

STUDY OF MONETARY INCENTIVES ON WORK MOTIVATION

By

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Abstract

Incentive schemes have been found over the years to be one of the policies the organizations can adopt to increase their workers performance and thereby increase the organization productivity. But, most of such programs have failed to deliver expected results. Many researchers display that most of the failures of the incentive schemes are due to lack of clear understanding of the factors that increase the positive effects and eliminate the negative effects of such systems.

This study mainly attempts to identify the factors that would be important to consider when design and implement monetary incentive programs for the technical officers who work for technologically driven organizations in Sri Lanka. Moreover, this study investigates the nature of the presently practicing incentive programs in such organizations, the level of work motivation of technical officers, and their perception towards giving performance based incentives.

This research is an empirical one, and the technical officers were surveyed for their level of work motivation and perception towards giving monetary incentives by questionnaires and interviews. Employee feeling of self determination was used as a measure of the work motivation.

Out of six incentive program types tested in this study, only two types have shown a significant relationship to employees' work motivation. Calculating the incentive amounts based on employees' rate of performance index and based on the employees' salary were the two identified types. The programs based on individual performance and based on both individual/team performances have indicated more effective compared to the team based incentive programs. Higher the incentive payout period, employees' motivation was indicated higher. Employee participation in goal setting and SMART goal setting were also identified as important factors in designing new schemes. Employees' gender, age, level of education and their place of work are identified as having an intervening effect over the relationship between the incentive schemes and the work motivation. Employees who perceive monetary incentives as a way to increase their motivation also perceive higher level of work motivation.