inconsiderate in terms of the ‘quality of life aspect’ of the employees. They were faced with situations where they had to choose between losing 25% of their PBR (for one day) or not handling the personal problem at hand. It was an even greater complication if the problem at hand took more than one day to resolve. For most of these employees the 100% PBR output had already been worked into their monthly budgets, which made the personal decisions very difficult. In fact, when asked the second question, these participants indicated that they loved their jobs and felt that they had a responsibility towards their dependants, which made coming to work very worth their while.

The finding from the second round of focus group study has added only one more theme to the list:

**5) The cultural assimilation within the different levels in the organization.**

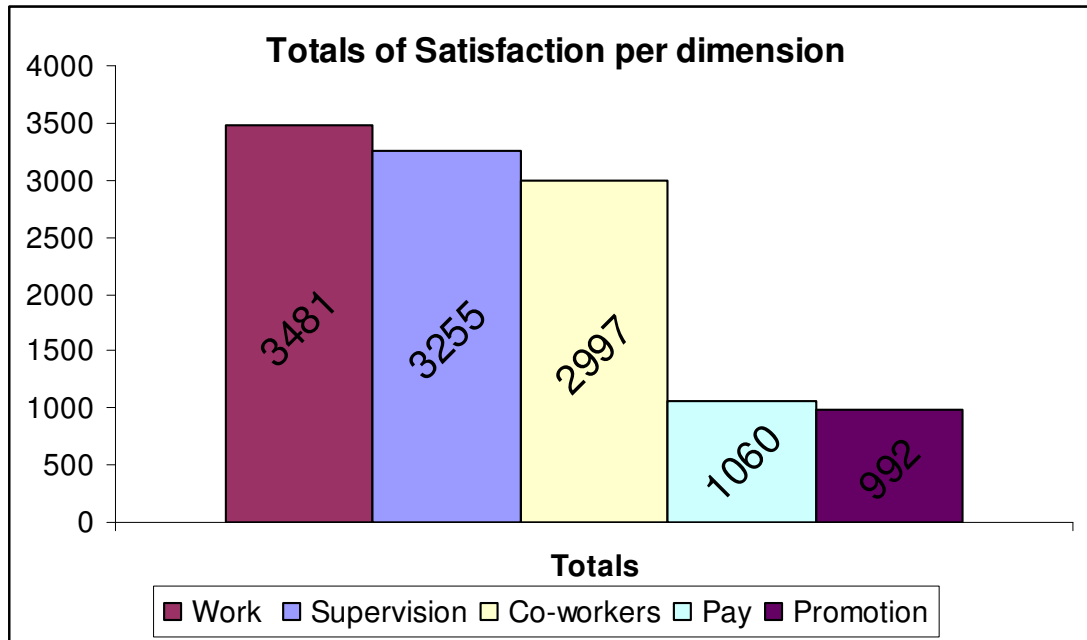
**4.3 Discussion of Results**

Set out below is the discussion of the results relating to the investigation of the relationship between reward and performance, guided by the arguments from the literature review and other research studies conducted on the subject. The approach that was taken in this investigation was to break the investigation up into different phases. A quantitative analysis of the level of job satisfaction as well as the correlation between job satisfaction and performance was taken in the first two phases of this investigation. This was done by doing an analysis of the JDI survey which was conducted within the motor manufacturing plant. As a follow-up, the third phase, which was qualitative in nature, was carried out to establish through the use of thematic analysis of different focus group sessions, whether the performance based reward system was motivating or not motivating the recipients. During this phase strengths and weaknesses of the performance based reward system were also identified.

Although no known study of this nature has been completed in an automotive manufacturing environment, comparisons of these results can be linked to a number of studies that have been conducted in this general field of study.

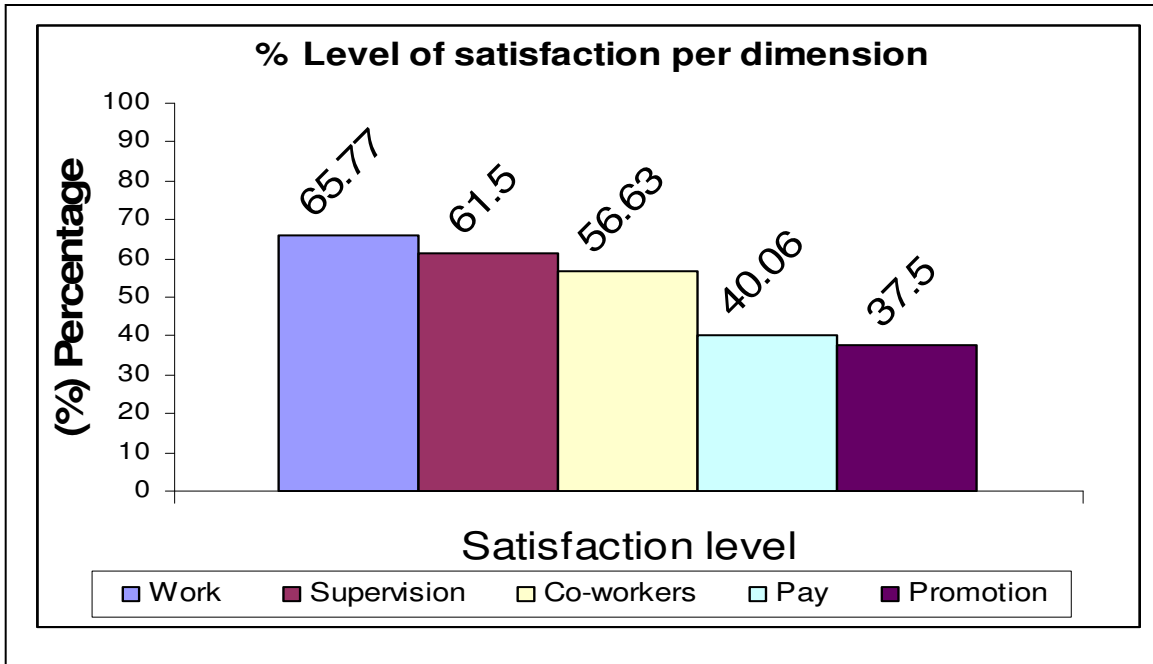
**4.3.1 Current Job Satisfaction levels**

By means of the JDI survey the current job satisfaction levels of the employees of a motor manufacturing company in the Eastern Cape were established. The satisfaction levels on average did not prove to be very high, particularly across the pay and promotion dimensions. The computing of these was done by comparing the total satisfaction score achieved by all 98 employees to the potential score that could have been achieved if all questions were answered in line with a 3 point allocation. By so doing, totals and percentage of satisfaction was calculated per dimension of job satisfaction and plotted in the graphs format below.



**Figure 12: Graph - Total satisfaction score per dimension.**

The total JDI scores per dimension was *3481*, *3255*, *2997*, *1060* and *992* for *work*, *supervision*, *relationship with co-workers*, *pay* and *promotion* respectively. In order to compute the percentages correctly, account had to be taken of the fact that *pay* and *promotion* only had 9 items each, while the rest of the dimensions had 18 items each.



**Figure 13: Graph - Percentage Employee Satisfaction level of different Dimensions.**

The graph above depicts the different percentages of levels of satisfaction as, 65.77%, 61.5%, 56.63%, 40.06% and 37.5% for the respective facets of the JDI, *work, supervision, relationship with co-workers, pay and promotion.*

#### 4.3.2 Correlation between JDI and PBR

The correlation results for the different facets of the JDI were as seen in the table below.

Correlations N=98							
	Age	Work	Supv.	Co-wkrs	Pay	Prom	Total
PBR %	0.2633	-0.2219	0.2207	0.1838	0.0676	-0.0932	0.0606
	p=0.009	p=0.028	p=0.029	p=0.070	p=0.508	p=0.361	P=0.554

**Table 4: Correlation results - PBR and JDI facets**

It is important to reiterate the fundamental logic of the test of statistical significance. By this it is meant that relationship observed in a set of sample data should always be expressed in terms of probabilities. Significant at the 0.05 level ( $p \leq 0.05$ ) simply means

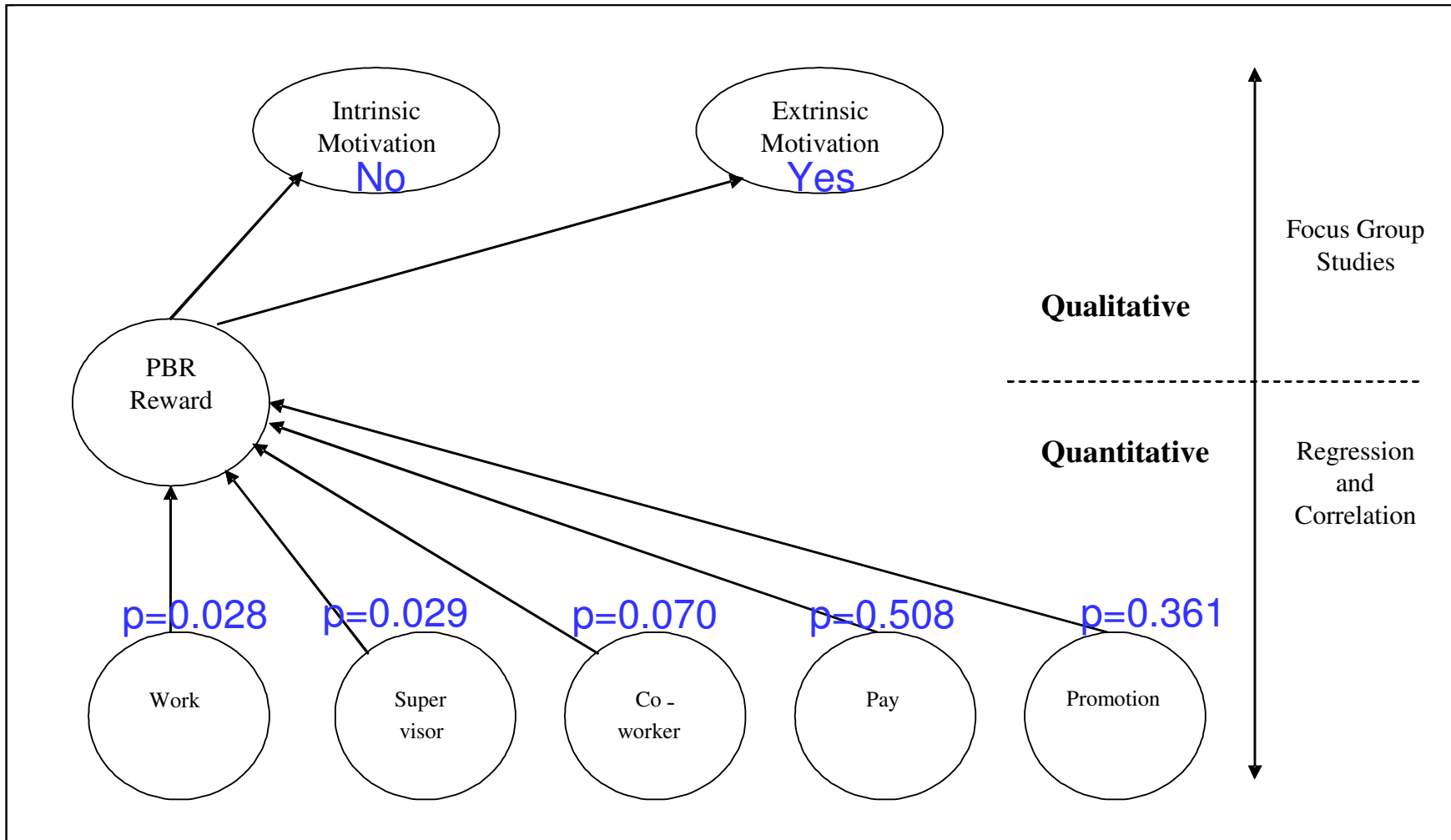
that the probability of a relationship as strong as the observed one being attributable to sampling error alone is no more than 5 in 100 (Babbie and Mouton, 2003:481). The correlation coefficient ( $r$ ) on the other hand should not be lower than 0.19 otherwise it does not constitute a correlation according to Bryman and Cramer (1990). They also concluded that in cases where  $r$  is below 0.20 the correlation is very low; between 0.20 and 0.30 it is low; 0.40 to 0.69 is modest; 0.70 to 0.89 is high; 0.90 to 1.00 is very high.

Referring to table 4 above, the correlation coefficients are very low and the relationship between PBR and the JDI variables were not strong. Work and PBR is significant ( $p=0.028$ ) but the relationship is negative ( $r = -0.2219$ ). Supervision and PBR is significant ( $p=0.029$ ) but the relationship, although positive, is not very strong. All the others facets are not significant.

The Total results ( $p = 0.554$ ;  $r = 0.0606$ ) imply that there is no significant correlation between the PBR and the JDI, which means that the level of satisfaction of the employees at DCSA is low with regard to the current PBR incentive scheme. The current PBR incentive scheme is not being seen as a motivator or satisfier at this point in time and the reasons for this were explored in the qualitative data analysis section below.

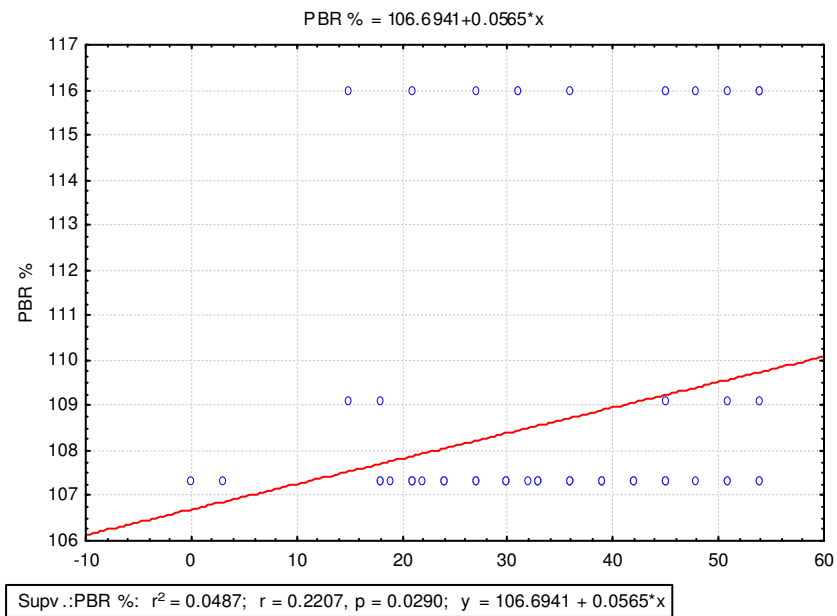
Due to the uniqueness of the PBR as an incentive remuneration system, and the limited related research done in this industry there was no comparison with past research done on this subject in the same industry. However, in other closely related studies, the following issues were found relating to the subject at hand:

In a study conducted by, Westaway, Wessie, Viljoen, Booysen & Wolmarans (1996) it was found that South African Nurses were most satisfied with levels of supervision and relationship with co-workers and least satisfied with promotion prospects and pay. However, in contrast with this study, a study conducted by Arnolds and Boshoff (2002) has shown through empirical results that satisfaction (esteem) as a personality variable exerts a significant influence on job performance of both top managers and frontline employees. The satisfaction and performance variable in this study had no correlation, which was found to be mainly due to the low variation of the divisional performance result of the PBR.



**Figure 14: Theoretical construct of the study.**

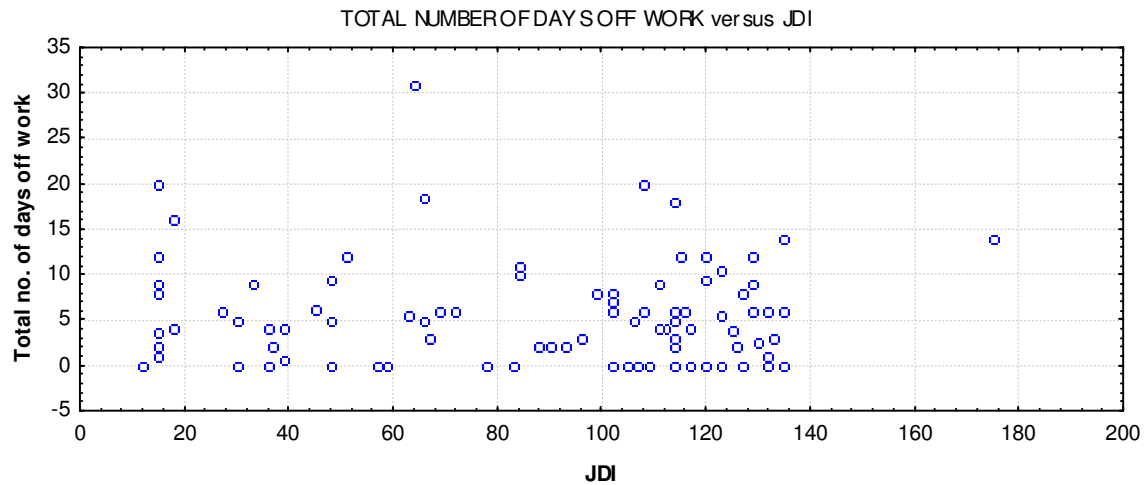
The analysis of the gathered information has statistically shown that there was no correlation between the JDI scores and the PBR outputs. This is clearly highlighted by the graph in figure 15 below. The reason for the weak correlation could be because there are only three different variances in the PBR scores. As explained earlier, the PBR is calculated per product line, where all employees who worked on the Mercedes Benz production line would get the same PBR pay-out at the end of the month. In Vroom's review of 23 field studies, which investigated the relationship between performance and satisfaction, revealed an insignificant median static correlation of 0.14, that is, satisfaction explained less than 2% of the variance in performance.



**Figure 15: Graph highlighting the weak correlation between the JDI and the PBR – motor manufacturing plant in the Eastern Cape.**

The only other variant that would affect the PBR is the number of days individuals were absent from work. This however did not form part of this study for two reasons. The first reason was the fear of a low response if the participants were to be asked to submit the JDI forms with their names written in the top right hand corner, coupled with the difficulty of getting all the absenteeism statistics in time for submission of the first phase of the study. The second and main reason for not considering absenteeism was the fact that a recent study by Mashonganyika (2003), has proven that there is no correlation

between absenteeism and the JDI, using the same company – the motor manufacturing company in the Eastern Cape - as part of his study. The scatter graph below depicts Mashonganyika’s findings.



**Figure 16: Source: Mashonganyika, 2003 - JDI vs total days absent.**

### 4.3.3 The PBR as a Motivator / De-motivator

The format of this section was guided by the findings from the thematic analysis. As already indicated in the previous section of this chapter (analysis), five main themes were identified and those are discussed in detail in the remaining part of this chapter.

#### **Theme 1: The PBR rewards attendance, not performance.**

This specific theme was a common thread throughout the first round of the focus group session. It was highlighted in every question without fail. Listed below are responses from certain individuals in answer to some of the questions in the first round of focus groups:

“The reality of the situation is that employees come to work even if they are very sick.”

“I guess it motivates me to come to work. It’s more like I have to, even if I am not looking forward to it on that specific day.”

“The PBR only deals with absenteeism and not with quality, so you are not motivated.”

“It is not performance based, it is attendance based, because you come to work though you are sick.”

These are just some of the responses extracted from the transcription which relates to this theme. Through a series of questions which were used to establish whether the shop-floor employees were in favour of the way the PBR bonus was structured, whether it was good or bad, or if they thought it motivated performance, a negative response has emerged. This has, in a way, explained the relatively weak results of the job satisfaction levels, as well as the non correlation of the JDI with the PBR. Some employees responded by saying that the PBR was not working, because they were penalized for non attendance at work with no exceptions allowed. They were also aware that the monthly paid employees, who receive their bonuses on an annual basis, were not penalized for absenteeism. For the shop-floor employees at the motor manufacturing plant in the Eastern Cape, the Performance Based Reward system was more of a punitive measure than a performance motivator and they believed it was put in place to frustrate them.

The main reason for any performance Based Reward system should be to encourage subordinates to work well. Ibbetson and Whitmore (1977:61) suggest that the old established way – the reward-punishment system of the so-called 'hedonist' whose view of man as a creature whose objective in life is to seek maximum pleasure and avoid painful experiences – is the outdated way of looking at reward. More recent systems, according to Heery (1996), take note of the new concept of Human Resource Management, which led to the recognition that the workforce was one of the key areas of competitive advantage. So much so that the workforce is no longer only considered to be an asset in an organization, but rather investors, who invest their time as well as their competencies and expect to receive a well valued return on their investment (Davenport, 1999).

From the organizations' point of view, absenteeism seemed much improved. With absenteeism statistics better than in most of the industries in the province with an average absence rate of 5.5% (Wolmarans, 1994: 12), this motor manufacturing plant had an average absenteeism rate of lower than 2,5%. This was the main measure of morale which was tracked on a monthly basis as a measure on the Global Balanced

Scorecard. For this reason the management team came to the view that there were no problems in the way things were working. They might even have put stricter measures in place as an improvement to the "new" PBR system which was under negotiation at the time the study was being undertaken.

With the conflict of interest that was highlighted between management and shop-floor workers, lower morale was seen to be likely to persist as time moved on. With this happening the job satisfaction levels were thought likely to take a more serious dip and performance would decrease. Positive motivation of shop-floor workers should have been the main objective of the PBR system. As systems theory suggests, no system is either good or bad in abstract. Success is rather seen in the system's effectiveness which is a function of its fit with other related systems. The linking of the PBR incentive to the management of absenteeism came into serious question in this case, and if it was not addressed could have had far reaching implications for the organization.

### **Theme 2: Transparency of the PBR calculation.**

One of the major aims of any reward system is that of a communication facilitator Lawler (1996); Lawler and Jenkins (1992) and Ledford and Lawler (1994) suggest that reward is primarily a communication device. Just as reward is a communicator, the accurate communication of reward is essential.

In analyzing the results of the focus group study, it was highlighted that there was major confusion in the method of calculation of the PBR. Although the PBR methodology had been running for 4 years, the formula was still not understood by many in the organization, including some of the managers and team managers. This was a major frustration for the shop-floor workers, as they were not assured of the PBR payout at the end of the month and what they could do to influence the quantum of the payout. This has created a perception amongst the shop-floor employees that management were just giving an approximate figure of what they thought the output should be for a particular month. Some comments that were given in this regard were as follows:

"Managers are not transparent about the calculation of the PBR."

"If it was a real reward then things like how 'quality' and 'on-time-delivery' is sub-divided would be shown."

"People must be consulted and let know how the percentages are calculated"

"Managers decide at the last minute what to give as a percentage"

It was clear that there was a problem with the communication of how the PBR worked and how percentages were calculated. The negative implication of this is that it became a trust issue between managers and shop-floor workers. The mis-communication of a reward to the employee, according to Caudron (1994) and Zingheim and Schuster (1997) would translate into communication of a false sense of self-worth, as the reward directly translates into what value the organization thinks an employee is worth.

The calculation of the PBR is published on a monthly basis, but even after this had been done some managers, team managers and shop-floor workers did not understand how the PBR figure had been calculated. This gave an indication of the difficulty of the calculation. An example of this publication in the form of a company brief is shown in appendix 5.

### **Theme 3: Effects on quality out of the scope of the employees' control.**

The perception of the PBR being a punitive reward system continued when employees were affected by quality demerits which were out of their scope of control. The PBR as a system rewarded quality (one of the KPI's) and viewed this as one of the major factors within the calculation. However, quality was sometimes affected by bad parts coming from the suppliers, either local or abroad. When this was found to be the case, the employees were affected, as the demerit affected the company as a whole. This was particularly difficult for these shop-floor workers to understand.

Some comments that highlighted this theme during the focus group interview were:

"Penalties should be decreased – not employees fault regarding quality issues"

"When you are not satisfied, you get depressed. We work hard to get good incentives because we want the quality to be Green not Red."

"Being penalized for supplier problems is not nice, like when there are no parts we are affected."

"Supplier problems should be de-linked"

Equity theory suggests that in order to motivate employees to perform better it is important to ensure that equity and fairness exists (Adams, 1965). People want to be treated fairly. Adams (1965) also went on by defining inequity as the perception a person gets when he/she feels that the ratio of his/her input in relation to someone else's input for the same output is higher. It is therefore important for the employee to be sure that suppliers are giving of their best, as they are, for them to reap the reward of the success that the organization stands to gain.

The formula of the current PBR did not cater for windfall profits or acts of God, which could be factored in once it had been established what the cause of the demerits were.

#### **Theme 4: Financial gain becomes financial strain.**

As much as it is a good thing to receive continual incentive rewards, it has a way of becoming a normal reward or being treated as part of the normal compensation. The problem with this is that it becomes a part of your normal spending, which creates all kinds of financial problems once the targets have not been reached. This causes a false sense of living standard improvement which creates stress for the individual once this semi-permanent income falls away.

Some comments that were collected in relation to this theme were as follows:

"Our wages are not enough; we come to work to get incentives."

"I wish the percentages can be increased and the employees could borrow money from the company at reduced rates."

"If the incentive should be discontinued I would personally resign."

"We come to work to get the incentive to pay our debts."

The financial strain that employees have brought upon themselves was having a negative effect on their normal lives. It had impacted on them to such an extent that

some of them could not afford to be absent from work, which links us back to theme number one where the PBR was seen to reward attendance rather than performance. For this reason employees were under pressure not to be absent from work. Therefore for some of the employees, the PBR had become a source of job dissatisfaction, hence the low level of satisfaction with Pay and Promotion.

**Theme 5: The different cultures at different levels within the organization.**

Culture is a phenomenon that is not easily explained. In this case majority and minority cultures refer to the higher management and lower shop-floor level cultures. The current prevailing culture in the motor manufacturing setting in the Eastern Cape is such that it portrays gaps between the majority and minority groups in power and influence within the organisational setting. In most cases lower-level employees are expected to simply follow orders of the executives without having much empowerment in decision-making at their level. Management on higher levels and to some extent employees had a need for social order and were uncomfortable with uncertainty, but the same time, valued achievement and aggressive behaviour in pursuit of goals. However, although most top-level managers were very individualistic, the organisation had moved a long way forward in placing a premium on the collective needs of the group as a whole.

The employees perceived managers in this organization to be participating at a different level, even when it came to the PBR. The comments from the second round of focus group interviews were as follows:

“Yes we are different to the managers; they get better bonus than us”

“Although they get it once a year, it is still better than ours”

“I would not like to be sitting at home because I want to work for my parents.”

“I do enjoy my job that is the reason why I work.”

“With the management team it is always a question of ‘us’ and ‘them’. When things are good for ‘them’, they don’t worry ‘us’. When it is bad they punish ‘us’.”

Culture is an amalgam of values, beliefs and attitudes which is communicated and sustained both directly and symbolically. Commonly accepted instruments and

expressions of organizational culture include leadership, structure and the environment of control. Perhaps the most significant role of the leader is to articulate a vision for the organization and marshal its resources in collaborative pursuit of the vision.

A related dimension of the effect of gain sharing on organizational culture is its impact on workplace attitudes and behaviour. To be successful, gain sharing must also prompt changes in management attitudes and behaviour. It is up to managers to determine whether to make the commitment to participative management required by gain sharing. They must accept that an exchange of power, knowledge and information is necessary to enable the intelligent involvement of employees.

#### **4.3.4 Strengths and weaknesses of the PBR**

Taken from the analysis of these themes it is apparent that the PBR system in its entirety needed to be revised. There were more negative than positive points experienced by those who were directly involved. It left a lot of room for improvement and some recommendations will be discussed in the next chapter. For now an analysis of the strengths and weaknesses will be discussed.

##### **4.3.4..1 Strengths**

The PBR was designed to be an incentive system that would maximize performance in an automotive manufacturing environment, and was taken on in good spirit by the organization in question. Perhaps the key question to be asked in any strategic decision that needs to be made in the design of any reward system is how much, if any, pay will be based on performance. The conditions attached to the design of the incentive reward system should also be chosen with great caution. If the design decisions have been miscalculated by the organisation, in most cases it would be more beneficial for that organization if they did not try to relate pay or promotion to performance and relied on other systems to motivate for performance.

There are various ways to relate pay to performance. In this study, this motor manufacturing company has decided to use the gain sharing philosophy, which in the researcher's view is the main strength of the PBR system. The introduction of gain

sharing is an appropriate and arguably, highly desirable strategic option for an organization which wishes to avail itself of the benefits of organizational development as a change from previous operations to that of continuous improvement. The reason for this is that the effects which Hanlon and Taylor (1991) hypothesize neatly fit the organizational development dynamic. Conceived in performance management terms, their model confirms the importance of alignment between the compensation scheme and organizational information flows and contextual factors such as culture and structure. It follows then that, provided congruence and fit are maintained, gain sharing can help to drive an indefinite loop of performance improvement and allied change within the organization. The key insights behind the connection between gain sharing and organizational development are that employees hold the essential knowledge required for maximum performance, that the human resource is the most essential and durable source of competitive advantage, (Heery, 1996; Devenport, 1999) and that great advantage accrues to organizations which can best unleash the intelligence, creativity, energy and commitment of their workforce (Deci and Ryan, 1985; Amabile 1996).

A further benefit of smallness of scale is that it aids the peer interaction which is an important source of motivation and effectiveness in gain sharing schemes. The logic for this statement stems from the fact that it is an incentive for high involvement in an organization's performance by employees and for strong identification with its strategic direction. Gain sharing thereby contributes to organizational fit and alignment by communicating and reinforcing strategic priorities.

The proof that could be extracted from the focus group study was the way the organization had changed its absenteeism statistics to fall in line with the strategic priority. With absenteeism statistics better than in most of the industries in the province where there is an average absence rate of 5.5% (Wolmarans, 1994: 12), this motor manufacturing plant has an average absenteeism rate of lower than 2,5%. It could be argued that this very strength is now becoming one of the main weaknesses of the PBR; however, by creating a balance on this specific measurement, it could prove to be a great advantage.

#### **4.3.4..2 Weaknesses**

One of the major weaknesses found in the PBR system is the fact that it works on the principles of goal theory and ultimately rewards extrinsic motivation. The focus should rather be on intrinsic motivation due to task behaviors because intrinsic motivation derived from task accomplishment can serve to concentrate an individual's attention on the ends of the task (i.e., accomplishment) rather than the means. Birch & Veroff (1966) have termed this behaviour 'instrumental behaviour'. The primary focus should be on the means (i.e., the task behaviors) that provide opportunities for exploration and performance.

As was discussed in the literature review chapter, intrinsic motivation arises from positive reactions to qualities of a task itself; intrinsically motivated individuals engage in a task primarily out of their own interest in it (Lepper, Greene & Nisbett 1973). "Virtually all theorists concerned with intrinsic motivation have described that phenomenological state as marked by both deep involvement and playfulness" (Amabile 1996). Because they enjoy the task itself and the process of searching for new solutions, intrinsically motivated individuals (1) devote more attention to a task for its own sake rather than as a means to an end and (2) have the willingness and ability to explore alternative cognitive pathways (to step away from a problem to see the non-obvious sides of issues) in problem solving. Therefore intrinsically motivated individuals will be more likely to explore and find creative solutions or perform better (Newell, Shaw & Simon 1962; Staw 1990; Woodman, Sawyer & Griffin 1993).

The current situation was one that had a negative impact on performance. The balance between motivation to perform and motivation to come to work had been explicitly mentioned in the thematic analysis as being very much skewed. The shop-floor employees had seen the reason for the implementation of the PBR as a punishment to frustrate them, although this was not the intention. A reward does not necessarily only reward intrinsic motives. It could be a combination of factors, as in the proposal by Deci and Ryan (1985) that rewards could be tied to task accomplishment and will increase extrinsic motivation and that rewards that include both task accomplishment and competition will have an even greater impact on extrinsic motivation.

Other weaknesses already mentioned in the thematic analysis are:

- ◆ No tolerance for absenteeism;
- ◆ Family responsibility not included in the calculation;
- ◆ No transparency in the calculation of the PBR;
- ◆ Some demerits eg. Quality, sometimes out of the employees control;
- ◆ No financial education and frequency should be revised;
- ◆ Cultural complexities, between different levels of the organisation.

#### **4.4 Conclusion**

The objective of this chapter was to analyze and discuss the results which were obtained from the collection of the different formats of data. The main aim of the study, the investigation of an incentive system to maximize performance in an automotive manufacturing environment, was done by following a three phased approach in its methodology. 1) To identify current job satisfaction levels by doing a JDI survey; 2) an analysis to find a correlation between the JDI and PBR; 3) to establish whether the PBR was a motivator / de-motivator as well as to identify the strengths and weaknesses of the system through the use of thematic analysis.

From this chapter, the JDI survey revealed low levels of satisfaction, especially when it came to pay and promotion. The computing was done by comparing the total satisfaction scores achieved by all 98 employees over the different dimensions of Job satisfaction. The analysis of the gathered JDI data has also statistically shown that there was no correlation between the PBR and the JDI. This was found to be in line with the findings of Vroom (1964), where he found that satisfaction explained less than 2% of the variance in job performance. This does not mean that the performance based reward system has no effect on job satisfaction. The low variation in the PBR outcomes between different individuals was seen as being the main contributor to this non correlation. The inclusion of absenteeism results could have made a slight difference, but it was also proven, on a previous occasion, that there is no correlation between absenteeism and the JDI.

The thematic analysis, which was used to analyze the focus group interviews, revealed that the PBR was not a motivator of performance. However, it had become evident that the PBR had done a fine job in driving down absenteeism. This could be argued to be both a good and a bad thing. It does however depend on the behaviour that the organization would like to inculcate. In the scope of this study, the understanding is that the PBR is an incentive system that seeks to maximize performance; therefore this drive of increased attendance as a stand-alone variable is seen as a weakness. Other problems highlighted by the thematic analysis are the complexity or non-transparency of the calculation of the PBR; the inclusion of quality which is outside the employees control; financial gain becoming financial strain; and some cultural complexities.

A discussion of strengths and weaknesses as well as some recommendations to management were done at the end of this chapter. In the next chapter a brief summary, recommendations for further research and a final conclusion will be raised.

## **5 CHAPTER 5: SUMMARY, RECOMMENDATIONS AND CONCLUSION**

### **5.1 Summary**

In summary, this study, an examination of an incentive system to maximize performance in an automotive manufacturing environment, was aimed to identify a correlation between reward and satisfaction as well as to establish whether this reward system was motivating increased performance. The main variables used in the literature review of this research were reward, job satisfaction and motivation to encapsulate the theories and past practices that were to be used as a comparison in this study.

Throughout the chapters of the study, a few points could be summarized as being the essence of what this study is about:

- ◆ Individuals differ as to the importance they attach to reward;
- ◆ Individuals are motivated to perform when they believe they can obtain rewards they value by performing well.
- ◆ Individuals compare their effort to the reward or to someone else's effort for the same reward;
- ◆ Reward schemes should not be unfair as perceived by the individual;
- ◆ Rewards must be important to be able to motivate;
- ◆ Job satisfaction is determined by the manner in which the rewards individuals received compared to what was expected.

Motivation and satisfaction are at the same time complicated and simple topics – complicated because of the enormous individual differences that exist and the complexity of human beings; and simple because of the key “thrusts” that can be used to guide the design of an effective reward system (Lawler, 2000).

### **5.2 Management recommendations**

After all the discussions on the shortfalls of the PBR, a few recommendations to management are appropriate. The PBR has its merits and these should be exploited, but it also has its demerits, and the opportunity should therefore be used to improve it continuously.

Firstly, no system can be workable if there are no tolerances given to incorporate the accommodation of other systems or issues. As systems theory has shown, no system in itself is perfect, unless it has a degree of fit with other related systems. The qualification of this statement stems from the fact that the PBR has a no absentee tolerance principle, which causes employees to lose 25% of their incentive on the first count of absenteeism. This included family responsibility leave. To enforce a culture of involvement, where employees had to engage in the behaviour set by the PBR, management needs to include some tolerance as a way of releasing the pressure on employees. Absenteeism, although also a problem at higher levels in this organization, was managed differently and was not included in the management bonus calculation.

The transparency of the PBR calculation is another recommendation, which should be handled as a matter of urgency. Management could deal with this issue by means of training and communication. 'Low hanging fruit' are sometimes the last thing that management wants to tackle, as it involves tedious processes in most cases. The quicker this issue is resolved the faster the trust issue can be dealt with. Currently employees think that they are given any amount on the basis of the management's mood swings. For any organization an issue of the lack of trust should not be dragged out for too long.

The formula of the PBR should be looked at from a shop-floor employee's viewpoint. The inclusion of quality problems that are out of the control of employees should not be counted as a demerit for their portion of the PBR. It was necessary to include it into the management portion, but should be excluded for shop-floor employees. The frequency of the PBR pay-out might also be of greater benefit if it were to be paid out on an annual basis. The reason behind this is that employees get so used to the PBR pay-out that it becomes seen as part of their normal budget. This in turn becomes a financial strain when the PBR outcome is low in a particular month. The creation of financial awareness or a financial wellness program is also something that management needs to look into.

The current PBR system is based on the motivation of extrinsic rewards. Although the literature shows the importance of intrinsic rewards, which the researcher totally agrees with, extrinsic rewards like performance based incentives are of extreme importance. It does not have to be the only form of motivation; it should be used to compliment intrinsic forms of recognition. The recommendation to management is therefore to firstly align the current PBR to motivate the correct behaviour and then to supplement it with intrinsic recognition. As cited in the literature, Maslow's (1954) and Herzberg's (1959) theories make the point that the field of motivation is full of conflicting views, but this could be of great advantage if the correct balance is struck for a specific situation.

The literature also argues that job satisfaction is an important determinant of motivation and performance. The low levels of job satisfaction which were revealed by the JDI survey therefore become a concern. In most organisations it is the duty of the management team to ensure that employees have high morale. As the saying goes, "A happy employee is a productive employee," which is also the main basis of argument in the satisfaction causes performance controversy. There are many ways in which job satisfaction could be enhanced and the recommendation is that management should make an effort in that regard.

### **5.3 Recommendations for further Research**

In conducting this research, the researcher faced many challenges that might input on the results of the study. The main challenge in this case was to handle time pressure as the time for undertaking the data collection had been increased because of using both the quantitative and qualitative approach. It would be the researcher's recommendation that this type of study be done over a slightly longer period, so as to capture the essence of the learning in the best possible way.

As also highlighted in chapter 3 (limitations of the investigation), the bulk of the shop-floor employees in the company under study are of Xhosa descent. Although a English low literacy level could only account for 3% of incorrectly filled-out survey questionnaires, the feeling of the researcher is a higher response rate might have been accomplished if the JDI questionnaire format was in Xhosa, but the translation of the

JDI questionnaire would also have added to the time pressures that was experienced at the time the study was undertaken. Only 69% of the 150 JDI questionnaires were returned.

#### **5.4 Conclusion**

The nature of today's business environment suggests an important conclusion about where competitive advantage can be found. Organizational effectiveness increasingly depends on the organization being able to develop its own approaches to organizing and managing their reward systems and to make continuous improvements. This is not easy to do but is increasingly the key source of competitive advantage in today's global businesses.

The research literature clearly indicates what it takes for a system like the PBR to be an effective motivator. Essentially it establishes that comprehensive measures of performance needs to be developed (in line with strategic direction), standard levels of performance established, and pay systems to developed that align pay to how performance compares to the performance standard. Although it might sound simple, performance management through reward systems is never easy to undertake, hence the problems that most companies like the motor manufacturing company in the Eastern Cape has to deal with.

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## APPENDIX 1: JOB DESCRIPTIVE INDEX

Answer Yes if it describes your job, No if it does not or N/A if you cannot decide

You can tear off your name from the corner if you wish to remain anonymous

Work Area : \_\_\_\_\_

Male/Female: \_\_\_\_\_

Age : \_\_\_\_\_

### WORK

Fascinating  
 Routine  
 Satisfying  
 Boring  
 Good  
 Creative  
 Respected  
 Hot  
 Pleasant

Useful  
 Tiresome  
 Healthful  
 Challenging  
 On your feet  
 Frustrating  
 Simple  
 Endless  
 Gives sense of pleasure

### SUPERVISION

Asks my advice  
 Hard to please  
 Impolite  
 Praises good work  
 Tactful  
 Influential  
 Up-to-date  
 Doesn't supervise enough  
 Quick tempered

Tells me where I stand  
 Annoying  
 Stubborn  
 Knows job well  
 Bad  
 Intelligent  
 Leaves me on my own  
 Around when needed  
 Lazy

### CO-WORKERS

Stimulating  
 Boring  
 Slow  
 Ambitious  
 Stupid  
 Responsible  
 Fast  
 Intelligent  
 Easy to make enemies  
 Talk too much  
 Smart  
 Lazy  
 Unpleasant  
 No privacy  
 Active  
 Narrow interests  
 Loyal  
 Hard to meet

### PAY

Income adequate for normal expenses  
 Satisfactory profit sharing  
 Barely live on income  
 Bad  
 Income provides luxuries  
 Insecure  
 Less than I deserve  
 Highly paid  
 Underpaid

### PROMOTION

Good opportunity for advancement  
 Opportunity somewhat limited  
 Promotion on ability  
 Dead-end job  
 Good chance for promotion  
 Unfair promotion policy  
 Infrequent promotions  
 Regular promotions  
 Fairly good chance for promotion

(Source: Survey Research Center, Institute for Social Research, the University of Michigan)X

## APPENDIX 2: JDI ANALYSIS

Independent Variable											Dependent Variable
JDI RESULTS											PBR % (Avg 2004)
No.	Product	Work Area	Age	Sex	Work	Supv.	Co-wk	Pay	Prom	Total	% Achieved
1	Colt	Colt F.I	35	Female	48	54	48	24	27	201	116.00
2	Colt	Colt trim	31	Female	45	54	48	9	13	169	116.00
3	Colt	Colt assy	32	Male	39	45	48	15	6	153	116.00
4	Mercedes	Training Island	49	Male	42	42	48	6	4	142	107.33
5	Mercedes	Training Island	32	Male	42	36	48	3	12	141	107.33
6	Colt	Colt Road Test	30	Male	33	51	48	6	0	138	116.00
7	Mercedes	Body shop	25	Male	21	33	48	12	0	114	107.33
8	Mercedes	F.I	32	Male	36	30	18	8	12	104	107.33
9	Colt	Colt trim	26	Male	27	31	18	9	17	102	116.00
10	Mercedes	Mech 3	30	Female	36	36	18	3	6	99	107.33
11	Mercedes	Trim 3	35	Male	18	18	15	12	9	72	107.33
12	Mercedes	MBPC Trim Mod1	32	Female	18	33	12	0	0	63	107.33
13	Mercedes	Trim 1	26	Male	9	36	12	0	0	57	107.33
14	Mercedes	Quality Mngm.	30	Male	39	48	9	12	0	108	107.33
15	Colt	Colt Road Test	37	Male	6	27	9	3	0	45	116.00
16	Mercedes	Trim 1	34	Female	3	3	6	0	3	15	107.33
17	Mercedes	Trim 2	29	Female	30	32	9	18	18	107	107.33
18	Mercedes	F.I	28	Female	45	21	9	11	20	106	107.33
19	Mercedes	Mech 3	35	Male	48	21	9	15	13	106	107.33
20	Mercedes	F.I	33	Female	21	21	9	12	9	72	107.33
21	Mercedes	F.I	29	Male	33	27	27	9	9	105	107.33
22	Mercedes	Trim 2	32	Male	24	36	27	9	9	105	107.33
23	Mercedes	Training Island	39	Male	24	51	27	0	0	102	107.33
24	Mercedes	F.I	29	Female	22	19	25	8	10	84	107.33
25	Mercedes	Trim 3	34	Female	48	27	24	12	18	129	107.33
26	Mercedes	Mech 1	29	Male	48	30	24	11	16	129	107.33
27	Mercedes	F.I	28	Female	48	24	24	16	14	126	107.33
28	Mercedes	Mech 2	33	Male	36	39	24	13	12	124	107.33
29	Mercedes	Mech 3	34	Male	36	33	24	11	15	119	107.33
30	Mercedes	Trim 3	27	Male	48	24	24	14	8	118	107.33
31	Mercedes	F.I	29	Female	27	36	24	14	15	116	107.33
32	Mercedes	Mech 1	28	Female	18	33	24	16	12	103	107.33
33	Mercedes	F.I	26	Male	23	22	24	13	15	97	107.33
34	Mercedes	F.I	30	Male	33	18	24	8	12	95	107.33
35	Colt	Body shop	33	Male	30	21	33	9	9	102	116.00
36	Colt	Colt Road Test	39	Male	12	45	33	3	3	96	116.00
37	Mercedes	Trim 3	25	Female	45	45	30	9	8	137	107.33
38	Mercedes	Mech 2	26	Female	45	39	30	8	9	131	107.33
39	Mercedes	Trim 3	34	Male	43	21	30	12	17	123	107.33
40	Mercedes	Trim 2	31	Male	48	24	30	15	6	123	107.33
41	Mercedes	Mech 3	30	Female	45	36	30	2	4	117	107.33
42	Colt	Body shop	36	Male	30	31	30	10	15	116	116.00
43	Mercedes	Trim 3	34	Male	33	30	30	8	9	110	107.33
44	Colt	Colt trim	24	Female	39	15	30	15	6	105	116.00
45	Mercedes	Trim 1	27	Male	24	30	30	12	9	105	107.33
46	Mercedes	Trim 2	25	Male	48	30	27	8	23	136	107.33
47	Mercedes	Body shop	28	Female	27	27	27	15	15	111	107.33
48	Mercedes	Trim 1	26	Male	42	24	27	9	9	111	107.33
49	Mercedes	Trim 1	33	Female	24	36	27	9	9	105	107.33
50	Mercedes	Mech 3	26	Female	42	39	21	13	17	132	107.33
51	Mercedes	Mech 2	30	Female	48	18	21	9	21	117	107.33
52	Mercedes	Mech 1	26	Female	30	21	21	15	11	98	107.33
53	Mercedes	Mech 1	25	Female	27	30	21	12	3	93	107.33
54	Mercedes	F.I	29	Male	21	27	21	11	10	90	107.33
55	Mercedes	Mech 1	29	Male	15	24	21	18	9	87	107.33
56	Mercedes	Quality Std.&Audit	25	Male	51	54	18	6	15	144	107.33
57	Mercedes	Trim 1	26	Male	21	45	18	21	15	120	107.33
58	Mercedes	F.I	27	Female	33	30	18	21	15	117	107.33
59	Mercedes	Trim 2	28	Male	45	42	45	16	21	169	107.33

60	Mercedes	Trim 1	35	Female	48	45	45	12	12	162	107.33
61	Mercedes	F.I	25	Female	45	45	45	13	13	161	107.33
62	Mercedes	F.I	33	Female	42	39	45	17	18	161	107.33
63	Mercedes	F.I	32	Female	54	33	45	13	11	156	107.33
64	Mercedes	Trim 3	29	Male	48	39	45	6	11	149	107.33
65	Mercedes	Trim 1	28	Male	37	45	45	10	9	146	107.33
66	Mercedes	F.I	34	Female	39	33	45	9	12	138	107.33
67	Colt/Merc	Paintshop	51	Male	27	15	45	3	9	99	109.12
68	Mercedes	F.I	30	Female	48	27	42	9	14	140	107.33
69	Mercedes	Training Island	44	Male	39	51	42	3	0	135	107.33
70	Colt/Merc	Paint shop	33	Male	27	18	42	12	15	114	109.12
71	Mercedes	Body shop	39	Male	9	0	42	9	0	60	107.33
72	Mercedes	F.I	34	Female	48	36	39	17	19	159	107.33
73	Mercedes	Trim 1	30	Female	48	39	39	17	12	155	107.33
74	Mercedes	Training Island	48	Male	45	54	39	6	10	154	107.33
75	Mercedes	F.I	34	Male	48	42	39	11	10	150	107.33
76	Mercedes	Trim 1	27	Male	48	42	39	12	6	147	107.33
77	Mercedes	Mech 2	28	Female	42	42	39	8	10	141	107.33
78	Mercedes	F.I	29	Female	45	18	39	11	21	134	107.33
79	Colt	Paint shop	32	Male	15	54	39	24	0	132	116.00
80	Colt	ColtF.I	49	Male	24	48	39	9	12	132	116.00
81	Colt/Merc	Paint shop	42	Male	41	54	38	27	3	163	109.12
82	Mercedes	Trim 2	32	Male	48	33	36	8	11	136	107.33
83	Colt/Merc	Paintshop	31	Male	36	51	36	0	0	123	109.12
84	Mercedes	Training Island	32	Male	54	24	36	0	9	123	107.33
85	Mercedes	Mech 1	27	Male	48	21	36	9	3	117	107.33
86	Mercedes	Body shop	29	Female	24	21	36	12	0	93	107.33
87	Mercedes	Mech 1	35	Male	45	39	33	15	18	150	107.33
88	Mercedes	Trim 3	29	Female	45	39	33	12	18	147	107.33
89	Colt/Merc	Paint shop	35	Male	30	45	33	21	3	132	109.12
90	Mercedes	Mech 2	33	Female	48	27	33	9	12	129	107.33
91	Mercedes	Trim 1	28	Male	36	33	33	14	13	129	107.33
92	Mercedes	Trim 1	31	Female	48	21	33	15	11	128	107.33
93	Mercedes	Mech 3	31	Male	42	39	33	9	3	126	107.33
94	Mercedes	Mech 3	26	Male	36	36	33	15	5	125	107.33
95	Colt	Colt F.I	54	Male	30	36	33	15	9	123	116.00
96	Mercedes	Quality Dept.	43	Male	36	45	33	6	3	123	107.33
97	Mercedes	F.I	35	Female	36	21	33	17	13	120	107.33
98	Mercedes	Trim 1	29	Male	30	30	33	7	12	112	107.33
99	Colt			Spoilt						0	
100	Colt			Spoilt						0	
101	Colt			Spoilt						0	
102	Colt			Spoilt						0	
103	Colt			Spoilt						0	
104				Not returned						0	
105				Not returned						0	
106				Not returned						0	
107				Not returned						0	
108				Not returned						0	
109				Not returned						0	
110				Not returned						0	
111				Not returned						0	
112				Not returned						0	
113				Not returned						0	
114				Not returned						0	
115				Not returned						0	
116				Not returned						0	
117				Not returned						0	
118				Not returned						0	
119				Not returned						0	
120				Not returned						0	
121				Not returned						0	

## APPEDIX 3: FOCUS GROUP INTERVIEWS

### Welcome:

Good evening and welcome to our focus group session. I would like to open by thanking all of you for taking the time to join us to talk about the PBR system at DCSA-East London as well as its impact on Motivation and Job Satisfaction. My name is Dawie, and assisting me is Michelle, and we are both with DCSA. The goal of the research is to investigate the relationship between reward and performance as well as to identify the strengths and weaknesses of the current PBR system as a motivator of performance. The research approached that was followed was to distinguish three distinct phases where the first two phases highlighted that there was no significant relationship between Job Satisfaction and Performance (PBR). As this research is now in it's third phase, in this phase, we will be making use of focus group interviews to establish why employees are motivated/not motivated by the PBR and whether this has an effect on their output. Although audiotapes will be used for the focus groups, these will be under strict control and will be erased after the analysis and all individual's comments will therefore be confidential. During focus group interviews there will be no names mentioned and to invite openness, a clear distinction will be drawn between on-the-record and off-the-record statements.

### Our Topic:

- 1) An Incentive system to maximize Performance in an automobile manufacturing environment.

### Ground rules:

- No cell phones during the session.
- All questions answered in brief as time is a limited resource.
- For anonymity, each person will be addressed by the number on the desk in front of him/her.
- No right or wrong answers, just differences of opinions or viewpoints.
- For clarity of tape recording, only one person should speak at a time.
- You may speak to each other.
- My role as a moderator will be to guide the discussion.
- Ethical consideration of openness, informed consent, confidentiality and anonymity will be upheld.

### Questions:











1. **What, in your opinion is good and what is bad about the current PBR system? What could be changed, and what should it be changed to?**
2. **Does the current PBR motivate you to perform better or to come to work?**
3. **What do you understand as being the main aim for having PBR for employees?**
4. **What would the effect be if the PBR would be discontinued?**
5. **Why, in your opinion, is there no significant relationship between the JDI and the PBR?**

Thank you,











Dawie Fourie

**APPENDIX 4: THE FOCUS GROUP REGISTER & CONSENT**

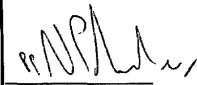
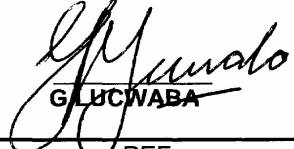
Group 1:

#	Name and Surname	Sex	Age	Signature
1	MZOLISI NINGI	M	31	
2	EVERIL MOSES	M	30	
3	MAPHELO BAMBELA	M	26	
4	ERIC KALLA	M	32	
5	MOULELO MANDIYAN	M	36	
6	Tembinhos. Maitongo	M	37	
7	M. MNYAPA	M	32	
8	B. Mkhanda	M	31	
9	STANWASI	F	29	
10	P. Mafaiwa	M	38	

Group 2:

#	Name and Surname	Sex	Age	Signature
1	MARIA BAMBIE	F	28	
2	Sicelo KITSI	M	34	
3	LIZOLO BAMBELA	M	32	
4	Lidia James	F	35	
5	Misive Grey	F	40	
6	RICHARD BALLARD	M	36	
7	ARMONA MENTE	F	29	
8	SIBONGILE SONJUSIWE	M	27	
9	SIMTANDILE LUTI	M	28	
10	TEMBANI DYANI	M	32	

**APPEDIX 5: EXAMPLE – PBR CALCULATION**

DaimlerChrysler South Africa (Pty) Ltd			
<b>COMPANY NOTICE</b>			
SUBJECT : <b>PBR CALCULATION: MAY 2005</b>			
	MBPC	Mitsubishi	Plant
<b>Cost: Plant overheads (Base = 2 weeks pa)</b>			
- Target			51.68
- Actual Achievement			51.53
- Achievement of overheads			99.71%
Payout - for 0.167 weeks (Max. = 150%)	101.90	101.90	101.90
<b>% Payout of 1 week.</b>	<b>17.02</b>	<b>17.02</b>	<b>17.02</b>
<b>On-time delivery: (Base = 4 weeks pa)</b>			
- Target	97	97.5	
- Actual Achievement	99.8	97.06	
Payout - for 0.333 weeks (Max. = 150%)	150.00	79.76	134.44
<b>% Payout of 1 week.</b>	<b>50.00</b>	<b>26.59</b>	<b>44.81</b>
<b>Quality: (Base = 4 weeks pa)</b>			
- Target APA	0.25	0.28	
- Actual Achievement	0.14	0.24	
Payout - for 0.333 weeks (Max. = 200%)	200.00	200.00	200.00
<b>% Payout of 1 week.</b>	<b>66.67</b>	<b>66.67</b>	<b>66.67</b>
<b>Total % contribution of 1 week:</b>	<b>133.68</b>	<b>110.27</b>	<b>128.50</b>
<i>If on time delivery is achieved and Quality not, no payment will be made for both elements.</i>			
Actual Production volume	3258	927	4185
Expressed as %	77.8%	22.2%	100%
<b>Note: Payout will be made on the 15 June 2005 for Hourly paid employees and on the 25 June 2005 for Salaried Staff employees (B 6 &amp; 7).</b>			
 <b>J. FOLLMANN</b>		 <b>G. LUCHWABA</b>	
DISTRIBUTION: <b>ALL EMPLOYEES</b>		DATE: <b>08/06/05</b>	REF: <b>CN057/2005</b>
TO BE DISPLAYED <b>30 June 2005</b>		PAGE: <b>1 of 1</b>	