



## RELATIONSHIP BETWEEN INCENTIVES AND ORGANIZATIONAL PERFORMANCE FOR EMPLOYEES IN THE PAKISTANI UNIVERSITIES

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### ABSTRACT

*Our research paper scrutinizes the effect of incentives and organizational performance for the teachers working in Pakistan universities. Incentives are categorized into two categories: financial and moral incentives which are independent variables. Organization performance consists of three dimensions: customer satisfaction, internal business process and learning & growth. These are treated as dependent variables. In this paper, we find out the relationship between organizational performance and incentives. The sample of the research consists of four universities working in Punjab Pakistan.*

*The questionnaire was used as instrument to collect data from the faculty members of the universities. SPSS was used to generate findings of the study. The Descriptive Statistics, Correlation, Regression analysis and T-test was used to find out relationship of incentives and organizational performance.*

*The main findings of the research show that incentives and organizational performance had significant positive correlation. Furthermore, Regression was applied to find out the change in organizational performance due to incentives. Moreover, independent T-test was used to find out difference of Gender on incentives and organizational performance. Incentives had significant effect on the performance of males and females.*

**Key Words:** Financial incentives, Moral incentives, Organizational performance and Pakistani universities, Independent T-test, Regression analysis

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## INTRODUCTION

Incentives are considered to be main factors contributing towards the organizational performance. Organizational performance is the main issue of current era which must be met by any business. Strategic business units (SBUs) cannot get more performance from employees without satisfying its employees (Nsour et al. 2012).

Universities of worlds are focusing on the retention of employee with better incentives and improvement of performance. Box and Jenkins (1976) found that execution of pay plan would improve organizational performance. Pay can be a strong performance incentive because it satisfy bundle of needs. Furthermore, performance contingent should not be used when there is lack of faith, performance cannot be legitimate in a comprehensive manner, and handsome salary may be given for the best performance (Lawler, 1981).

Incentives can enhance the work performance of employees and handled with present salary, profit sharing at end of the year or bonus plan (Davis-Blake & pfeff, 1989; Ilgen, Major & Tower, 1994). Al-Harhi (1990) scrutinized the association of moral and financial incentives to lift the competence of employees in the department of civil defense in Riyadh, Saudi Arabia. He discovered that moral and financial incentives may lead to decline the competence of employees. Promotion is necessary to improve the competencies of employees by putting first priority to financial incentives.

Rynes and Gerhand (1999) found that financial incentives had many forms like tangible, paid vocations. The major attributes of financial incentives were that they price organization financial resources. Whereas awards draw their motivating latent from their actual content, and outcome benefits of money is draw eventually. Al-Aydi (2000) scrutinized the impact of incentives on the degree of performance in the textile industry of Iraq. He found that fragile relationship between incentives system and degree of organizational performance and between wages and degree of organizational performance and powerful correlation between prize and degree of organizational performance.

Alwabel (2005) determined moral incentives and financial role according to the degree of employee's point of view of public safety in Hajj season. The outcome revealed that there were no financial incentives given to the officers but their level of satisfaction was very high and moral incentives performed a huge role in raising degree of performance. Organizational performance depends on the importance of incentive how "getting the incentive right" is the single way to get the concentration of senior executive when structured the organization (Schmidt, 2010).

Al-Nsour (2012) found the impact of incentives on organizational performance in Jordanian Universities. He elaborated two important factors of incentive that is moral and financial incentives, and determined the need of employees and then executed the level of organizational

performance, which results to increase customer satisfaction. In incentives he discussed financial and moral incentives and gave financial incentive first priority then moral incentive. In organizational performance he developed relationship between internal business process and customer satisfaction.

### **Incentives**

Incentives are structured to enhance the personal efficiency, ability, motivation, talent and performance of any in the organization to receive their best by fulfilling the individual needs. Two important dimensions of incentives are given below:

#### **Financial incentives**

Monetary benefits given to the employees to encourage behavior and attitude toward organization are financial incentives. Monetary incentives are grouped to fulfill the needs of human for the purpose of getting high level of performance and enlistment on skills and enhance the capability such as reward and bonus (Lawzi, 1995). According to Durham & Bartol (2000) paying to a particular person should be set in advance for each unit manufactured.

There is instant effect of financial incentive on an individual performance and behavior. A person gets many social and psychological advantages that increase the buying power to fulfill the demand of goods and service (Al-Jahani, 1998). Financial incentives are not legitimate for collection of actions that focus on service like safety and supervision (Angari, 1999).

#### **Moral Incentives**

An individual has moral incentives to be treated in a specific way that is considerable proper and right. If he treats as like others, the people praise him and feel pleasure of increase in self-respect, if he does not treat properly, he may face verbal expression, reluctant behavior collectively, embarrassment and dishonor by others (Johnson, 2005). Moral incentives are linked with psychological needs that increase concentration to the point of view come after the appearance of human relation theories. It is collectively based in respect of people who have emotions, anticipations and dreams (Akaili, 1996). Demonstrating those moral incentives are too important just like financial incentives. Financial incentives cannot be obtain without moral incentives. The worth of moral incentives depends on social position of the organization (Al-Harthi, 1999). Social acknowledgment includes personal attention that is usually disclosed verbally through expressions of concern, confirmation and esteem for a job (Luthans & Stajkovic, 2000).

According to Judeh (1985), when an individual perform well in the organization, the management must admire him in any type of incentives. A person's satisfaction cannot be attained due to obtaining target, however the result of person's consciousness of his personal effort to attaining the target. Thus a positive sense of confidence and satisfaction is obtained by the person when he receives the anticipated result in exchange of his effort in the form of moral or financial incentives (Ayasrah, 2006).

## **Organizational Performance**

Organizational performance can be calculated by matching actual with estimated result for every plan and its strategy, on top of determine negative and positive act of deviating. This standard shows the target of organization, which identifies the direction of organization to allow making accurate action. Standards which are not link with organization but they cover all surface of performance like profitability, short and long term goals and social responsibility (Gattas, 1998). According to Adlouni (2002), organization performance indicator is comprise employee's or customer satisfaction, share of market, acquire and outcomes, management support and comprehensive performance.

## **HYPOTHESES**

From the background literature, the subsequent hypotheses can be conceived:

**H<sub>0</sub>**: There is no considerable association between incentives and organizational performance of employees working in the Pakistani Universities.

**H<sub>1</sub>**: There is positive association between incentives and organizational performance of employees working in the Pakistani Universities.

## **RESEARCH METHODOLOGY**

We have two main variables incentives and other one is organizational performance. Incentives are independent variable which includes financial and moral incentives. While organizational performance is dependent variable which consists of learning & growth, internal business process and customer satisfaction. To collect data from demographics we used a tool of questionnaire to collect information.

### **Sampling**

Out of all Pakistan universities four universities are selected: University of Lahore, University of Education Lahore (Okara Campus), COMSATS University (Sahiwal Campus), and Veterinary University of Animal Sciences (Pattoki Campus). Sample consists of 88 respondents.

### **Instrument**

In questionnaire, five point likert scales was used to collect data from different respondents. Questionnaire was consisted of 2 sections. The first part was comprised of personal and professional information for Pakistani Universities' employees which included sex, qualification and experience. Second section was to measure dependent and independent variables.

The questionnaire comprised of 32 questions in which 16 specify for incentives which was independent variable. Question (1-7) consisted financial incentives and (8-16) consisted of moral incentives. Other 16 were consisted of organizational performance which was dependent variable starting from (17-32). Question (17-21) comprised of learning and growth, and (22-27) consisted of internal business process and (28-32) consisted of customer satisfaction. The questionnaire was adopted from the previous study of (Nsour et al. 2012).

**Reliability of Instrument**

Coefficient of reliability Cronbach’s  $\alpha$  (alpha) was utilized to calculate the internal consistency of all variables. The value of  $\alpha$  was 0.79 which is reliable.

**RESULTS AND DISCUSSION**

The SPSS was used for testing the hypotheses and generating the results. Different test like descriptive statistics, correlation test to check the relationship between dependent and independent variables and further Independent T-test was used to check the incentive impact on organizational performance in public and private context.

**Tables-I.Demographics**

		Frequency	%	Valid %	Cumulative %
Sex	Male	61	69.3	69.3	69.3
	Female	27	30.7	30.7	100.0
	Total	88	100.0	100.0	
Qualification	Graduate	1	1.1	1.1	1.1
	University Graduate	87	98.9	98.9	100.0
	Total	88	100.0	100.0	
Experience	Less than 5 years	54	61.4	61.4	61.4
	5-10 years	26	29.5	29.5	90.9
	More than 10 years	8	9.1	9.1	100.0
	Total	88	100.0	100.0	

Table I shows that out of 88 respondents, 61 are male which are 69.3% of the sample and 27 are females which are 30.7% of the sample. Only one person having qualification of graduate but other 87 respondents is university graduate. Third demographic factor is experience of the employees. 61% of the sample has less than 5 years’ experience. 30% of the sample has experience of 5 to 10 years and remaining 9% has experience of more than 10 years.

**Table-II.Correlations**

		Organizational Performance
Incentives	Pearson Correlation	.421
	Significance	.000
	N	88

Table II shows the correlation between incentives and organizational performance. The value of correlation is 0.42 and significance is .000 which is less than .01, so we reject null hypothesis and conclude there is considerable association between incentives and organizational performance in the Pakistani Universities.

**Table-III.Regression**

Independent Variable	Unstandardized Beta	Adjusted R <sup>2</sup>	F value	F Significance level	T value	T Significance level
Incentives	.466	.168	18.563	.000*	5.942	.000*

Table III shows the results of regression analysis. The value of adjusted R square is .168 which shows that 16.8% of change in dependent variable organizational performance is due to independent variable incentives. The value of unstandardized Beta is 0.466 which shows the slope of change in organizational performance in existing model. It means that in this model incentives positively change dependent variable. F stands for fitness of good measurement and its value is 18.563 and significance is .000 which is less than 0.01, so it is significant. The value of T test in regression model is 5.942 and level of significance is .000 that is less than 0.01 so it is significant.

**Table-IV.**Independent Sample T-Test

Variables	Sex	N	Mean	Standard Deviation	P Value	Significance Level
Incentives	Male	61	49.2787	8.89	2.20	0.03*
	Female	27	44.5926	9.85		
Organizational Performance	Male	61	54.0164	11.38	0.700	0.48
	Female	27	52.5556	7.76		

Table IV shows the value of independent t-test and it is used to check the impact of incentives on sex. The significance level is 0.03 which is less than 0.05 so it significant. Whereas, the gender has no significant impact on organizational performance because it'sP-value is more than 0.05.

## CONCLUSION

There is considerable association between moral incentives & financial and organizational performance and learning & growth in the Pakistani Universities. Incentives and internal business process and customer's satisfaction has also considerable association in the Pakistani universities. So it means that dependent and independent factors have correlation and gender is affected significantly by incentives than organizational performance.

## LIMITATION

The research paper has some limitations which can be used in future research. The sample of the study consists of only four Universities of Pakistan and result cannot be generalized to all universities working in Pakistan.

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