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**Impact of financial & non-financial incentives on employee motivation & performance**

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Research Guide

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**Abstract:**

Motivation is the process that initiates, guides, and maintains goal-oriented behaviours. Motivation is an important factor which encourages persons to give their best performance and help in reaching enterprise goals. A strong positive motivation will enable the increased output of employees but a negative motivation will reduce their performance. A key element in personnel management is motivation. Motivation is an important factor which encourages persons to give their best performance and help in reaching enterprise goals. A strong positive motivation will enable the increased output of employees but a negative motivation will reduce their performance. A key element in personnel management is motivation.

**Keywords:** Motivation, Performance, Training, Incentives

**Meaning:**

Motivation is an internal process. Whether we define it as a drive or a need, motivation is a condition inside us that desires a change, either in the self or the environment. When we tap into this well of energy, motivation endows the person with the drive and direction needed to engage with the environment in an adaptive, open-ended, and problem-solving sort of way. The essence of motivation is energized and persistent goal-directed behaviour. When we are motivated, we move and take action. Motivation is influenced by the satisfaction of needs that are either necessary for sustaining life or essential for wellbeing and growth. Physiological needs for food, water, and shelter serve the organism to maintain life and also provide satisfaction from doing so.

## **Review Of literature:**

### **Employee motivation and work performance in organization (Journal of University of Shanghai for Science and Technology ISSN: 1007-6735 Dr. Veena I Bhavikatti, Dr. Sony Hiremath)**

Human resources occupy a prime position. The bricks of an institution are its people. The success of a good organization depends on two factors one is the efficiency of the staff and the other is the motivation given by their organization. Motivated employees are productive, happy, and committed. Professionals need to be given due importance by motivating them through rewards, incentives, and other positive approaches to enhance their morale. Motivated employees provide effective services to the patrons which in turn satisfies the organization's goal. They should be capable of organizing and providing information to the right person at right time.

Impact of Performance Appraisal and Work Motivation on Work Performance of Employee: With Special Reference to A MultiSpecialty Hospital in Kerala (Ushus Mathew, Dr. Johny Johnson IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 17, Issue 6. Ver. II (June. 2015), PP 21-24)

The main purpose and objective of the study is to explore and examine the relationship of work Performance with the performance appraisal and motivation among nurses of a multi-speciality hospital in Kerala. Data was collected through pre tested structured questionnaires. The sample size consists of 100 nurses of the particular hospital. Convenience sample was used to collect the data due to time and resource constraints. For analysis, regression and correlation techniques were used. Reliability analysis was used to check the reliability of the questionnaire. Results of correlation and regression analysis show that there is positive significant relationship between work performance and performance appraisal and a positive but not significant relationship between work performance and motivation of the employees of hospital industry. This will help the other researchers in knowing the relation between them in depth. This will help and guide the organization in implement a good motivation process to motivate employees and helps to improve existing performance appraisal system.

## **Importance of Motivation**

### **(1) Improves Performance Level:**

The ability to do work and willingness to do work both affect the efficiency of a person. The ability to do work is obtained with the help of education and training and willingness to do work is obtained with the help of motivation.

### **(2) Helps to Change Negative or Indifferent Attitudes of Employees:**

Some employees of an organisation have a negative attitude. They always think that doing more work will not bring any credit. A manager uses various techniques to change this attitude. For example, if the financial situation of such an employee is weak, he gives him a raise in his remuneration and if his financial condition is satisfactory he motivates him by praising his work.

### **(3) Reduction in Employee Turnover:**

The reputation of an organisation is affected by the employee turnover. This creates a lot of problems for the managers. A lot of time and money go waste in repeatedly recruiting

employees and giving them education and training. Only motivation can save an organisation from such wastage. Motivated people work for a longer time in the organisation and there is a decline in the rate of turnover.

#### **(4) Helps to Reduce Absenteeism in the Organisation:**

In some of the organisations, the rate of absenteeism is high. There are many causes for this- poor work conditions, poor relations with colleagues and superiors, no recognition in the organisation, insufficient reward, etc. A manager removes all such deficiencies and motivates the employees. Motivated employees do not remain absent from work as the workplace becomes a source of joy for them.

#### **(5) Reduction in Resistance to Change:**

New changes continue taking place in the organisation. Normally workers are not prepared to accept any changes in their normal routine. Whereas it becomes essential to bring in some changes because of the demands of time. Employees can be made to accept such changes easily with the help of motivation. Motivated people accept these changes enthusiastically and improve their work performance.

### **The Relationship between Motivation and Staff Performance**

A motivated employee is a business's most valuable asset. Research shows that a highly motivated employee has a higher level of employee performance while the opposite is true. To improve performance your human resource department must find creative ways to keep people motivated in the workplace.

### **Ways to improve motivation and improve performance in the workplace include-**

**1. Proper employee compensation-** Many businesses incorrectly focus on what employees can do for them, instead of wondering what they can do to make sure each team member feels valued. A business cannot retain a motivated employee if they do not reward employee hard work and productivity. When an employee is not properly compensated their employee engagement and employee performance levels will suffer greatly. Some top talent employees may stay onboard and improve performance in your workplace short term. However, in the long term, a top talent employee's job satisfaction will lower to the point they will seek a good job elsewhere.

**2. Positive company culture establishment-** Great company culture is a top employee want in the workplace. Employers who make sure that job satisfaction and employee engagement levels are high will likely improve performance and improve employee motivation all while creating a company culture that is positive and productive. Make sure your human resource department creates the most positive work culture possible. When your human resource department makes an attempt to treat every employee well you improve performance potential for your entire company. Each team member should be recognized for doing a great job. Businesses do not often enough focus on improving their company culture one person at a time. However, one employee can help employee motivation transform completely if you reward employee hard work correctly.

**3. Goal setting improvements-** Make sure that every team member is given a voice in goal setting conferences. When you make an effort to make every employee feel like an equally important team member you improve employee morale overall. Each one person at your company should have goal setting opportunities provided. Whether this is a part of your training program or a human resource best practice, it is essential to make sure a highly motivated employee stays on staff long term.

**4. Analyse feedback-** Who better to understand employee want and employee need more than your employees themselves? Human resource departments should have each employee take routine employee engagement surveys to make sure they are doing a great job motivating employee development.

### **Various types incentives provided by organisation:**

#### **Financial incentives**

The following incentives can be common in many workplaces across a range of industries:

#### **Salary raises**

Salary increases are one of the most common financial incentives that encourage and support employees in their career advancement. For instance, when employees advance to higher-level roles within their organizations, they commonly receive a pay increase to reflect their higher position. Pay raises are extremely effective and often necessary to attract and retain talented professionals, and employers can show their support of staff members in their professional development.

#### **Bonuses**

Employee bonuses are one of the most common types of financial incentives that companies use as regular reward incentives and as a way to show employees appreciation. For instance, companies might offer cash bonuses or include a monetary bonus in employee paychecks as a way to reward staff for exceeding expectations or achieving an objective outside their normal job description.

#### **Extra allowances**

One of the most common allowances that employers may offer is the dearness allowance. This type of incentive is an additional amount in an employee's paycheck that acts as a buffer against inflation increases. While the dearness allowance was originally a separate amount from an employee's paycheck, this type of incentive is typically part of employees' wages if their employer offers it.

Many organizations also provide allowances like travel compensation, transportation and other necessities employees may use on the job. For instance, employees may receive allowances like a company-owned vehicle or flight and lodging stipends for traveling nationally or internationally in support of their companies' objectives.

#### **Commissions**

Commissions are common financial incentives for professionals who work in sales. For instance, retailers and automobile companies often provide sales professionals with a commission in addition to their regular wages for selling goods or services. Typically, sales



professionals earn a specific amount in commissions for every product or service they sell to customers.

### **Profit shares**

Profit-sharing is a popular financial incentive that employers may offer to staff members in addition to a regular salary. Profit-sharing gives employees of an organization a percentage of the organization's profits plus their regular wages. This type of incentive can be highly beneficial for both employees and their employers because the opportunity to earn a share of company profits can be an effective motivator for employees to exceed profit goals.

For example, a large manufacturing corporation may offer its staff the opportunity to benefit from the profits they help the company generate. The company benefits from meeting and exceeding profit goals and employees benefit from the financial advantage the extra earnings can give them.

### **Wage incentives**

Some employers may offer wage incentives like extra pay for completing short-term projects outside of regular working hours. For example, an employer may offer their team members a specific amount to complete a special project outside of their normal working hours. Another wage incentive is overtime pay. Employers may frequently offer their staff the opportunity to work extra hours, where employees receive their normal pay plus an additional wage to compensate for longer working hours.

### **Retirement and fringe benefits**

Retirement benefits are incentives that provide employees with long-term retirement funds. Companies that provide retirement benefits may offer various types of retirement plans that employees contribute to over the course of their employment. Some employers also contribute to their employees' retirement benefits through matching, where the employer contributes the same amount as the employee to the retirement account. Fringe benefits include additional benefits for employees like additional financial coverage for childcare, living expenses or even college tuition.

### **Non-Financial Incentive:**

Man is a wanting animal. Once money satisfies his/her physiological and security needs, it ceases to be a motivating force. Then, higher order needs for status and recognition and ego in the society emerge.

**The following non-financial incentives help management satisfy its employees' these needs:**

#### **1. Appreciation of Work Done:**

Appreciation or praise for work done be it at home, at school/ university or at work place, serves as an effective non-financial incentive. Appreciation satisfies one's ego needs. However, managers need to use this incentive with great degree of caution because praising an incompetent employee may create resentment among competent employees.

#### **2. Competition:**

If there exists, a healthy competition among the employees both at individual and group levels, it will prompt them to exert more to achieve their personnel or group goals. Thus,

competition serves as a non-financial incentive for employees to put in more efforts at their works.

### **3. Group Incentives:**

Sometimes, group incentives act as more effective than individual incentives to motivate the employees. Particularly, when the prestige or even existence of a group is at stake, the group members work with a team spirit. This results in high morale and, in turn, increases in its productivity.

### **4. Knowledge of the Results:**

Knowledge of the results of work done leads to employee satisfaction. An employee derives satisfaction when his/her boss appreciates the work he/she has done just as an MBA student gets satisfaction when his/her Professor appreciates the seminar he/ she presented in the class.

### **5. Worker's Participation in Management:**

Inviting workers to participate in management gives worker's a psychological satisfaction that their voices are also heard. This imbibes a sense of importance among the workers.

### **6. Opportunity for Growth:**

Man is not only a wanting animal but an ambitious creature also. People always need to grow in their career. So, if the employees are provided proper opportunities for growth and career advancement and chance to develop their personality, they feel much satisfied and become more committed to the organizational goals.

### **7. Suggestion System:**

Suggestion system is yet another non-financial incentive to be used to motivate employees. Following this, some organisations make use of cash awards for giving useful suggestions. They sometimes publish the worker's name with his/her photograph in the company's magazine with a motive to encourage other workers to search for useful suggestions for the company. Thus, suggestion system acts as an incentive for the workers to be in search of something useful for the company.

### **8. Job Enrichment:**

Job enrichment simply means adding the contents to a job leading to increased responsibility, scope and challenge in its performance. Particularly, the executives working at the higher levels often prefer to job enrichment because it makes job more challenging.

They derive higher satisfaction by performing more and more challenging jobs. Thus, job enrichment as an incentive motivates the executives to exert for accomplishment of their goals. Job enrichment is a by-product of job design which is discussed subsequently.

### **Importance of incentives on employee's performance**

1. The primary advantage of incentive is the inducement and motivation of workers for higher efficiency and greater output,
2. Fixed remuneration removes fear of insecurity in the minds of employees (as incentive as a part of total remuneration)
3. Earnings of employees would be enhance due to incentive.

4. Reduction in the total as well as unit cost of production through incentives (because of higher productivity)
5. Production capacity is also likely to increase.
6. Incentive payments reduce supervision, better utilization of equipment, reduce scrap, reduce loss time, and reduce absenteeism and turnover.

### **Impact of incentives on employee's motivation and performance**

An incentive system is one of several long term employee engagement and employee performance strategies that business professionals should consider in order to optimize their work environment and bottom line. Employee motivation is defined as the measurement of commitment, energy, and creativity that employees bring to their workplace. It is essential that business professionals consider employee motivation in order to keep long term employee engagement and employee performance levels high

Profit increase is not the only benefit that occurs when you reward good work at your business. A motivated employee boosts a positive work environment and will encourage employee collaboration. An incentive program additionally helps employees to have a better work-life balance and job security perception. Make sure to provide generously for good work as incentives should not feel scarce or ingenuine. For an incentive system to be most effective it must reflect the positivity and gratitude you have for your hard-working employees.

However, business professionals should be careful to transparently distribute incentives in order to increase trust in the work environment and avoid perceptions of employee favouritism. Proper employee motivation strategies and an incentive program will assist in long term good work ethic and higher job security with less staff turnover. The role of incentives in employee motivation encourages savvy business professionals to develop and sustain an incentive system to reward employee performance.

### **Conclusion**

The role of motivation cannot be understated in an organization. It is a simple process that requires an understanding of the human mind and behaviour. Such an understanding and proper action thereby stimulating the motives of an employee help in initiating and maintaining action and helps extensively in satisfying organizational objectives. A motivated employee boosts a positive work environment and will encourage employee collaboration. An incentive program additionally helps employees to have a better work-life balance and job security perception. Incentives and rewards in a working environment have been known to have many advantages for both employers and employees. Once these two are applied in a working environment, the employees have high morale for working; they are usually satisfied and are directly involved in the development of the organization.

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