International Journal of Management Sciences
Vol. 4, No. 7, 2014, 312-325

Mediating Role of Motivation between Incentives and Employees' Job Performance: A Conceptual Paper

Alkhaliel Adeeb Abdullah[1], Mohd Zulkifli bin Tan Sri Mohd Ghazali[2], Mohd. Hassan Mohd. Osman[3]

Abstract

The paper examines the relationships among incentives, motivation and performance conceptually. The study used theoretical and empirical studies report in deriving the relevant hypotheses related to the variables. Therefore, the paper discusses the relationships and hypothesised the relationships between the variables. It was hypothesised that all the direct relationships in the framework are positive and motivation mediates the relationship between incentives and job performance.

Keywords: monetary, non-monetary, motivation and job performance

1. Introduction

The relationship between incentives and motivation has attracted the attention of researchers, corporate bodies and policy makers nowadays. This is partly due to the increasing competition and needs for organisations to retain their valuable human resources and mitigating the associated cost. The high turnover of talented employees in most industries nowadays is at all high due to factors such as high competition and availability of vast opportunity for workers to move from one job to another (Center of Health Program Development, 2003). The cost of loosing talented employee is significant for any organisation. The reason is that, company would be compelled to look for a replacement which might be very scarce and incur additional cost on training and settling them. This obviously has effect on the profitability and long term sustainability of the company. Accordingly, one of the strategies employed by ortanisation to mitigate the effect of high turnover of employee is incentives. Apart from ensuring job performance, incentives could also help in reducing employee turnover. The increasing adoption of incentives as motivation tool has attracted the attention of most researchers who are curious to know the relationship between incentive and job performance. In line with this, the present study aim at examining the relationships between incentives, motivation and job performance. The paper begins by briefly defining the concepts in the study.

Incentives in the parlance of human resource management and organisational behaviour literature are mainly referred to as rewards which can be distinctively categorised into monetary and non-monetary. The monetary rewards involved monetary compensation to employee in exchange of its efforts and times. Monetary reward can be in the form of annual salary, bonuses, stock options, and other monetary benefits. It is widely believed that employees are mainly concern about the monetary rewards in exchange of their labor and time and they use what they earn to maintain a life style befitting their status. On the other hand, non-monetary rewards is referred to as incentives that do not involve the giving out of money as compensation; rather it take the form of recognition, increased responsibilities, work-life balance etc. (Dewhurst, Guthridge, & Mohr, 2009.). Incentives are given mainly to motivate employee for the purpose of deriving gaining their maximum productivity. Motivation has been described as "the psychological process that gives behaviour purpose and direction, a predisposition to behave in a purposive manner to achieve specific unmet needs, an

[1]International Business School Universiti Technologi Malaysia
[2] International Business School Universiti Technologi Malaysia
[3]International Business School Universiti Technologi Malaysia

unsatisfied need, and the will to achieve, respectively" (Lindner, 1998, p.3). the ultimate purpose of incentives either monetary or non-monetary is to realise high job performance. Job performance can be described as employees's contribution which involve work quantity and quality as well as the productivity in an organisation.

2. Monetary and Non-Monetary Incentives

Rewards can be explained in term of any economic benefits that are being given by the organisation such as pay, promotion, verbal recognition and responsibilities (Depedri, Tortia and Capita, 2010). The motive for incentives is to obtain the desire attitude from employee and make employee feel appreciated (Whetten and Cameron, 2007). Monetary rewards in practice (e.g. bonuses and stock) constitute a key motivating factors for employee. According to Dewhurst, Guthridge, and Mohr (2009, p. 2) "for people with satisfactory salaries, some non-financial motivators are more effective than extra cash in building long-term employee engagement". In contrast to this view, Topper (2009) indicated that monetary rewards lead to high performance and productivity. Based on his argument, financial rewards can potentially reduce motivation. In supporting this view, Manolopoulos (2008) stated that monetary rewards may not necessarily lead to motivation and satisfaction for employees. Nonetheless, organisations stick to monetary reward such as salary, bonus and other incentives as the main element of employee satisfaction.

As proponed in Vroom's theory (1964), monetary incentives can stimulate employees' motivation on condition that the incentives clearly match with the effort applied. Based on this argument, monetary incentive would be effective towards realising the desired performance and achievement when the goals are clearly defined in the organisation. As such, Adam' Equity Theory which holds that employee perception about their salaries should be equitable to other individuals need to be given proper consideration by any organisations that opt for this motivational paradigm. To ensure the effectiveness of monetary incentives as a means of motivating employee, it is necessary for employee to fulfill the following conditions: the relationship between pay and performance need to be established; organisation need to maintain equitable pay rate among the employee and job roles in other organisations; and organisation need to identify employee preferences and needs. (http://toolboxes.flexiblelearning.net.au)

Similarly, Rose (1998) described non-monetary reward as "a non-cash award given in recognition of a high level of accomplishments or performance such as customer care or support to colleagues, which is not dependent on achievement of a pre-determined target."

As stated in the extant literature of human resource management and organisational behaviour, non-monetary incentives constitute an effective means of motivating employees. Motivation employee through non-monetary incentives can take various forms. According to Clark (2009), the use of educational benefits and training; providing extras and invigorated non-work related activities in fostering growth and development can be an effective means of motivation through non-monetary incentives. In a related study, Milne (2007) suggested that celebrating success together with employees in the organisation is likely to serve as a powerful motivator. Recognition of workers' achievement also play a key role in motivation. Recognition can thus be used to reinforce "an organisation's values, promote outstanding performance and foster continuous learning by openly acknowledging role model behaviour and ongoing achievement" (Milne, 2007, p. 30).

Recognition has been recognised as the most common and powerful tool employed by organisation to drive employee engagement (Sun, 2013). The author therefore identified three important factors that are necessary for an effective use of recognition tool. The first one is that recognition need to be applied regularly such as weekly basis on employee in order for them to feel valued (Gallup). The second one is that recognition need to be properly defined and identified. The third one is that rewards should not be delayed implemented after recognising employee and contribution. According to a study by MarketTools, there is high labour turnover possibility in the absence of sincere recognition. As such, a strong correlation exist between the level of recognition by the managers and the loyalty of their direct reports.

According to the National Healthy Worksite (2013), non-monetary rewards are cost effective incentive for employees with high ability of attracting, motivating and retaining employees. They constitue a key part of wellness of job environment irrespective of the economic situation. It is stated by Sun (2013) that consistent practice of recognition mostly exist in hotels that continue to know guest satisfaction rating. The study suggest that on the spot recognition such as common 'thank you' and words of appreciation have ability of stimulating employee performance. This view is supported by Marcial Losand founder and chief executive director of Meta Learning who indicated that the ratio of positive to negative feedback that is delivered by the manager in the ration of 5.6 to 1 enable the organisation to achieve highest performing organisation.

In a study using an intensive interview for the case of Berenson Strategy Group Sun (2013) found that recognition and reward program in hospitals are highly important for attaining key goalsas well as matching employees interest alongside with the mission and values of the organisation. In a related study by Sodexo (2010) involving hospital nurses, it is indicated that, recognition and rewards played significant role on employee engagement and engagement which subsequently lead to job satisfaction.

Organisation prefer using monetary incentives due to its high extrinsic motivational influence with little effect on intrinsic motivation. In line with this, recognition which is key non-monetary incentive tool constitute an important intrinsic motivational tool. As suggested by Preffer (1998), organisations that focus on pay potentially encourage employees to be part of the organisation. The shortcoming of the action is that intrinsic motivation diminishes. Preffer (1998, p.2) affirms, "people do work for money but they work even more to live a decent life. Companies that ignore this fact are essentially bribing their employees and will pay the price in a lack of loyalty and commitment".

3. Motivation

According to Halepota (2005, p.16) motivation is defined as "a person's active participation and commitment to achieve the prescribed results". Bagashawe (2011) similarly described motivation as "drives within a person that account for the degree, direction and persistence of effort expended at work". Bedeian and Lindner (1995) defined motivation as "the psychological process that gives behaviour purpose and direction, a predisposition to behave in a purposive manner to achieve specific unmet needs, an unsatisfied need, and the will to achieve, respectively". In line with the definitions of motivation offered, Greenberg and Baron (2003) hilight three main components of motivation. The first is the arousal which involves drive or energy regarding action of an individual; the second, deals with the kind of choice made by people including the direction of behaviour; and the third, behaviour maintenance and length of time people endure until the goal is realised. According toAntomioni (1999), "the amount of effort people are willing to put in their work depends on the degree to which they feel their motivational needs will be satisfied" and average individuals are demotivated the moment they realise that something in the organisation may block them from achieving their goals.

Human beings are higly complex creatures and motivator for each individual are varied while each individual while they all strive to 'feel good' (Bagashawe, 2011). As argued in the article, there are several factors that make individuals feel good while individuals differ significantly in what makes them feel good. Mostly, individuals try to feel good and avoid feeling bad. This is termed as pleasure/pain principle. Hence, everything individuals do is being driven by these deep-seated drives (Bagashawe, 2011) and these principles stimulate organisations to provide acceptable conducive environment for the employees.

Motivation which is initiated in the individual themselves is, therefore, a key internal process (Bagashawe, 2011). Organisations are therefore adviced to motivate employees through the provision of conducive conditions and environment. The success of any organisations therefore depends on identifying the factors that could facilitate an enabling environment that motivates employees. In support of this argument, Hackman and Oldham (1976) examined and tested a model which suggested that certain conditions must be readily available for employees to get motivated and perform effectively. 658 employees across 62 different jobs in organisations were employed to test the model regarding the psychological state for the development of work behaviour, nature of the jobs that establish the psychological state and individual's attributes which determine the way in which individuals positively respond to complex and challenging jobs. The findings is in line with the assumption of the model which emphasise on three conditions that must be met in order for employees to be motivated and perform effectively. In addition, Georgellis, Lossa and Tabvuma (2011) using longitudinal data for the case of British conclude that intrinsic rewards attract individuals to public sector compared to extrinsic rewards which the sector provides.

Motivational Tools

Various motivational tools which employer can employ to improve employees' contribution to organisation abound. As such, motivational method can be different from one employee to another. Bingol (1998) as cited in Cetin (2013) categorised motivation tool into three major categories namely: economic, psychosocial and organisational-administrative motivational tools. The economic motivational tools are most suitsble when the employee tries to achieve the expectation in order to maintain his/her job. This is hinge on the fact that economic concern influence both employer and employee. Economic motivational tools include higher income, salary upward review, payment of premium etc. Employee can also be motivated using psychosocial motivational tools which comprise working independently, social status, respect for one's personality and life etc. Organisational-administrative motivational tools is when mutual trust exist between the management team and employees for the purpose of enhancing employee motivation.

Motivation has been categorised under two main rudimentary principles which are positive and negative. Positive motivators are those aspects that provide pleasure and represent desirable qualities that individuals want to achieve. In organisations, employees normally tailor their actions towards attempting to achieve one or more of this motivator. Examples of these positive motivators include relations and sense of belonging, independence, constancy, power and control, progress, achievement, recognition etc.

On the other hand, negative motivators constitutes those aspects that bring discomfort and pain. Employees in the organisation would strive to avoid negative motivators. As such, employee are motivated to action, while trying to avoid the negative motivators. Negative motivators are obtainable when the amounts of pleasure fall below the minimum level. For instance, the absence of positive motivators such as relationship and sense of belonging could lead to isolation and exclusion. More so, the lack of independence which is equally a positive motivator could result to a sense of being controlled and suffocated. Consistency is also a positive motivator of which any deficient of it could lead to the feelings of uncertainty. According to Bagashawe (2011), negative motivators can have two effects on individuals. Firstly, they stimulate individuals into taking action to prevent negative motivators to occur or keep away from them when they occur. Secondly, if an individual is unsuccessful in avoiding the negative motivators, it could leads to demotivation.

The role of motivation cannot be undestimated in term of aligning employees' objectives with that of organisations. This could therefore help in mitigating agency problems. While satisfying their personal goals, employee equally strive to meet up with the organisational goals. The success of any business critically depends on a motivated team of employees. Organisations with highly motivated employees tends to experience a high degree of employee retention, increased profits, innovations and productivity. Hence, one of the key roles of human resource managers as stated by Petcharak (2002) is to assist the general manager to keep employees motivated and satisfied, so that satisfaction could have an impact on the performance of the organisation. Managers should always update themselves in term of acquiring more knowledge in order to keep abreast of the latest strategies employee motivation.

Empirical studies involving motivation show positive results. According to Contiu et al. (2012) who examined the role of employee motivation sustainability in tourism industry indicated that lack of motivation could make employees to be inefficient and costly. The study surveyed opinions of respondents in hospitality companies involving motivational factors, payment determination criteria, positive and negative incentive as well as the elements that predict performance.

Job Performance

Extant research have shown that job performance heavily depends on how employees perceive their jobs (Herzberg, Mausner, and Snyderman, 1959; Turner & Lawrence, 1965) and increasing job performance is one of the most important challenges that has bee been proven theoretically and practically, as far as research in organisation is concerned (Staw, 1984). In a nutshell, job performance can be described as the contribution, work quantity and quality as well as the productivity in an organisation. Job performance involves short term achievement economically; sustaining every related party's needs and company's capability in dealing future events (Chakravarthy, 1986).

Performance according to Campbell (1990), is behaviour demonstrated or something done by the employee for organisational performance, and is assessed through operational performance outcome, turnover, volume of sales, income and declared shareholders dividend, and the quality as well as quantity of service. Job performance therefore is multi-dimension concept that is viewed from different type of behaviour.

The connection between motivation and performance has been emphasised in management and organisational psychology literatures. Employees that are highly motivated are believed to have high potential to performe well. Lawler (1994) and Buchanan and Huczynski (1997) declare that motivation is a crucial predictor of job performance. In a related study, Brownell and McInnes (1986) indicated that high performing managers are the most motivated.

Employee job performance is an integral part of employee commitment, motivation and job satisfaction because they relate to and depend on each other which consequently leads to job performance improvement (Senyucel, 2009). Therefore, it is exclusively fundamental that organisation should consider employee as an asset of high value. Employees thus expect employers to invest in them through training and development and in return employees reciprocate in term of flexibility, creativity and productivity towards achieving organisational goals. Porter and Lawler (1974) described performance as a function of ability, skill and employee effort in a given condition.

Empirically, the relationship between motivation and job performance has been examined in the extant literatures. Abejirinde (2009) found a positive correlation between that promotion (motivator) and employees' performance in both public and private enterprises in Nigeria. Correspondingly, it was found that job growth is significantly related to employee performance. Baibaita (2010) examines the impact of motivation on employees' performance in the banking industry. The finding is in line with the previous findings of Mitchell (1982) who stated that individuals who are highly motivated are likely to performing well.

4. Direct and Indirect Relationships of the Variables

Monetary Incentives and Job Performance

According to Scott (2012), the use of monetary incentives to reward employees for performance and productivity can take the form of employee stock options, profit sharing plans, paid time off, bonuses and cash awards; and annual or semi-annual bonuses. These incentives actively play an important role in inspiring competition among employees, particularly when they are attached to job performance. hence, motivating employees to produce optimally. Mason and Watts (2009) assessed the effect of monetary incentives on performance for the case of Amazon's Mechanical Turk (AMT). the finding of their study suggested that monetary incentives contribute in enhancing the quantity produced, but had no significant effect on the quality of the participants. In this study, the quantity of work is represented by output while the quality of work is represented by the accuracy obtained. According to the author, the participants that are paid high are less motivated to increase their value compared to those employee that are paid less. The finding equally revealed that detail of the compensation scheme such as quota system has been found to be effective in improving the quality of work of the less paid participant.

Additionally, Al-Nsour (2012) investigated the impact of monetary incentive on the performance of employees in Jordanian universities. The findings indicated that monetary incentives were ranked at the top of other incentives and correlated with performance. Chiang and Birtch (2010) in their study done for the case of hotel industry in which the mediating effect of congruence between employee-organisation service value on pay for performance and attitudes to work was examined. The findings of the person-organisation fit indicate that employees demonstrated more positive attitudes to work when they perceived a high pay for performance link. Bailey and Fessleer (2011) studied the interactive task complexity effect and attractiveness on the efficiency of monetary incentives towards improving task performance. The finding indicates that incentive pay facilitated higher performance at the initial stage, but without improvement.

In contrast, Wu, Yang and Su (2008) studied the impact of monetary incentives packages on job performance in the electronic industry in Taiwan and found no significant difference in performance with respect to the incentive packages provided. In line with the argument put forward in the literatures, the following hypothesis is developed.

H1: Monetary incentives positively influence job performance

Non-Monetary Incentives and Job Performance

Non-monetary incentives given to employees comprise of flexible work hours, training opportunities and the ability to work independently. These incentives are valuable because they give workers the opportunity to improve their skills and pursue advancement opportunities (Scott, 2012). It has increasingly proven to be much more effective tools in the workplace to enhance job performance among their employees. .

The central idea behind non-monetary incentive is to compensate employees for outstanding job performance occasionally. The incentives use includes flexible working hours, training opportunities, satisfying work environment and retreats (Ballentine, McKenzie, Wysocki, Kepner, 2012). Depedri, Tortia and Carpita (2010) opined that the most appropriate influencing factors for worker well-being exist within the interaction between the individual and the organisational dimension. These include bureaucratic and distributive equality and the use non-monetary incentives such as independence and involvement in decision-making. The effect of non-monetary incentives on employees' job performance has empirically been proven in many occasions.

Recognition is a strong motivating mechanism that bring out confidence, satisfaction and increased employee retention. It has been reported that about 78 percent of employees prefer recognition of their work by the managers over other incentives and consider it extremely important and appropriate means of motivation (Nelson, 2004)

Eccles, Ioannnous, Li and Serafein (2012) in an empirical study revealed that non-monetary incentives were more effective than monetary incentives with regard to employees' compliance towards reducing carbon emission. Sopiah (2013) in a related study indicated a significant positive effect of non-financial compensation on employees' job performance. Similarly, Ahmad et al. (2012) revealed a positive relationship between non-financial compensation and employee performance. In a related study, Agwu (2013) assessed the impact of the fair reward system on employees' job performance among employees of Oil Company in Nigeria. The findings of the study conclude that fair implementation of reward system to a large extent influenced employee job performance. As such, we came up with the following hypothesis.

H2: Non-monetary incentives positively influence job performance

Monetary Incentive and Motivation

According to Sweeney and McFarlin, (2005, p. 113), pay is one of the most important rewards that people get from working. This statement has been supported by Sorauren (2000, p. 928) who equally indicated that the first factor to motivate people is to pay them well. In a similar study, Half (1996) indicated that the use of non-monetary incentives will not be effective to motivate and retain talented employees in an organisation in a situation where the employee is underpaid. Kohn (1993) maintains that a monetary incentive diminishes motivation of employees in workplaces by decreasing job satisfaction and motivation. He further argued that monetary incentives may be effective in boosting sales, while cover an underlying problem of poor management. Moreover, employees may be motivated by monetary rewards to perform to some extent, rather than doing something because it is the right thing to do. He, however, argues that monetary incentives encourage compliance instead of risk-taking. According to Herzberg's theory, money could lead to employee dissatisfaction, and does not necessarily motivate them. Nevertheless, Condly, Clark and Stolocitch (2003) suggested that incentives may have great benefit and high potential to motivate employees. In addition, Pascual-Ezama, Prelec and Dunfield (2013) revealed that economic and social incentives increase employees' motivation when they like their job. In another study, James (2005) viewed monetary rewards as measures that facilitate control and micro-management on employees. They equally indicated that locus of control externally (Rotter, 1966) may likely override intrinsic motivation. In the study done by Gerhart and Rynes (2003), it is indicated that monetary incentives is effective on employee attraction and retention with mixed effect on job effort and motivation (Jenkins et al., 1998). Accordingly, the following hypothesis is developed.

H3: Monetary incentives positively influence motivation

Non-monetary Incentives and Motivation

Non-monetary incentives are widely regarded as the most important tools to reward employees. It has been reported that non-cash awards constitutes about 70 percent of employers in most organisations (Airoldi, 2006). Saunderson (2004, p. 257) affirm that "recognition instills greater satisfaction and loyalty, which tends to correlate with greater productivity". By implementating the recognition programme, it is revealed that Westfield Group increase in turnover by about 7.7 percent, while employee satisfaction increased by 14 percent (Davolt, 2006). Maslow (1998, p. 237) further shed more light on the issue by indicating that many people are more influenced by non-monetary incentive compared to the monetary considerations. The argument is based on the fact that many people cannot be swayed to leave a job except by providing, "higher needs and meta-need satisfactions". Shazad and Jehanzeb (2013) in a study that examined the impact of rewards on hotel employees suggested that non-monetary rewards have an effect on employees' motivation. In line with the findings of the various extant literatures, the following hypothesis is developed.

H4: Non-monetary incentives positively influence motivation

Motivation and Job Performance

The benefit of motivation could be best realised when personal goals of employees is aligned with the goals of the organisation. According to Herzberg's (2003) motivation-hygiene theory, intrinsic motivators such as achievement, recognition, the work itself lead to job satisfaction based on the fact that they satisfy an individual's need of self-actualisation (Maslow, 1954; Tietjen & Myers, 1998) and as a result they yield high employee performance. Day (1978) as cited in Rajhans (2012) contends that lack of motivation significantly affects job performance, low employee morale, declining performance; high employee turnover; increasing number of grievances; higher incidence of absenteeism and tardiness; increasing number of defective products; higher number of accidents or a higher level of waste materials and scrap. Moreover, Yazıcı (2008) indicated that the efficiency of organisation's performance and reward management (motivation) have influence on moral and productivity. Gungor (2011) in a related study suggested that employee job performance effectiveness is controlled by a motivational reward management system that an organisations practices. Organisations used a variety of motivational tools. Karatepe (2013) affirms that employees who participate in training programmes that contain an element of empowerment and obtain certain monetary incentive and related rewards from the organisation are motivated to accomplish their goals. As such, HPWPs outcomes are obtained through a continued emphasis on training, empowerment and rewards, which are considered Frontline employee motivators to provide quality services, offer successful solution to complaints and show extra-role performance. This thus lead to the development of the following hypothesis.

H5: Motivation positively influences job performance

Monetary Incentives, Motivation and Job Performance

The essence of motivational incentives is to inspire, encourage and impel people to take action (Allen, 1986) including motivating the employees. Therefore, motivation efforts have to be made towards enhancing the operations of the organisation so that it appears more effective. Atkinson, Banker, Kaplan and Young (2001) perceived the use of monetary incentives as a way of motivating and improving the performance of individuals. Kepner (2001) views monetary incentives as motivators that facilitate a sustaining positive motivational environment traditionally. These are provided as rewards for excellent job performance in the form of money.

Empirical evidence from the extant literatures indicated that monetary incentives are among the most powerful factors that influence employee motivation and performance. According to Locke, Feren, McCaleb, Shaw, and Denny (1980) an average of 30 percent increase in employees' productivity is reported to be related to individual monetary incentives. Gupta (1975) examined the incentive used towards motivating labours in the Indian iron and steel Industry. They revealed that monetary incentives were the most effective motivators with higher otential to job performance. In addition, Nair and Rao (1991) found that monetary incentives packages are the best means for developing employee feeling of teamwork and coordination ultimately resulted to job performance. Similarly, Mathew (1983) stated that direct monetary benefits, greater responsibilities and decision-making autonomy were found to be good motivators that improved job performance. Gungor (2011) found that monetary rewards have a positive effect on employee performance through the mediation of both extrinsic and intrinsic motivation, the results contends that monetary rewards explain extrinsic motivation. Adeogun (2010) found that monetary incentives affect job performance through motivation and tend to be high among female employees. The study concludes that monetary incentives influence motivation through improving job satisfaction, which increases the level of education, and subsequently affect job performance.

H6: Motivation mediates the relationship between monetary incentives and job performance

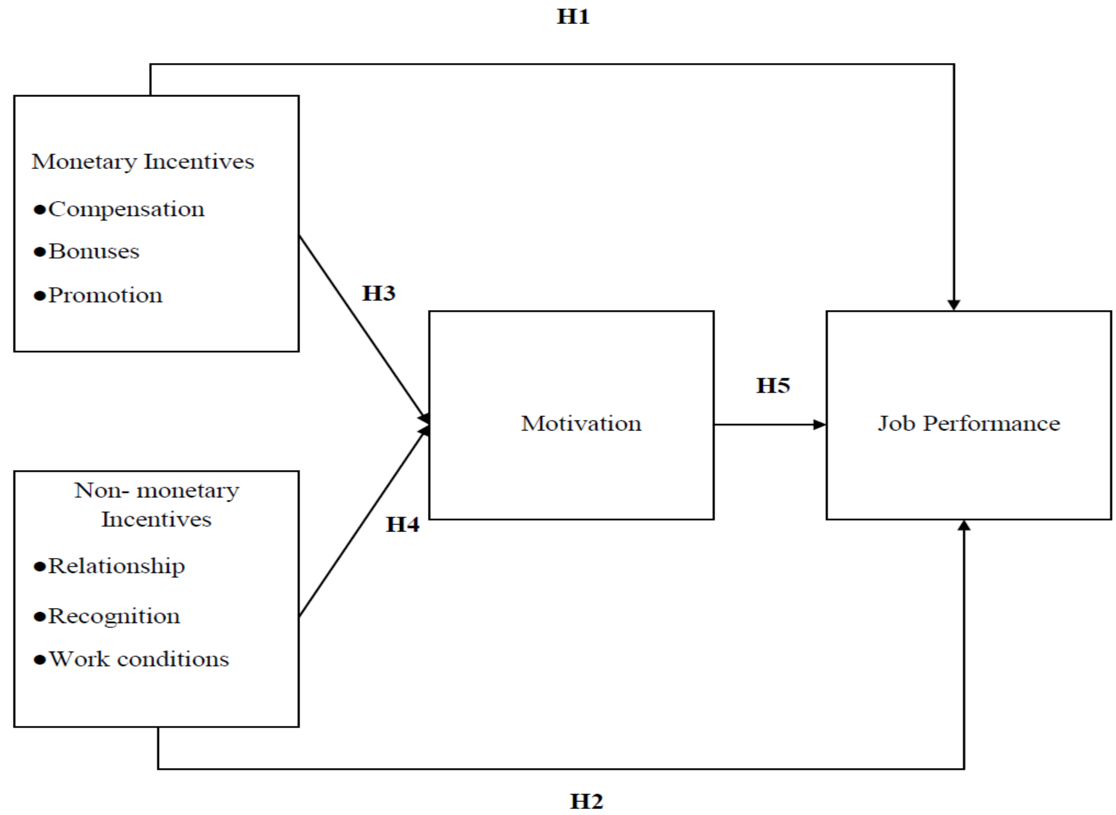
Non-monetary Incentives, Motivation and Job Performance

Non-monetary incentives as a motivator for employees have many dimensions through which influence employees' performance (Appelbaum and Kamal, 2010). Motivation and job performance of employees increase especially when organisations pay accorded high value to rewards and recognition that are among the non-monetary incentives being used (Katou, 2008). Empirically, Scheeper (2009) studied the effect of the incentive on the motivation of employees for the case of information and communication technology industry. The finding of the study revealed that incentives in the form of entrepreneurship reward system such as formal acknowledgement, social incentives and freedom of employees in the organisation promote corporate entrepreneurship. Rose and Manley (2010) examined the use of financial incentives as motivational tools for commitment on projects in Australia. The study revealed that project relations and equitable condition of the contract were employed in enhancing financial incentives efficiency. It therefore concluded that financial incentives contribute less to motivation and performance in the context of construction project while initiatives that involve relationships enhancement are more effective. Grensing (1996) is of the opinion that job enrichment is the best way to raise employee motivation and productivity (job performance) and factors such as redesign of job, sharing of job, flexibility of time, participation, and team focus needs to be considered. It is further argued that establishing employee autonomy, responding to suggestions, provision of constructive feedback, empowering employees, and developing relationships with clients help in improving job performance. Therefore, it is hypothesised that

H7: Motivation mediates the relationship between non-monetary incentives and job performance

5. Conceptual Framework

The conceptual framework for the present study is developed based on the Herzberg two factor theory which comprises motivating and hygiene factors. In the present paper it conceptualised that incentives which consist of monetary incentives and non-monetary significantly influence motivation and subsequently lead to employee job performance. It is hypothesised that monetary and non-monetary directly influence job performance. Meanwhile, it equally hypothesised that motivation mediate the relationship between monetary and non-monetary incentives to job performance. Hence, in the present paper, monetary and non-monetary incentives are independent variables, motivation is mediating variables while job performance act as the dependent variable.



6. Conclusion and Recommendation

The paper discusses the relationship between the variables (i.e. financial and non-financial incentives with motivation) as provided in the literature and some empirical studies. The paper attempts to shed more light on these variables regarding their inter-relationship elate to in predicting employee job performance. As such, it is hypothesised that there are direct relationships between the independent variables (incentives) and dependent variables (job performance). Similarly, it is hypothesised that there are direct relationships between incentives and mediating variables. On the other hand, the indirect relationships involve motivation, which mediates the relationship between incentives (independent variables) and the dependent variable (job performance).

Empirical investigation is thus suggested in order to test the hypothesised relationships of the variables. The result could provide valuable information for policy maker in the organisations, especially the human resources department regarding decision that help in enhancing employee job performance through motivation by providing appropriate incentives. This study is equally expecteed to play an important role in providing tangible contribution regarding the monetary and non-monetary incentive and how each of them influence towards motivation and job performance. In addition, empirically testing these hypotheses could add value to the theories and volume of literature in the field.

References

Abejirinde, A.A. (2009), Motivation and Workers Performance within Public and Private Enterprises in Nigeria, Lapai International Journal of Management and Social Sciences, 2 (2), 101-112.

Adeogun, J. (2010). Monetary motivation, performance and job satisfaction. Journal of Applied Management and Entreprenuership, 15 (3), 118-120.

Agwu, M. O. (2013). Impact of fair reward system on employees' job performance in Nigerian Agip Oil Company limited Port Harcourt. British Journal of Education, Society and Behavioural Science ,3 (1), 47-64.

Ahmad, M., Raza, K., & Shahid, R. N. (2012). Causes of Increasing Demand of Employess Outsourcin and Its Impact on Pakistan Business. International Journal of Learning & Development, 2(3), 294-312.

Airoldi, D. M. (2006). Employment matters. Incentive, 180(8).

Allen, L. (1986). The Allen Manager's seminar: Effective management series. Louis Allen Associates, Park wood.

Al-Nsour, M. (2012). Relationship between incentives and organisational performance for employees in the Jordanian University. International Journal of Business and Management,7 (1), 78-89.

Antomioni, D. (1999), What motivates middle managers? Journal of Industrial Management, 41(6), 27-30.

Appelbaum, S. & Kamal, R. (2010). An analysis of the utilization and effectiveness of non-financial incentives in small business. Journal of Management Development, 19 (9),733-763.

Atkinson, A. A., Banker, R., Kaplan, R. S., & Young, S. M. (2001). Management accounting (3rd ed.). Upper Saddle River, NJ: Prentice-Hall.

Bagashawe, A. (2011). How to improve motivation. Ventus Publication Ap S. Retrieved 25th Aprl, 2013 from www. Bookboon.com.

Baibaita, I. S. (2010).An Appraisal of Employee Motivation in the Nigerian Banking Industry. Lapai Journal of Management Sciences, 1(1), 25-39

Bailey, C. D. & Fessler, N. J. (2011). The mediating effect of task complexity and task attractiveness on the impact of monetary incentives in repeated tasks. Journal of Management Accounting Research 23 (1),189-210.

Ballentine, A., McKenzie, N., Wysocki, A. and Kepner, K. (2012). The Role of Monetary and Non-Monetary Incentives in the Workplace as Influenced by Career Stage accessed from http://edis.ifas.ufl.edu.

Brownell, P. & McInnes, M. (1986). Budgetary participation, motivation and managerial performance. The Accounting Review, 61(4), 587-600.

Buchanan, D. & Huczynski, A. (1997). Organisational Behaviour: An Introductory Text. (3rd ed). London:Prentice Hall.

Buford, J. A., Jr., Bedeian, A. G., & Lindner, J. R. (1995). Management in Extension (3rd ed.). Columbus, Ohio: Ohio State University Extension.

Campbell, J. P. (1990). Modeling the performance prediction problem in industrial and organisational psychology. In M. D. Dunnette & L. M. Hough (Eds.), Handbook of Industrial and Organisational Psychology (pp. 687-732). Palo Alto, CA: Consulting Psychologists Press, Inc.

Cetin, I. (2013). Motivation and its impact on labour productivity at hotel business: A conceptual study. International Journal of New Trends in Arts, Sports and Science Education , 2(1), 70-79.

Chakravarthy, B. S. (1986). Measuring Strategic Performance. Strategic Management Journal, 7(3), 437-458.

Chiang, F. F. T. & Birtch, T. A. (2010). Pay for performance and work attitudes: The mediating role of employee-organisation service value congruence. Journal of Hospitality Management,29, 632-640.

Clark, R.M. (2009). Are we having fun yet? Creating a motivating work environment. Industrial and Commercial Training, 41(1), 43-46.

Condly, S. J. Clark, R. E. & Stolocitch, H. D. (2003). The effects of incentives on work place performance. A meta-analytic review of research studies. Performance Improvement Quarterly ,16 (3), 7-24.

Contiu, L. C. Gabor, M. R. & Oltean, F. D. (2012). Employees motivation from a cultural perspective-a key element of the hospitality industry competitiveness. Procedia Economics and Finance,3, 981-986.

Davolt, S. (2006, June). Recognition programs generate big bang for benefit bucks. Employee Benefit News, 72.

Depedri, S. Tortia, E. Carpita, M. (2010).Incentives, job satisfaction and performance: Empirical Evidence in Italian Social Enterprises. European Research Institute on Cooperatives and Social Enterprises Working Papers N. 012/10

Dewhurst, M., Guthridge, M., & Mohr, E. (2009). Motivating people: Getting beyond money. McKinsey Quarterly, 1,12-15.

Eccles, R. G., Ioannnous, I., Li, S. & Serafarin, G. (2012). Pay for environmental performance: The effect of incentive provision on carbon emission. Working paper 13-043, Harvard Business School.

Georgellis, Y, Lossa, E. & Tabvuma, V. (2011). Crowding out intrinsic motivation in the public service. Journal of Public Adminsitration Research Theory, 21 (3), 473-493.

Gerhart, B. & Rynes, S. L. (2003). Compensation: Theory, evidence, and strategic implications., Sage Publications, Thousand Oaks, CA.

Greenberg, J. & Baron, A. R. (2003). Behaviour in Organisations. Prentice Hall,8, 188-215

Grensing, L. (1996). When the carrot can't be cash. Security Management, 40(12), 25-27.

Gungor, P. (2011).The relationship between reward management system and employee performance with mediating role of motivation. A quantitative study on global bank. Procedia Social and Behavioural Sciences ,24, 1510-1520.

Gupta B. (1975). Labour Incentive in India of Iron and Steel Industry. Research Abstract Quarterly, 171-176.

Hackman, J. R., & Oldham, G. R. (1976). Motivation through the design ofwork: Test of a theory. Organisational Behaviour and Human Performance,16, 250–279.

Halepota, H.A. (2005). Motivational theories and their application in construction. Cost Engineering, 47(3), 14-18.

Half, R. (1996). “How do I keep good people when my budget is cut?” Management Accounting, 78 (5), 14.

Harvard University; Incentives and Performance Management; Nancy R. Katz; June 2000 .

Herzberg, F. (2003), “One more time: how do you motivate employees?”, Harvard Business Review, 81(1), 53-62 (reprinted from 1968).

Herzberg, F., Mausner, B., &Snyderman, B. B. (1959).The motivation to work (2nd ed.). New York: John Wiley & Sons.

James, H. J. (2005). Why did you do that? An economic examination of the effect of extrinsic compensation on intrinsic motivation and performance. Journal of Economic Psychology, 26(4), 549-66.

Jenkins, G. D., Gupta, N., Mitra, A. and Shaw, J. D. (1998). Are financial incentives related to performance? A meta-analytic review of empirical research. Journal of Applied Psychology, 83(3), 777-87.

Karatepe, O. M. (2013). High-performance work practices and hotel employee performance: The mediation of work engagement. International Journal of Hospitality Management, 32, 132-140.

Katou, A. A. (2008). Measuring the impact of HRM on Organisational performance. Journal if Industrial Engineering and Management, 1(2), 119-142.

Kepner, K. W. (2001). Class lecture note on human resources management in Agribusiness. In Ballentine, A. Mackenzie, N., Wyosocki, A. & Kepner. The role of monetary and non-monetary incentives in workplace as influences by career stage, University Florida.

Kohn, A. (1993). Why monetary incentive plans cannot work. Harvard Business Review. Retrieved on 29th December, 2012 at http://www.ehow.com/info_8330763_effects-nonmonetary-incentives-employee-performance.html

Lawler, E. E. (1994). Performance management: The next generation. Compensation and Benefits Review, 26(3), 16-19.

Lindner, J. R. (1998). Understanding employee Motivation. Journal of Extension, 36(3), 1-8.

Locke, E. A., Feren, D. B., McCaleb, V. M., Shaw, K. N. & Denny, A. T. (1980). The relative effectiveness of four methods of motivating employee performance. In K. D. Duncan, M. M. Gruenberg, & D. Wallis (Eds), Changes in working life. New York: Wiley.

Manolopoulos, D. (2008).An evaluation of employee motivation in the extended public sector in Greece. Employee Relations, 30(1), 63-85.

Maslow, A. H., Stephens, D. C., & Heil, G. (1998).Maslow on management. New York:John Wiley.

Maslow, A. H. (1954). Motivation and Personality, Harper & Row, New York, NY.

Mason, W. & Watt, D. J. (June, 2009). Financial incentives and the performance of crowds. KDP-HCOMP, Paris France.

Mathew, H.(1983). Developing employment package attracting and retaining best employees. Management Decision, 28, 6.

Milne, P. (2007). Motivation, incentives and organisational culture. Journal of Knowledge Management, 11(6), 28-38.

Mitchell, T. R. (1982). Motivation: Need Directions for Theory, Research, and Practice. Academy of Management Review, 7(1), 80-88.

Nair M. R. R. and Rao T.V. (1991) Excellence through HRD, New Delhi, Tata McGraw Hill.

National Healthy Worksite (2013) Work place health incentive. Accessed on the 11th June, 2013atwww.cdc.gov/nationalhealthyworksite/docs/NHWP_Heakth_Incentives_Final_TAG508.PDF

Nelson, B., (January 2004). Everything you thought you knew about recognition is wrong. Workplace Management. Retrieved February 16, 2004 at http://www.workforce.com.

Pascual-Ezama, D., Prelec, D. & Dunfield, D. (2013). Motivation, money, prestige and cheats. Journal of Economic Behaviour and Organisation http: //dx.doi.org/10.1016/j.jebo.2013.03.015

Petcharak, P. (2002). The Assessment of Motivation in the Saint Paul Hotel Employees. The Graduate School, University of Wisconsin-Stout.

Porter, L. W. & Lawler, E. E. (1974). The Effect of Performance on Job Satisfaction. In Edwin A. Fleishman(ed) Studies in Personal and Industrial Psychology (3rd ed.). Illinois.

Preffer, J. (1998). Six dangerous myths about pay. Harvard Business Review, 76(3),109-119.

Rajhans, K. (2012). Effective organisational communication: A key to employee motivation and performance. Interscience Management Review (IMR), 2(2), 2231-1513.

Rose, M. (1998). Performance-related pay in schools: An Assessment of the Green Paper, NUT: London.

Rose, T. & Manley, K. (2010). Motivation toward financial incentive goal's on construction projects. Journal of Business Research, 64,765-773.

Rotter, J. B. (1966). Generalized expectancies for internal versus external control of reinforcement. Psychological Monographs, 80(1), 1-28.

Saunderson, R. (2004). Survey findings of the effectiveness of employee recognition inthe public sector. Public Personnel Management, 33(3), 255–275.

Scheepers, R. (2009). Shaping corporate entrepreneurship capability: The impact of rewards. AGSE, 107-119.

Scott, S. (2012). Rewards & Incentives in the Workplace at http://smallbusiness.chron.com/rewards-incentives-workplace-11236.html accessed on 29th April, 2013.

Senyucel, Z. (2009). Managing the human resource in the 21st century. Ventuse Publishing ApS. Retrieved on 25th April, 2013 at www.bookboon.com

Shazad, S. & Jehanzeb, K. (2013). Determining motivation through rewards (A study of palace continental Hotel). International Review of Management and Business Research ,2(1), 56-64.

Sodexo (2010). Recognising and rewarding hospital employees. Accessed on the 10th June, 2013www.sodexousa.com/images/Recognizing%20and20%Rewarding%20Hospital%20Employees3337-692140.PDF

Sopiah (2013). The effect of compensation toward job satisfaction and job performance of outsourcing employees of Syariah banks in Malang Indonesia. International Journal of Learning and Development, 3(2), 77-91.

Sorauren, I. F. (2000). Non-monetary incentives: Do people work only for money?Business Ethics Quarterly, 10(4), 925–944.

Staw, B. M. (1984). Organisational behaviour: A review and reformulationof the field's outcome variables. Annual Review of Psychology, 35(1),627–666.

Sun, J. (2013). Employee engagement: How to use recognition and non-monetary rewards to drive employee engagement. Accessed on the 11th June, 2013 at www.hotelexecutive.com/business_review/2961/employee-engagement-how-to-use-recognition-and-non-monetary-rewards-to-drive-employee-engagement.

Sweeney, P., & McFarlin, D. (2005). Wage comparisons with similar and dissimilarothers.Journal of Occupation and Organisational Psychology, 78(1), 113–131.

Tietjen, M. A. & Myers, R.. M. (1998). Motivation and job satisfaction. Management Decision, 36(4), 226-231.

Topper, E. F. (2009). Keeping staff motivated in tough times. New Library World, 110(7/8), 385-387.

Turner, A. N., & Lawrence, P. R. (1965). Industrial jobs and the worker. Boston: Harvard University Press.

Vroom, V. H. (1964). Work and motivation. New York:Wiley.

Whetten, D. A. & Cameron, K.S. (2007). Developing management skills. Upper Saddle River, New Jersey: Pearson Prentice Hall.

Wu, W., Yang, H. & Su, S. (2008).The influence of monetary incentives activities on operation performance of electronic companies in Taiwan. Journal of American Academy of Business, Cambridge 13 (2).

Yazıcı, N. K. (2008).The effect of reward system applications on employee performance in service sector. Marmara University, Institute of Social Sciences, Master Thesis.

Center for Health Program Development and Managemen (2003). Compensation as a Function of Retention of Nurses Retention Subcommittee Working Paper .