

**RESEARCH PROPOSAL:**

**Are Non-Compensatory Employee Rewards as Efficient in Fostering Motivation as Cash Incentives?**

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## Are Non-Compensatory Employee Rewards as Efficient in Fostering Motivation as Cash Incentives?

### **1.0 Introduction**

In the contemporary business environment, employees and managers alike are faced with numerous pressures to perform to corporate expectations. These pressures are often created by highly competitive business environments, environments which impose continuous change and internal redesign or even progressing job responsibilities which create stressful working conditions. (Amongst a variety of other pressures). In this high-paced business world, it is paramount to avoid high turnover costs as well as maintaining a highly unmotivated workforce who are not recognized for their positive organisational accomplishments.

There are a wide variety of different non-compensatory programmes or options available for modern business leaders to utilise as a means to reward positive performance, efficiency and overall job-related productivity. Some of these rewards come in the form of flexible scheduling options, premium gifts elicited by company management, or even increased job-related autonomy to create perceptions of trust in the employee and their competency to carry out their job role without managerial intervention or continuous assessment.

All of the aforementioned non-compensatory rewards likely have their merits in creating a more motivated workforce, however can non-cash incentives, when utilized as an alternative to cash incentives, foster long-term motivation in employees? Does today's business employee truly value the more psychological elements of workplace incentives, such as increased autonomy, or are cash-based incentives the most appropriate reward methodology for building long-term organisational commitment and job satisfaction? This proposed research study intends to answer the following three specific research questions:

- To what degree do non-cash incentives increase motivation in today's active labor force?
- To what degree do cash incentives foster motivation within the organisational staff?
- Do any noticeable trends exist in employee behaviours and attitudes which directly impact whether cash or non-cash incentives should be used to boost motivation?

This proposed study is intended to take an exploratory approach to research, contributing to the wide body of literature available on business and motivational theory. There does not appear to be a definitive model or specific series of incentive programmes which can guarantee continuous, positive motivation amongst staff members, thus this proposed research study maintains the potential to create a potential best practice model for generating cash versus non-cash performance incentives in order to assist today's business leaders in developing a more rewarding business environment in which employees are driven to succeed above and beyond corporate expectations.

Undertaking a primary research study of this magnitude maintains one specific difficulty related to gathering the research data and in eliciting various corporate/business approvals to conduct a qualitative and quantitative research study targeted at staff members. Achieving a high level of respondent participation will require an active scan of the contemporary business environment to determine how best to utilise the proposed study's research instruments for gathering employee opinion on motivation and overall job satisfaction through incentive programmes. Further, achieving management approvals for the distribution of the research instruments will require active consultation with various business leaders to ensure minimal disruption to regular business activities. Hence, the difficulty to this study lies in the researcher's tangible ability to guarantee an adequate response ratio to the study.

Issues of individual anonymity is the largest ethical dilemma inferred by this proposed study to avoid jeopardising the reputation of a specific business/industry and to ensure that the targeted sample group is comfortable providing responses which may cast a negative light on the internal operations or programme incentives within their business environment. Thus, all respondents and business leaders targeted for this study will be ensured strict anonymity in the presentation of research data results.

## **2.0 Literature Review**

Which variety of incentive is most effective at fostering employee motivation? Do non-cash incentives work as a long-term business strategy? Phipps, Bazley & Povey (2007) suggest that non-compensatory, team-related rewards, such as the corporate-funded group dinner or activity day are incentives which have been successful in boosting staff motivation levels. The goal of such incentives are to lower the burdens on the corporate payroll budget whilst also creating an internal organisational culture built on positive peer relations and team-building methodology. However, the authors indicate that if the non-cash incentive does not appeal to the members of the lower-level staff, it can actually de-motivate the workers.

Other modern companies have turned toward the utilisation of luxury incentive packages as a means to boost employee motivation, such as offering premium wine gifts or offering a prize package of modern technologies such as presenting a DVD player or digital camera as a non-cash incentive (Philiotis, 2007). The cons to such incentives include the production of negative employee responses in relation to perceptions of corporate frugality. Essentially, if the company procures inexpensive merchandise, the company will appear cheap and create a long-lasting negative impression. Additionally, Philiotis further suggests that companies must be careful

when determining whether luxury food items can be considered valuable alternatives to cash, as a diverse, multi-ethnic organisational staff may consider the contents of the gift package to be incongruent with lifestyle preferences or personal beliefs. Thus, from a diversity viewpoint, some varieties of non-cash rewards, if not planned properly to fit staff ideals, can be demotivating elements with long-term implications in regards to employee perceptions against their employer.

Daniels (2000) supports the idea that the design of the non-cash incentive is directly correlated to increases or decreases in staff motivation levels. This professional acknowledges that some varieties of non-cash rewards can actually work against day-to-day motivation if incongruent to the needs of the organisational staff. However, Daniels does appear to herald the importance of non-cash motivational incentives by citing that the nature of the work (such as job design and levels of personal autonomy) is far more important as a determinant of productivity than that of cash received for performance.

*Strategic Direction* (2006) offers that companies might consider flattening their organisational structure, in terms of reducing multiple layers of middle management, as a means to boost motivation. This falls into the category of increasing worker job-related autonomy by eliminating continuous managerial oversight and intervention. Eliminating multiple management layers theoretically provides employees with a sense of personal belonging and security in a method that is proposed as superior to cash incentives based on trends in the contemporary worker regarding the fulfillment of various inherent psychological needs. Messmer (2007) supports this notion by suggesting that increased responsibilities, off-site team-building exercises, and frequent performance-related recognition are effective non-cash motivational tools.

Despite the aforementioned viewpoints regarding the suitability of non-cash motivational incentives, Ritter & Taylor (1997) offer that today's workers have no real, measurable difficulty in landing comparable jobs in markets which function both efficiently and quickly, thus it is important to ensure that cash-related incentives are congruent with the competitive business environment. Essentially, the authors suggest that it is only compensatory rewards, due to employee perceptions of ease of company exit in favour of new salary opportunities, that can sustain employee commitment and longevity to the firm without seeking new employment incentives.

*Incentive* (1989) offers that 1/3 of today's companies use cash incentives as a means to boost staff motivation, which might suggest that companies are recognising that cash rewards are the most viable methodology for improving internal staff satisfaction levels. The authors indicate a variety of other non-cash incentives which have been known to build positive motivation, however the underlying human drive is the receipt of cash as a means to create perceptions of equity, trust and mutual reward. This would tend to illustrate that only cash incentives really manage to fulfil the psychological needs of employees over that of non-cash incentives.

### **3.0 Research Methodology**

The approach to data collection and analysis will be both qualitative and quantitative in design, in order to utilise statistical information gathered from the proposed research instruments as well as making a variety of subjective assessments of similar research data. The quantitative design methodology will involve the production of an appropriate questionnaire designed to elicit questions regarding cash versus non-cash incentives for productivity and efficient job performance so as to generate data on the contemporary worker viewpoint of motivational

rewards. The proposed sample group will consist of responses from 100-200 employees in a variety of industries with the questionnaire distributed to members of the organisational staff upon management approval to conduct the study.

The qualitative approach to research will involve a series of semi-structured interviews targeted at several different layers of management within different business environments. The interviews will be structured using many closed-ended questions regarding perspectives on cash versus non-cash incentives and how these have been effective or ineffective at boosting long-term staff motivation. The semi-structured approach was considered as it will provide the interview respondents with an opportunity to discuss issues not originally considered in the interview design to provide unique insights into the phenomenon of employee motivation and reward.

It is highly important to this study to gather the perspectives of both the modern worker as well as the contemporary manager, who could be considered expert advisors regarding the current nature of the business environment and its role in motivating performance. In order to determine whether any noticeable or measureable trends exist regarding employee values pertaining to reward incentives, the qualitative portion of the research study was most appropriate. Responses will be closed-ended on the questionnaires, structured in a multi-tick format ranging from 1-10, exhibiting different cash and non-cash incentives and their overall levels of importance to a variety of different organisational staff members.

Responses from both the managerial sample and the subordinate sample will be compiled and analysed in order to fulfill the study's research objectives on management viewpoint, employee viewpoint, and the overall nature of motivational, performance-driven incentives.

This proposed study methodology is most congruent to the fulfilling the research objectives outlined in the introductory section as it will provide a wide variety of subordinate and managerial perspectives on contemporary motivational theory whilst providing the opportunity to determine whether management maintains a different viewpoint of cash versus non-cash incentives over that of the contemporary subordinate. If congruencies exist (or noticeable divides between opinion), the multi-instrument approach to research will provide the tools to determine whether any measurable correlations exist in individual viewpoint.

#### **4.0 Pilot Study Feedback**

This proposed study developed preliminary research instruments in the pursuit of testing the viability of the chosen research approach. Five individuals with experience in the current job market were identified and were distributed a pilot questionnaire regarding cash and non-cash motivational incentives. This pilot study was conducted to ensure that the developed questions were congruent with the proposed research objectives and to guarantee that the nature of the questionnaires was clear and concise for utilisation on a broader sample scale. Appendices A illustrates the questionnaire utilised for this pilot study.

The structure of the questionnaire illustrated several varieties of non-cash incentives, asking the five respondents to indicate to what degree they were inspired or otherwise interested in differing non-cash incentives. In virtually all non-cash incentive varieties, the respondents indicated very low interest in items such as luxury food products, trips, off-site recreational activities to boost teamwork, and various technological merchandise incentives. When asked whether they felt cash incentives were less important than non-cash incentives, the respondents

overwhelmingly indicated a high perception that *cash* is far more motivating than non-cash incentives with an average score of 8.1 out of a possible 10.

The results of the preliminary pilot study tended to illustrate a higher employee favourable attitude toward cash-based incentives as a means to foster productivity and boost overall motivation. Interestingly, all of the five respondents indicated that increased autonomy as a motivational tool maintained very little importance, scoring an average score of 3 out of the possible 10 points as a maximum satisfaction element in the workplace. This somewhat conflicts with the literature available suggesting that autonomy is a viable management tool for fostering motivation, offering the opportunity to focus around issues of autonomy in the construction of the tangible research instrument to be utilised in this proposed study. Autonomy, from a managerial perspective, will be incorporated into the research interview template to determine whether employee views on this practice are congruent or widely different than that of leadership. This will determine, theoretically, whether autonomy as a non-cash motivational incentive can be considered viable from both management and the subordinate levels or whether this is a potentially antiquated element of non-cash reward which pales in comparison to cash-based productivity rewards.

The pilot study also gave this researcher practical experience in distributing and managing multiple data in terms of compiling and comparing research results. This quantitative approach to the research will assist in the tangible, broader research study to determine whether specific employee trends exist regarding the value of non-cash incentives. Because the initial piloted sample group indicated such low levels of satisfaction and interest in the variety of non-cash incentives listed in the pilot questionnaire, this provided the opportunity to list a wider variety of potential non-cash incentives (or than those presented in the pilot study) to determine

whether there is a specific non-cash variety which is more effective or whether employees just, as a matter of preference and personal value, desire money as a reward for productivity. Hence, the pilot study created the necessity to build a broader employee-targeted questionnaire utilising a wider variety of potential non-cash incentives for the tangible research study. If employee perceptions of multiple non-cash incentives return a very low interest rate in comparison to cash-based rewards, this will clearly indicate the state of the contemporary worker regarding the most efficient motivational tools available for today's business leaders.

## 5.0 References

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Appendices A: Pilot Study Questionnaire

1. To what degree would the following non-cash incentive appeal to you: Luxury gift products such as wine baskets or gourmet foods?

1      2      3      4      5      6      7      8      9      10

2. To what degree would the following non-cash incentive appeal to you: Winning a trip to an exotic location as a reward for high productivity?

1      2      3      4      5      6      7      8      9      10

3. To what degree would the following non-cash incentive appeal to you: Off-site recreational activities, funded by the business, such as staff dinners or business conference invitations?

1      2      3      4      5      6      7      8      9      10

4. To what degree would the following non-cash incentive appeal to you: Merchandise as a reward option, such as DVDs or various modern technological products?

1      2      3      4      5      6      7      8      9      10

5. To what degree do you feel that cash incentives are LESS important than non-cash incentives?

1      2      3      4      5      6      7      8      9      10

6. To what degree would you prefer increased job autonomy (meaning less management intervention and assessment of your job function and productivity) over that of a small-scale cash incentive?

1      2      3      4      5      6      7      8      9      10

Please comment (in less than 50 words) on how you believe a company can best motivate you to perform to high expectations when using different incentives?