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THE RELATIONSHIP BETWEEN INDIVIDUAL NEEDS AND THE CHOICE OF
INCENTIVE SCHEMES IN THE SOUTH AFRICAN BREWERIES

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

MASTERS IN BUSINESS ADMINISTRATION

of

RHODES UNIVERSITY

(RHODES INVESTEC BUSINESS SCHOOL)

by

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4 December 2006

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Declaration

I, Allan Jeffrey Long, hereby declare that this research thesis is my own original work, that all reference sources have been accurately reported and acknowledged, and that this document has not previously, in its entirety or in part, been submitted to any university in order to obtain an academic qualification.

A.J. Long

1 December 2006

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Abstract

After careful review of all the relevant literature pertaining to motivation, performance management and compensation in the form of incentives, this thesis focuses primarily on determining whether a statistically significant relationship exists between individual needs and the choice of an incentive scheme option. The secondary aims of the research are to determine whether:

- A relationship exists between the job grade of an individual and the choice of an incentive scheme.
- A particular incentive scheme option is preferred by the employees in The South African Breweries (SAB).
- A particular preference exists, and if so, to make recommendations to SAB for consideration as alternatives to their existing incentive scheme options.

After collation of the survey data from the respondents in the sample, the analysis and discussion of the results determined that no significant relationship exists between individual needs and the choice of an incentive scheme option. It was, however, determined that a significant relationship exists between the grade of the employees in SAB and their choice of an incentive scheme. 81% of all respondents indicated a desire for shares as an option in their Short Term Incentives (STI) which indicates a desire for shares in some form or another and may well indicate a level of confidence and commitment by the employees to the organisation.

Although the research hypothesis was not proven, significant insights into remuneration within SAB was obtained, which has resulted in recommendations being made for further research into the option of shares in some form or another in the organisation. A further recommendation for SAB is to consider some form of share options for all employees in the organisation. As many other organisations that are performing at remarkable levels attest this performance to share ownership and the behaviour that emanates from it, it would be in the interests of SAB to further investigate the issue as it may improve performance, ownership and retention within the company.

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CHAPTER 1: INTRODUCTION

1.1 Context

In the 21st century, amid accelerated globalisation and continued trends of mergers and acquisitions, organisational structures remain composed of departments, teams and individuals. For these organisations to succeed these different levels need to be aligned to a common vision and mission guided by common values (Hitt, Ireland and Hoskisson, 2005). In the global business world organisations are continually striving to improve their return to their shareholders through profit maximisation to ensure future commitment and funding to support their growth (Hitt, et al., 2005). It is in this quest for profit maximisation that companies are continually trying to improve the performance of their employees within their organisations. Hitt et al. (2005) argue that reactive methods of cost cutting only support short term profitability while more long term, sustainable interventions support the business objective of profit maximisation.

One of the key interventions gaining momentum worldwide is that of human capital development within organisations (Heskett, Sasser and Schlesinger, 1997). Heskett et al. (1997) conclude that an organisation could only generate sustainable growth and profit by creating an environment conducive to delivering service quality to its people, which in turn would deliver loyalty, productivity and ultimately service quality to the organisation's customers. It is through this human capital development in the search for profit maximisation that performance-based management has emerged, as organisations strive to achieve the best possible performance from their employees (Amos, Ristow and Ristow, 2004).

There are many performance management systems that are used and the correct choice of system is determined by what will achieve the best performance from the employees within that organisation. It is within these performance management systems that compensation often plays a vital role in driving the performance of employees to deliver their best. In the psychological contract between employer and employee, the economic relationship forms the basis of the relationship. Compensation for employment provides the employee with the means to satisfy their needs, ranging from basic needs of food and water to higher level needs that satisfy ego and allow one to actualise.

Therefore the role of compensation in a performance management system can be used to motivate individuals to perform at a higher level. Based on this it is imperative that organisations ensure they are providing the best compensation package to maximise performance within the organisation. It is not only about organisational or team based performance, but more importantly individual performance management within these teams.

The purpose of compensation systems is to motivate employees to perform at their best by rewarding them equitably, which in turn strengthens retention of those employees. Compensation can either be direct in the form of wages, salaries and incentives, or indirect in the form of legal benefits required by law as well as other benefits provided by the company to retain employees. The intention of incentives is to encourage performance by rewarding employees for achieving the goals of the organisation. If incentives are used to encourage performance in an organisation, then it is important that the type of incentives offered is aligned to the needs of that organisation's employees. It is in this form of direct compensation that the researcher will attempt to determine whether a relationship exists between the individual employee needs and the choice of incentive schemes.

The key is how to enhance and improve the performance of individuals by ensuring the correct type of incentive compensation scheme is selected to ensure maximum performance against specific goals (Locke and Latham, 1984). Locke and Latham (1984) advocate that the level of performance in an individual is aligned to an expectation of a specific reward or outcome, and that the reward must be aligned to the performance achieved. Vroom's Expectancy theory is based on the argument that the strength of an individual's motivation to act and exert effort is dependent upon the person's perceived probability that the behaviour will result in a desired outcome, and on the value of the outcome to the person (Lawler, 1994). Simplified, this means that whether an individual will choose to achieve an organisational goal or not is based on whether satisfaction or dissatisfaction of the expected performance reward is anticipated.

To be able to understand what can be used to improve performance one needs to determine what influences the required behaviours in people so that one can begin to influence these behaviours. Maslow's theory (1954) argues that behaviour is driven by human needs. These needs are aspects of people's lives that require fulfilment and therefore drive behaviour to

attempt to satisfy that need. Maslow proposed that there are five levels of needs and these needs are based on a satisfaction-progression assumption, which means that a particular lower order need must be satisfied before one can progress to a higher order need. If a need becomes satisfied a person is no longer motivated by that need and therefore needs to progress to a higher order need. Herzberg (1968), however, argued that if one focuses on lower order needs, the “best” state one will achieve is one of no dissatisfaction, as satisfaction only emerges from the addressing of higher order needs.

By being able to identify those needs that initiate and direct behaviour one can begin to develop appropriate rewards to satisfy those needs. The identification of an individual’s needs can assist in developing rewards which are in line with those needs requiring satisfaction. Incentives are often the reward for performing or achieving organisational goals. If the reward for performance is incongruent with individual’s needs, then it would often lead to frustration, conflict and failure (Argyris, 1957). It is in the positive outcomes of rewards that the researcher hopes to establish whether specific needs would influence a choice of a particular incentive scheme option, so as to secure that reward, and in turn satisfy that need. This would support or reject the argument whether to include shares as a form of incentives or not. It is in this quest for improved individual performance that the researcher hopes to identify whether a person’s needs at a point in time would have an influence on their choice of an incentive scheme.

The notion of shares driving improved performance and improved organisational performance is supported by many successful organisations, including General Electric, where Jack Welch advocates their success to that of share ownership among other criteria, which improved performance and resulted in sustainable growth of above average returns for their organisation (Bartlett, 2002). In a South African context this is supported by the recent decision by AngloGold, a multi billion rand organisation, to introduce a share scheme to the lowest levels of the organisation (J. Brown, in the *Cape Times* (p3), 3 October 2006). Another billion rand South African company in the IT sector, Axis, attribute their success to every employee in the company owning shares in the organisation, which has supported its 30% compound annual revenue growth over the last 16 years, as well as zero shrinkage and 98% staff retention (Ryan, 2005).

The topics of motivation, performance management and compensation in the form of incentive schemes need to be investigated so that an attempt can be made to answer key questions regarding whether:

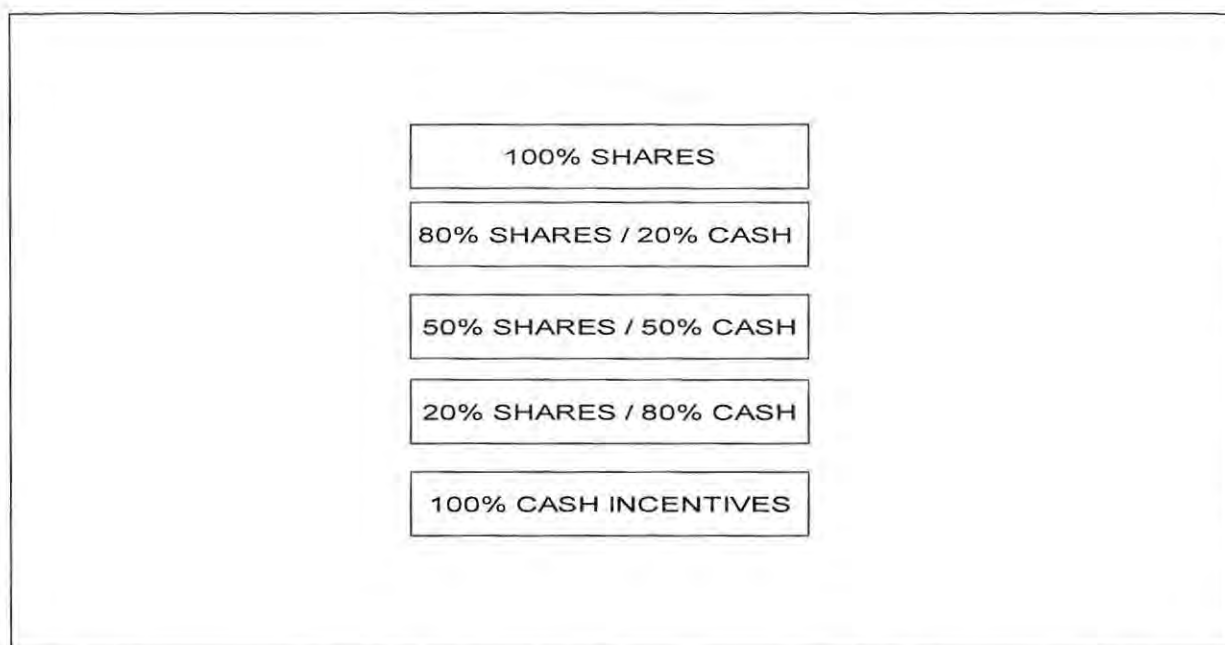
- A relationship exists between the needs of an individual and their choice of a particular incentive scheme option.
- A relationship exists between the job grade of an individual and the choice of a particular incentive scheme.
- A particular incentive scheme option is preferred by the employees in SAB.
- A particular preference exists, and if so, to make recommendations to SAB for consideration as alternatives to their existing incentive scheme options.

The research will first determine the level of needs in each individual according to Maslow's hierarchy of needs and then analyse whether a relationship exists between these individual needs and the choice of incentive scheme options. Once this has been established, the other objectives will be investigated.

The value one places on these rewards is related to individual needs (Vroom, 1964), which supports the argument of determining whether a relationship exists between individual employee needs and the choice of incentive schemes. Therefore if the behaviour of exerting more or less effort to perform is determined by whether the outcome of the performance has a positive or negative valence, then by offering a choice of incentive schemes to individuals with different needs may result in the desired behaviour to improve performance.

As these rewards drive behaviour, it is important to establish which types of incentives, cash or shares, or a combination of the two would have the greater impact on behaviour. For this reason the research involved a combination of five cash or share options for the sample to make their selection from. This selection was based on a cross-section of options ranging from cash only through combinations of cash and shares to shares only, as depicted in Figure 1 below.

Figure 1: Selection of cash and/or share options



As SAB is continually searching for new, more effective ways of doing business, the findings could be used to assist in making appropriate decisions regarding the offering of incentive schemes in the future to attempt to improve individual performance, team performance and ultimately organisational performance. The possibility also exists that if the SAB employees are more satisfied with the incentive scheme offered, they may be more committed and remain with the organisation for a longer period of time.

1.2 The South African Breweries Limited

SAB are the brewers and marketers of fine quality malt beverages in South Africa and the company was established in 1895. SAB Limited is part of the second largest brewer by volume in the world, namely SAB Miller, which is a FTSE 100 company listed on the London Stock Exchange and has over 111 breweries worldwide (SAB, 2006). SAB comprises five regions strategically mapped across the country to ensure that the supply and demand of the South African population is met.

SAB's vision is to be the most admired company in South Africa. Aligned to this is its mission to own and nurture local and international brands which are the first choice of the consumer.

Supporting this vision and mission are the values of the organisation (SAB, 2006), namely:

- Our people are our enduring advantage.
- Accountability is clear and personal.
- We work and win in teams.
- We understand and respect our customers and consumers.
- Our reputation is indivisible.

SAB is currently the most admired company in South Africa, a position it has held for the past two years (Whitfield, 2006). Coupled with this impressive achievement, the organisation has performed remarkably well in the “best company to work for” surveys conducted by Deloitte over the last few years (Deloitte 2006). In 2001, 2002 and 2003 SAB held the coveted top position in this survey, but has slowly begun to lose this enviable position by achieving 3rd in 2004, 6th in 2005 and finally ending in 11th position in 2006. To ensure that its people are its enduring advantage, the organisation may have to consider alternative means to ensure that its people continue to see it as the best company to work for, or this advantage may be lost.

One of the methods used by the organisation to ensure that its people are satisfied is a comprehensive performance management system, which aims to reward individual employees as well as teams for excellent performance. Performance management is an element of the company’s Integrated Management Practices (IMP). The IMP process is the broad process name given to all the human resource processes that are used in the organisation to manage performance within it. The IMP process includes one-on-ones, individual development plans, career development plans as well as the performance management process used in SAB to develop individuals within teams.

The performance rating from these performance reviews are used to decide the employee’s annual compensation increase and have a multiplier effect on the individual’s Short Term Incentive scheme (STIs) in the case of management.

Performance is a key driver in SAB and a comprehensive performance-based system is used by the company. The performance review for all employees is conducted bi-annually, once as a preliminary review and then a final performance review at the time of salary negotiations. These performance reviews are based on an individual's performance within his/her team and have recently been criticised due to the fact that often an individual's performance is a function of the team's performance (Long and Cupido, 2006). This has led to individuals being rated with the team's performance rating, which has had a negative impact on individual performance.

Each employee is also mapped on the People's Balance Sheet (PBS) according to potential as well as their current performance level so that the leadership of the company has an overview of potential cover for positions within the company, both locally and globally. The people's balance sheet works in much the same way as a financial balance sheet, which indicates an organisation's assets and liabilities, while the PBS indicates assets and liabilities of its human capital. It maps employees against performance and potential so that prospective cover for positions can be ascertained while highlighting risks in other positions due to promotion or retention issues.

It is clear that the human resource systems and processes take cognisance of all the important people management issues, as recommended by a variety of literature. This thesis is not intended to redefine these processes, but rather seeks to challenge whether the incentive schemes in SAB are what employees want, so that they are the best option to maximise performance in the organisation.

1.3 Research objective

The primary goal of the research is to determine whether:

- A relationship exists between the needs of an individual and their choice of a particular incentive scheme option.

The secondary goals of the research are to determine whether:

- A relationship exists between the job grade of an individual and the choice of a particular incentive scheme.

- A particular incentive scheme option is preferred by the employees in SAB.
- A particular preference exists, and if so, to make recommendations to SAB for consideration as alternatives to their existing incentive scheme options.

1.4 Thesis outline

The study is divided into seven chapters, which begin with this introduction, followed by an in-depth analysis of the literature surrounding motivation, performance management and compensation in the form of incentives. Chapter 5, the research methodology chapter, details the process followed in undertaking the research, resulting in the analysis and discussion of these results with reference to the literature in Chapter 6. Chapter 7 concludes the thesis with recommendations for future research.

1.5 Conclusion

The following chapter investigates motivation, its role, nature and importance within organisations and the impact of individual needs on motivation. It also investigates the various needs theories to gain a thorough understanding of the subject to support the choice of Maslow's hierarchy of needs as a basis for determining individual needs. Once the relationship of individual needs and motivation have been established, the subsequent chapters will investigate how performance management can assist in improving motivation and how compensation, more specifically incentive schemes, can be used to motivate individuals.

CHAPTER 2: MOTIVATION

2.1 Introduction

To determine whether an individual's needs would influence his/her choice of incentive schemes requires that one understands what motivates people to perform and what drives these behaviours. This chapter aims to investigate the role, nature and importance of motivation in determining individual behaviour, with the aim of determining whether a relationship exists between individual needs and the choice of incentive schemes. The chapter will also give an understanding of the various needs theories and an integrated view of these theories, as well as creating an understanding of the relationship between motivation, compensation and reward systems (Steers and Porter, 1975).

Motivate, as defined in the Collins concise dictionary (1988: 741), is "to give incentive to". Simply defined, motivation is the willingness to exert high levels of effort toward organisational objectives, conditioned by the effort satisfying some individual need, and differs between and within individuals at different times (Robbins, 1998). "Motivation is an important factor in initiating, guiding, sustaining, and stopping behaviour" (Amos, et al., 2004:150).

One of the main challenges of management today is to motivate employees to perform and improve their productivity. As we all know, it is extremely difficult to motivate oneself and it is no surprise then that the task of motivating others is a difficult and complex one (Leidecker and Hall, 1974). Robbins (1992) concludes that motivated employees exert greater effort to attain performance targets than those who are not motivated. Individuals join organisations in the hope that their needs will be satisfied, and if these needs are no longer satisfied, the individual will no longer remain in the organisation (Amos, et al., 2004).

2.2 The importance of motivation

Historically there have been two major approaches to solving the motivation puzzle. Management can motivate people to work by fear, by being tough (Reis and Pena, 2001), or it can motivate people by understanding, by being good. The "be tough" approach provides no incentive for employees to work harder, but there is a great deal of employee satisfaction in

making management look silly. Time and energy is spent on outsmarting one another in a political game, which stifles productivity and creativity (Reis and Pena, 2001). The approach of being tough is outdated and far more organisations are motivating employees through understanding, and it is hopefully through this understanding of individual needs in SAB, that the company can design an incentive scheme that suits the needs of the sales force.

Steers and Porter (1975) suggest that motivation has risen in importance for the following reasons:

- De-motivated employees are not as productive as motivated employees.
- Compensation and reward systems have an influence on motivation and organisations need to understand the relationships between these variables.
- Organisations need to be able to motivate their employees within ever changing times.
- Organisations at the forefront of technological advances are better positioned to achieve their goals.

Reis and Pena (2001) suggest that to change the way in which employees are motivated depends on the willingness of these employees to accept this change with enthusiasm and that the change is implemented with care. Managers need to seek to understand what drives the willingness so that they can better understand their employees, to deliver performance and productivity. This is further supported by Leidecker and Hall (1974), who suggest that the theory of motivation is good theory, but that it is poorly applied by many organisations, which often leads to its failure.

2.3 The motivation theories

The numerous motivational theories that have been developed can be classified into two broad categories, content or needs theories and process theories (Gibson, Ivancevich and Donnelly, 2000). The needs theories focus on the individual factors within each person that initiate, guide, sustain and stop behaviour. Process theories on the other hand, as the name implies, explain the process of how behaviour is initiated, directed, sustained and stopped (Amos, et al., 2004). The theories of Maslow and Herzberg are regarded as the early theories, while the

goal-setting, reinforcement, expectancy and McClelland theories are seen as more contemporary theories (Robbins, 1992).

The key motivational needs theories that will be discussed are Maslow's needs theory, Alderfer's ERG theory, Herzberg's motivational-hygiene theory and McClelland's needs theory. These theories are not only the most well known, but are also very specific to the review of what motivates people in today's business environment (Alderfer, 1969). The need theories are important to managers as they must be aware of both employee needs and how to satisfy those needs. The key process theories include Skinner's reinforcement theory, Goal-setting theory and Vroom's expectancy theory. The process theories are important to managers as they need to understand the process of motivation and know what to do to influence the choices that individuals make in the process (Amos, et al., 2004). These processes include compensation systems, which include whether organisations make use of cash or shares as incentives.

Although Gibson et al. (2000) categorise the motivation theories as needs and process theories, Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw and Oosthuizen (2001) categorise the motivation theories into four main categories:

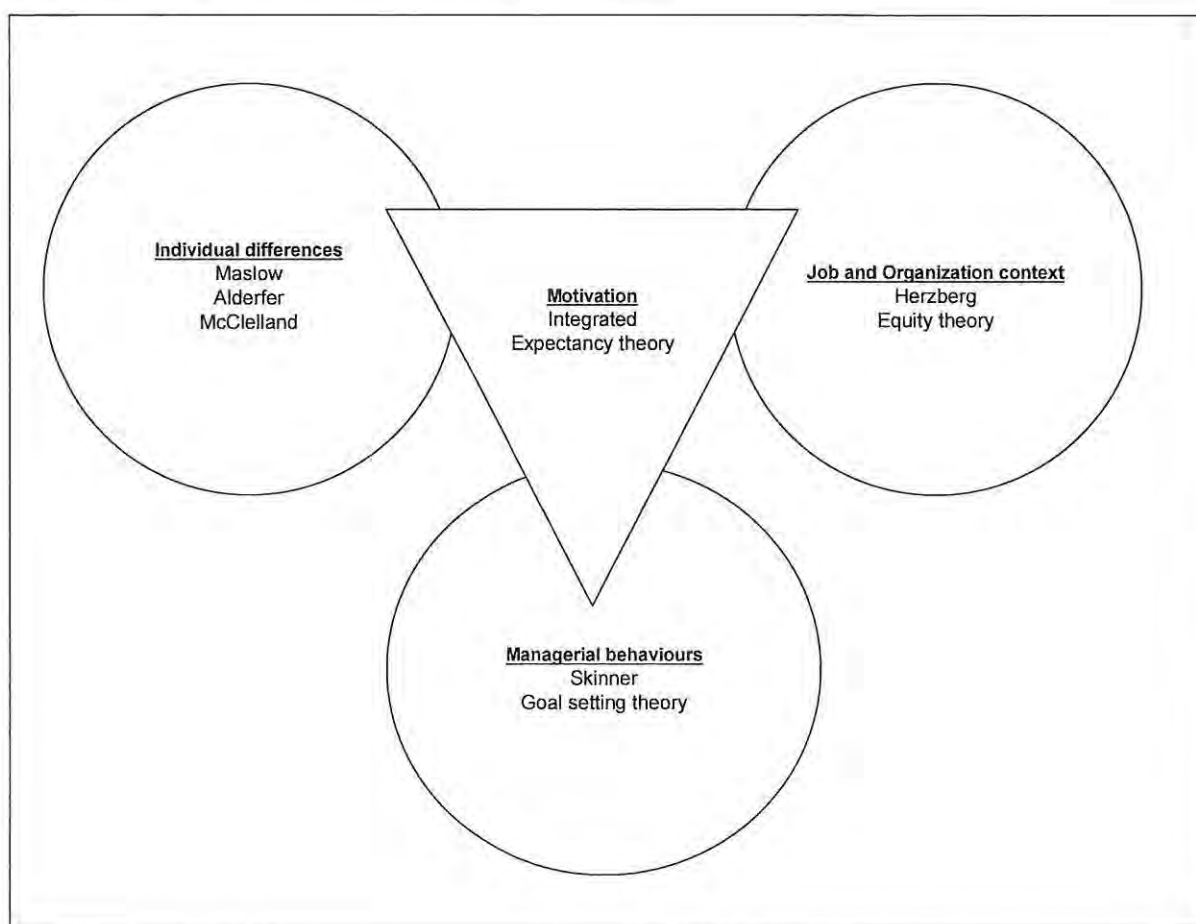
- Individual differences theories
- Job and organisational context theories
- Managerial behaviour theories
- Integrated theories

Theories on individual differences refer to the theories of Maslow, Alderfer and McClelland, and focus on the different things that motivate individuals. Job and organisation context theories refer to the theories of Herzberg and Adams, which focus on the aspects of an organisation that determine whether the organisation has created equal opportunity and whether it allows its individuals to develop and grow. The managerial behaviour theories refer to the theories of Skinner and Locke, which focus on how goals and rewards can be used to

improve performance and productivity in organisations. The integrated theories consider all the aspects of motivation and integrate all of the other theories in some way or another.

Hellriegel et al. (2001) suggest that the integrated theories integrate various aspects of the three other categories of theories to create a more integrated view of motivation, as depicted in Figure 2.

Figure 2: An approach to understanding motivation

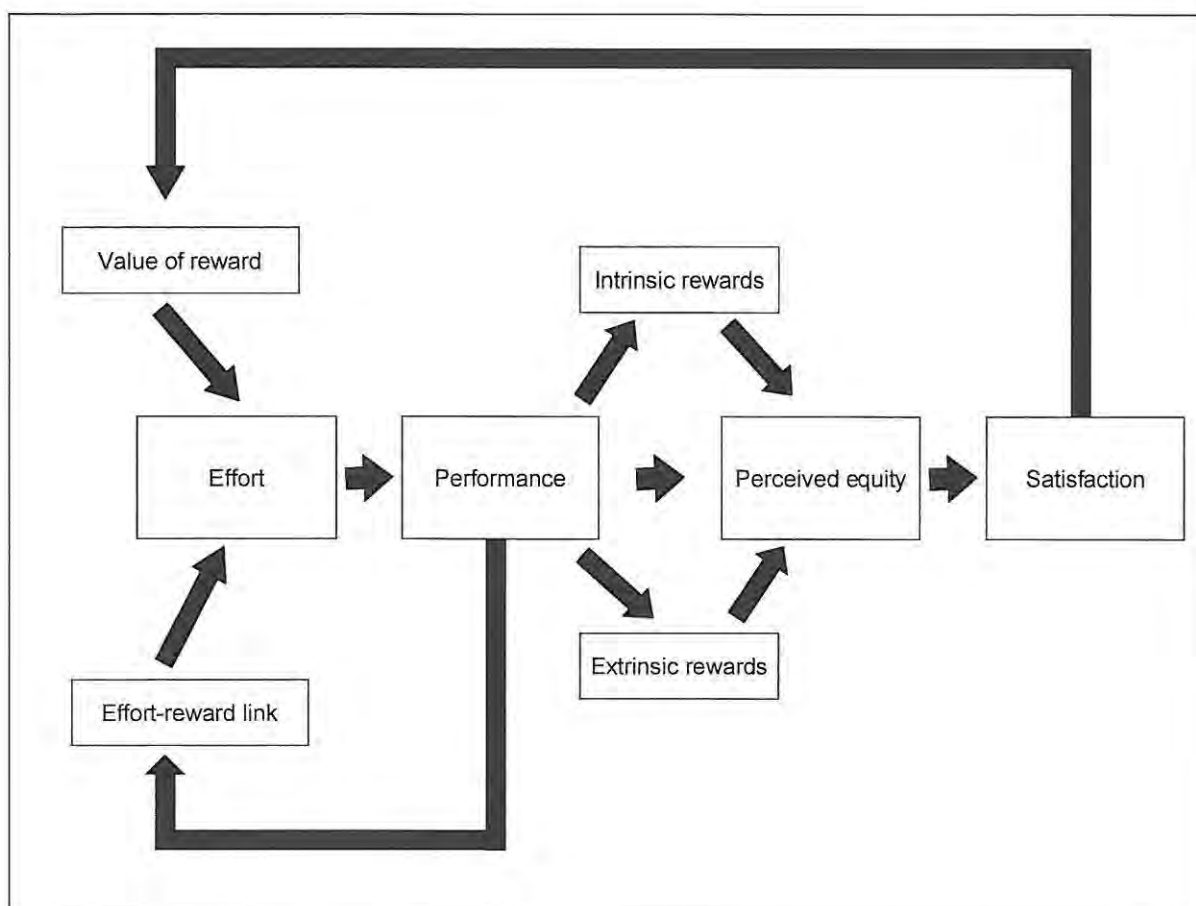


Source: Adapted from Hellriegel et al., 2001.

To be able to holistically consider the role, nature and importance of motivation, a thorough understanding of the integrated expectancy model is required (Porter and Lawler, 1968). This model integrates the individual difference theories, the organisational context theories and the managerial behaviour theories.

The Porter-Lawler model recognises that performance and satisfaction are related although different (Figure 3). The model suggests that if individuals are rewarded appropriately for performing, then they will feel more satisfied. The basic outline of the model is that individuals will exert effort if they believe that it will lead to a reward and if the individual recognises enough value in the reward. The individual's performance can be rewarded either with extrinsic rewards or intrinsic rewards. Extrinsic rewards refer, among other things, to salary, status and fringe benefits, while intrinsic rewards refer to personality satisfying outcomes such as achievement and development. Herzberg (1968) similarly referred to the extrinsic factors as hygiene factors and the intrinsic factors as motivating factors.

Figure 3: Integrated expectancy theory model



Source: Porter and Lawler, 1968.

In the model, individuals desire both the extrinsic and intrinsic rewards, but these individuals need to determine whether they are perceived to be equitable or not by evaluating the rewards. The model suggests that the level of satisfaction of an individual is determined by the

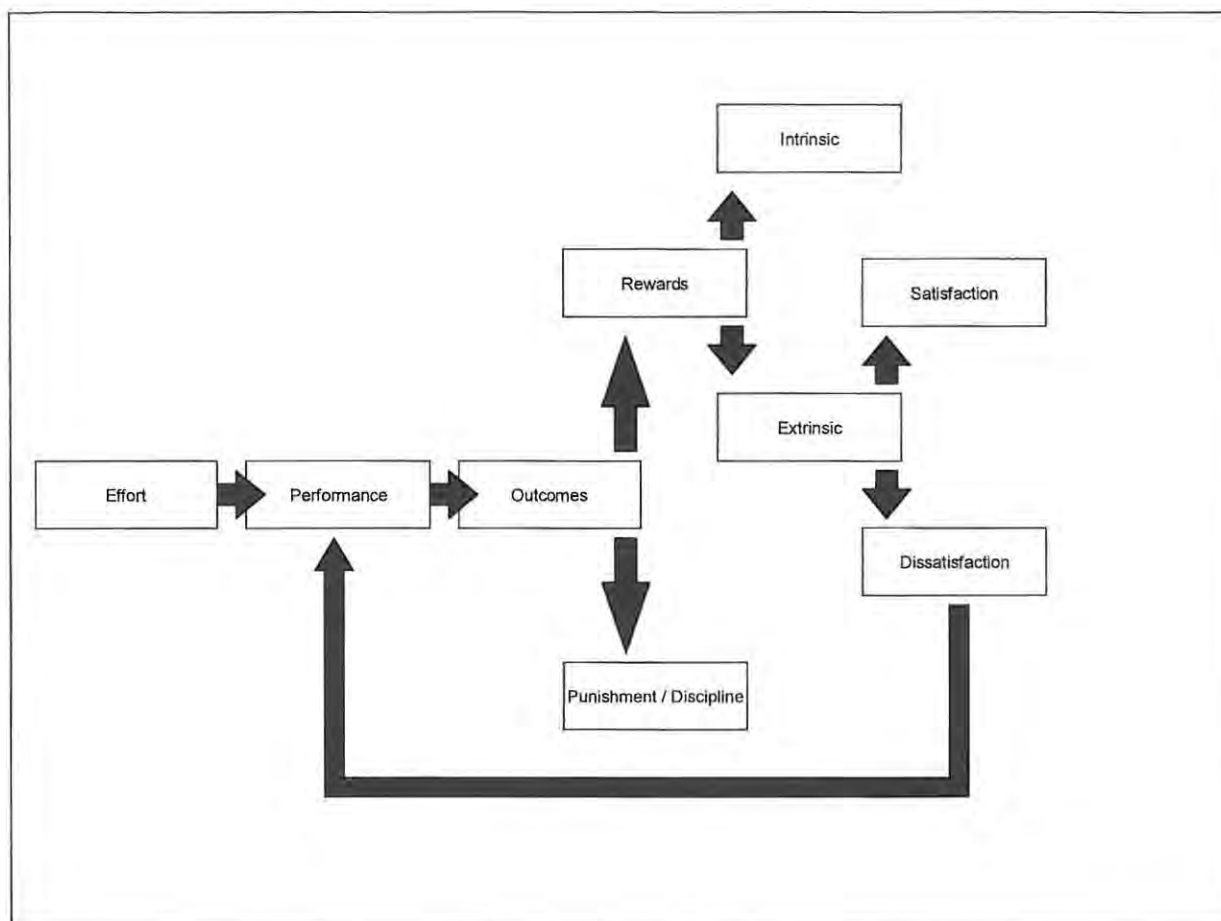
difference between the rewards received and the rewards they expected to receive. If the difference between the expected reward and the received reward is too big then it may lead to dissatisfaction, which would impact on the amount of effort in future work (Hellriegel et al., 2001).

If a desired reward is achieved through a combination of skill and effort, then the amount of effort could be determined by the reward being achieved. It is critical that we are able to influence the “effort” as this will drive performance. To be able to influence the “effort”, we need to understand the individual’s needs so that we can create the suitable reward for that individual to ensure the “best” outcome. These needs are not always material in the form of financial compensation, but may at times take the form of development or achievement. For this reason it seems logical to determine the needs of the people in the sales force so that one can begin to determine whether these needs are aligned with the type of incentive scheme available.

The outcome of an individual performing is that they would receive a reward and that reward needs to be equitable for them. These rewards could take the form of incentives or shares as a form of compensation for their performance, but would this be the case for individuals with higher order or lower order needs?

If performance is not rewarded, the system may have the opposite negative unintended consequences, which can lead to poor performance and de-motivation, as articulated in the diagram below (Figure 4). The outcomes of performance can either be in the form of reward or in the form of discipline or punishment. If the outcome of performance results in reward then these rewards can be focused on either intrinsic or extrinsic rewards. If the extrinsic rewards such as incentives are not perceived to be satisfactory, then the resultant impact on performance will be negative, as the amount of effort to achieve will be impacted upon.

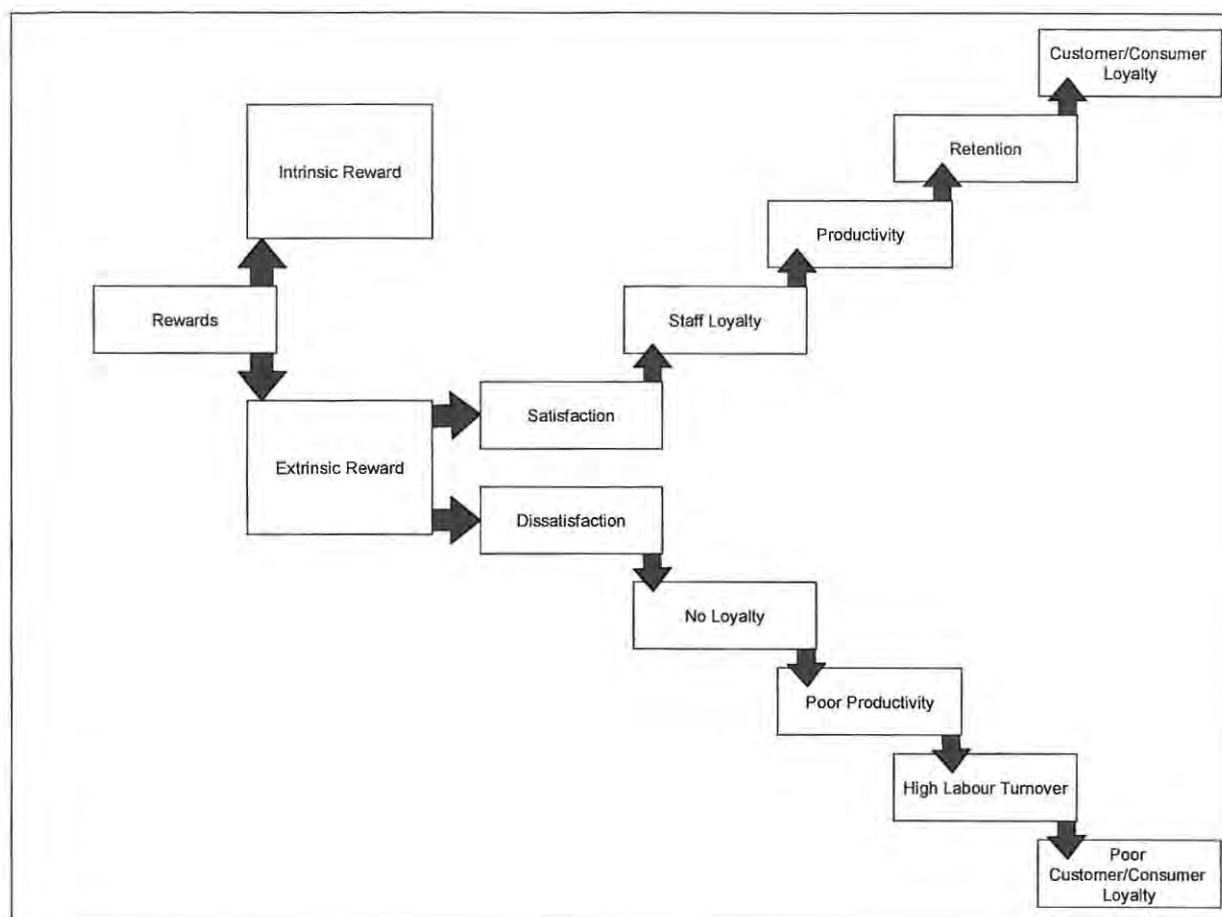
Figure 4: Consequence of dissatisfaction in the integrated expectancy theory model



Source: Adapted from Vroom, 1964 and Porter and Lawler, 1968

The extrinsic rewards lead to either satisfaction or dissatisfaction, which can lead to either positive organisational drivers or negative organisational drivers, as articulated below (Figure 5). The reality is that the final outcome of satisfaction or dissatisfaction has an impact or influence on customer and/or consumer responses, which could have a huge impact on the organisation's effectiveness. If the performance outcome results in satisfaction then it may impact positively on staff loyalty, productivity, retention and customer/consumer loyalty. However, if the resulted outcome is dissatisfaction, then it may have a negative impact on loyalty, productivity, labour turnover and customer/consumer loyalty (Figure 5).

Figure 5: Impact of satisfaction / dissatisfaction on organisations



Source: Adapted from Vroom, 1964 and Porter and Lawler, 1968

If these outcomes of rewards have such a drastic impact on organisational effectiveness, then the type of reward to satisfy the outcome should surely be aligned to the needs of the individual.

2.4 The motivation needs theories

2.4.1 Maslow's hierarchy of needs

Maslow's theory of motivation is arguably the most well known and accepted theory of motivation and is regarded as one of the main contributors to the understanding of human motivation (Alderfer, 1969). Maslow's theory determined that behaviour is driven by human needs and that these needs take the form of a hierarchy (Maslow, 1954). For an individual to progress to the next level of the hierarchy, one would first need to have satisfied the current need that exists. For example, one would first have to satisfy one's physiological needs such as salary before one could progress to the safety needs such as fringe benefits.

These needs are aspects of people's lives that require fulfilment and therefore drive behaviour to attempt to satisfy that need. The theory proposed that there are five levels of needs and these needs are based on a satisfaction-progression assumption, which means that a particular lower order need must be satisfied before one can progress to a higher order need. If a need becomes satisfied a person is no longer motivated by that need and therefore needs to progress to a higher order need. This higher order need therefore emerges as the primary motivator of behaviour. Empirical research by Arnolds (1999) supports this. His research noted a definite progression from lower order needs to higher order needs as employees progress up the organisational ladder. Arnolds (1999) also confirms that understanding the origin of needs and finding ways of satisfying these needs could significantly improve the impact on the bottom line in organisations.

The five levels of needs as indicated by Maslow (Maslow, 1954) are:

- Physiological or basic needs
- Safety or security needs
- Social needs
- Ego needs
- Self-actualisation needs

Maslow's needs are often depicted in the form of a triangle, with the higher order needs situated at the top of the triangle and the lower order needs situated in the lower levels, as depicted in Figure 6 below. This triangle concept also relates to organisational structures where the majority of employees are in the lower levels of the organisation, while management are found in fewer numbers as one rises to the top of the organisation.

Figure 6: Maslow's hierarchy of needs



Source: Hellriegel et al., 2001.

The basic needs, safety needs and social needs are often referred to as the lower order needs. Physiological needs or basic needs are the lowest level of needs that need to be satisfied to survive, and include basic working conditions, salary, clothing, food, lighting and other basic necessities. In the workplace these needs are often associated with pleasant working conditions, increase in salary and similar necessities. Safety needs are those needs that are reflected in the need for security, which include safe working conditions, job security and fairness. In the workplace safety is often in the form of safety with respect to pension, worker compensation and insurance. Social needs emerge from the desire for the affection and friendship of others and include acceptance and belonging.

The two remaining needs, that of ego-status and self-actualisation, are referred to as the higher order needs. Ego needs involve the desire for status and respect from others as well as confidence, self-respect and recognition, which include job title and peer recognition (Amos, et al., 2004). Safety needs are concerned with individual's need for achievement and recognition from their managers and peers. In receiving recognition for their contribution, these individuals display their competence to others as well as making others aware of their worth to an organisation. These individuals should be rewarded publicly for their contributions and require challenging and exciting work to keep them motivated (Hellriegel, et al., 2001).

Self-actualisation refers to an individual's need for self-realisation and is the peak of the hierarchy of needs. It includes a challenging job, freedom for innovation and growth opportunity. Maslow (1943:69) stated that "what a man can be, he must be". These individuals must receive training and development that will further develop their potential within the organisation and keep them stimulated and committed.

At Work Research determined that one needs to look at both the upper and lower level needs, because if upper level needs are being attended to and the lower level needs are ignored, then the intervention will not yield the required return on investment (Stum, 2001). AON consulting has developed a performance pyramid with five levels, which include safety and security, rewards, affiliation, growth and work-life harmony (Stum, 2001). Safety and security involves the person feeling physically and psychologically safe in his/her work environment. Rewards involve the extrinsic rewards in compensation and benefits, while affiliation refers to the sense of belonging.

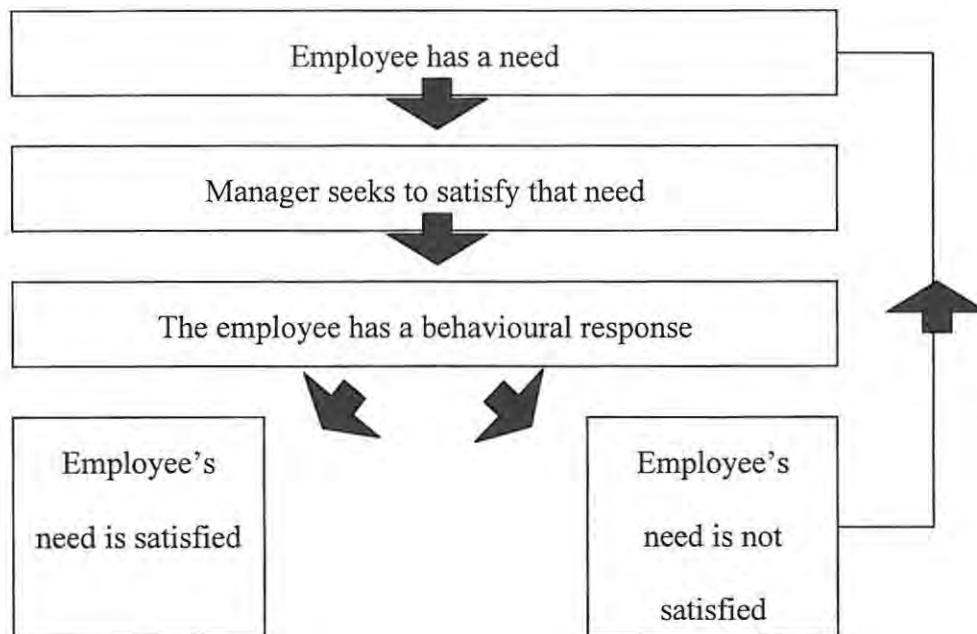
By being able to identify those needs that initiate and direct behaviour we can begin to develop the correct rewards to satisfy those needs. Understanding where a person currently lies with respect to his/her needs can assist us in developing rewards which are in line with that person's needs that still need to be satisfied. If the demands on an individual are incongruent with that persons needs then it would often lead to frustration, conflict and failure (Argyris, 1957).

Critics have suggested that Maslow's theory needs to be updated based on the needs of today's society and due to the enormous change in educational and managerial fields. It has been considered that the shape that depicts the hierarchy of needs, the triangle, needs to be altered. The argument regarding the shape deals mainly with levels four and five, which are self-esteem and self-actualisation (Kiel, 1999). Self-actualisation is defined as "a process of becoming", "the process of development which does not end" (Heylighen, 1992: 41), and "being a mature, fully human person in whom the human potentialities have been realised and actualised" (Mittleman, 1991: 116).

If we consider these definitions, it is evident that if actualisation does not end, then why is the triangle closed? As actualisation is an evolving process, it should not be confined, but open and endless. The open-ended triangle allows for lifelong learning, the acceptance of the changing environment we find ourselves in and the importance that self-actualisation evolves with the ever-changing world and societies we operate in (Kiel, 1999). It is also important to understand that a person's cultural background will have an influence on the particular person's needs, which drive his/her behaviour. Culture is clearly crucial in South Africa, as we have a huge cultural diversity with eleven officially recognised languages within a new and fragile democracy.

We need to acknowledge that people's needs are different, that people are unique and that their needs may change over time. Once this has been accepted, only then can we begin to influence their behaviour. We need to be able to influence this behaviour by designing a specific reward which suitably motivates that which drives individuals to perform at a specific level. This can be illustrated by the sequence of events where an individual has a need which management has to satisfy. If the needs of the employee are not satisfied then the employee will continue to have that need and unless management propose another alternative, the need will remain. The behavioural response to the solution provided by management is either satisfaction or dissatisfaction (Figure 7).

Figure 7: Behavioural responses



Source: Adapted from Tozi, Rizzo and Carroll, 1994

2.4.2 Alderfer's theory

Another need-based theory was developed by Clay Alderfer (1969), who also looked at motivation from a needs perspective. Instead of five categories of needs, his theory specifies three needs categories, namely Existence, Relatedness and Growth theories (ERG). Maslow's theory is based on the satisfaction-progression theory while Alderfer's ERG theory, while recognising Maslow's satisfaction-progression hypothesis, contributed the frustration-regression hypothesis (Gibson, Ivancevich and Donnelly, 2000). Alderfer's theory argued that when a person is frustrated in meeting a higher-order need, the next lower-order need re-emerges and this lower-order need has an influence on the person's behaviour. The important aspect of this theory is that it accepts that the frustration-regression element exists and that if we can understand and identify what causes this frustration-regression, then it can assist in developing appropriate rewards to prevent it from occurring.

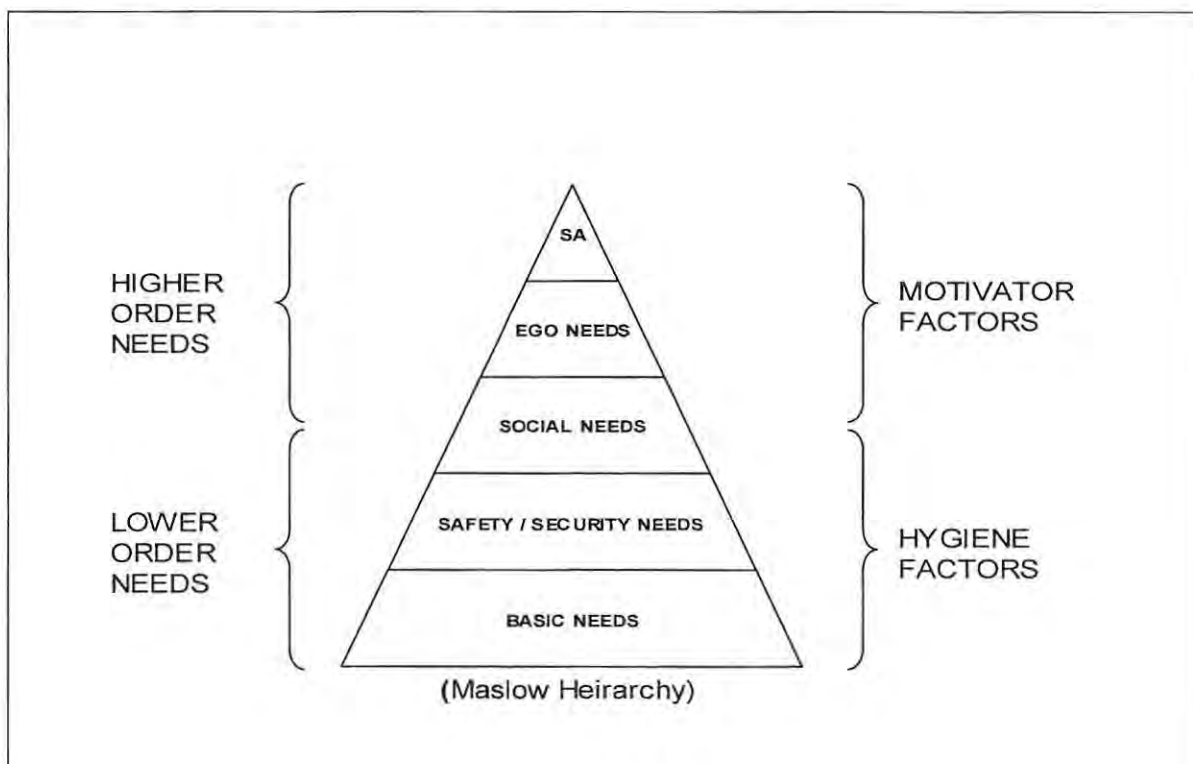
2.4.3 Herzberg's motivation-hygiene theory

Herzberg's motivation-hygiene or two-factor theory is another needs theory which determined that the factors of satisfaction are quite different to those of dissatisfaction (Herzberg, 1968). Herzberg determined that when a person feels dissatisfied with their job, it stemmed from

environmental or hygiene factors such as working conditions, pay and supervision. The term “hygiene” referred to “maintenance” and he drew the analogy to the maintenance of one's health and that if neglected it would result in illness and poor performance in the work environment. By ensuring that the policies and the working environment do not result in dissatisfaction one can start to create an environment of satisfaction, but it must be noted that this is merely maintenance and cannot be used as a means of increasing individual job satisfaction or performance (Herzberg, 1968).

Hertzberg's research revealed that only the ego-status and self-actualisation needs served as motivation to work effectively and that these upper need levels (motivators) are the factors underlying job satisfaction. Similarly he identified the lower levels as hygiene or maintenance factors, which were potentially de-motivators rather than motivators (Hall and Williams, 1986). If we overlay Maslow's hierarchy of needs with Herzberg's model, the upper two and a half levels are referred to as the motivator factors and the bottom two and a half levels are referred to as the hygiene factors (Hall and Williams, 1986) (Figure 8).

Figure 8: The Maslow and Herzberg theories combined



Source: Hall and Williams, 1986.

People preoccupied with motivator needs are motivation seekers and those preoccupied with hygiene factors are referred to as maintenance seekers (Hall and Williams, 1986). Maslow's theory then suggests that there is a natural upward trend in the hierarchy, but if people are more concerned with maintenance factors, it may be due to organisational practices that are making it more difficult for the natural upward progression (Hall and Williams, 1986).

Empirical research in South Africa by Arnolds and Boshoff (2000) assessed the causal relationship between Maslow, Alderfer and McClelland's motivational theories on the one hand and employees' job performance on the other. The results of this research reveal that employees' job performance can be significantly increased by satisfying the higher order needs and existence needs for top and middle managers, and the lower order needs and achievement needs of frontline employees (Arnolds and Boshoff, 2000).

2.4.4 McClelland's theory

The final theory is that of McClelland, who like Maslow and Alderfer saw motivation in terms of needs, but unlike Maslow and Alderfer, did not see the needs in the form of a hierarchy in which individuals move up or down (McClelland, 1961). McClelland determined that individuals learn needs, or what he called motives, by interacting with others in their social environment. He specified three categories of motives, namely the need for achievement, the need for power and the need for affiliation. If we can identify these needs, we can then set about trying to meet these needs and because McClelland draws attention to the idea that needs are learned, it implies that we can use training and development as an intervention to develop needs to meet the needs of the organisation (McClelland, 1961).

2.5 The motivation process theories

2.5.1 Skinner's reinforcement theory

The process theories describe the process by which behaviour is initiated, guided, sustained and stopped (Gibson, et al., 2000). The key theories include Skinner's reinforcement theory, Adam's equity theory, Locke's goal setting theory and Vroom's expectancy theory. Skinner's reinforcement theory is more of a learning approach as it provides insight into the way people

learn, but also provides insight into what influences behaviour and what tools we can use to motivate people (Skinner, 1974).

The argument underlying this theory is that reinforcement conditions behaviour and that both positive and negative reinforcement increase the likelihood of behaviour being repeated. Skinner also alluded to behaviour being influenced by punishment or the use of a negative consequence to prevent behaviour. This theory states that behaviour is a function of consequences, whether these are positive or negative. It suggests that if positive consequences follow behaviour, then the behaviour is more likely to be repeated. It can then be said that if organisations focus on the consequences of certain behaviour, it will allow them to influence the behaviour. Compensation and more specifically incentives are seen as positive reinforcement as the reward of these incentives is the consequence of certain behaviour. This theory has relevance to the research as incentives will reinforce positive behaviour, which would increase effort, resulting in improved performance behaviour.

2.5.2 Equity theory

Adam's equity theory describes the process an individual follows in determining the equity of treatment in the workplace (Adams, 1963). This theory, unlike others, describes motivation in terms of interpersonal comparisons and not in terms of intrapersonal comparisons (Tozi, et al., 1994). Inequity in an organisation can involve underpayment inequity where a person feels they are getting less out than another person for the same amount of work. As perceptions are powerful we must ensure that rewards are consistent with performance and that a clear policy is followed, which is both transparent and equitable.

2.5.3 Goal-setting theory

The goal-setting theory (Locke and Latham, 1984) argues that the sources of work motivation are conscious intentions, which are goals or objectives that a person aims to achieve. Unlike reinforcement theory, goal-setting theory focuses on the aspirations of individuals through the setting of goals which are challenging yet achievable. The theory has specific underlying principles, which include: the goals must be specific, the goals must create clear expectations, and the harder it is to achieve a goal, the better the resulting performance (Locke and Latham, 1984). This theory ensures that the goals that are set within an organisation are specific,

measurable, realistic and time frame driven, with continuous feedback on performance to goal and revision of the goals if necessary. In order to reward individuals equitably organisations need to ensure that the goals are determined correctly to ensure that incentives are only paid for performance against these goals.

2.5.4 Expectancy theory

The final theory investigated is the Vroom Expectancy theory and it is based on the argument that the strength of an individual's motivation to act and exert effort is dependent upon the person's perceived probability that the behaviour will result in a desired outcome, and on the value of the outcome to the person (Lawler, 1994). This theory proposes that individuals are motivated to choose a behavioural act from various behavioural alternatives and that the choice is made based on the strength of the expectancy that the act will be followed by an outcome, and that the consequences expected will be satisfying (Vroom, 1964).

Vroom (1964) determined that individuals have preferences among outcomes and that individuals choose whether they wish to attain an outcome or not. If they choose to attain an outcome, he described this as positive valence and if they choose not to attain an outcome it was referred to as negative valence. This choice as to whether or not to attain the outcome is based on whether the individual is satisfied with the expected outcome or not. These outcomes or consequences are often referred to as rewards and can be directly related to personal needs (Vroom, 1964).

2.6 Conclusion

Motivation is clearly an important factor in initiating, guiding, sustaining and stopping behaviour (Amos et al., 2004). The literature clearly supports this as well as the notion that the manager of today needs to understand individual needs to be able to satisfy them. The satisfaction of individual needs is important and these needs exist, among other things, in the form of compensation such as incentives.

The perceived value of rewards determine whether an individual is satisfied or not and the perceived value of the reward received determines the amount of effort that an individual will exert on performing against organisational goals. In order for organisations to have an effective compensation package they need to ensure that an effective performance management process is in place so that compensation can be used effectively to motivate individuals to perform better. The following chapter will investigate how performance management can assist in the motivation of individuals within organisations.

CHAPTER 3: PERFORMANCE MANAGEMENT

3.1 Introduction

This chapter will provide a definition for performance management, discuss the process of performance management as well as discuss the positive and negative aspects of performance management and how it can be used to motivate employees to behave in a specific manner. It must be noted that motivation can also have an impact on performance, both positively and negatively. Performance management, although not a new concept, is understood very differently today to that of its primitive beginnings. In the early days people's performance was "managed" by those who wielded the control of power, by forcing workers to deliver through the use of force or threatening behaviour. Furnham (2004) makes reference to the existence of performance management systems in ancient civilisations, such as Rome and China, which indicates that the subject has been topical for numerous generations and that its importance was realised even then.

Nel, van Dyk, Haasbroek, Schultz, Sono and Werner (2004) refer to the changing business environment and that existing performance management processes have substantial shortcomings in that they do not distinguish between top performers and under-performers, which has become an imperative to ensure the future survival of companies in the ever increasing global business environment. Bennett and Minty (1999) determine that strategic success is achieved by ensuring that all business imperatives are focused on, and that it can be achieved by an effective performance management system being in place and ensuring that this system is used correctly by line management and subordinates.

Bennett and Minty (1999, cited in Whittington-Jones, 2005) argue that three major purposes of performance management exist:

- It is a process for strategy implementation
- It is a vehicle for cultural change
- It provides input into other human resource systems such as compensation

For the organisation to be truly effective, all the measures of performance need to be measured to ensure that stretch targets are met and that the organisation continuously appraises itself. Truly global companies use the balanced scorecard framework to measure their performance against four key performance areas, namely: financial, customer, internal business processes and learning and growth perspectives (Kaplan and Norton, 1996). It is a measurement system that affects behaviour and assists in interpreting strategy and achieving targets which are aligned to the vision and mission.

This concept requires that all measurement ultimately should be linked to financial objectives (Kaplan and Norton, 1996). Prior to the 1980s, traditional organisations viewed capital assets as the most important part of the organisation. This view began to dwindle in the early 1980s as human capital began taking centre stage as the most important element, and many companies focusing not only on financial aspects were among the top companies (Peters and Waterman, 1995). Alongside the balanced scorecard, individuals need to continuously have their performance measured and their potential appraised. The performance appraisal can be a critical part of a company's success because it allows the company to retain and reward high performers, and offer guidance and improvement to poor performers. It can also be used as evidence in managing poor performance (Smith and Rupp, 2003).

Organisations that have embraced effective performance management by developing and promoting performing employees while managing underperformers up or out of the business have shown remarkable success. General Electric is an example of a highly successful organisation; Jack Welch implemented a performance appraisal system that ranked employees, which ensured that performing employees were retained and that underperforming employees were managed out of the organisation (Bartlett, 2002). By linking the performance appraisal system to remuneration and stock options, Jack Welch ensured that top performing individuals were rewarded and retained, which created a culture of high performance. This is in line with one of the key purposes of performance management as determined by Bennett and Minty (1999), which ensures that the performance management system becomes a vehicle for the culture of the organisation to change.

The flipside of top performers being rewarded in General Electric was that underperformers were worked out of the organisation to ensure that the positive culture of performing is not

negatively influenced by those employees who are not performing (Bartlett, 2002). Empirical research by Whittington-Jones (2005) determined that a performance management system can assist an organisation to achieve synergistic results, which supports the need for an effective performance management system to be in place and that it be effectively implemented and administered within the organisation.

If performance management is critical to a company's success in that it allows the company to reward its performing employees, then the type of reward is also important as this may impact on the level of performance of an individual. If the resultant performance is rewarded in some form or another and this reward is perceived to be adequate for that individual, then the individual will exert the necessary effort to perform. The challenge is therefore to find an incentive scheme that is regarded as the best reward for the individual, which would have the greatest impact on behaviour in that individual to deliver superior performance.

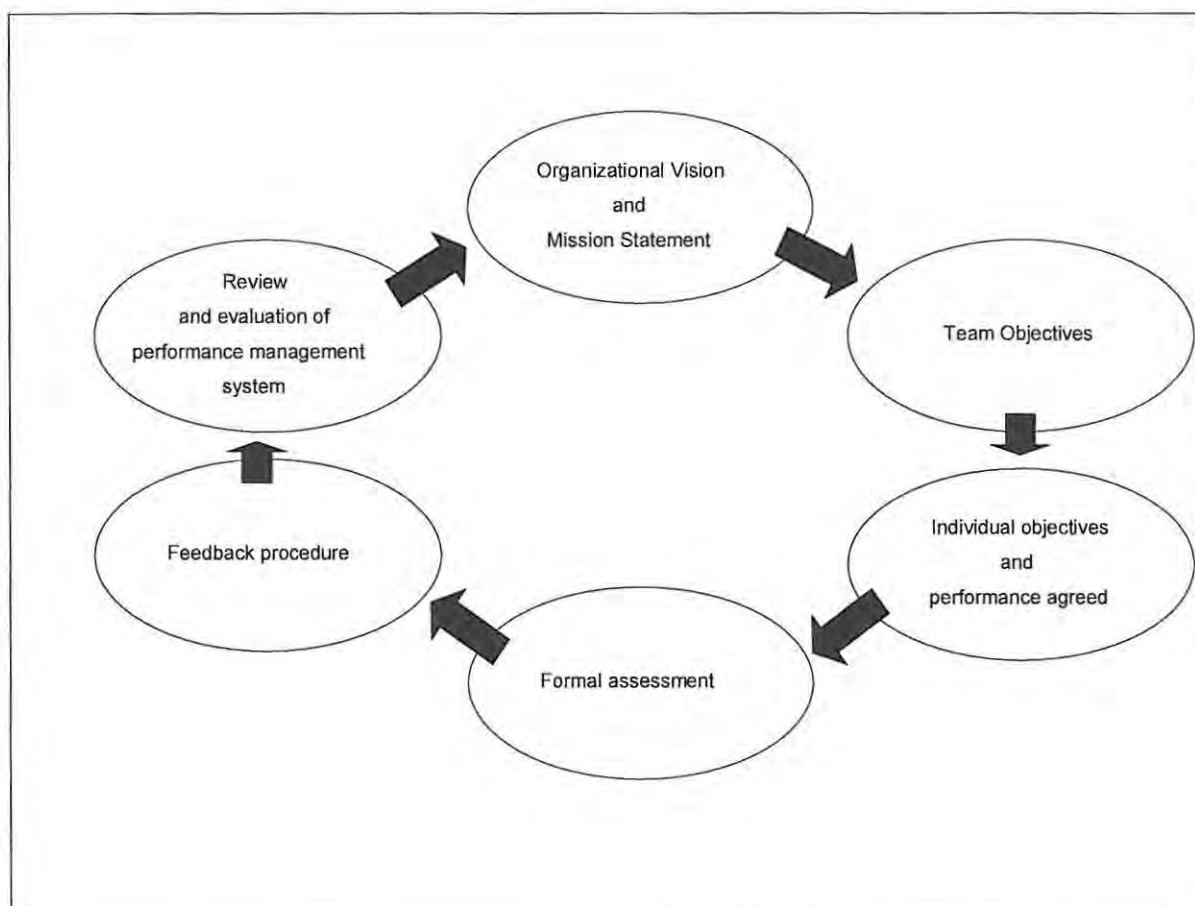
3.2 The definition of performance management

Spangenberg in Swanepoel, Erasmus, van Wyk and Schenk, (1998: 408) define performance management as "an approach to managing people that entails planning employee performance, facilitating the achievement of work-related goals, and reviewing performance as a way of motivating employees to achieve their full potential in line with the organisation's objectives". Performance management is one of the approaches to managing people with the objective of improving overall performance and ensuring that the organisation's goals are achieved (Amos, et al., 2004). It is what an organisation does to improve its performance by improving the efficiency and effectiveness of all individuals in the organisation, both individually and collectively (Brown and Armstrong, 1999).

3.3 The performance management process

Performance management is a process that begins with translating the overall strategic objectives of the organisation into clear objectives for each individual employee (Amos, et al., 2004). If we consider the performance management system of Price (2000), the process begins with a clear and well articulated vision and mission, which is clearly translated into team and eventually individual objectives, followed by a formal assessment and feedback process ensuring the review and evaluation of the performance management system (Figure 9).

Figure 9: A typical performance management system



Source: Price, 2000: 181.

The formal assessment or performance appraisals have consequences on individuals in organisations, as rewards, training and development and succession planning emanate from these assessments. As reward is a consequence of the performance appraisal, it seems logical to ensure that the reward for performance is fair.

The performance management process is not only based on the manager/employee assessment process, but also requires individuals to have clear, attainable goals that they have set themselves, with regular feedback on their performance against these goals. It is important that these goals are specific, realistic, clear, measurable, acceptable, reasonable, flexible, several, prioritised and that they have deadlines (Scheer, 1979). These goals are often referred to by the acronym “SMART” meaning; specific, measurable, achievable, realistic, and within a specific timeframe.

The three key elements that encourage ownership behaviour and motivation are performance-based rewards, understanding of how an individual's daily work influences the bottom line and involvement in the process from start to end (Smith and Rupp, 2003). It is important that each individual is managed by objectives which have been agreed by the person with his/her manager. The greater the employee's level of involvement in the decision-making process, the greater the sense of ownership for the outcomes of the decisions, which in turn fosters greater levels of ownership behaviours (Mintzberg, 1994a, b and c). This Management By Objectives (MBO) approach is widely used in business today and it is imperative that the performance management system in an organisation forms part of the overall strategy, that it becomes part of the organisation's culture and that it informs the remuneration and development processes within the human resources strategy (Bennett and Minty, 1999).

For the process to be successful there are four steps that need to take place (Nel, et al., 2004). The first step involves the manager and subordinate meeting to discuss the organisation's goals and how these can be translated into departmental and individual goals. Step two involves the manager and subordinate jointly agreeing on an action plan to achieve the individual's goals. Step three involves agreeing set times for the formal check on progress versus the goals. Finally, step four involves agreement on the type, value and amount of value that will be added if the goals are achieved (Nel, et al., 2004).

Performance management processes can only be successful if they are integrated with knowledge management. The literature places a huge emphasis on the use and retention of the knowledge within an organisation and that this knowledge management must be integrated into the performance management process within an organisation. Many organisations are ensuring that this knowledge is managed through the use of e-portal learning, which is a system that allows users to access information and increase knowledge online; that this online availability of information is important to be able to successfully manage this knowledge (Brockbank, 2003).

It has also been apparent that performance management alone does not allow a company to integrate knowledge management into its corporate strategy, but that performance leadership

is required to ensure that the corporate strategy is sound (Nel, et al., 2004). Knowledge use and retention are the key challenges, and for this to effectively take place, the leadership of the organisation needs to ensure that the work environment in the organisation has the required culture and that incentives are in place to ensure sharing of this knowledge (Nel, et al., 2004).

The SAB performance management process is aligned to these purposes, but the type of reward for this performance requires more understanding to determine whether the current rewards are in line with employee needs.

3.4 Criticisms of performance management

Although countless literature supports the performance management process, there are as always critics to the concept. As with any process, it is only as good as its implementation, and due to the difficult nature of the concept, it is often poorly implemented with disastrous outcomes for the organisation (Brown and Armstrong, 1999). Poor implementation can lead to dissatisfaction, declining loyalty, poor productivity, high labour turnover and eventually poor customer and consumer loyalty (Brown and Armstrong, 1999; Mashonganyika, 2004; Whittington-Jones, 2005). Brown and Armstrong (1999) suggest the following should be considered in the design of a performance management system:

- There must be respect between the appraiser and person being appraised.
- There must be transparency of the decisions made during the process.
- The procedures must be fairly implemented.

The incentive scheme must exist within an honest relationship between the appraiser and appraisee and rather than being seen as a method of punishing employees, it should be seen as a method of rewarding employees (Pettinger, 2002). This is supported by Furnham (2004), who states that the purpose of the system must be clearly stated and communicated to all parties within the organisation and that the system must reward behaviours that contribute to the improvement of efficiency and effectiveness within the organisation. The reality of the increasingly competitive environment that organisations operate in is that these systems must also be adaptable to meet these changes (Tobin, 1998).

3.5 Conclusion

If an organisation does not embrace an effective performance management process that clearly translates the overall strategic objectives of the organisation into clear objectives for each individual, then it will prove difficult to develop an effective compensation system to motivate employees. Therefore it is imperative that organisations implement a comprehensive performance management process and that the needs of individuals are clearly understood so that effective methods of motivating individuals can be developed to achieve organisational objectives.

The following chapter will investigate the literature on compensation, more specifically incentives as a method of initiating behaviour and motivating individuals to perform within organisations. The type of compensation will be investigated to determine whether specific types of incentive schemes could influence individual behaviour differently to improve performance due to the expected consequence of attaining rewards that are in line with the needs of the individual.

CHAPTER 4: COMPENSATION AND INCENTIVE SCHEMES

4.1 Introduction

Individual performance is critical to the success of organisations. Motivation influences the amount of “effort” exerted in an individual’s performance. Therefore if the correct incentive scheme is administered in an organisation, it can influence motivation. This chapter will set out to determine the importance of compensation in motivating individuals to perform, while attempting to establish a link between a choice of incentive schemes and individual needs. The chapter will also establish the importance of compensation and incentive schemes as tools to improve individual performance within organisations.

Compensation systems exist to reward employees equitably, to provide the means to attract new employees, and to motivate and retain good employees or high flyers (Hellriegel, et al., 2001). It is important at this stage to note that compensation is related to motivation in the economic dimension and that it is the most basic dimension in any employment relationship. The objective of any compensation function is to create a system of rewards that is equitable to the employer and the employee alike (Amos, et al., 2004).

Key criteria to consider when formulating policy for an effective compensation system (Ivancevich, 1998) are that it must be adequate, equitable, balanced, cost effective, performance related, and that it must be accepted by the employee. This compensation can be direct in the form of a salary or indirect in the form of benefits, whether required by law or not. The person’s salary or pay is determined either by job-based pay, where the compensation is linked to the specific tasks that a person performs or competency-based pay, which links the compensation to the person’s competencies such as skills, knowledge and experience (Hellriegel, et al., 2001).

Incentive schemes relate to linking at least a portion of pay to job performance to encourage superior performance against set goals. These incentives need to be aligned to the behaviours that help individuals in organisations achieve their goals. Incentives are used both to keep and attract high flyer individuals and can only be effective if they are linked to a performance appraisal, as discussed previously. It is critical that the method used to determine performance is equitable so that it will not affect performance adversely.

It is also important to note that if pay is adequate, it simply prevents workers from being dissatisfied and if it is inadequate to employee needs, it would result in dissatisfaction. Incentive pay can either be individual based or organisationally linked. Individual based incentives include piece-rate incentives, commission, lump sum bonuses and merit pay, while organisationally linked incentives involve profit sharing or share ownership (Hellriegel, et al., 2001).

The merits of incentive compensation are that if an individual's performance exceeds his/her goals, the related reward is merit pay, which could be paid in the form of a bonus or as an increment to their base pay as an increase. The incremental increase is preferred by individuals as it becomes the new base pay for the duration of one's employ. Incentive schemes refer to the incentives paid above one's base pay for superior performance and can serve to motivate employees to exceed their goals. Based on these arguments incentives should be performance related, which ideally should be linked to the incremental pay option or be in the form of share ownership, which tends to focus on the higher order needs of ego in the form of merit pay and that of self-actualisation in the form of growth opportunity (Amos, et al., 2004). This growth opportunity refers to personal share growth within the organisation, which ultimately leads to wealth creation.

The negative aspect of some plans is that targets can be manipulated so as to allow easier achievement, which leads to pay for lower than required performance (Appelbaum, 1991). Correct target setting, transparency of actual performance to target, and trust are important to ensure that the incentive does not allow the negative effect of the incentive to outweigh the gains in productivity (Appelbaum, 1991). Rewards can discourage risk taking, which may create an environment where people feel controlled, which creates an environment which is not conducive to exploration and may actually stifle innovation (Appelbaum and Shapiro, 1991).

Appelbaum and Mackenzie (1996) conclude that the following factors should be considered to protect the organisation from the negative side-effects of incentives, namely: use annual incentives with long term emphasis, place emphasis on stock rather than long term cash plans,

use stock options as the executive-only benefits if the stock price increases, use a much larger stock proportion than the average company uses, and encourage a wider distribution of stock among the broad employee base (Appelbaum and Mackenzie, 1996).

4.2 Compensation and incentive schemes in SAB

SAB's compensation policy includes performance related compensation as well as incentive schemes to reward its employees. The SAB guaranteed pay (fixed salary) philosophy for individuals is based on job size, market relativity and performance. However, for managers a key performance differentiator of pay in SAB is the Short Term Incentive scheme (STI). This vehicle is intended to reward those individuals who excel in their performance (SAB, 2006).

The STI scheme is designed to recognise and reward qualifying employees at two levels in SAB, which are:

- Individual performance, which is directly linked to the annual remuneration review.
- Team performance by way of STI, which is based on divisional performance and regional team performance.

The objectives of the STIs are as follows:

- To incentivise key strategic value drivers in the business
- To facilitate goal alignment throughout the business
- To link employee reward to organisational success
- To reward performance

All permanent employees on level BA, FA and PE are eligible to participate in the scheme. The key performance tiers of the incentive include divisional performance targets, equity performance targets and team performance targets. Level PE includes lower and middle management, with FA being senior management and BA being senior management reporting directly to the board of directors. These targets are weighted as indicated in the table below.

Table 1: Weighting by target for STIs

Target	Weighting
Divisional Sales Volume	25%
Divisional EVA/EBITA	25%
Equity	15%
Team/Regional Goal	35%
Total	100%

Source: SAB, 2006

The overall performance achievement against team, individual and routine goals will be incorporated as a multiplier when calculating the STI awards. The following multipliers are applied for performance ratings achieved:

Table 2: Performance ratings and their equivalent multiplier effect

Performance Rating	Multiplier	Remark
Performance Rating 6	1.1	Receives 10% higher STI award
Performance Rating 5	1.06	Receives 6% higher STI award
Performance Rating 4	1.03	Receives 3% higher STI award
Performance Rating 3	1	Receives normal STI award
Performance Rating 2	0.25	Receives 75% less STI award
Performance Rating 1	0	Receives no STI award
Too New to assess	0	Receives no STI award.

Source: SAB, 2006

The performance ratings are achieved for the following levels of performance:

- (6) Individual performance consistently exceeds goals/customer requirements.
- (5) Individual performance generally exceeds goals/customer requirements on most occasions.
- (4) Individual performance achieved, exceeding goals/customer requirements on a few occasions.
- (3) Individual performance generally achieved, achieving goals and meeting customer requirements.
- (2) Individual performance generally achieved, with a few occasions of partially achieving goals / meeting customer expectations.
- (1) Individual performance does not achieve goals / meet customer requirements.
- (7) Individual is too new to assess due to the short duration in that position.

All management are eligible to participate in the SAB STI scheme with differing levels of participation. The three levels of SAB management are eligible to a different percentage of their total remuneration package within the STI scheme. Grade BA, FA and PE employees qualify for the following percentage of their total remuneration packages in the STI scheme:

- Grade BA employees who are General Managers are eligible for 30% of their total remuneration package.
- Grade BA employees who are Central Office heads of department are eligible for 25% of their total remuneration package.
- Grade FA employees in the relevant Senior Executive Committee (SEC – report directly to regional General Managers) are eligible for 20% of their total remuneration package.
- Grade FA employees are eligible for 15% of their total remuneration package.
- Grade PE employees are eligible for 8% of their total remuneration package.

To begin earning incentives within the scheme, individuals must achieve a minimum threshold level of their target to. To achieve their full incentive, individuals need to achieve the target that has been set by the organisation and they are able to achieve up to a specific ceiling level for outstanding performance. These performance intervals have been set at three specific levels:

- Threshold (50%)
- Target (100%)
- Outstanding (150%)

The target is the midpoint of a sliding scale between Threshold and Outstanding. The threshold is the minimum level of performance required to receive an incentive and outstanding is the maximum incentive amount an employee can achieve.

- “Threshold” is the minimum level of performance to qualify for award purposes and will earn a 50% incentive award.
- “Target” is an important checkpoint in the award determination process as it represents the midpoint on a progressive sliding scale that ranges from threshold to outstanding. Target represents a performance goal that includes stretch, with approximately 50% probability of achievement.
- “Outstanding” is a rare, but achievable, level of performance and will earn a 150% incentive award.

When actual performance is evaluated against a performance target, the result is expressed as a percentage of the Target award. The incentive payments operate on a sliding scale so that employees are paid an exact percentage of the target achieved. The actual award determination process is summarised as follows (Figure 10):

Figure 10: Summary of incentive determination process in SAB



Source: SAB, 2006.

The use of an example will best illustrate for the reader how the incentive is calculated. To calculate the STI, the individual's annual package is required as well as the length that they have been employed in the position. The grade of that position will then determine the STI base (percentage of package that the position qualifies for). The following steps are followed for an employee – Mr A:

Example for Employee – Mr A

Annual Total Package Cost	R300 000
Participation period	12 months
STI Base	8%

STEP 1: Calculate weighted performance against targets (an example)

Table 3: Example of a breakdown of criteria being measured for incentives

Performance Criteria	Relative Weight	Targets			Actual Achievement	Weighted Performance
		Threshold	Target	Outstanding		
<u>Divisional</u>						
a) Sales Volume	25%	23 800	24 000	24 400	24 100	28.13%
b) Economic Value Added (EVA)	25%	R443,8m	R467,8m	R497,0m	R467,8m	25.00%
<u>Regional</u>						
a) Quality (IQMS Score)	20%	96%	97%	99%	98%	25.00%
c) Packaging Efficiency	15%	75%	80%	87%	84%	19.29%
c) Equity Headcount	15%	23	24	25	23	7.50%
100%					Total Weighted Performance	
					104.92%	

STEP 2: Calculate STI Base (percentage that employee qualifies for x total package)

Total Package Cost x Participation Category

100

= $\frac{300\,000 \times 8}{100}$

100

= 24 000 (Pro-rata if participation period is less than 12 months and for interim Total Package adjustments)

STEP 3: Calculate Incentive Award (STI base x weighted performance against target)

STI Base x Weighted Performance

100

= $\frac{24\,000 \times 104.92}{100}$

100

= R25 180.80

STEP 4: Apply Individual Performance Multiplier

Assume the overall individual performance rating of the manager is 5.

$$\begin{aligned} & \text{Calculated Incentive Award x Multiplier} \\ = & 25\,180.80 \times 1.06 \\ = & \text{R}26\,691.65 \end{aligned}$$

STEP 5: The resultant incentive bonus due to Mr A

An incentive bonus amounting to R26 691.65 is payable to the relevant employee. The incentive bonus calculated in the process is a taxable bonus as per the taxation laws of the country at the time of calculation.

The STI scheme is discretionary and SAB reserves the right to amend or withdraw the scheme at any stage as long as the company's intention to withdraw the scheme is communicated to all participants three months in advance. The Managing Director may withdraw the incentive in exceptional circumstances usually relating to performance and misconduct.

The other incentives that exist in SAB are those incentives that are paid to the sales force for performance against sales specific criteria and are referred to as the sales incentive scheme.

The sales incentive scheme is a cash incentive paid quarterly for performance against specific sales targets. Specific sales positions within Grade PE, FS, E and C are eligible to participate in the sales incentive scheme. Sales volume contributes 45% to the incentive, which is split across the key brand categories to ensure focus on the key brands for that financial year. The brands are aligned to the business strategy, which is filtered down to regional, district and sales team level. The balance of the incentive comprises regional brand availability targets, regional pricing targets as well as other relevant district specific targets, which are aligned to specific organisational targets. The incentive is structured on an 85% threshold to begin earning the incentive, with target being 100% achieved and a maximum available incentive of 160% of the base incentive value for that sales position.

SAB does have a share option purchase scheme in place, but this is only available to Grade FA and BA employees through a process of nomination by the board of directors. The scheme works on the basis that participating executives are granted the right or option to enter into an agreement with the company to purchase SAB shares, at a current given price at a future date. If an employee accepts this option, it must be done in writing. The share options can only be exercised after five years and cannot be held for more than ten years. The share option scheme is not highly publicised and is relatively unknown within the organisation as well as only being available to a limited number of senior executive employees.

4.3 A critical view of compensation and incentive schemes in SAB

SAB has a well articulated and communicated vision and mission, which according to Price (2000) is necessary to give the organisation clear direction. SAB uses performance based measurement, where goals begin at the strategic level in the form of long term and medium term business objectives; these are funnelled into short term goals which are the annual goals. These national goals are broken down into regional, district, departmental and eventually individual goals, which expand on the view of Price (2000).

Each person's individual goals feed into team and departmental goals, which feed into district goals, which feed into regional goals, which ultimately feed into the company's national goals in line with the medium and long term strategy of the organisation. This process is in agreement with Amos et al. (2004), who indicate that the company's strategic goals should translate into individual goals and that the individual goals should feed into the strategic goals.

In SAB these goals are reviewed bi-annually in a formal assessment known as performance appraisals, which is the formal assessment in theory (Price, 2000). It is in this formal performance appraisal that the individual is measured against his/her goals and from this appraisal the individual is awarded a performance rating against a scale of performance ratings. This performance rating is linked directly to the annual compensation review, which determines the performance element of individual's annual salary increase.

The rating technique used in SAB is that of forced distribution, which aligns employees to pre-assigned performance fields. According to Nel et al. (2004), the organisation must ensure that performance rewards are not detrimental to morale and be aware that they promote competition, which in SAB is a way of life, and may invite legal action if not managed correctly. SAB uses this technique for individual performance management within team performance.

The performance review for all employees is conducted bi-annually, with the preliminary review taking place in November and the final review in May prior to the annual compensation review, which takes place in June within the company. The November review is a mid-year review and serves as a comprehensive review of actual performance to date versus the individual's personal goals as well as team and organisational goals. This review allows the employee enough time to correct poor performance before the final review in May, which has a direct impact on the performance rating the individual will achieve, which will be related to the performance based salary increment that the individual would receive.

Each employee is also mapped on the People's Balance Sheet (PBS) according to potential as well their performance so that the leadership of the company have a bird's-eye view of potential cover for positions in the company, both locally and globally. The people's balance sheet works in the same way as the financial balance sheet, which gives a snapshot of the company's assets versus its liabilities at a specific point in time. The people's balance sheet gives a snapshot of the company's employees' performance versus their potential at a particular point in time. Underperformers who do not have their potential appraised due to poor performance may have unrealised potential in another area of the organisation, which might never be determined due to the appraisal never taking place.

Each year in May the organisation determines what the strategic short term business objectives are for the year ahead. These goals are delivered at the annual sales and distribution conference by the sales director to the entire sales and distribution fraternity. Once the employees return from the conference, each region develops its regional goals, which would be aligned to achieving the national goals of the organisation. Once these regional goals are finalised they are used by each district to develop their goals to achieve the regional goals in line with the national goals. Once district goals are in place, each team will develop their

goals to achieve the district goals in line with regional and national goals. In each of these steps managers and subordinates meet to discuss how the goals fit into the organisation's goals and jointly agree on the action plan to achieve the goals and agree on times at which progress will be checked, which in SAB takes place in November and May as previously indicated. Ensuring that the goals are discussed, agreed upon and that a review timeframe is agreed, substantiates literature in Nel et al. (2004).

During the goal setting process in SAB held during May, the STIs are aligned to the organisational goals, and the value of the STIs are clearly communicated to all employees so that they are aware of the reward if the goals are achieved. This process is well managed in SAB and agrees with the steps discussed by Nel et al. (2004) in the performance management process. These goals are specific, realistic, clear, measurable, acceptable, reasonable, flexible, several, prioritised and have deadlines, which according to Scheer (1979) are required for an effective performance management system to operate.

The divisional performance criteria are communicated in May/June each year. During July the incentive scheme and performance criteria for that fiscal year are communicated to all participants. Progress reports are sent out quarterly on both the divisional and regional performance against targets, which is in agreement with literature that suggests regular review of the performance to targets (Nel, et al., 2004).

The annual compensation increase for employees is directly linked to the annual individual performance rating, which ensures fair compensation for performance. The criticism of the process in previous years was that the maximum performance increase allowed is not in line with that enjoyed by senior directors in the organisation. It has happened that the maximum annual increment including the performance rating portion was lower than that received by senior managers, which resulted in questioning whether this was in fact an equitable process. The maximum allowed increase should be identical at all levels of the organisation to ensure trust and support for the process. If the performance management system rewards employees equitably, it provides the company with the means to motivate and retain good employees or high flyers, and can even be used to attract new high flyer employees (Hellriegel, et al., 2001).

SAB should ensure that the performance increment is equitable, by ensuring that the percentage performance increase of the annual salary increment is the same for all employees who perform at a particular performance rating, regardless of the level within the company. As many human agendas can come into play with performance ratings, this is critical to prevent rater errors (Nel, et al., 2004). Dessler (1997) highlighted the issues of unclear standards, the halo effect, central tendency, leniency, recency and bias, which must be considered by the appraiser.

In SAB, once the individual receives their individual performance rating this is then checked by the senior manager of that district or region to ensure minimum bias. The goals are also set between manager and subordinate and the rating standards are agreed, which ensures that they are clear from the outset. The final check also ensures a weighted distribution of performance rating against the bell curve, which immediately indicates bias if it is not evenly distributed against the curve.

4.4 Conclusion

In the previous chapters it has been established that individual needs can affect motivation and that compensation in organisations is used to improve motivation and performance. This chapter has indicated the importance of the type of compensation and that the reward received through incentives has an influence on performance, and that by ensuring we align these rewards to needs we can begin to influence the required behaviours to improve performance.

The following chapter deals with the process followed by the researcher in gathering the required information in SAB so that statistically relevant information could be obtained to determine whether a relationship exists between the needs of an individual and their choice of incentive schemes.

CHAPTER 5: RESEARCH METHODOLOGY

5.1 Introduction

The previous chapters set out to review literature relevant to the research in order to establish the base for analysing and comparing the results of this research. Selltiz, Johoda, Deutsch and Cook (1966) suggest that for the research to be purposeful it should provide satisfactory answers to the research using the theory as a point of reference. Mouton and Marais (1990) suggest that exploratory research aims to gain new insights through investigation, and then developing central concepts before outlining future research opportunities.

This chapter sets out to clearly articulate why the particular population was chosen as well as to outline the method used to gather the information while satisfying any validity and reliability issues. SAB was chosen as the research population due to the fact that the researcher is an employee within the organisation and is aware of the behaviour and commitment shown to the organisation due to the ownership of shares within SAB. As this study is exploring the relationship between individual needs and the choice of incentive schemes in SAB, it finds itself in the field of exploratory research, but will also touch on explanatory and descriptive research (Babbie and Mouton, 2004). The empirical design of the research, due to the use of a survey questionnaire from primary data, has resulted in social research being used within the research (Babbie and Mouton, 2004).

This chapter will firstly specify the research goal or hypothesis, secondly it will discuss the population and how the sample was chosen, thirdly it will indicate the research process followed, and finally it will discuss the research instrument, its design and implementation.

5.2 Research goal and hypothesis

The research goal is the objective of the research while the research hypothesis is a statement that determines whether a certain relationship exists between two or more variables (Babbie and Mouton, 2004).

The primary goal of this research is to determine whether:

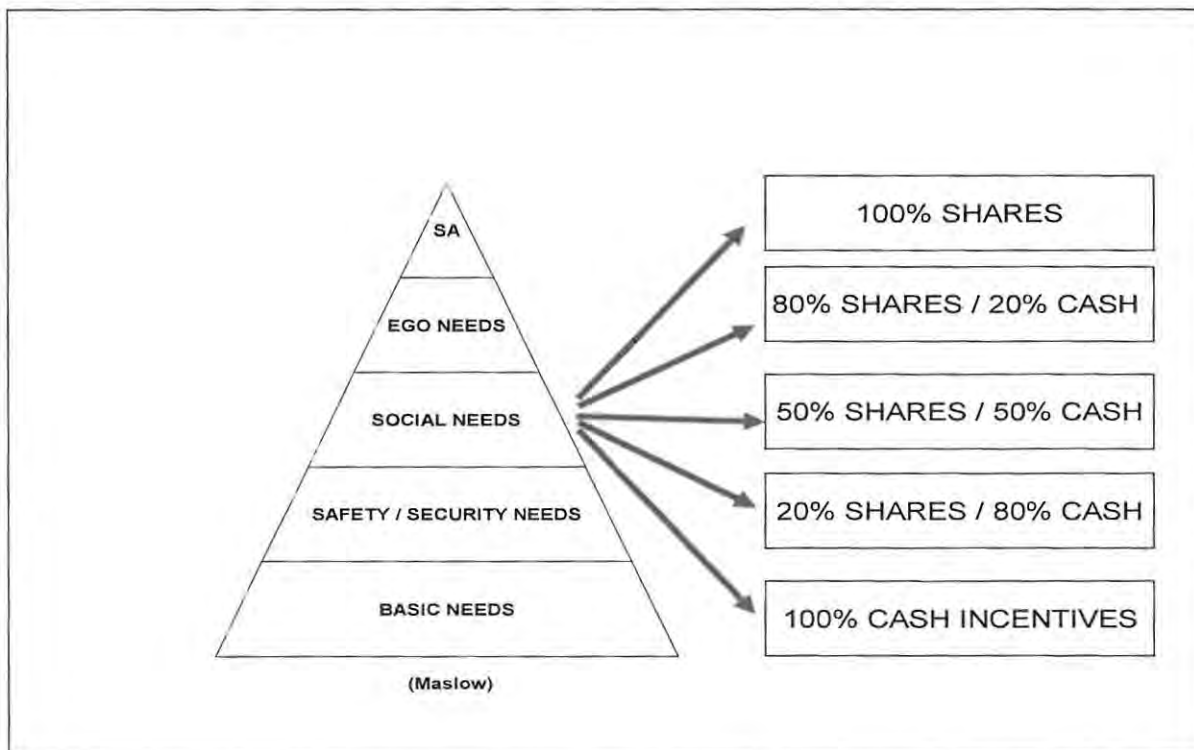
- A relationship exists between the needs of an individual and their choice of a particular incentive scheme option.

The secondary goals of the research are to determine whether:

- A relationship exists between the job grade of an individual and the choice of a particular incentive scheme.
- A particular incentive scheme option is preferred by the employees in SAB.
- A particular preference exists, and if so, to make recommendations to SAB for consideration as alternatives to their existing incentive scheme options.

These goals are graphically represented in the figure below (Figure 11).

Figure 11: Graphic illustration to determine whether a relationship exists between the needs of an individual and their choice of an incentive scheme



Source: Adapted from Maslow, 1954.

The research hypothesis to be investigated is:

H₁ – There is a statistically significant relationship between the needs of an individual and their choice of a particular incentive scheme option.

H₀ – There is no statistically significant relationship between the needs of an individual and their choice of a particular incentive scheme option.

5.3 Population and sampling

The population refers to the entire group that the research is aimed at while the sample refers to the group within this population that is selected to be in the study (Babbie and Mouton, 2004). The definition of the sample is vitally important to ensure the representativeness of the sample and to ensure the quality of the population (Trochim, 2002). In this research the population is all the sales and distribution executives (Grade BA and FA), all sales managers (Grade PE), as well as all the sales representatives (Grade F) in SAB South Africa.

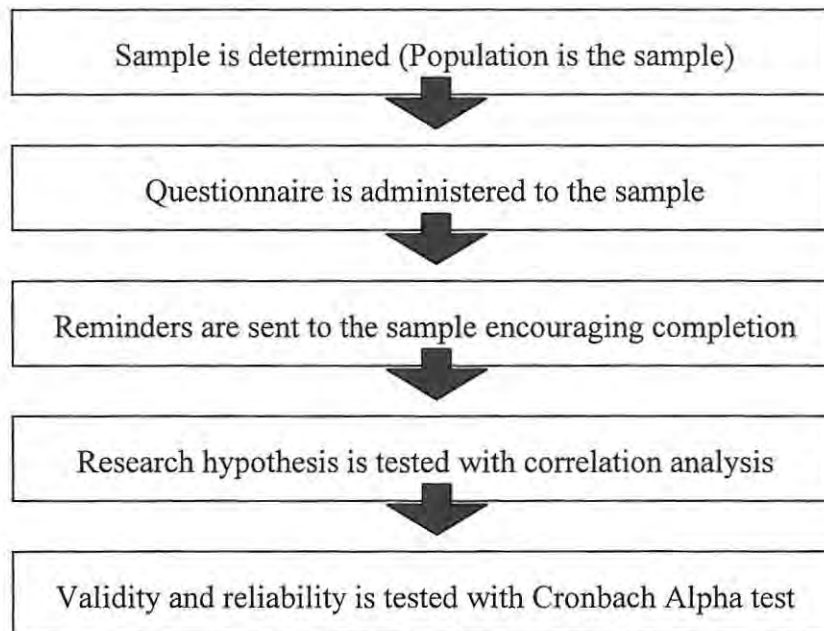
The population constitutes 575 employees in the organisation and the entire population will be surveyed. All employees in the targeted levels in the organisation had a questionnaire e-mailed to them requesting its completion within a specified timeframe. SAB uses the SAP IT operating system and the e-mail addresses of all employees within sales and distribution were selected through a simple, clear query from SAP. In this way no employee who is currently employed in these grades was omitted.

5.4 Research process

The process began by determining who the population is that is to be researched. In this case the entire population was sampled; hence the population was the sample. The questionnaire was e-mailed to each of the individuals in the sample, with reminders being sent out to encourage completion of the survey. The e-mail was sent from the Sales and Distribution Director's desk to encourage involvement and to highlight the importance of the research to SAB in that it may better understand its remuneration system. Once the survey period had closed, the data was collated and analysed. All questionnaires that were not completed in their entirety were disregarded from the final respondent list to ensure the reliability of the data. The Cronbach Alpha test was completed to ensure the reliability of the questionnaire used.

Figure 12 is a graphical representation of the process followed in the research.

Figure 12: Research process followed



To prevent the possibility of creating expectations in the organisation, permission was obtained from the Human Resources Director as well as the Sales and Distribution Director of SAB to conduct the research. A covering note from the Human Resources Director clearly articulated that the research is merely post-graduate research and that no expectations should be made from it. The researcher is aware of ethical considerations and of personal bias as he is a shareholder in SAB, and he has ensured that confidentiality and non-disclosure be adhered to at all times. It is important that no misrepresentation of the information takes place and to remove all possible opportunity for bias (Babbie and Mouton, 2004). It is also critical that all responses to the questionnaire remain anonymous as this ensures that the research remains ethical and objective at all times (Delamont, 1992).

The survey made use of an IP address linked to biographical details which ensured that all information received was completely anonymous and even if a resource with the technical ability was able to trace the survey, it would only lead to a desktop computer associated to

that particular IP address. In this way the person completing the survey could not be identified, which supports the anonymity suggested by Babbie and Mouton (2004).

The research was conducted in a post positivist paradigm, as the aim of the research was to determine whether the choice of a specific incentive scheme option is influenced by an individual's personal needs. This is consistent with Denzin and Lincoln (1994), who argue that post positivism is a critical realism which may be influenced within research even though the research may be realistic and objective. The philosophy of the post positivist paradigm is that the researcher interprets the reality of the situation while remaining as objective as possible as the possibility exists that generalisations may exist at some point during the research (Remenyi and Williams, 1996).

5.5 Research method (Instrument)

The research method used was quantitative research through the use of a questionnaire. A questionnaire initially developed and tested by Julian Barling (1976), and later modified by Arnolds (1999) was used to determine the individual needs of the SAB employees. This questionnaire required that each employee complete seventy five questions, which categorised the employee into one of the five levels of Maslow's hierarchy of needs. Each of the five levels of the hierarchy had fifteen questions. Barling (1976) used a five-point Likert scale, while the questionnaire designed by Arnolds (1999) used a seven-point Likert scale. Arnolds (1999) reduced the fifteen questions per dimension of Maslow's hierarchy of needs to four, to make the questionnaire more manageable, in an attempt to ensure a satisfactory response rate to the questionnaire.

An empirical study in South Africa by Barling and Fincham (1979) used the Barling questionnaire and the reliability was found to be satisfactory with a median Kuder-Richardson reliability coefficient of 0.88 for all five dimensions of needs in the Maslow (1954) hierarchy of needs. The correlation between each of the items was above 0.55 to ensure reliability of the constructs. The reliability of the Arnolds questionnaire was also found to be reliable.



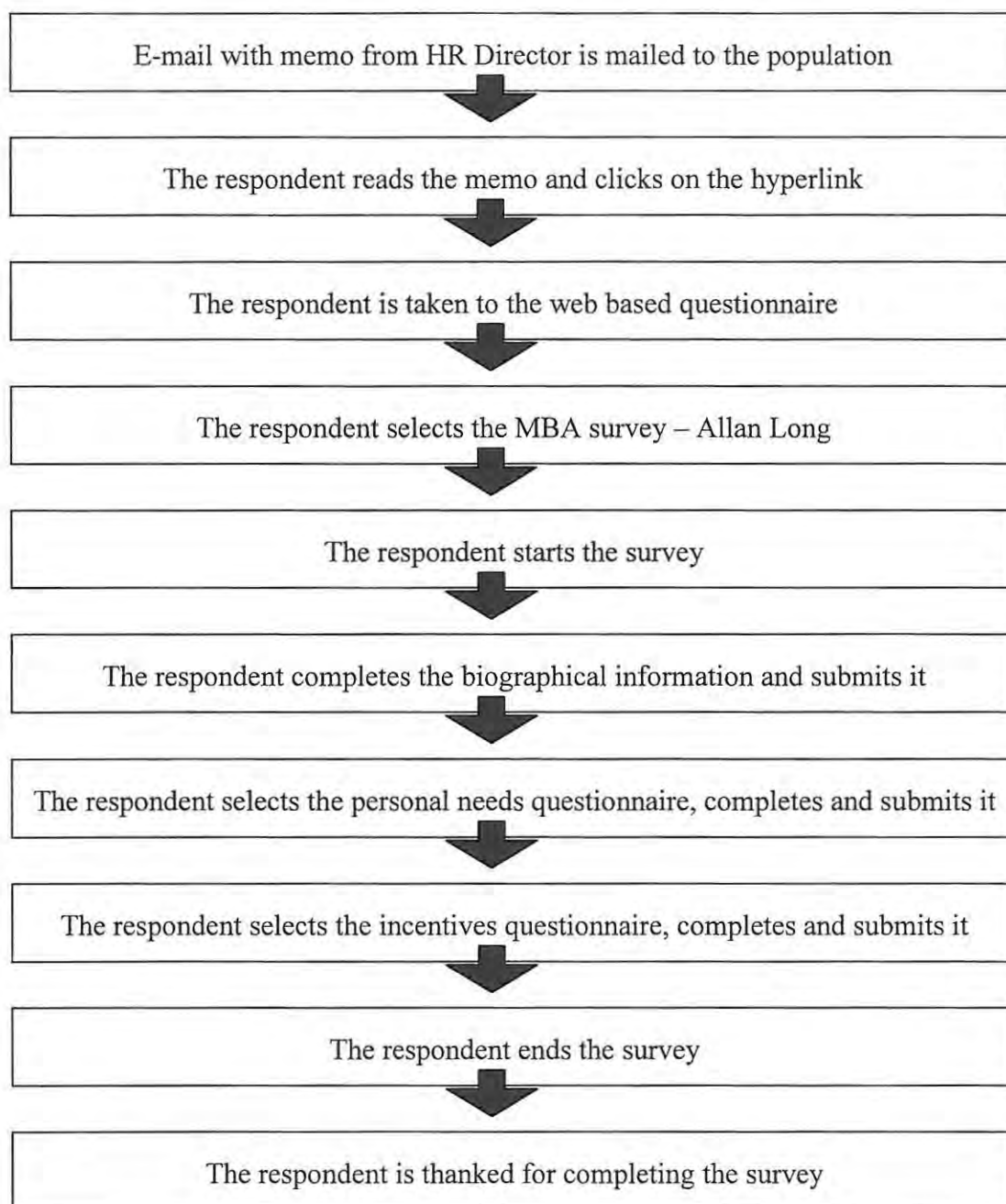
5.6 Design and administration of the questionnaire

In designing the questionnaire previous research done in SAB was considered. In previous research in SAB, poor response rates were due to the following factors (SAB, 2006):

- SAB employees did not enjoy completing surveys.
- Questionnaires that were too long were never completed.
- Questionnaires that involved too much input by the respondent were not completed.

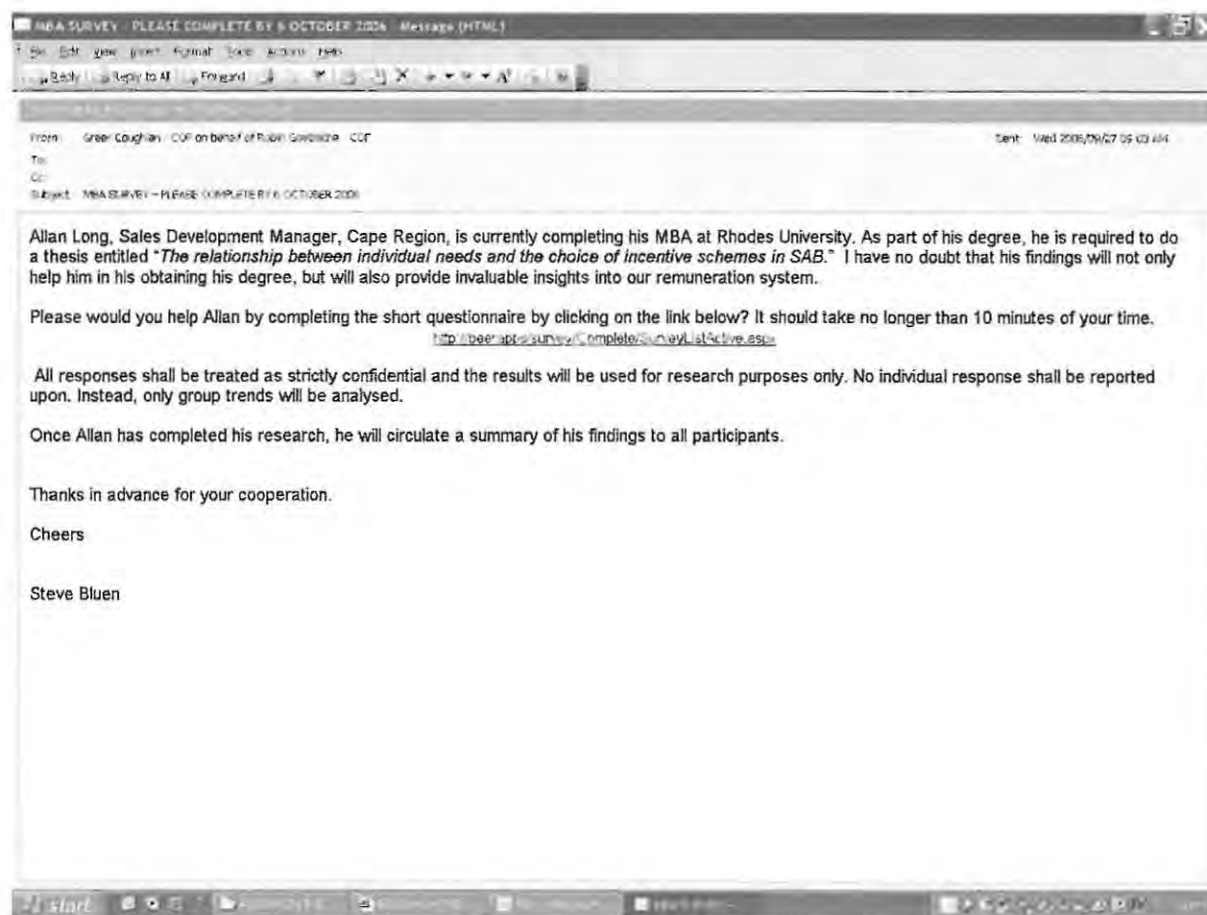
Based on these reasons, the shorter Arnolds (1999) questionnaire was used and the questionnaire was administered via e-mail rather than being hand delivered. The flow of the questionnaire is depicted in Figure 13 below.

Figure 13: The process of implementing the questionnaire



The questionnaire was set up on the SAB web portal and was e-mailed to the respondents with an automatic web link and an explanatory note from the Human Resources Director detailing the reason for the research as well as requesting co-operation by a specific due date. The explanatory letter formed the body of the e-mail, which reduced time wasted by allowing the respondent to open the e-mail, read it and then “click” on the web link, which automatically took the respondent to the survey on the web server (Figure 14). The respondents were requested to complete the questionnaire within seven days as experience with surveys in the organisation is that if the response period is too long employees tend to leave the survey for a later time and ultimately forget to complete the survey (Wright, 2006).

Figure 14: Screen dump of the covering note with the hyperlink



The web-link took the respondent to the SAB Online survey system (Figure 15) where the respondent selected the MBA survey of Allan Long from the selection of surveys currently being administered within the company. The format and layout of the questionnaire identical to the Organisational Effectiveness Survey (OE Survey) conducted in SAB each year. In this way the survey layout and style are identical to that of an annual survey conducted in SAB each year, with which all employees are familiar. The web-based questionnaire was anonymous and continually updated the percentage of questionnaires completed against the total sample base. The update distinguished between questionnaires that had been started, but not completed to ensure that both sections of questions were completed.

Figure 15: Screen dump indicating how respondents chose this research thesis

Online Survey System

Active Survey List

Please select the appropriate survey to complete, from the list below:

Complete	Survey Title	Survey Description	Anonymous	# Users Started	# Users Completed
Select	eQMS Packaging (Polokwane) Customer Survey	eQMS Packaging (Polokwane) Customer Survey	No	4	2
Select	MBA Survey - Allan Long	The choice between cash and / or shares as incentives	Yes	8	5

Once the respondent had selected the MBA survey of Allan Long, they would start completing the survey by clicking on the button indicated by “start completing survey” (Figure 16).

Figure 16: Screen dump indicating how respondents started the survey



The first screen in the survey requiring input from the respondent was the biographical information (Figure 17). It is in the design of this screen that the anonymity of the survey is confirmed, as the respondent cannot input a name because the Username cell is already populated with the name “Anonymous”. The respondent is required to select the relevant biographical information from the drop down filters which included gender, race, grade, company, area, region, department, site and function area. The respondent could not proceed with the survey unless all the required information was selected and if a selection was not made, the system automatically made that selection red and requested the respondent to complete the information from the filter drop down.

Although previous research in SAB had indicated that SAB employees do not enjoy completing biographical data, a decision was made to continue using it, as the organisation required a more comprehensive view of the research in order to take any recommendations seriously. The reasons for employees not wanting to complete the biographical data were that it took too much time to complete, as well as fearing that conclusions could be drawn as to specific respondents due to them falling into a particular biographical category that may be small enough to ascertain who the employee was.

Figure 17: Screen dump indicating the biographical data required

The screenshot shows a web browser window titled "PersonalArticles - Microsoft Internet Explorer" with the address bar displaying "http://beirapoc/survey/CompletePersonalForm.asp". The page content is titled "Online Survey System" and "MBA Survey - Allan Long" with a sub-header "Biographical Details". A central instruction reads: "Please complete the following biographical information to enable us with our analysis of the data." Below this, there are several dropdown menus for data entry:

Username:	Anonymous
Gender:	Male
Race:	White
Disabled:	No
Job Grade:	FA, BA & SD
Company:	SAB LTD
Overall Area:	MS & D
Region:	Cape
Department:	Cape Regional Depa
Site:	Cape Regional Offic
Function Area:	Site

A "Submit" button is located below the dropdown menus. The browser's taskbar at the bottom shows the system clock as 11:41 AM on 11/11/2003.

Once the respondent had completed all the biographical information it was submitted, which would take the respondent to the next screen, the actual survey categories which the respondent needed to complete (Figure 18). The two categories included the questions relating to personal needs according to Maslow's hierarchy of needs, and the choice of the five types of cash and/or share incentive schemes. This screen was also set up to indicate whether the respondent had completed both of the categories, and only if both of these categories were completed would the survey counter indicate that the survey had been started and completed correctly. If only one of the categories were completed, the survey counter would indicate that the survey had been started but not completed, which resulted in that survey being disregarded in its entirety.

Figure 18: Screen dump indicating the two categories of questions

The screenshot shows a web browser window titled "SurveyCategories - Microsoft Internet Explorer". The address bar shows the URL "http://50e1app/survey/CompletePersonalInfo.html.aspx". The page content includes a header "Online Survey System" and "MBA Survey - Allan Long" on the left, and "Survey Categories" on the right. Below the header, there is a instruction: "Please complete each Category from the top by selecting a Category:". This is followed by a table with two rows of survey categories. The first row is for "Questions relating to personal needs" and the second row is for "If you had the choice, would you select cash and /or shares as incentives?". Below the table, there is another instruction: "After completing all Categories of the Survey, please end the Survey here:" and a button labeled "End Survey".

Complete	Category Title	Sub Category Title	Type	Response
Select	Category	Questions relating to personal needs	Value	Please enter reponse
Select	Category	If you had the choice, would you select cash and /or shares as incentives?	Value	Please enter reponse

After completing all Categories of the Survey, please end the Survey here:

The personal needs questionnaire required the respondent to answer each of the twenty questions by selecting the relevant answers from the radio button alongside the seven-point Likert scale answers provided (Figure 19). The use of predetermined answers and radio buttons reduces the time required to complete the questionnaire and also reduces errors as the respondent can only select one answer to each question. The seven-point Likert scale comprised of the following predetermined answers as used by Arnolds (1999), which included Don't know, strongly disagree, disagree, disagree somewhat, agree somewhat, agree and strongly agree. The list of twenty personal needs questions can be viewed in Appendix 1. The questions were also placed in random order to prevent respondents selecting answers that would place them according to the level of need they aspired to rather than the level of needs they were actually at.

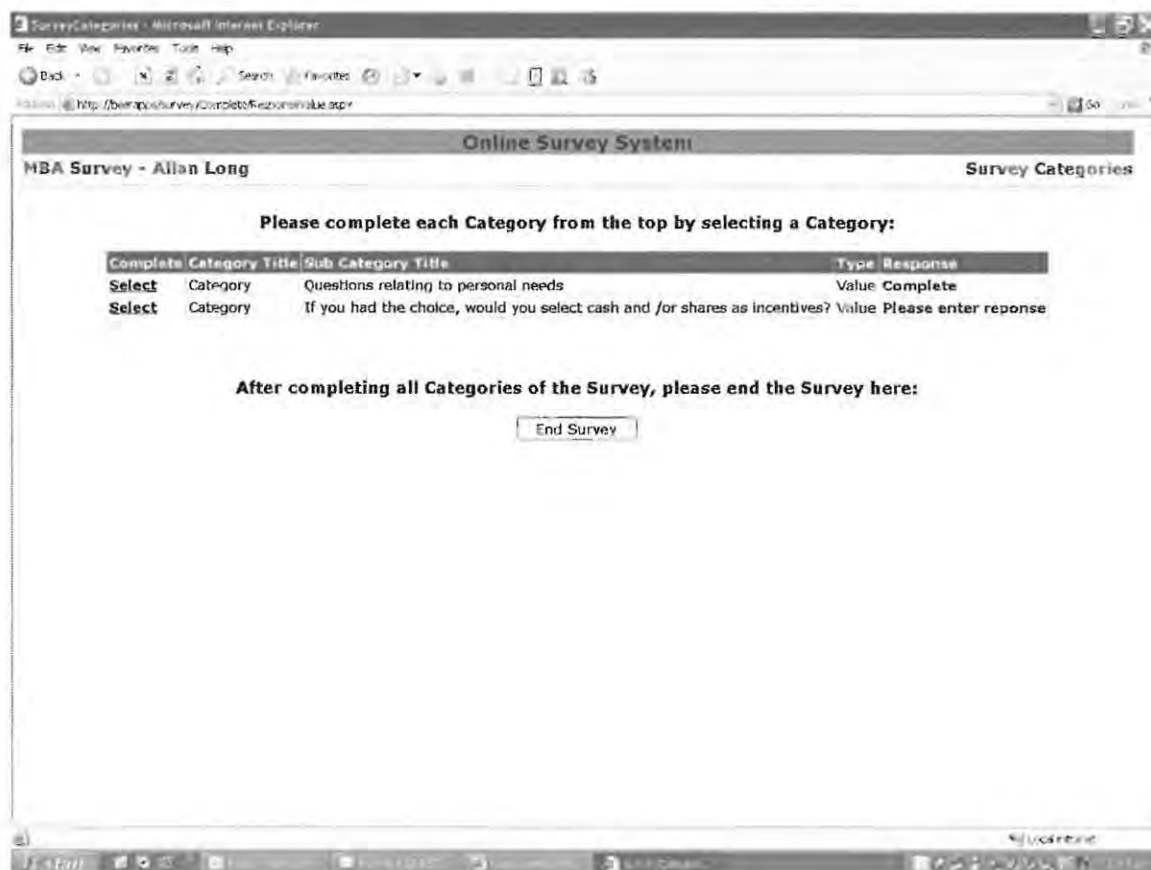
Figure 19: Screen dump indicating some of the 20 Maslow's hierarchy of needs questions

The screenshot shows a web browser window with the following content:

I earn enough at work not to go hungry	<input type="radio"/> Don't know	<input type="radio"/> Strongly disagree	<input type="radio"/> Disagree	<input type="radio"/> Disagree somewhat	<input type="radio"/> Agree somewhat	<input type="radio"/> Agree	<input type="radio"/> Strongly agree
I have a secure job	<input type="radio"/> Don't know	<input type="radio"/> Strongly disagree	<input type="radio"/> Disagree	<input type="radio"/> Disagree somewhat	<input type="radio"/> Agree somewhat	<input type="radio"/> Agree	<input type="radio"/> Strongly agree
People at work like me	<input type="radio"/> Don't know	<input type="radio"/> Strongly disagree	<input type="radio"/> Disagree	<input type="radio"/> Disagree somewhat	<input type="radio"/> Agree somewhat	<input type="radio"/> Agree	<input type="radio"/> Strongly agree
My job has prestige outside the organisation I work for	<input type="radio"/> Don't know	<input type="radio"/> Strongly disagree	<input type="radio"/> Disagree	<input type="radio"/> Disagree somewhat	<input type="radio"/> Agree somewhat	<input type="radio"/> Agree	<input type="radio"/> Strongly agree
I am satisfied with the degree of originality my job demands of me	<input type="radio"/> Don't know	<input type="radio"/> Strongly disagree	<input type="radio"/> Disagree	<input type="radio"/> Disagree somewhat	<input type="radio"/> Agree somewhat	<input type="radio"/> Agree	<input type="radio"/> Strongly agree
I am satisfied with my furniture at home	<input type="radio"/> Don't know	<input type="radio"/> Strongly disagree	<input type="radio"/> Disagree	<input type="radio"/> Disagree somewhat	<input type="radio"/> Agree somewhat	<input type="radio"/> Agree	<input type="radio"/> Strongly agree
I am satisfied with my medical aid scheme	<input type="radio"/> Don't know	<input type="radio"/> Strongly disagree	<input type="radio"/> Disagree	<input type="radio"/> Disagree somewhat	<input type="radio"/> Agree somewhat	<input type="radio"/> Agree	<input type="radio"/> Strongly agree
I like the people with whom I work	<input type="radio"/> Don't know	<input type="radio"/> Strongly disagree	<input type="radio"/> Disagree	<input type="radio"/> Disagree somewhat	<input type="radio"/> Agree somewhat	<input type="radio"/> Agree	<input type="radio"/> Strongly agree
I am praised for doing a good job	<input type="radio"/> Don't know	<input type="radio"/> Strongly disagree	<input type="radio"/> Disagree	<input type="radio"/> Disagree somewhat	<input type="radio"/> Agree somewhat	<input type="radio"/> Agree	<input type="radio"/> Strongly agree
My job enables me to perform to the best of my abilities	<input type="radio"/> Don't know	<input type="radio"/> Strongly disagree	<input type="radio"/> Disagree	<input type="radio"/> Disagree somewhat	<input type="radio"/> Agree somewhat	<input type="radio"/> Agree	<input type="radio"/> Strongly agree

Once the respondent had completed the personal needs questions and submitted the answers, the category screen (Figure 20) depicted below updated the respondent that the need questions had been completed and that the incentive scheme question required completion. It was at this point in the survey that if a respondent did not complete both of the category questions, and chose to end the survey, that the respondent's submission would be discarded as the survey had not been completed. This allowed the researcher to remove any incomplete questionnaires from the sample once the survey had been completed. This supports the validity and reliability of the questionnaire by ensuring that only completed questionnaires are accepted (Green, Tull and Albaum, 1988). Green et al. (1988) suggest that for a questionnaire to be satisfactory the measuring instrument must ensure quantifiable data that is both reliable and objective and it must be relevant to the hypothesis being investigated. This was achieved in this survey.

Figure 20: Screen dump indicating how the web portal showed that a category was complete



Once the respondent had completed the needs based question and selected the incentive scheme question, the survey required the respondent to select a particular incentive scheme option (Figure 21). The incentive schemes were explained in this screen with additional explanatory text to ensure that all respondents were clear about the incentive schemes being referred to. In this survey the incentive schemes referred to the STIs and quarterly sales incentives in the organisation. The choices were selected on a sliding scale beginning with 100% cash incentives; 80% cash / 20% shares; 50% cash / 50% shares; 80% shares / 20% cash and 100% shares.

Figure 21: Screen dump indicating the choice of incentive option question

The screenshot shows a web browser window titled "ResponseValue - Microsoft Internet Explorer" displaying an "Online Survey System" page. The page header includes "MBA Survey - Allan Long" and "Complete Survey". The survey content is as follows:

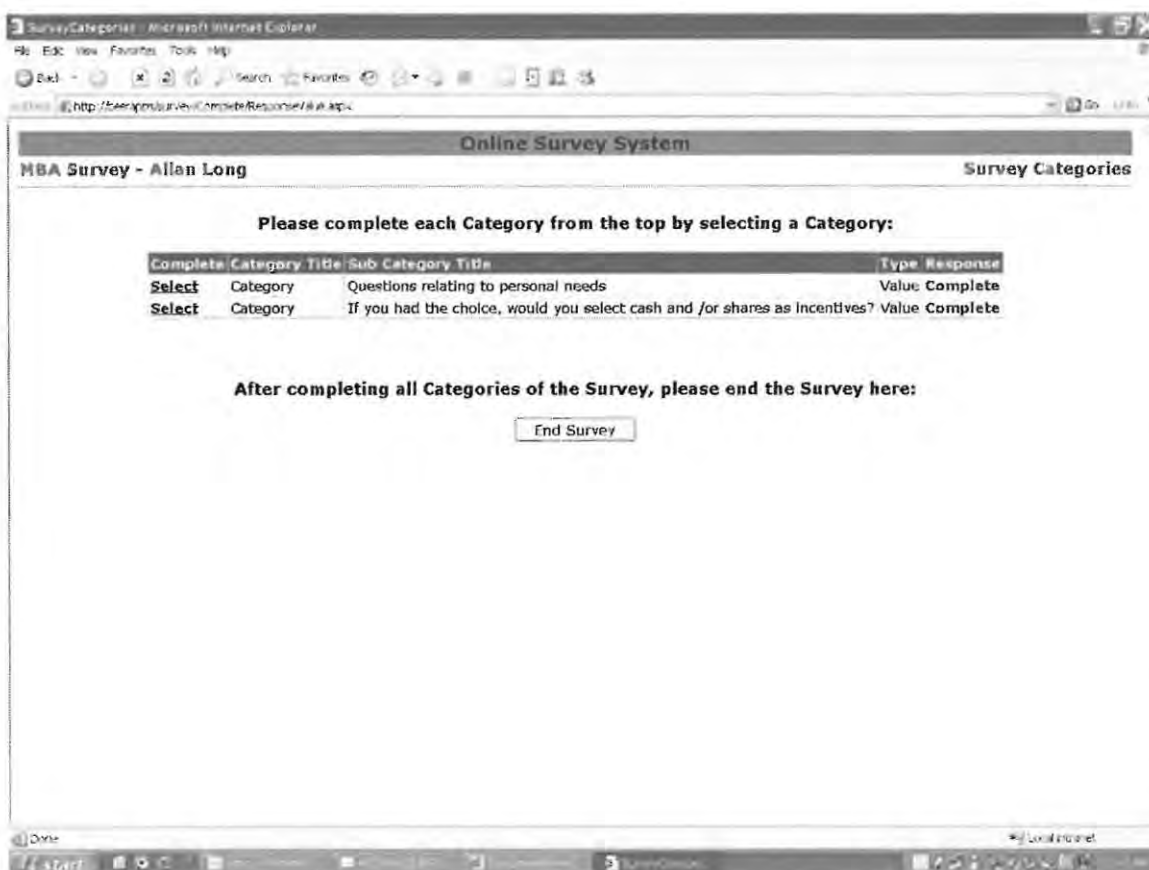
Category Category
Sub
Category **If you had the choice, would you select cash and /or shares as incentives?**

Incentives refer to Short Term Incentives (STI's) and / or quarterly sales Incentives

STATEMENT A	RESPONSE				
If you had the choice, how would you structure your incentives?	<input type="radio"/> 100% Cash Incentives	<input type="radio"/> 80% Cash Incentives / 20% Shares	<input type="radio"/> 50% Cash Incentives / 50% Shares	<input type="radio"/> 80% Shares / 20% Cash Incentives	<input type="radio"/> 100% Shares

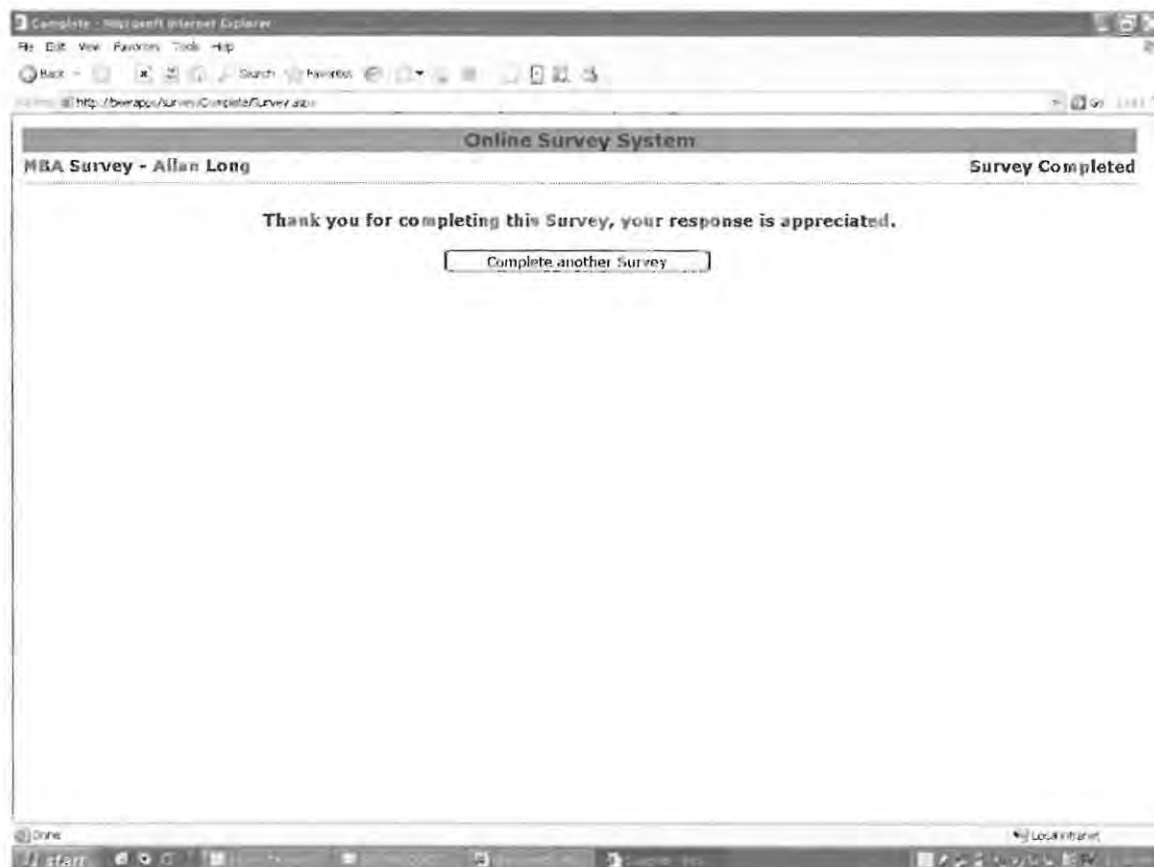
Once the respondent had completed both of the categories of questions, it was required that the survey be ended. At this stage of the questionnaire the response column of the survey would indicate that both the categories had been completed and this was indicated by “complete” in red (Figure 22). Once both of the categories indicated complete in red, the respondent could end the survey, and only if completed in this way, would the survey response be accepted as a complete submission for use in the analysis.

Figure 22: Screen dump indicating that both categories of questions were completed



Once the survey had been ended, the respondent was thanked for the completion of the survey and the survey could be terminated, as indicated in Figure 23 below.

Figure 23: Screen dump indicating that the survey is complete and thanking respondent



The questionnaire was pre-tested by ten employees to ensure that the e-mailed link worked, that all questions were working correctly and that they understood the questions. The response rate was increased by ensuring that the best possible layout was used. Babbie and Mouton (2004) reinforce the importance of the layout of the questionnaire as well as its wording to ensure that all questions are answered and that all respondents understand what is required of them. The questionnaire was supported with a clear set of instructions to ensure that the questionnaire was completed correctly (Babbie and Mouton, 2004).

A reminder was sent out every two days to encourage the respondents to complete the survey as the response rate could be monitored on the web site by the researcher. The response rate secured the representivity of the survey results and also indicated a high interest in the topic of incentive schemes within the organisation.

5.7 Validity and reliability

As the researcher is an employee and shareholder in SAB, it is imperative that the reliability of the data cannot be questioned. The validity of the survey can be judged if the credibility, transferability, dependability and confirmability of the criteria can be established, rather than judging the criteria against some external objective standard (Trochim, 2002). In other words, the research needs to confirm the views of the respondents, and not that of the researcher.

As with any research, there are often several limitations and caution will be taken to minimise this as far as possible. One of the biggest limitations in questionnaire-based research is that only some of the questions are completed (Peil, 1982). This phenomena was overcome through the use of the web-based questionnaire, which allowed one response to each question, as well as not allowing the respondent to submit the questionnaire unless each and every question had been completed. Another limitation is the poor response rate often incurred in survey research as people are often too busy or too preoccupied to complete the questionnaire (Peil, 1982).

The researcher was cautioned that previous research involving such a large sample usually resulted in a poor response rate of below 30% (Baxter, 2006). Another limitation supporting this concern was that when a researcher is unknown to many individuals in the population, it often results in the survey not being completed. This was curtailed by having the survey request sent out from the Sales and Distribution Director to get organisational buy-in. This request was received favourably by the employees in SAB and other senior executives supported the request by also mailing their subordinates and encouraging them to complete the survey.

5.8 Data analysis

To determine whether there is a relationship between individual needs and the choice of incentive schemes in SAB, the researcher needs to prove statistically that a positive relationship exists between personal needs and the choice of incentive schemes. If a positive relationship exists and is both valid and reliable then the hypothesis can be proven, but if a positive relationship does not exist, the null hypothesis will be proven. The strength and the direction of the relationship is determined by whether the relationship is positive (+) or

negative (-) in the study (Bryman and Cramer, 1990). The data from the questionnaires was analysed to support or reject whether a relationship exists between an individual's needs and the choice of incentive schemes in SAB. The validity and reliability of the measuring instrument was checked by conducting the Cronbach Alpha test.

5.9 Limitations of the research

The disadvantage of questionnaire surveys is the poor response rate, but the unexpected high response rate of 55% from this survey ensures that the responses are a fair reflection of the population, thus the use of a questionnaire was not a limitation in this research. The outcomes of the research cannot be generalised in SAB as the survey was only conducted with the sales and distribution executives, management and sales force, which limits its application. The outcomes from the research cannot be generalised to other organisations, but similarities could exist, and these would need to be investigated as part of further research.

5.10 Conclusion

In conclusion, a better than expected response rate was achieved from the sample, but it must nevertheless be stressed that the research is SAB-specific and that it only focuses on one area of the organisation, so caution must be taken in generalising the results. The research has yielded important information on individual needs and specifically on the choice of incentive scheme options. The following chapter provides a summary of the findings of the research as well as the discussion of these results in relation to the literature from the previous chapters.

CHAPTER 6: FINDINGS AND DISCUSSION

6.1 Introduction

The primary objective of this research is to determine whether:

- A relationship exists between the needs of an individual and their choice of a particular incentive scheme option.

The secondary goals of the research are to determine whether:

- A relationship exists between the grade of an individual and the choice of a particular incentive scheme.
- A particular incentive scheme option is preferred by the employees in SAB.
- A particular preference exists, and if so, to make recommendations to SAB for consideration as alternatives to their existing incentive scheme options.

The research also considered any other relevant data emanating from the needs questionnaire (e.g. work life balance question) that would be pertinent to the study and investigated any other relevant relationships that existed between the variables.

Chapters 2, 3 and 4 investigated the relevant literature pertaining to the study, followed by the methodology chapter, which outlined the process followed in the research including the instrument used, the sampling procedure as well as the administration of the survey. This chapter provides a summary of the research findings, which will include the response rate, the validity of the measurement tool and the analysis of the hypotheses, as well as a discussion of the results in relation to the literature of the study.

6.2 Summary of results

6.2.1 Response rate

This research was carried out with the entire population for grade FA/BA, PE and F in the sales and distribution fraternity in SAB. The population in this research therefore comprised of these 575 employees. The response rate of 55% was unusually high for this type of survey, as the response rate is often below 30% when such a large population is used (Baxter, 2006).

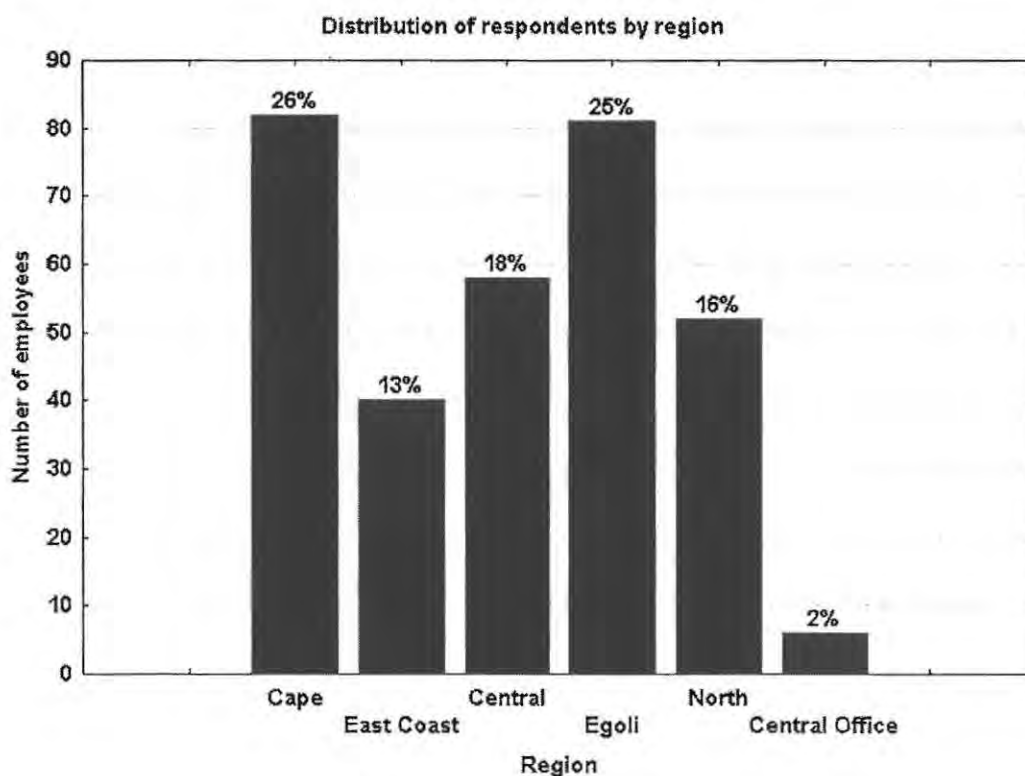
An electronic web-based survey was administered to the sample and Table 4 gives an overview of the population, which in this research is the sample.

Table 4: Overview of population by grade

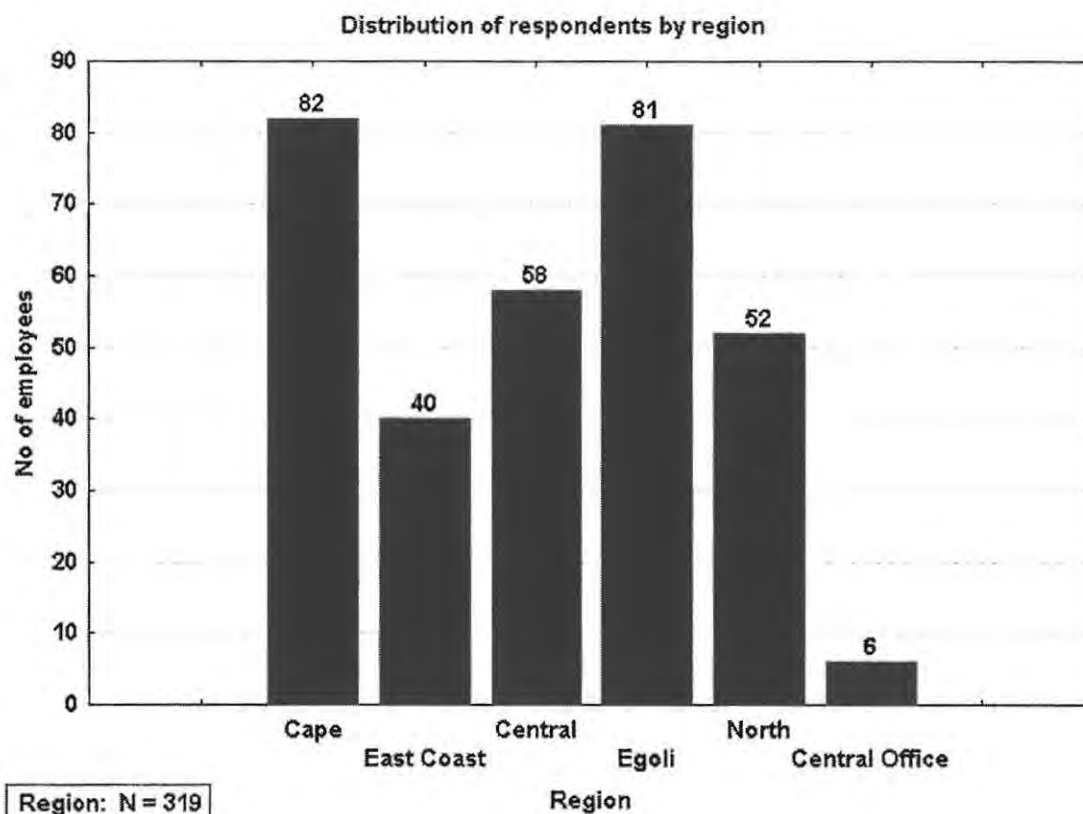
GRADE	SAMPLE SIZE
FA / BA	81
PE	79
F	415
TOTAL	575

The 319 respondents were spread across the five regions in SAB, with the majority of responses coming from the two biggest regions. The regional spread of respondents is in line with the sizes of the respective regions, as Cape Region and Egoli Region are the largest regions and they have the biggest response rate at 26% and 25% respectively (Graph 1).

Graph 1: Summary of respondents by region (percentages)

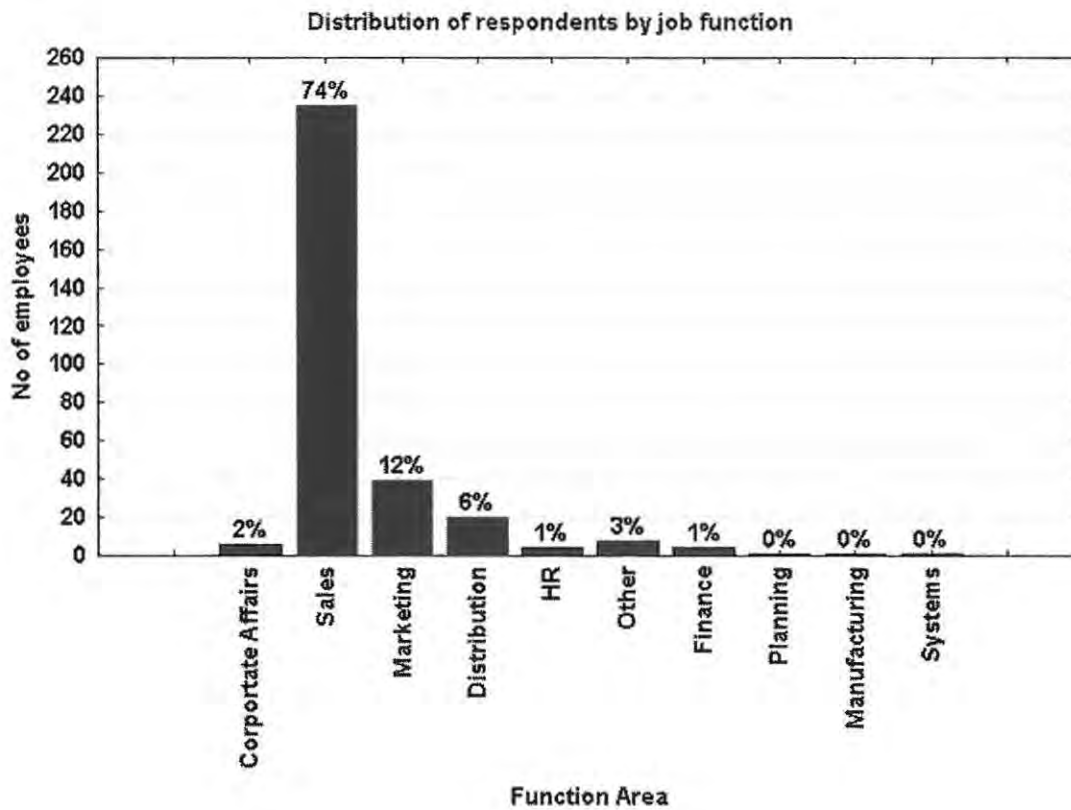


Graph 2: Summary of respondents by region (numerical)



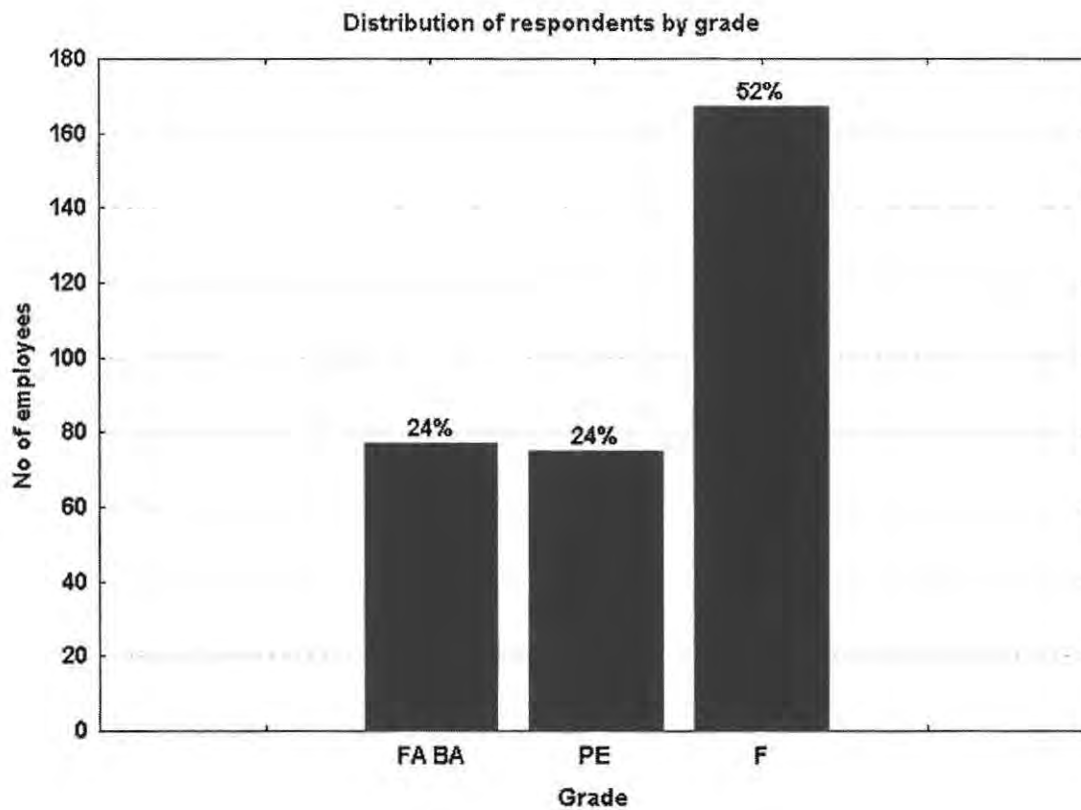
The results of the survey support a high sales bias, as 98% of the returned surveys were conducted in the sales and distribution function, with a high sales specific bias of 74% as depicted in Graph 3. This supports the research as the survey was aimed at the sales and distribution fraternity in SAB for the grades indicated, with a bias towards the sales fraternity as they constitute the majority in the population. The remainder of the respondents were employees from the support structures supporting the sales and distribution functions within SAB.

Graph 3: Summary of respondents by job function (percentages)



The majority of the respondents were in Grade F, constituting 52% of the total responses followed by the grade FA/BA and grade PE, which both had a response contribution of 24% (Graph 4). The population of the sales reps (Grade F) is the largest at 415 employees, yet this constitutes the lowest response rate of 167 responses equating to a 40% response rate. A reason for the lower response rate of the sales reps could be that the majority of their work is spent in the field calling on clients, which could support the poorer response rate.

Graph 4: Summary of respondents by grade (percentages)



Out of the 575 survey questionnaires that were e-mailed out, 350 surveys were submitted, a response rate of 61%. Unfortunately 31 of the 350 submitted surveys had to be deleted from the sample as they had not completed all of the 21 survey questions. 319 useable surveys were admitted for the final results, which represented a response rate of 55%.

Table 5 gives an overview of the number of respondents per grade versus the number of respondents for each grade, which is also expressed as a percentage.

Table 5: Overview of response rate by grade

GRADE	SAMPLE SIZE	NO. RESPONDENTS	% RESPONSES
FA / BA	81	77	95 %
PE	79	75	95 %
F	415	167	40 %
TOTAL	575	319	55 %

6.2.2 Measurement tool's reliability

To test the reliability of the instrument, the Cronbach Alpha test was performed for each of the levels of Maslow's needs. The average result from the five levels of Maslow's hierarchy was 0.71, but it must be noted that the results ranged from 0.47 to 0.83. Cronbach's Alpha works on the premise that the closer to 1 the results the better. In general reliabilities less than 0.6 are considered to be poor, those in the 0.7 to 0.79 range acceptable and those above 0.8 good (Sekaran, 2000). The Cronbach Alpha determines the internal consistency reliability of the measures used in the research (Cronbach, 1960). The results for each of the five Maslow levels will be discussed, as indicated in Table 6.

Table 6: Cronbach Alpha results for each of the Maslow's needs levels

GRADE	SAMPLE SIZE	NO. RESPONDENTS	CRONBACH ALPHA
Physiological Needs	575	319	0.717913
Safety Needs	575	319	0.486082
Affiliation Needs	575	319	0.710487
Esteem Needs	575	319	0.780928
Self-actualisation Needs	575	319	0.829627

The physiological needs construct has a reliability of 0.72, which according to Cronbach is in the acceptable range of results. The safety needs construct has a reliability of 0.49, which according to Cronbach is poor as it is below the generally accepted level of 0.6. The affiliation needs construct has a reliability of 0.71, which according to Cronbach is in the acceptable range of results. The esteem needs construct has a reliability of 0.78, which according to Cronbach is in the acceptable range of results. The self-actualisation needs construct has a reliability of 0.83, which according to Cronbach is in the acceptable range of results (Table 6).

6.2.3 Testing of the hypothesis

Person's Chi-square test was used to determine whether individual needs and the choice of an incentive scheme have a statistically significant. In this research the p-value is important as this was used to reject or not reject the null hypothesis. The following results emanated from the Pearson Chi-square tests for each of the levels of Maslow's hierarchy of needs (Table 7).

Table 7: Pearson Chi-square results for each of Maslow's levels of needs versus choice of incentive schemes

MASLOW'S NEED SATISFACTION SCALE	CHI-SQUARE	df	p-value
Physiological needs	18.7991	16	0.279243
Safety needs	13.0484	12	0.365549
Affiliation needs	17.1062	12	0.145669
Esteem needs	17.3905	12	0.135512
Self-Actualisation needs	9.32751	12	0.674729

The p-value for each of the needs categories was high therefore in this case a low level of significance exists. Since we do not reject the null hypothesis that there is no statistically significant relationship between the needs of an individual and their choice of a particular incentive scheme option, then the null hypothesis (H_0) is TRUE.

H_0 – There is no statistically significant relationship between the needs of an individual and their choice of a particular incentive scheme option.

H_1 – There is a statistically significant relationship between the needs of an individual and their choice of a particular incentive scheme option.

Therefore simply stated it means that individual needs and the choice of incentive schemes do not have a statistically significant relationship.

The cross tabulation tables of the various levels of Maslow's needs were summarised with the Pearson Chi-square test and the various levels of significance indicated in the resultant p-values are indicated in the tables below (Table 8, 9, 10, 11 and 12). These tables reflect the frequency that the Likert scale selections were made with respect to the choice of incentive schemes. These Likert scale options were:

- (1) Do not know
- (2) Strongly disagree
- (3) Disagree
- (4) Disagree somewhat
- (5) Agree somewhat
- (6) Agree
- (7) Strongly agree

Table 8: Cross tabulation table of physiological needs and the choice of incentive schemes

Summary Frequency Table (data)							
Table: RIncentiveO(5) x RPhysiological(5)							
Include condition: v45=1							
	RIncentiveO	{Physiological 2	{Physiological 3	{Physiological 4	{Physiological 5	{Physiological 6	Row Totals
Count	100% Cash Incentives	0	0	2	9	2	13
Row Percent		0.00%	0.00%	15.38%	69.23%	15.38%	
Count	80% Cash Incentives / 20% Shar	1	0	5	13	3	22
Row Percent		4.55%	0.00%	22.73%	59.09%	13.64%	
Count	50% Cash Incentives / 50% Shar	0	0	2	19	5	26
Row Percent		0.00%	0.00%	7.69%	73.08%	19.23%	
Count	80% Shares / 20% Cash Incentiv	0	0	2	6	2	10
Row Percent		0.00%	0.00%	20.00%	60.00%	20.00%	
Count	100% Shares	0	1	2	2	1	6
Row Percent		0.00%	16.67%	33.33%	33.33%	16.67%	
Count	All Grps	1	1	13	49	13	77

Summary Table: Expected Frequencies (data)						
Pearson Chi-square: 18.7991, df=16, p=.279243						
Include condition: v45=1						
RIncentiveO	{Physiological 2	{Physiological 3	{Physiological 4	{Physiological 5	{Physiological 6	Row Totals
100% Cash I	0.168831	0.168831	2.19481	8.27273	2.19481	13.0000C
80% Cash In	0.285714	0.285714	3.71429	14.0000C	3.71429	22.0000C
50% Cash In	0.337662	0.337662	4.38961	16.5454E	4.38961	26.0000C
80% Shares	0.12987C	0.12987C	1.68831	6.36364	1.68831	10.0000C
100% Share	0.077922	0.077922	1.01299	3.81818	1.01299	6.0000C
All Grps	1.00000C	1.00000C	13.0000C	49.0000C	13.0000C	77.0000C

Table 9: Cross tabulation table of safety needs and the choice of incentive schemes

Summary Frequency Table (data) Table: RIncentiveO(5) x Rsafety(4) Include condition: v45=1						
	RIncentiveO	Rsafety 3	Rsafety 4	Rsafety 5	Rsafety 6	Row Totals
Count	100% Cash Incentives	0	0	12	1	13
Row Percent		0.00%	0.00%	92.31%	7.69%	
Count	80% Cash Incentives / 20% Share	1	3	14	4	22
Row Percent		4.55%	13.64%	63.64%	18.18%	
Count	50% Cash Incentives / 50% Share	0	4	17	5	26
Row Percent		0.00%	15.38%	65.38%	19.23%	
Count	80% Shares / 20% Cash Incentive	0	2	4	4	10
Row Percent		0.00%	20.00%	40.00%	40.00%	
Count	100% Shares	0	2	4	0	6
Row Percent		0.00%	33.33%	66.67%	0.00%	
Count	All Grps	1	11	51	14	77

Summary Table: Expected Frequencies (data) Pearson Chi-square: 13.0484, df=12, p=.365549 Include condition: v45=1					
RIncentiveO	Rsafety 3	Rsafety 4	Rsafety 5	Rsafety 6	Row Totals
100% Cash Incentives	0.168831	1.85714	8.61039	2.36364	13.00000
80% Cash Incentives / 20% Shares	0.285714	3.14286	14.57143	4.00000	22.00000
50% Cash Incentives / 50% Shares	0.337662	3.71429	17.22078	4.72727	26.00000
80% Shares / 20% Cash Incentives	0.129870	1.42857	6.62338	1.81818	10.00000
100% Shares	0.077922	0.85714	3.97403	1.09091	6.00000
All Grps	1.000000	11.00000	51.00000	14.00000	77.00000

Table 10: Cross tabulation table of affiliation needs and the choice of incentive schemes

Summary Frequency Table (data) Table: RIncentiveO(5) x Raffiliation(4) Include condition: v45=1						
	RIncentiveO	Raffiliation 3	Raffiliation 4	Raffiliation 5	Raffiliation 6	Row Totals
Count	100% Cash Incentives	0	0	10	3	13
Row Percent		0.00%	0.00%	76.92%	23.08%	
Count	80% Cash Incentives / 20% Shares	1	2	15	4	22
Row Percent		4.55%	9.09%	68.18%	18.18%	
Count	50% Cash Incentives / 50% Shares	0	2	19	5	26
Row Percent		0.00%	7.69%	73.08%	19.23%	
Count	80% Shares / 20% Cash Incentives	0	3	4	3	10
Row Percent		0.00%	30.00%	40.00%	30.00%	
Count	100% Shares	0	3	3	0	6
Row Percent		0.00%	50.00%	50.00%	0.00%	
Count	All Grps	1	10	51	15	77

Summary Table: Expected Frequencies (data) Pearson Chi-square: 17.1062, df=12, p=.145669 Include condition: v45=1					
RIncentiveO	Raffiliation 3	Raffiliation 4	Raffiliation 5	Raffiliation 6	Row Totals
100% Cash Incentives	0.168831	1.68831	8.61039	2.53247	13.00000
80% Cash Incentives / 20% Shares	0.285714	2.85714	14.57143	4.28571	22.00000
50% Cash Incentives / 50% Shares	0.337662	3.37662	17.22078	5.06494	26.00000
80% Shares / 20% Cash Incentives	0.129870	1.29870	6.62338	1.94805	10.00000
100% Shares	0.077922	0.77922	3.97403	1.16883	6.00000
All Grps	1.00000	10.00000	51.00000	15.00000	77.00000

Table 11: Cross tabulation table of esteem needs and the choice of incentive schemes

Summary Frequency Table (data) Table: RIncentiveO(5) x Resteem(4) Include condition: v45=1						
	RIncentiveO	Resteem 3	Resteem 4	Resteem 5	Resteem 6	Row Totals
Count	100% Cash Incentives	0	2	8	3	13
Row Percent		0.00%	15.38%	61.54%	23.08%	
Count	80% Cash Incentives / 20% Shares	0	7	10	5	22
Row Percent		0.00%	31.82%	45.45%	22.73%	
Count	50% Cash Incentives / 50% Shares	0	3	17	6	26
Row Percent		0.00%	11.54%	65.38%	23.08%	
Count	80% Shares / 20% Cash Incentives	0	3	5	2	10
Row Percent		0.00%	30.00%	50.00%	20.00%	
Count	100% Shares	1	2	3	0	6
Row Percent		16.67%	33.33%	50.00%	0.00%	
Count	All Grps	1	17	43	16	77

Summary Table: Expected Frequencies (data) Pearson Chi-square: 17.3905, df=12, p=.135512 Include condition: v45=1					
RIncentiveO	Resteem 3	Resteem 4	Resteem 5	Resteem 6	Row Totals
100% Cash Incentives	0.168831	2.87013	7.25974	2.70130	13.00000
80% Cash Incentives / 20% Shares	0.285714	4.85714	12.28571	4.57143	22.00000
50% Cash Incentives / 50% Shares	0.337662	5.74026	14.51948	5.40260	26.00000
80% Shares / 20% Cash Incentives	0.129870	2.20779	5.58442	2.07792	10.00000
100% Shares	0.077922	1.32468	3.35065	1.24675	6.00000
All Grps	1.000000	17.00000	43.00000	16.00000	77.00000

Table 12: Cross tabulation table of self-actualisation needs and the choice of incentive schemes

Summary Frequency Table (data) Table: RIncentiveO(5) x Rself(4) Include condition: v45=1						
	RIncentiveO	Rself 3	Rself 4	Rself 5	Rself 6	Row Totals
Count	100% Cash Incentives	0	3	7	3	13
Row Percent		0.00%	23.08%	53.85%	23.08%	
Count	80% Cash Incentives / 20% Shares	2	4	12	4	22
Row Percent		9.09%	18.18%	54.55%	18.18%	
Count	50% Cash Incentives / 50% Shares	0	4	14	8	26
Row Percent		0.00%	15.38%	53.85%	30.77%	
Count	80% Shares / 20% Cash Incentives	0	3	4	3	10
Row Percent		0.00%	30.00%	40.00%	30.00%	
Count	100% Shares	0	2	4	0	6
Row Percent		0.00%	33.33%	66.67%	0.00%	
Count	All Grps	2	16	41	18	77

Summary Table: Expected Frequencies (data) Pearson Chi-square: 9.32751, df=12, p=.674729 Include condition: v45=1					
RIncentiveO	Rself 3	Rself 4	Rself 5	Rself 6	Row Totals
100% Cash Incentives	0.337662	2.70130	6.92208	3.03896	13.00000
80% Cash Incentives / 20% Shares	0.571429	4.57143	11.71429	5.14286	22.00000
50% Cash Incentives / 50% Shares	0.675325	5.40260	13.84416	6.07792	26.00000
80% Shares / 20% Cash Incentives	0.259740	2.07792	5.32468	2.33766	10.00000
100% Shares	0.155844	1.24675	3.19481	1.40260	6.00000
All Grps	2.000000	16.00000	41.00000	18.00000	77.00000

6.3 Discussion of results

Although the findings do not indicate a statistically significant relationship between individual needs and the choice of incentive schemes, the research has still highlighted some useful information for further consideration. The research has indicated that needs are not a significant reason for making a choice from various incentive scheme options, but nevertheless they are important to behaviour, motivation and performance management, as indicated in the preceding literature.

Although no statistically significant relationship was found between individual needs and the choice of an incentive scheme, it must be noted that a significant relationship was found to exist between employee grades and the choice of incentive schemes. The p-value for the grades and incentive scheme option is < 0.05 , resulting in a high level of significance. This suggests a significant relationship between grade and the choice of an incentive scheme (p-value = 0.027751).

Table 13: Summary frequency table for grades and the choice of incentive schemes

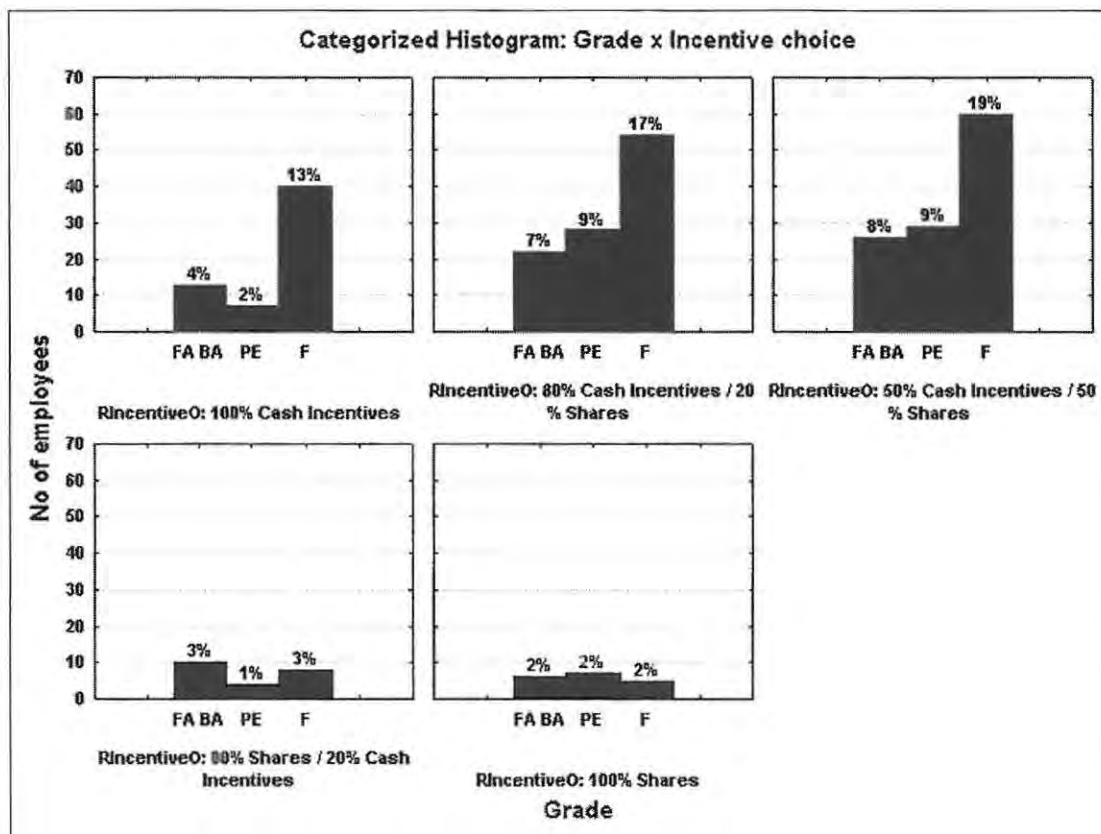
Summary Frequency Table (data)							
Table: OrderedGrade(3) x RIncentiveO(5)							
	OrderedGrade	RIncentiveO 100% Cash Incentives	RIncentiveO 80% Cash Incentives / 20% Shares	RIncentiveO 50% Cash Incentives / 50% Shares	RIncentiveO 80% Shares / 20% Cash Incentives	RIncentiveO 100% Shares	Row Totals
Count	FA BA	13	22	26	10	6	77
Row Percent		16.88%	28.57%	33.77%	12.99%	7.79%	
Count	OE	7	28	29	4	7	75
Row Percent		9.33%	37.33%	38.67%	5.33%	9.33%	
Count	F	40	54	60	8	5	167
Row Percent		23.95%	32.34%	35.93%	4.79%	2.99%	
Count	All Grps	60	104	115	22	18	319

Summary Table: Expected Frequencies (data)						
Pearson Chi-square: 17.2362, df=8, p=.027751						
OrderedGrade	RIncentiveO 100% Cash Incentives	RIncentiveO 80% Cash Incentives / 20% Shares	RIncentiveO 50% Cash Incentives / 50% Shares	RIncentiveO 80% Shares / 20% Cash Incentives	RIncentiveO 100% Shares	Row Totals
FA BA	14.48276	25.1034	27.7586	5.31034	4.34483	77.0000
OE	14.10658	24.4514	27.0376	5.17241	4.23197	75.0000
F	31.41066	54.4451	60.2038	11.51724	9.42320	167.0000
All Grps	60.00000	104.0000	115.0000	22.00000	18.00000	319.0000

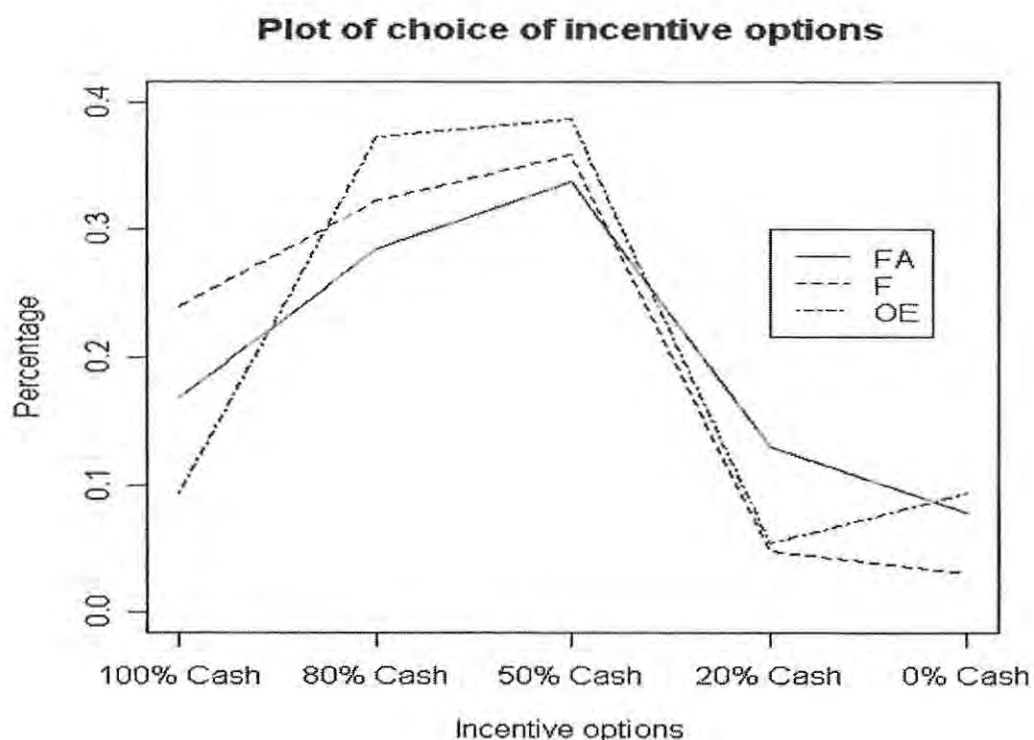
The frequency distribution of the choice of incentive scheme option by grade indicates a large number of employees would prefer incentives that would offer shares in some degree. The two options that were chosen most often were the 50% cash / 50% shares option, which was selected by 36% of the respondents, followed by the 80% cash / 20% shares option, which was selected by 33% of the respondents. 81% of all respondents indicated the desire for shares as an option in their STIs, which could indicate a degree of commitment and support by the employees towards SAB. 19% of the 319 respondents indicated that they wanted cash as incentives, and only 13% indicated an interest in shares being the greatest component of the option.

It can therefore be concluded that a majority of the sales and distribution employees in SAB have indicated a preference for a combination of cash and shares as incentives. As SAB is currently struggling with retention of people, it could consider the findings of this research to conduct further research into the feasibility of shares in the organisation.

Graph 5: Relationship between grade and incentive scheme (histogram)



Graph 6: Relationship between grade and incentive scheme (plot)



The primary goal of this research was to determine whether:

- A relationship exists between the needs of an individual and their choice of a particular incentive scheme option.

The secondary goals of the research were to determine whether:

- A relationship exists between the grade of an individual and the choice of a particular incentive scheme.
- A particular incentive scheme option is preferred by the employees in SAB.
- A particular preference exists, and if so, to make recommendations to SAB for consideration as alternatives to their existing incentive scheme options.

One of the key challenges of management today is to motivate employees to perform within organisations. Leidecker and Hall (1974) agree that this is a complex task in today's business environment and Steers and Porter (1975) suggest that compensation and reward systems have an influence on this motivation, which requires management to understand the relationships between the variables. It is then justified in acknowledging that motivation,

performance management and compensation in the form of incentives are interrelated; they are different yet related and dependent on one another. As there is a strong relationship between grades and the choice of incentive schemes, it is critical that SAB ensure that the rewards offered in the form of incentives for performance are aligned to the employees within the organisation. The most important aspect of these variables is that they are implemented correctly within organisations so that they support rather than undermine one another (Leidecker and Hall, 1974).

If management is unable to satisfy this perceived value in the reward then it could lead to dissatisfaction with negative unintended consequences. These consequences may lead to reduced loyalty, poor productivity, high labour turnover and ultimately poor customer and consumer loyalty. Bennett and Minty (cited in Whittington-Jones, 2005) argue that the three major purposes of performance management are as follows:

- It is a process for strategy implementation.
- It is a vehicle for cultural change.
- It provides input into other human resource systems such as compensation.

Performance management is important in the implementation of strategy in organisations and can be used to develop a culture of performance within an organisation. As it provides input into compensation, it is also important that it is implemented and managed effectively in the organisation. It has also been established that incentives can drive positive performance and that if the correct incentive option is made available, which is in line with what the individual perceives as satisfactory, then it can result in improved behaviour. The research indicates that the current choices available to reward performance are not necessarily aligned to what the employees in SAB want. If performance management is used as a vehicle for cultural change, then surely organisations should ensure that the incentive rewards received for performance are aligned to what individuals perceive as the correct incentive. For SAB to effectively implement strategy and to ensure a high performance culture, it may consider re-appraising the current incentive scheme options available in the organisation as well as re-appraising the share options within the organisation.

Appelbaum and Mackenzie (1996) caution that organisations must protect themselves from the negative effects of incentives by:

- Ensuring the incentive is long term.
- Ensuring emphasis is placed on stock options.
- Using a much larger share option than the average company.
- Having a wider distribution of shares among the broader employee base.

The research indicates that SAB has short term incentives in the form of STIs, but that share options only exist within a selected few senior executives within the organisation. This is contrary to Appelbaum and Mackenzie (1996), who suggest that the emphasis be placed on shares and that those shares are distributed to the broader employee base.

The Integrated Expectancy Theory of Porter and Lawler (1968) support this argument and emphasise that if an individual perceives a reward to be satisfactory then the satisfaction will influence positive behaviour, resulting in more effort being exerted to perform. Skinner's reinforcement theory further supports this argument as he argues that compensation and, more specifically, incentives are tools that can be used to motivate individuals within organisations if these tools are seen as positive reinforcement, as the reward of incentives is the consequence of certain behaviour. Adams (1963) suggests that the reward for performance must be applied consistently and that a clear policy is followed, which is both transparent and equitable.

Herzberg (1968) argues that if one focuses on lower order needs, which is where salaries and incentives reside, then if they are perceived to be adequate, they will merely prevent dissatisfaction, as satisfaction only emerges by addressing the higher order needs. These lower level hygiene factors are seen as demotivators (Hall and Williams, 1986). If the reward for performance does not meet with an individual's needs then it would lead to frustration, conflict and failure (Argyris, 1957). Therefore if a person's needs do not influence a choice of incentive schemes, there must be other factors that are determining the choice.

Axis, an organisation that has shares owned by all its employees, suggests that retention, shrinkage and sustainable growth are the product of issuing these shares to all of its employees, resulting in ownership (Ryan, 2005). By offering a choice it will not necessarily drive behaviour on its own, but it may be an element among a combination of factors that are driving behaviour. Therefore if motivation is “to give incentive to” then an organisation should consider the selection of incentive schemes that would best satisfy its employees. If motivated employees exert greater effort, then an organisation should identify what incentive will best satisfy employees, and in return its employees would increase the amount of effort to perform against the organisation’s goals. It may not be the need for incentives itself, but may well be the state of ownership and the subsequent behaviours it drives in individuals.

The Porter and Lawler model (1968) refers to performance being rewarded by either extrinsic or intrinsic rewards. As no statistically significant relationship exists between individual needs and a choice of incentive schemes, then these intrinsic rewards could be driving the choice of incentive scheme options. Herzberg (1968) supports this as he identified the intrinsic factors as motivating factors, while he refers to the extrinsic reward of incentives as hygiene factors. Therefore the choice of incentive schemes is being driven by other factors than needs alone. The perceived difference between the incentives expected and those received determine the level of satisfaction (Porter and Lawler, 1968). This deals with whether the incentives as rewards are perceived to be equitable or not (Adams, 1963). The research suggests that the incentives are not in line with what employees would prefer, which suggests an opportunity to further investigate various options available to SAB. Behaviour emanating from incentive rewards should be aligned with needs of an individual, but these needs may be intrinsic in the form of personality satisfying outcomes (Porter and Lawler, 1968).

If salary and incentives are physiological needs, it may mean that higher order intrinsic needs are at play in determining the choice of an incentive scheme. Arnolds (1999) confirmed that as one moves up the organisational ladder, a progression from lower to higher order needs emerges. As no significant relationship exists in this research, it cannot be accepted or rejected. Stum (2001) concluded that both the lower and higher level needs must be focused on to ensure performance. He went on to conclude that the level in self-actualisation in Maslow’s hierarchy of needs was in fact about growth and work life harmony. This refers to

the balance between work and social commitments in an individual's life. Arnolds and Boshoff (2000) concluded in empirical research that an employee's job performance can be significantly increased by satisfying the higher order needs. Therefore it may increase performance, but a direct link between the needs of an individual and the choice of an incentive scheme is not significant, as found in this research. Therefore it must be other factors that are influencing the choice.

Skinner (1974) concluded that reinforcement conditions behaviour, but it could be reinforced both positively and negatively. This theory suggests that behaviour is a function of consequences. Therefore if positive consequences follow from behaviour, say incentives, then the behaviour is more likely to be repeated. The performance management process can be constructed equitably in that a 100% probability exists of achieving the rewards. This is not the case in the SAB sales incentives, as these incentives are budgeted for at 75%, which suggests that the probability of achieving the targets is not 100%. This could further suggest that targets are not necessarily equitable in all cases (Adams, 1963).

If incentives are seen as positive reinforcement, then achieving the target consistently should increase the probability that the effort to perform is repeated (Skinner, 1974). Therefore the choice of incentive schemes must be in line with what an employee chooses as it would improve the chances of reinforcing this behaviour repeatedly. If we also ensure that the organisation's goals are set correctly and that they are "SMART", then it would further motivate employees (Locke and Latham, 1984).

Peters and Waterman (1995) noted that companies not focusing on human capital as well as financial aspects were no longer the top performing companies. The fact that SAB is now ranked the 11th best company to work for suggests that the current status quo of human capital management in SAB may no longer be adequate due to the fact that other companies are implementing similar and even better people management strategies (Deloitte, 2006).

Improving the level of involvement of an individual in what type of incentive scheme to make available may increase the ownership of performance, which may in turn increase ownership behaviours, as improved performance in organisations results in increased wealth as the share

value should increase (Mintzberg, 1994a, b and c). An organisation must also be protected from the negative aspects of incentives by using annual incentives, placing emphasis on shares, ensuring a greater proportion of shares versus cash, and by ensuring that the shares are distributed across a broad base of the organisation (Appelbaum and Mackenzie, 1996). The fact that the share option purchase scheme in SAB is only available to a selected few and that it is relatively unknown suggests that the application of the scheme may not be entirely equitable.

A number of high performance organisations discussed in earlier chapters, such as General Electric, Axis and AngloGold, have implemented according to these criteria with resounding success and performance.

6.4 Conclusion

There is extensive evidence in both the literature and in highly successful organisations to show that shares in some form or another are worth considering due to the impact on performance and behaviour within these organisations.

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1 Conclusion and recommendations

Despite its vision “to be the most admired company in South Africa” and its value that “our people are our enduring advantage”, SAB has slowly begun to slide from the top position that it has held as the “best company to work for” (Deloitte, 2006). This is not necessarily due to poor human resource management or leadership, but could rather be attested to the fact that many other organisations have been steadily improving what they have to offer their employees. The impact of a highly competitive trading environment has placed undue pressure on the people in the organisation to perform, sometimes with negative consequences on many human resource aspects such as work life balance.

SAB has a well developed people management system in its IMP system, which like any system has room for improvement due to the fact that the system is only as good as its implementation. The need for improved performance and productivity exists in all organisations, which necessitates the need for constant re-appraisal of organisational systems and policies. SAB, like any other organisation, strives for improved performance to deliver sustained performance of above average returns to its shareholders, and in order to achieve this sustainability it needs to constantly re-appraise itself.

The opportunity therefore exists to investigate whether to consider the option of shares in SAB, if it would further influence the sales force to perform at a higher level, as well as support the retention strategy of the organisation by retaining performing talent and experience. The choice most prevalent in the sales force is that of a combination of cash and shares as indicated in the findings of the research. The most selected of these incentive scheme options was that of 50% cash and 50% shares (36% of respondents), followed by the 80% cash and 20% shares option (33% of respondents). The importance of shares is supported by the fact that 1 082 SAB employees own shares within the organisation, not through the share option scheme, but through the purchase of these shares with their own income. Shares may influence specific behaviours, which may further drive the organisation to new heights. It is this ownership that has impact on behaviour which results in people being more committed once they share in the wealth of the organisation.

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Appendix 1

MASLOW'S NEED SATISFACTION SCALES		Don't know	Strongly disagree	Disagree	Disagree somewhat	Agree somewhat	Agree	Strongly agree
1	Physiological need satisfaction							
1.1	My work allows me enough time for relaxation							
1.2	I earn enough money to buy the clothes I need							
1.3	I earn enough at work not to go hungry							
1.4	I am satisfied with my furniture at home							
2	Safety and security need satisfaction							
2.1	The organisation I work for is financially stable							
2.2	I am satisfied with my pension fund							
2.3	I have a secure job							
2.4	I am satisfied with my medical aid scheme							
3	Affiliation need satisfaction							
3.1	I am satisfied with the co-operation of people at work							
3.2	My work allows me to work with friendly people							
3.3	People at work like me							
3.4	I like the people with whom I work							
4	Esteem need satisfaction							
4.1	I am respected for my skills on the job							
4.2	I get enough recognition for my position on the job							
4.3	My job has prestige outside the organisation I work for							
4.4	I am praised for doing a good job							
5	Self-actualisation need satisfaction							
5.1	My ideas for improvement are accepted on my job							
5.2	All my capabilities are used in work							
5.3	I am satisfied with the degree of originality my job demands of me							
5.4	My job enables me to perform to the best of my abilities							

