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HAROLD PUPKEWITZ  
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**POLYTECHNIC OF NAMIBIA**  
Leadership | Technology | Entrepreneurship | Innovation

**The impact of performance related pay on employees – A case study of the performance incentive bonus scheme at the Motor Vehicle Accident Fund**

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Thesis presented in partial fulfilment of the requirements for the degree of Master in International Business  
in the Harold Pupkewitz Graduate School of Business at the Polytechnic of Namibia

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### **Declaration**

I, Helena Ndilimeke Shilongo, do hereby declare that this is my own work and where work of others has been used, I have duly acknowledged. This Thesis is being submitted in partial fulfilment of a Master's Degree in International Business, at the Polytechnic of Namibia through the Harold Pupkewitz Graduate Business School (HP-GBS), Windhoek, Namibia.

I further declare that this paper has not been submitted before for any degree in any other University.

### **Retention and Use of Thesis**

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### **Dedication**

This work is dedicated to my husband, my children and to the Almighty God.

### **List of Abbreviations**

CRS	- Compensation and Reward System
GSDRC	- Governance and Social Development Resource Centre
HRM	- Human Resources Management
MAS	- Management Accounting System
MVA Fund	- Motor Vehicle Accident Fund
OECD	- Organization for Economic Cooperation and Development
PDR	- Performance and Development Review
PRP	- Performance Related Pay
PIBS	- Performance Incentive Bonus Scheme

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## **Abstract**

The Performance Incentive Bonus Scheme (PIBS) is part of the broader market type transformations occurring in Public Service in Namibia today (Mwita, 2002).

The thesis claims that the value of PIBS policy is a function of the organizational setting, objectivity of performance measurement process and perceived equity of the fixed scheme.

The research uses survey based data for the Case Study of PIBS in the MVA Fund.

The issue of employees' performance in persistence of organisational objectives has employed management consideration for long. This study examined the issue of performance-related pay as a motivational device for realizing organisational performance at the Motor Vehicle Accident Fund of Namibia as a Case Study.

The main objective of the study was to survey the impact of the current MVA Fund Performance Incentive Bonus Scheme on employee motivation, employee performance and organizational performance.

Sixty one respondents took part in the survey. The sample comprised 3 executives and 58 employees.

The research instrument was the questionnaire. The result of the study revealed that the effect of performance-related pay on employee performance is very high; and the motivational effect of merit pay is often supported by Performance Incentive Bonus Scheme.

Most outstandingly, in conjunction with the goal setting theory, the point to which both employees and executives are involved in crafting the organizational objectives is a main source of motivation to the MVA Fund employees.

It was also noted that there is buy in from the employees, which actually helps the institution to attain its set objectives. This inclusiveness assisted the MVA Fund to make the Performance Incentive Bonus Scheme a success. Evidence indicates a robust support at all level on the acceptability of the scheme in the Fund.

The main limitation of the study is that it could not cover all employees within the target population, due to time and financial constraints. In this respect, the interpretation of the results of the study should not be over-generalised.

## 1. CHAPTER 1 - INTRODUCTION

The MVA Fund was established by the Act of Parliament, Act 30 of 1990 shortly after independence to compensate certain people injured in motor vehicle accidents or the dependents of people killed in such accidents. It was then a “fault-based” system. That is, compensation was paid only if it was deemed that the driver in question was in one way or another negligent or unlawful in causing the accident.

At the beginning of 2004 the MVA Fund became a parastatal organization. Subsequently a Chief Executive Officer was appointed in February 2004. In 2005 The CEO introduced a Performance Bonus Scheme in order to implement a consistent, fair, motivating performance agreement and evaluation process and for the fund to achieve a high performance culture. This performance bonus was payable bi-annually and calculated as follow:

- For general employees: 80% individual performance and 20% unit performance
- For managers and supervisors: 70% individual performance and 30% unit performance
- For executives: 50% individual and 50% unit performance.

The bonus was an entitlement based on employee performance rating score, and calculated on individual Annual Total Cost to Company.

In 2011, the MVA Fund introduced a new Performance Incentive Bonus Scheme, which is linked directly to the institution's performance on key strategic areas. It is calculated from three prime sources, i.e. customer satisfaction, funding level and growth in investment portfolio which is funded from operating surpluses. This bonus is not an entitlement income, but the institution has to attain a certain performance rating of the targeted strategic goals in a financial year.

In addition, employees can qualify for an annual performance based salary adjustment on attaining a certain agreed performance rating on top of the annual inflationary salary adjustment. In other words, an inflationary percentage is added to the performance rating an employee scores to determine his or her annual salary adjustment.

This research is a case study conducted on the Motor Vehicle Accident Fund to ascertain the impacts of the current performance-related pay scheme on employees and the institution at large, juxtaposing the old and current performance models.

Following the structure of the research study, the thesis consists of five chapters. Chapter 1 includes the introduction, background to the study, problem statement and assumptions, and research objectives and questions. Chapter 2 deals with the review of related literature. It discusses performance dimensions, performance based and merit pay system, motivational models and theories. Chapter 3 describes the research design and methodology used in conducting this research study. Chapter 4 discusses data analysis of the study results and Chapter 5 includes the discussion and conclusion.

## **1.1 Background to the Study**

Since the introduction of the Performance Incentive Bonus Scheme in 2005, the MVA Fund has been committed to fostering a high performance culture in the organization.

The Scheme was introduced to guide the MVA Fund to develop its leadership capacity, retain its knowledgeable workforce and embed performance management as a key development and performance management tool. At the same time, the Fund has been aiming to identify, coach and mentor individuals earmarked for critical successions while observing the prevailing Affirmative Action Policy (MVA Fund PDR Policy, 2011, p4).

Despite the fact that the Fund introduced a performance related pay in 2005, there has been poor measurement and control tools to effectively and consistently manage performance. Mwita (2002:108) argues that “implementation of the Performance Incentive Bonus Scheme will not be effective without definite performance plans, measurement and control methods laid down”. He further highlights that every organization should document all its strategies and processes as a well-designed and correctly sustained system of any strategies and process, documentation improves answerability and reliability, while at the same time creating long-term investments from condensed duplication, redraft, training, and increased attention, dependability, and efficiency.

The MVA Fund reviewed its Performance Management Guidelines and launched a Performance and Development Review (PDR) Policy in 2011 and introduced a new performance bonus model. The purpose of PDR Policy is to assist the Fund to

achieve a high performance culture, and also serves as a directive to determine bonus and performance incentives to the employees.

Working with the Performance Incentive Bonus Scheme (PIBS) fascinates employees of advanced capability and encourages them to deliver countless efforts according to Booth and Frank (1999).

Much of the educational and policy works on PIBS centers on its role as an incentive system Marsden (2004). In the public policy discussion, it has been common to associate the introduction of PIBS with the aim of refining incentives and inspiration among employees (Brown and Heywood, 2002). Workforces have for a long time been granted fiscally on the basis of their entry credentials and the alleged value of their job evaluation and analysis.

Mullins, (2005) claimed that there has been a clear tendency, particularly in the private sectors, towards the relationship of payments to employee performance in effort to advance the fulfillment of organizational objectives. Reward is therefore devoted to performance.

At the same time Perry, Engbers and Jun, (2009); Booth and Frank, (1999) specify that there has been a revival of interest in PIBS in numerous developed economies, stimulated by governments. This is reliable with the view of organizations as a web of contracts linking incentives to performance (Dun-Icavy and Hood, 1994).

As Milkovich and Newman (1996) witness, compensation is regarded from different perspectives by society, employees and managers. On employment, there is an old belief that compensation is a degree of fairness or equity, hence the slogan, 'equal pay



for equal work'. This imitates the public disagreement against unfairness of any kind in the distribution of rewards.

Ample literature pursues to emphasize that PIBS has not been tried in numerous developing countries, and none were able to recommend a case where PIBS had been implemented successfully. Governance and Social Development Resource Centre (GSDRC) report of 2010 indicated that "most of the work on pay reform in developing countries has rather concentrated on a number of issues such as rewarding government employees a living income, warrant that they are paid timely and accurately, expanding wages scales, bringing order to complex system of allowances, initiating merit based employment and upgrade and trying to tie private sector salaries".

Zoe (2010) stressed that although PIBS is measured to be sophisticated in disparity with more basic changes and is considered by majority to be too technically progressive for the abilities of nearly all developing countries, some professionals debate that PIBS is unsuitable for the political situations of investment.

Employees consider compensation as an earnings for services rendered. They also see it as a sign of their individual worth in terms of abilities and skills, as well as the education and training they have extended. This potential to effect employees' work behaviour and attitudes and thereafter, the productivity and success of the organization, is another reason why majority of employees think that compensation decisions can become a basis of competitive advantage (Milkovich, 1998:16).

Paying for performance is a way of providing a monetary reward to an individual, which is linked directly to individual, team and organizational performance (Armstrong,

2005). Inspiring employees to productivity and superior performance is considered to be one way to attain greater returns. The ambition against incremental systems has taken place because management does not understand why employees need to be paid more for being in the job (Armstrong, 2005:100).

Incremental systems are obviously related with many people with indifferent performance. Lupton and Bowey (1996) claim that remuneration structures created on choice payments may result in indulgence and futile sense of security on the employees.

In the ultimate respect to PIBSs, some experts and scholars renowned that there is a rising strain within human resources management literature about the patterns and the practices now used to reward individuals (Smith, 1992; Legge, 1995; Kessler and Purcell, 1992). Thus far, it seems that quite number of motivational initiatives followed signify no more than a “shuffling of the pack” (Kessler and Purcell, *ibid*: 274), instead of any creative, combined strategy (Storey, 1992:27), which could be measured as part of a unique strategic Performance Management method.

McCourt (2006) maintained that internationally, only Morocco and Sri Lanka were politically intelligent enough to declare a modest performance scheme in order to get executives to recognise their responsibilities for employees' performance, which was later a disappointment because of capacities and weak political upkeep. Thus, McCourt (2006) further concluded that Mauritius, Malaysia and Namibia were taking credit when they introduced schemes which involved a PIBS element, displayed on the know-how of leading governments like UK's and New Zealand's. Due to the fact that they were not mindful of the negative aspects of that know-how, they ended up repeating or even

enlarging those countries' mistakes and ended up in political difficulties in the form of civil service union aggression.

Although there are certain studies done on Performance Incentive Bonus Scheme globally, Namibian cases on Performance Incentive Bonus Scheme are tough to find; thus it is of great importance to undertake this study to add to the current knowledge on PIBS in Namibia in particular, though it is a Case Study specific for the MVA Fund. Also, information gathered may assist policy makers to invest in research and development and also to come up with national think tanks.

## **1.2 Problem Statement and Main Research Question**

Performance Incentive Bonus Scheme targets at improving the quality of public service delivery by concentrating on the achievement of end-user needs Otley (1999). At the same time, Kanime (2011) argued that the Performance Incentive Bonus Scheme framework is to use systems which assist government and State-Owned- Enterprises to plan, delegate, assess and reward the operation of their activities and services. Though, Mwita (2000) argues that, the success of PIBS process depends on the timeliness and dependability of performance information flows from and to the management accounting system (MAS).

On the other hand, Heery, 1998 and Wright, 1995 are of the opinion that empirical studies are enquiring whether extrinsic performance based incentives and reward systems such as PIBS schemes have had any influence at all on the individuals' contribution to the whole organization. Furthermore, Campbell, 1996 and Bititci 1997 are of the view that empirical studies show that in practice, much of the frustration with performance

appraisal comes from the ineffectiveness of the system in attaining some of the drives for which the schemes are established.

Some of the difficulties with Performance Based Incentive Schemes are attributable to the errors in the planning and organization of the performance appraisal schemes in organizations (Campbell, 1990; Rogers, 1990; Armstrong, and Murlis, 1991). Palmer, 1993; Ghobadian and Ashworth, 1994 stated that evidences from other surveys constantly display that managers dedicate little time on the measurement process of employees' performance.

The main assumption of this research is that for the Performance Incentive Bonus Scheme to be effective, employee performance should be aligned to organizational achievements. Therefore, the research presumes that the launch of the MVA Fund PDR Policy and the introduction of the current Performance Incentive Bonus Scheme structure enhances effectiveness, accountability and consistency in managing and measuring performance in the organization.

Another assumption is that the revised structure of the MVA Fund Performance Incentive Bonus Scheme of 2011, whereby bonus was not an entitlement income, would enhance employees' performance and motivate them to achieve organizational strategic goals.

Thus, the study seeks to answer the question:

*What is the impact of the current Performance Incentive Bonus Scheme on employee motivation, employee performance and organizational performance?*

### **1.3 Research Objective and Questions**

The study's main objective is to survey the impact of the current MVA Fund Performance Incentive Bonus Scheme on employee motivation, employee performance and organizational performance. Hence, a standard questionnaire was used to assess the perceptions of the employees and executives on the following dimensions:

1. The rationale for introducing the Performance Incentive Bonus Scheme in MVA Fund - *What are the common objectives of operating a performance pay incentive scheme at the MVA Fund?*

2. Acceptability of the MVA Fund Performance Incentive Bonus Scheme - *How do MVA Fund Executives/Employees perceive the principle of linking pay to performance?*

3. The successes of the Performance Incentive Bonus Scheme in the MVA Fund - *Do MVA Fund Executives/Employees perceive Performance Incentive Bonus Scheme as a successful strategy to motivate staff?*

4. The ability of bonus to act as a motivator for employees' performance - *Is monetary incentive package a motivator at the MVA Fund?*

5. Effects of the Performance Incentive Bonus Scheme on MVA Fund service delivery - *What effect does the Performance Incentive Bonus Scheme have on individual performance of MVA Fund Executives/Employees in relation to service delivery?*

6. The drawbacks with the Performance Incentive Bonus Scheme - *What are the drawbacks of Performance Incentive Bonus Scheme at the MVA Fund?*

7. Views on performance objectives/targets and feedback systems - *What impact does Performance Incentive Bonus Scheme have on short-term work objectives, performance targets and feedback?*

8. Objectivity of measuring executives/employees performance for reward purposes - *Has the Performance Incentive Bonus Scheme been able to establish a relationship of measuring individual performance for reward purposes?*

9. Linkage between performance and reward - *Has the Performance Incentive Bonus Scheme been able to establish a link between individual performance and pay awards?*

10. Benefits of the Performance Incentive Bonus Scheme in relation to team spirit - *What effect has the Performance Incentive Bonus Scheme on the team spirit?*

11. Joint consultations in goal/objective settings - *What role does joint consultation play in goal setting within a performance management framework?*

12. Views on organizational culture in relation to performance improvement - *Has the improvements or otherwise of the overall performance been attributable to the Performance Incentive Bonus Scheme?*

## **2. CHAPTER 2 - LITERATURE REVIEW**

### **2.1 Definitions of Performance Management and Performance Related Pay**

Noe, Hollenbeck, Gerhart & Wright, (2000:276) describe performance management as a method through which managers ratify that employees' activities and outputs are corresponding with the organization's goal. According to them, the Performance Incentive Bonus Scheme is vital for the achievement of competitive advantage.

Mwita (2002) stated that the Performance Incentive Bonus Scheme is the logical process by which an organization includes its employees, as individuals and team members, in refining organizational effectiveness in the achievement of organizational goals and mission.

According to Kanji (2005), performance Incentive Bonus Scheme is a pillar of any individual life and organization. He further states that once employees appreciate what needs to be done and when and why/what is to be done, then the organization will achieve its goals and employees will feel empowered.

### **2.2 Performance Dimensions**

Good et al. (2004) pointed out that usually performance measurement covers five dimensions of performance, i.e. efficiency, effectiveness, economy, compliance and service quality. Performance is a relative concept and hence it is often measured against some baseline or standard by looking at what has been accomplished in the organization, comparing it to the budget or compliance.

Noe et al, (2000, p276), expressed that performance related pay has three parts: defining performance, measuring performance and feeding back performance evidence. They further stated that performance related pay stipulates which aspects of performance are pertinent to the organization, it measures those aspects of performance through performance appraisal to manage employees' performance and it provides feedback to employees through performance feedback gatherings so that they can adjust their performance to the organization's goal.

Figure 1: Employee performance includes



- **planning** work and setting expectations
- continually **monitoring** performance
- **developing** the capacity to perform
- periodically **rating** performance in a summary fashion and
- **rewarding** good performance

*Adopted from Noe et al, 2000*

Kald & Nilsson (2000) indicate that in the past decades there have been considerable changes in the traditional post war method of performance measurement. The old-style approach focused largely on financial indicators, such as a sales revenue, profit, liability, and return on investment. It was also centred around standards set up to measure employee performance, and looked mainly at individual performance but hardly at business performance (Kanji, 2005).



Davis and Albright (2004) concluded that in the 1970s and 1980s, fundamental transformations in industrial systems created a challenging business environment, which prompted organizations to search for better insight into their business activities and operational performance. The growing importance of these changes further intensified the need for alternative control and performance measures (Davis and Albright, 2004) to allow businesses to stay competitive and profitable (Zeng and Zhao, 2005).

Many academics and practitioners have over the years criticized old-style management control in general and performance measurement in particular (Kaplan, 1983; Ittner and Larcker, 1998; Behn and Riley, 1999; Foster, G., Gupta, M. and Sjoblom, 1996; Banker et al., 2000; Kald and Nilsson, 2000) and the ways in which companies plan their operations and monitor performance (Johnson and Kaplan, 1987; Brimson, 1991; Ittner and Larcker, 1998; Behn and Riley, 1999; Foster et al., 1996; Banker, R.D., Konstans, C. and Mashruwala, 2000; Kald and Nilsson, 2000).

According to Kald and Nilsson, 2000; Bourne et al., 2003 and Kanji, 2005, performance related pay systems were increasingly seen as less acceptable because they mainly limited to one-dimensional monetary information, lacked a match between the company's competences and its dynamic business environment, lacked a strategic focus, had a retrospective orientation and short-term vision, and had a fragile strategic content. De Waal and Counet, (2009) also emphasized that these shortcomings enticed organizations to search for measurement systems that supported them better in the challenging business environment. Therefore, there has been a growing interest in changing and improving management control systems.

### **2.3 Performance Based and Merit Pay System**

### **2.3.1 Performance Based Pay System**

Globler et al (2006) emphasised that many organizations today are considering changing from a time based pay system to a performance based pay system. The key drive of any performance based system is to relate employees' salaries directly to their performance. Globler et al (2006) further stressed that employees are likely to be highly encouraged and increase their efficiency if they notice that there is a straight relationship between the rewards received and level of performance. Utmost performance based pay systems provide employees with a basic income and the opportunity to earn additional reward if their productivity surpasses a certain standard. The use of performance based systems has seen resurgence.

Although this study focuses on the impact of employees' performance indices on performance related pay, the issue of performance and compensation cannot be ignored or separated. It was also noted that the effects of performance-based pay plans on individual and organizational performance cannot be easily separated from the broader context of an organization's structures, management strategies, and employees systems.

At MVA Fund, performance conversations are encouraged on the constant basis, although formal individual and business units (institution) performance and development reviews are done on a quarterly basis. Institutional performance and development reviews are conducted by the Performance and Development Review Committee. Employees from all levels in the organization can serve in the Committee on a rotational basis, chaired by the CEO or any designated Executive.

Globler et al (2006:357) indicated that the method by which individuals are paid for performing their job constitutes the pay system of the organisation. He further indicates that generally, people are compensated for time they contribute to their job or the amount of work they produce on the job.

Robbins (2005:170) stated that the social sciences have produced many theories to explain how payment increases dependent on performance might motivate employees to spend more effort and to direct that effort toward achieving organizational performance goals.

### **2.3.2 Merit Pay System**

According to Grobler, Warnich, Carrell, Elbert & Hatfield (2006:361-362) time based pay systems are not wholly devoid of a relationship between salary and performance. Instead many include merit pay increase to staffs. He further states that after performance appraisal is finished, employees usually get increases in salary if their work record is judged commendable. Therefore, merit raises are intended to motivate employees by tying at least part of their salary to their performance.

The MVA Fund adopted a merit pay linked to institutional performance; however, employees are recognized at individual level by way of annual performance-based salary increment based on individual performance throughout the financial year.

Globler et al (2006) indicated that there are three assumptions on merit pay systems such as employee differences in performance can be accurately measured; employees

can effectively perceive pay differences as relating to performance differences, and lastly individuals will improve their future performance to gain more merit increases.

Globler et al (2006) indicated further that although merit pay system has some advantages, there are also some challenges. Firstly, there is only a slight relationship between performance appraisals and percentage pay increases, and employees are quick to realize it. Secondly, supervisors' biases remain more important in the appraisal process than employee productivity. And thirdly, employees simply do not perceive that merit raises are linked to their performance, whether true or not. Therefore, it is critical for management to audit the system for these possible challenges and must not assume that it is operational.

Globler et al (2006) further pointed out that many managers believe that linking pay increases to performance is effective because behaviours that are rewarded are more likely to be repeated and the one that are punished are less likely to be repeated. He further indicated that rewards that are obtained as a result of one's performance will have a greater value than rewards that are given to everyone.

Globler et al (2006) further expressed that a 7% merit increase in an organization where the average is 5% will be more highly valued than if a 7% increase was given across the board. Although employees are not changing grades with merit pay system, they move a notch up.

## **2.4 Motivational Models and Theories**

The use of the theory of motivation is centered on a number of generalization and assumptions. The drive of this chapter is to analyze the models and theories of motivation and its role in handling employees' performance at places of work.

Hence, Legge (1995) advises that an employee can helpfully be regarded as a system of biological needs, psychological drives, insights and morals. This means that a person's system works so as to sustain its internal balance in the face of loads placed upon it by external factors then it progresses in response to his or her undeveloped needs to solve the difficulties presented by the external situation.

Nonetheless an another argument could be that each person's system will have distinctive characteristics because dissimilar persons' systems progress with different patterns of needs, views and morals; and person systems are not stagnant, but carry on developing as they meet new difficulties and experiences.

Mwita (2004) confirmed that motivation can exist in two ways. First of all, employees can inspire themselves by looking for and carrying out work, which pleases their needs or lead them to expect that their goals and objectives will be attained. Then, employers can inspire employees through methods such as applause, advancement, remuneration, appreciation and many other. Hence, these can be defined as intrinsic and extrinsic motivating factors.

The difference between extrinsic motivators can have instant and influential effect, but it will not necessarily last long, whereas instinct motivators which are worried with quality of working life are likely to have a profounder and lengthier term effect as they are natural in employees and not enforced from outside.

Over the years the theories have boomed. Among others there are the Taylor theory on the scientific management literatures (1890 and 1911), McClelland (1975) as well as cognitive theories that are concerned with psychological forces which impact motivation as affected by people's perceptions of their working surroundings and the ways in which they interpret and understand it.

The process of theories embrace the expectancy theory Vroom (1964), reactance theory Brehm (1966), equity theory Adams (1965) and goal setting theory (Locke & Latham (1968 and 1990). Other theories are Herzberg's (1957) and Abraham Maslow's (1943). It is beyond the scope of this chapter to review all of these theories in detail. However, for their significance to the conceptual framework of this study, pertinent theory of motivation are briefly reviewed below.

The focus of the study will be on the cognitive theories of motivation are more valuable to managers than needs theories because they provide realistic guidance on motivational methods.

#### **2.4.1 Abraham Maslow's Hierarchy of Needs Motivational Model**

Abraham Maslow's 1943, 1954, and 1968) Needs Hierarchy Theory is past doubt the most published theory of motivation. Maslow theory has courted debate since its initiation, yet it remains a widely promoted theory of motivation among experts and scholars. This popularity and well-known publication of the theory in any discussion of motivation all but obliges one to include the theory in any discussion despite its various condemnations.

Nonetheless, the inclusion of Maslow's theory in this study is mainly intended to support in the understanding of the significance of human needs in a work environment. Although the theory's disrepute does play a part in its inclusion, the several concerns raised surrounding the undisputed acceptance of the theory warrants analysis. Maslow's theory hypothesizes that there are five categories of human needs, which are most vital for survival to the self-actualisation need, which is the least important need for existence of an organism.

There are a number of flaws within Maslow's theory that must be noted. For example, within his book: "Motivation and Personality" Maslow indicates that all people could reach self-actualisation, yet outcomes from his own research indicated that only a limited number of well-known persons exhibit characteristics of the self-actualising individual (Dimitrelis, 2003). As an additional example, there are some people in whom self-esteem appears to be more significant than love. This most common setback in the hierarchy is usually due to the development of the belief that the person who is most likely to be loved is a powerful or strong person, than the one who motivates respect of fear and who is aggressive or self-confident.

Maslow's facts surrounding the hierarchy of needs concerning to the accountability and responsibility of employers to provide a workplace situation that stimulates and permits employees to accomplish their exclusive potential are currently more important than ever. Maslow's Hierarchy of Needs is a vivid model for accepting human motivation. The regular broad-brush explanation of Maslow's famous theory suggest that once a need is satisfied the person moves to the next level and to a certain degree. However, Maslow's idea of self-actualisation relates honesty to the current downsides

and prospects for organizations and employers to offer real meaning, purpose and correct personal development for their employees, for both life and work.

According to Cuirrin (2007) Maslow's (1943) Needs Hierarchy theory has been broadly accepted by academics; however there is little research evidence in support of it. Yet the theory has influenced the literatures of many noticeable scholars in the field of organisational behaviour and management such as McGregor (1960), Smith (2003) and so forth. Moreover they found no backup evidence to suggest that human needs are classified into five categories, or that these categories are structured in any hierarchy.

According to Mwita (2004) successful organizations and employers currently honestly care about, persuade, appreciate and empower their employees personal development towards self-actualisation instead of typical work related training and development which still forms the basis of much planned work. This is supported by Chapman (2001), who highlighted that the well-known modern organisations and employers embark on learning that feasible achievement is made on the serious and tender-hearted assurance to help people ascertain, track and reach their own individual special potential.

#### **2.4.2 Frederick Herzberg's Motivation and Hygiene Factors**

Frederick Herzberg (1923-2000) is still viewed as trendsetter of job enhancement and one of the mammoth new thinkers in motivational theory and management.



His research used a revolutionary approach, based on open interrogative and very little assumptions to gather and analyse details of critical happenings. Herzberg's clever open quizzing method collected extra significant outcomes than querying multiple choice or closed questions which prompt a specific type of answer. Herzberg's approach remains the most respected and appropriate method of surveying even nowadays.

Being the first to show that contentment and discontentment at workplace nearly all the time arose from different issues. He wrote the beneficial phrase that simplifies the ultimate part of his theory in 1959, those aspects which inspire people at workplace are not alike to the ones that cause discontentment.

Although Herzberg is commonly prominent for his noticeable hygiene and motivational factor theory, he was mainly worried with people's well-being at the workplace. His research demonstrated that people will their best to attain hygiene needs because they are depressed without them, but once fulfilled the effect quickly changes, therefore contentment is not perpetual. Therefore, Herzberg resolved that money is not a motivator in the way that the primary motivators are such as gratitude, accomplishment, advancement, accountability and the work itself.

For this study, the emphasis is on the two motivational theories, namely the Expectancy Theory and the Goal Setting Theory.

### **2.4.3 Expectancy Theory**

Mwita (2004) confirmed that the Expectancy Theory entails the amount to which increased effort is alleged to lead to improved job performance i.e. the likelihood that

effort or action will lead to an outcome. Robbins (2005, pp.189-192) mentioned that Expectancy Theory claims that the strength of a tendency to act in a certain way depends on the strength of an anticipation that the act will be followed by a given consequence and on the attractiveness of that consequence to the individual.

The Expectancy Theory further demonstrates that an employee will be inspired to exercise a great level of determination when he/she trusts that effort will lead to a good performance evaluation; that a good evaluation will lead to organizational rewards such as a gratuity, pay increase, or an advancement; and that the rewards will please the employee's individual goals.

This theory focuses on three relationships shown in Figure 2 below.

Figure 2: Expectancy Theory



*Source: Adapted from "The Organizational Behavior by Stephen P. Robbins,(2005)p. 190".*

The Expectancy Theory (Vroom, 1964) has been the most broadly tested, and there seems to be a common consensus that it delivers a resounding psychological validation for why reward for performance plans can boost employee efforts, and accepting of the general conditions under which the plans work best (Lawler, 1971; Campbell and Pritchard, 1976; Dyer and Schwab, 1982; Pinder, 1984; Kanfer, 1990).

The Expectancy Theory envisages that employee motivation will be boosted, and the possibility of desired performance improved, under reward for performance plans when the following circumstances are met:

1. Employees understand the performance plan's goals and view them as feasible given their own abilities, skills, and the restrictions posed by task structure and other aspects of the organizational context;
2. There is a clear link between performance and salary increases that is regularly communicated and followed through; and
3. Employees value salary increases and view the salary increases connected with a plan as significant (that is, large enough to validate the effort required to achieve plan performance goals).

Therefore, the Expectancy Theory is a theoretical framework that may be used to realise why the Performance Incentive Bonus Scheme thrive or flops to inspire staff. It disputes that a reward system will thrive in inspiring employees if and only if the aforementioned circumstances or conditions are satisfied.

#### **2.4.4 The Goal Setting Theory**

The Goal-setting Theory (Locke & Ladham, 1968 & 1970) complements the Expectancy Theory forecasts about the links between performance and pay by further defining the circumstances under which employees perceive plan performance goals as viable. According to Locke et al. (1981) the goal-setting process is most likely to advance

employee performance when goals are precise, moderately thought-provoking, and acknowledged by employees.

Robbins (2005: p.180) indicates that the research on goal setting theory addresses the concerns, and the outcomes are exciting in terms of the effect that goal specificity, encounter, and opinion have on performance. Locke (1968) suggested that purposes to work toward a goal are a main basis of work motivation. Doing so, the goals tell an employee what needs to be done and how much effort need to be used, therefore, the evidence strongly support the value of goals. This means that precise goals increase performance and produce a higher level of productivity than the generalized goal.

Both the Expectancy and the Goal-setting Theories envisage that reward for performance plans can increase performance by guiding employee efforts toward organizationally distinct goals, and by increasing the probability that those goals will be attained — given that situations such as realistic goals, precise goals, acceptable goals, significant increases, reliable communication and responses are met.

According to Miner (2003), the Goal-setting Theory is amongst the most leading theories of work motivation and its model is considered as the most inclusive to date. He further states that the Goal-setting Theory affords organisational behaviourists with a perfect standpoint of motivation, leading to an accepting of some of the triggers and directors of motivation for employees at work. The plainness of the theory allows management to set thought-provoking, but attainable goals for their employees, and deliver, through feedback, a reward system that best suit those goals.

Locke et al. (1968) carried out a study into goal setting, which proved most powerful, progressing the theory toward a model of motivating along similar lines of the Expectancy theory. Locke further contends that a person's motivation in their work setting is defined by their desire to achieve a specific goal. He further stresses that the significance of an individual's goal and their intentional behaviour. Once employees have set goals, they have further varieties; such as number and complexity of the goals they wish to set as well as the processes by which they set the goals. Furthermore, Mobley (1971) establish that individuals chosen these goals they perceived as being both reachable and most desirable. Therefore, Sorcher (1967) resolved that inclusion of employees in the goal-setting process remarkably reduces their resistance to such a programme.

Though Locke (1968) stated that employees with tough goals reached them less often than those with easier goals, they consistently achieve at higher level than those who set easy goals. Yet getting employees to admit difficult goals is in itself a challenging task. Stedry (1960) alleged that various employees discard hard goals than they do moderately hard goals. He also renowned that employees inclined to reject goals set by others if they had already set their own individual goals.

An individual goal commitment is an imperative aspect of the Goal setting Theory. Schultz and Schultz (2006) indicate that goal commitment is influenced by three factors; external, interactive and internal. External factors include authority, external rewards and peer influence. Interactive factors include competition and the prospect of partaking in

the goal-setting process, while internal factors support in goal commitment include self-administered rewards and expectation of accomplishment.

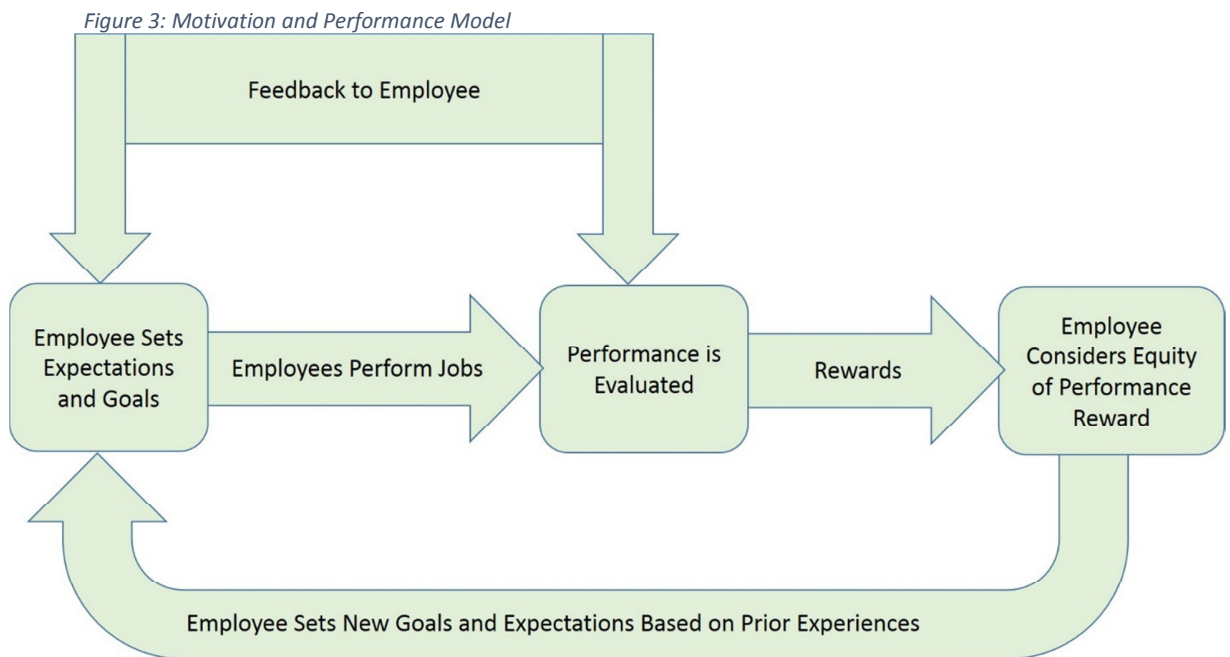
Globler et al, (2006: pp351-372) argue that the main goal of any organization in designing a reward system should be to entice and keep good employees. And the system should be encouraging for employees and it should conform to all permissible requirements. He further stated that the reward system should not obstruct efforts to retain creative employees. Management must safeguard that there is compensation equity within the organization because once employees notice that they are being treated inequitably by the organization, tension results. This tension causes them to lessen their future efforts, change their insights regarding rewards for their work efforts or resign.

Therefore, Job satisfaction is frequently considered to be a strong basis of turnover, though employees' perceptions of inequitable conduct have been found to be even stronger analysts of absence and job turnover than job satisfaction. If employees perceive that they will be more fairly treated by another organization, the possibility of them leaving increases.

According to the Expectancy Theory, any anticipations raised by positive response about performance, which are not supported by a proper level of financial incentive will lead to de-motivation (Xiao, 2007).

Globler et al (2006) further argue that no reward programme will keep all employees gratified all the time. If management is able to lessen turnover and lost production due to perceptions of unfair compensation, then its goal of keeping good employees has been attained. The most equitable compensation system is hopeless unless

employees recognize it to be equitable. Employees expect that their performance will relate with the rewards received from the organization as illustrated by the Figure 3 below.



**Source: Adopted from *Human Resource Management in South Africa* by Grobler, et al... (2006)**

Employees set prospects about compensation and rewards to be received if certain levels of performance are realized. These prospects determine levels of performance or goals for the future. Thus, employees accomplishing the desired levels of performance expect a certain level of reward, hence management required to assess and reward employees' performance. . Since if employees see that hard work and higher performance are acknowledged and rewarded by the organization, they will expect such relationship to last. Goal setting theory focuses on the nature of the objectives agreed to

and laid down in the performance management process. More generally, goal setting theory predicts that performance management systems are more likely to enhance employee motivation if they result in goals that are well-defined rather than vague, specific rather than general, and challenging rather than easy to attain. Consequently, the Goal Setting Theory suggests that a multiplicity of goals is likely to cause problems because it reduces goal clarity. Being under pressure to meet many goals, especially where some of them are ambiguous, makes it difficult for employees to focus on their efforts properly.

Therefore, Mwita (2004) suggested that the Goal-setting Theory predicts that employees' motivation will be enhanced only if people not only accept, or are committed to the goals that are set, but also if they participate in the whole process of setting them.

It is proven by Grobler et al (p 354) that there is a relationship between performance and motivation which benefits the organization and the employee; therefore it is required that:

- for the organization to provide accurate evaluation - management must develop a system of accurate performance appraisal in order to identify outstanding, average and poor performers;
- for performance rewards – management should identify which rewards relate to performance levels and tell employees that pay, increased benefits, change in hours or working conditions or recognition will be directly related to high performance and supervisors feedback. Supervisors should give complete and accurate feedback to employees when appraising their performances.



- employees need to be told what they are doing well and where improvement is required from them.

## **2.5 Theoretical Framework**

The prior chapters have presented the research problem, a brief summary of research questions and objectives of the study. This chapter presents the main bodies of theory that describe this research problem and constitute the theoretical framework of the study as covered in details in the thesis. The main theories are linked to the Performance Incentive Bonus Scheme and motivation.

The said theories were used to provide in-depth knowledge of employees' motivation and reward systems. Certain theories, for instance the Crude Theory (Taylor, 1911) which was the one first to be established, have mostly been condemned at least in psychological circles, although they still support the beliefs of some managers about reward systems and motivation.

Another theory is the Need Theory as established by Maslow (1954), Alderfer (1972) and McClelland (1975). Lastly, the Cognitive Theory which is concerned with the psychological forces which impact motivation as affected by people's opinions of their working environment and the ways in which they construe and understand it. This category is very significant to this study as it holds the by-product theory of expectancy and goal setting.

Moreover these major bodies of the Theory of Motivation and other secondary theories appropriate to this study are PIBS incentive and reward system management. The bottom line is that all theories studied are basically influential in the accomplishment of the main objectives of the study especially to the test of oversimplifications of motivation theory and examine the compatibility of performance incentive bonus scheme in the MVA Fund.

The analysis of literature narrows down to a kind of stable approach to designing and fulfilling motivation policies. An organization must review a set of intrinsic and extrinsic motivation trends of their employees if they are to increase the quality of their delivery through a performance incentive bonus scheme strategy.

In conclusion, the literature shows that employee motivation is a priceless aspect of performance management. The literature studied in Chapter 2 validates that options of motivation theories and the Performance Incentive Bonus Scheme must be combined to convey the attainment culture in organizations.

## **2.6 Conclusion**

This chapter has reviewed and discovered the various theories of motivation, which clarify and improved the basic process of rewarding performance. It has also scanned the consequences of reward system management.

Principally the chapter maintains that motivational theories support the consideration of the role of reward and compensation systems in the goal achievement process. It has defined a way to look at motivational and cognitive processes and the collaboration between both. Notably, goal setting has constituted the focus of the review.

Most motivational theories studied explain how employees' behaviour can answer to several personal, organization and environmental variables to impact performance. The conclusions derived from the preceding literature reviews are that:

- organizations cannot oversimplify about what motivate employees;
- employees not involved in increasing their salary are more likely to show an interest in job satisfaction; and
- employees aiming to increase their salary are less likely to show interest in job satisfaction.

The issues involved in the design of employees motivational policy and the framework within which the scheme have to operate and the perception of both executives and employees about the equity of the scheme is very crucial. The aim is to understand the fundamental motivation structures of achievement behaviour and to test these motivational theorems that are crucial for efficiency and effectiveness of executives at work. The next chapter will focus on the methodology of examining these issues.

### **3. CHAPTER 3 - RESEARCH DESIGN AND METHODOLOGY**

This chapter will define the research design and methodology assumed to reply the research questions. This study applied a cross-sectional survey design to evaluate both employees' and executives' on the impact of PRP on employees' performance at the MVA Fund. According to Hagan (2006) cross sectional studies focus on one group at one point in time. Cross sectional designs, as opposed to longitudinal designs, needs less commitment from participants, take less time to complete, and do not comprise as many difficulties related to finding and maintaining a sample population.

Marshall (1996) claims that the choice between quantitative and qualitative research technique should be determined by the research questions and not by the liking of the scholar. This was supported by Mwita (2002) argued that the choice of which method to use whether qualitative, quantitative or a combination of them, depends on the nature of the fact being discovered, the state of present knowledge and the research objectives.

Many scholars and professors provide different definitions to quantitative research. According to Wikipedia Encyclopedia (2005) quantitative research is the statistical demonstration and manipulation of observations for the purpose of unfolding and clarifying the phenomena that those observations reveals.

In addition, Creswell (1994) defines quantitative research as a type of research that is clarifying phenomena by gathering numerical data that are analyzed using mathematically based method.

Furthermore, Cohen (1980) describes that quantitative as a social research that employs experimental methods and experimental statements. He states that an experimental statement is outlines as descriptive statement about what is the situation in the real world rather than what should be the situation.

Moreover, Sukamolson (2010) also confirms that quantitative research gather numerical data using mathematically based method. Babbie (1992) further agreed that quantitative research as “numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect”.

Through the review of literature, many scholars confirm that the use of statistics to analyze data is the part that puts a lot of individuals off doing quantitative research, because the mathematics underlying the approaches seem complex and alarming. Ninety (2009) also endorses that quantitative researchers seeks statistical validity. It is a process through which theories are validated, refined or invalidated.

Besides, this study chooses this method as it is essential for collecting numerical data to explain a particular phenomenon and particular questions. Numerous theories on employees’ motivation, reward systems and incentive schemes have informed this study.

Marshall (1996) stated that the aim of quantitative approach is to test pre-determined hypothesis and produce generalizable results. It is against this background that this study aims to test the impact of performance related pay on employees at MVA Fund. The study full adopted quantitative approach in collection of primary and secondary data; therefore a quantitative technique to gather and produce the evidence gathered from the questionnaires are used.

According to Neuman (2004) the survey method is the most widely used technique for collecting data in the social sciences. Hagan (2006) also claimed that surveys are regularly used in criminal justice and criminological research to collect data about unfair treatment, fear of crime, attitudes toward police, and the criminal justice system. The survey method is also appropriate for requesting individuals to self-report about particular behaviors, beliefs, attitudes, opinions, characteristics, expectations, self-classification and knowledge. Furthermore, surveys are beneficial instruments for describing characteristics of large sample populations. The purpose of the survey method for this study was to produce quantitative data of the impact of performance on employees that could be statistically evaluated.

The self-administered survey method was most appropriate for this study because the scholar was able to identify and access the sample population easily. Furthermore, the sample population was well-educated and could read and understand survey questions, which eliminated the need for someone to read the questions to them. Moreover, self-administered surveys allowed respondents to complete the questionnaires at their own convenience. Respondents completed and mailed surveys back to the IT Department, who combined the survey and send it to the researcher.

The survey methodology for this study was adapted from Dillman's (2007) tailored designed approach, which is concentrated primarily on reducing survey mistake. This approach advanced from total design method and recognizes that survey research must be designed or custom-made, to meet specific needs and characteristics of the proposed research project. Possible differences in survey populations and content are to

be expected and the tailored design approach builds on these characteristics to design the most effective method for receiving survey responses.

Bush (2009) claimed that The Tailored Design Approach is rooted in social exchange theory. From this perspective, surveys are viewed a typical social exchange, but occur between k researcher and respondent.

### **3.1 Sampling and Sampling Method**

This study used quantitative methods to test the assumption stated above. A cross-sectional design was used to gather data with self-administered surveys. This chapter present information about the technique that was used for data collection and analysis. Evidence about sampling, the research design, the survey method, reliability and validity are included.

Creswell (2003) states that quantitative methods uses post positivist prerogatives for increasing knowledge, employs strategies of enquiry such as experiments and surveys, and gather on predetermined instruments that produce statistical data.

The unit of analysis for this study was both employees and executives. The identified study population included both employees at the Head Office and at Regional Offices.

The MVA Fund has a staff complement of one hundred and twenty (120), with hundred and fifteen (115) employees in various positions below the executive level and five (5) executives respectively. Thirty (30) staff members are working in the regions.

The target population were Executives and 70% of permanent employees. Due to distinct locations of various respondents, an electronic questionnaire survey was conducted amongst all the employees and executives. The objective is to gain management and employees perspective on the impact of new PIBS. In both questionnaires, a positive response of 70% was be sufficient to analyse data.

The questionnaire was designed to collect data necessary to evaluate the aspects of a successful performance based reward system and perception about equity of such an incentive scheme. The questionnaires for employees and executives are attached on appendix 1 and 2.

The study was also fascinated to gather data from both employees and executives in order to gain a better understanding of PIBS in the MVA Fund from all perspectives. Since the study only deal with the single institution, which is MVA Fund, the questionnaire was forwarded to Human Resource Department, which is the custodian of all research, which instructed IT Department to circulate the questionnaires to all employees. The questionnaire for the employees was send to all employees and that for executives was circulated to all executives.

Abrahamson (1983) found that field studies and interviews during case studies provide richer data than can be gained from survey research, and can explore casual effects more closely. Therefore, only questionnaire will be relevant to this study, as it will assist in getting in-depth understanding of the problem and well as examine the key research issues as mentioned in research objectives.



### **3.2 Reliability**

According to Schwandt (2001) reliability is a measurement concern usually related with the credibility of research findings or interpretations of research findings. Whereas, Carmines & Zeller (1979) define reliability as a concern with the likelihood of measurement producing the same results within recurrent trials. Measurement is never free of error as it always contains a certain amount of random error. Therefore, reliability is ultimately concerned with establishing uniformity within repeated measures.

Basically, stated consistency refers to the likelihood of another researcher acquiring similar data and developing roughly the same analytic description of the data collected, if the researcher were to follow the same procedures defined in the current proposal and use the same instruments for measurement (Schawandts; Warren & Karner, 2005). Reliability of a particular study is enriched by using conventional methods for data collection and analysis.

Reliability of the measures used for this study was enriched in several ways. According to Fowler (2002) the researcher provided reliable measurement of the concepts under investigation. This means that, each respondent finalized an identical survey for data collection. This was done to confirm that respondents had similar experience regarding the completion of survey items. Furthermore, the survey items were based on information found in the literature review. Principally, the literature review worked as a guide for what the study was interest in building upon. Moreover, each survey included clear and dependable directions for completing survey items and this information was written in English.

Each item was measure on an interval scale with a possible range of scores from 1 to 5. A score of 1 corresponded to the phase *strongly disagree*, a score of 3 *no view* and the score of 5 corresponded to the phrase *strongly agree*.

Cronbach's coefficient alpha is a widely used measure of reliability and is defined as "the proportion of a scale's total variance that is attributable to a common source, presumably the true score of a latent variable underlying the items" (De Vellis). According to De Vellis alpha may range in value from 0.0 to 1.0, however attaining either of these extreme values is unlikely. A negative alpha indicates negative correlations among scale items.

### **3.3 Validity**

Validity refers to the correctness or accuracy of measurement. Carmines & Zeller (1979) oppose that validity "concerns the crucial relationship between concept and indicator". According to Hagan (2006) construct validity is theoretically and philosophically based and is concerned with whether or not survey questions measure the constructs envisioned for measurement. For this study, the concern was whether the survey was measuring the impact of performance on employees or other theoretical concept.

As previously mentioned, this study used a self-administered questionnaire and participation was anonymous. Being able to complete the questionnaire on their own and having their identity anonymous often rises the level of accuracy. This study was also concerned with survey error as it relates to validity.

According to Dillman (2007) there are sources of error that concerns researchers when collecting data from surveys. These sources of error are associated to sampling, coverage measurement and non-response. Sampling error happens when the completed sample does not sufficiently represent the sample population. This typically occurs when only some, and not all, of the sampling elements are involved in the completed sample. Sampling error could occur if there are problems with how surveys are dispersed. If a low response rate results from issues related to sampling, then the researcher will have introduced error into the study. Error in this case results from particular members of the sample population being omitted from participation.

Coverage error is another source of error that researchers must contemplate when conducting survey research. Coverage error occurs when every individual in the sample population does not have an identical or known chance of selection into the completed sample (Dillman, 2007). All members must be given an equal opportunity to partake. For instance, if employees have a greater chance to respond than executives, then error will occur. This error may be significant since executives have huge responsibilities for responding to the impact of PIBS on employees in the organization.

According to Dillman (2007), measurement error occurs when survey questions do not correctly measure the concepts they are envisioned to measure and generally results from poor question wording and poor survey construction. Survey research does not allow for adjustments to be made to the data collection instrument once it has been distributed. Thus, it is important that research attends to the possibilities of measurement error as meticulously as possible prior to gathering data.

Error can also arise from non-response. This type of error results from individuals who do not complete or return the survey to the researcher. Non response error becomes more reasonable when the individuals who do not complete and return the survey have very different characteristics than those who do complete and return the survey, and these characteristics are significant to the study.

#### **4. Conclusion**

Quantitative techniques have been used to collect response based on a Microsoft Excel Programme. A variety of primary evidence has been gathered from the survey questionnaires, the Internet and other secondary sources of research tools.

The research questions have been developed in light of the five dimensions of the Performance Management Framework. These questions are then tested and analyzed in light of a mixture of motivational theorems. The research is piloted at both level in order to gain holistic viewpoint of the issues being investigated.

Finally, it is significant to note that respondents to the questionnaires were anonymous.

The next chapter will focus on data collection and analysis of these issues.

#### **4. CHAPTER 4 - DATA COLLECTION AND ANALYSIS**

The survey was fielded online through a website page, linked to the MVA Fund Intranet page, established specifically for this study. The analysis of the responses was done using Excel Sheet.

The analysis was based upon a sample of 116 employees and 4 executives at the MVA Fund. 58 employees completed the questionnaire, and three executives respectively. The characteristics of the sampling frame were identical to the sample population. A completed sample of 58 employees out of 115 employees available, which provided a response rate of 50%. Thus, 57 members of the employees sampling frame did not partake in the study. 1 out of 4 members (25%) of the executive sampling frame did not participate in the study. From the executives, only 1 executive did not complete the survey because she was on maternity leave at the time.

Although the questionnaire was sent to all employees. No reasons were given why some members of the sampling frame chose not to participate. It was possible to rule that because of the nature of work of some employees at the MVA Fund (30% of the employees are field workers, which include Public Education Officers, Hospital Case Managers, Occupational Therapists etc.)

This chapter presents research findings and analyses from the survey questionnaire by both employees and executive on the issues relating to dimensions of an equitable performance reward system, adopted from Mwita, 2002, p.228:

- Acceptability of the MVA Fund Performance Incentive Bonus Scheme

- The ability of bonus to act as a motivator for employees' performance
- The rationale for introducing a Performance Incentive Bonus Scheme at the MVA Fund
- The success of the Performance Incentive Bonus Scheme in the MVA Fund
- Effects of the Performance Incentive Bonus Scheme on MVA Fund service delivery.
- The drawbacks with the Performance Incentive Bonus Scheme
- Objectivity of measuring employee performance for reward purposes
- Views on performance objectives/targets and feedback systems
- Relationship between performance and reward
- Benefits of the Performance Incentive Bonus Scheme in relation to team spirit
- Objectivity of joint consultations in goal/objective settings
- Views on organizational culture in relation to performance improvement

The responses to these questions were all expected to address the main question of what attributes of Performance Incentive Bonus Scheme (PIBS) makes a successful employee motivation policy in an organization. The survey conducted on this study was anonymous, therefore no names were disclosed.

Both executives and employees were required to give their personal views about the key questions (see Appendix 1 and 2 questions 1 to 12).

#### **4.1. Coding**

Their responses are presented in a tabular format in Table 4.1.1 to 4.12.1 below and were gathered using the Microsoft Excel 2013. The tables are combined to clearly show the average score between employees and executives. The ratings on question 1,2,4,5,7,8,9,10,11 and 12 are measured using 1 as strongly disagree, 2 as disagree, 3 no view, 4 agree and 5 strongly agree, whereas on the negative statements it is vice versa.

The calculations and workings can be found in Appendix 3 and 4.

On ranking questions, which is question 3 and 6, the data was analyzed looking at the lowest ranking. **A** represents the lowest ranking while **D** represents the highest.

#### **4.2 Analysis**

The thesis assumes that the realization of an incentive policy is a positive indicator or dimension of an equitable performance related incentive policy. Therefore, the responses to these questions were all expected to address the main question of what qualities of performance pay scheme makes a successful employee motivation policy in an organization. Please note that questionnaire was completed in anonymity and no name was recorded.

Each dimension was analyzed separately.

#### **4.3 Demographics**

Ages, gender and others were not recorded and therefore deemed irrelevant. A total number of 58 employees participated successfully in completion of the questionnaire and 3 executives respectively. Overall, 120 questionnaires were sent out electronically to both employees and executive however only 58 respondents in total participate in the survey.

#### 4.4 The acceptability of performance pay linkage principle

One of the issues that arose from literature review is the principle of linking performance to pay as a motivational tool to employees. Therefore, the study examined this issue by surveying the perception of both employees and executive members of the MVA Fund about the degree to which the principle of linking pay to performance is acceptable amongst them. Both respondents were asked to give their personal views on the five key questions. Their responses are presented in a tabular format in Table 1.

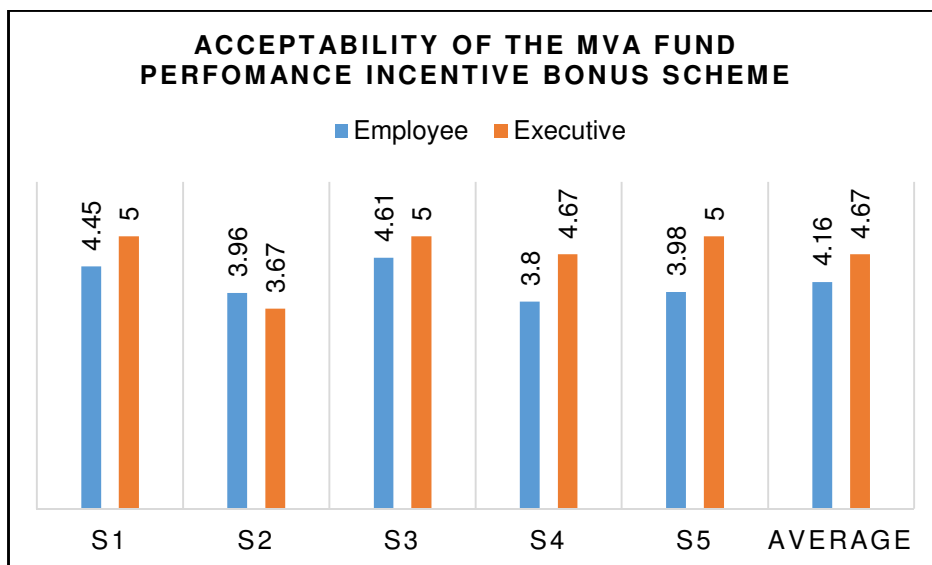
Table 1: Acceptability of the MVA Fund PIBS

1. ACCEPTABILITY OF THE MVA FUND PERFORMANCE INCENTIVE BONUS SCHEME		
<i>What is your personal view on the following statements?</i>	<i>Employees Average Score</i>	<i>Executive Average Score</i>
1. The principle of relating pay to performance is essentially a good one	4.45	5.00
2. A performance incentive bonus scheme is a good idea for managerial staff only	3.96	3.67
3. A performance incentive bonus scheme is a good idea for both managerial and non-managerial staff	4.61	5.00
4. The idea of performance incentive bonus scheme is essentially unfair	3.80	4.67
5. Working under performance	3.98	5.00



contracting is a good policy in a state-owned enterprise		
<b>AVERAGE</b>	<b>4.16</b>	<b>4.67</b>

Figure 4: Acceptability of the MVA Fund PIBS



#### 4.4.1 Dimension Analysis

Employees Average Score is standing at 4.16 in comparison to the Executive Average Score which is standing at 4.67. Both Average Scores are above 4, which means that both respondents perceptions are between agree and strongly agree to the statement, which shows that they all accept the Performance Incentive Bonus Scheme in the organization.

Overwhelmingly, both Employees and Executives have expressed general support and acceptability of PIBS to the organization.

#### **4.4.2 Item Analysis**

The principle of relating pay to performance is essentially a good one. Both employees and executive strongly agreed to this statement with a rating of 4.45 and 5 respectively. The second and statement four are negative, therefore the ratings differ from the positive ones. On the negative statements 1 represent strongly agreed, 3 no view and 5 strongly disagree, which is vice versa on the positive statements. The second statement, PIBS is a good idea for managerial staff only. Respondent scored it 3.96 and 3.67 respectively, which is standing between no views and disagree, meaning that respondents do not agree that PIBS is a good idea for managerial staff only, but to both managerial and non-managerial staff.

Statement four about the idea of PIBS is essentially unfair is a negative statement also and respondent scored it between 3 and 5, which is between no view and disagree strongly. Both employees and executive condemn the statement with the total rating of 3.80 and 4.67 respectively.

#### **4.5 Bonus as a Motivator**

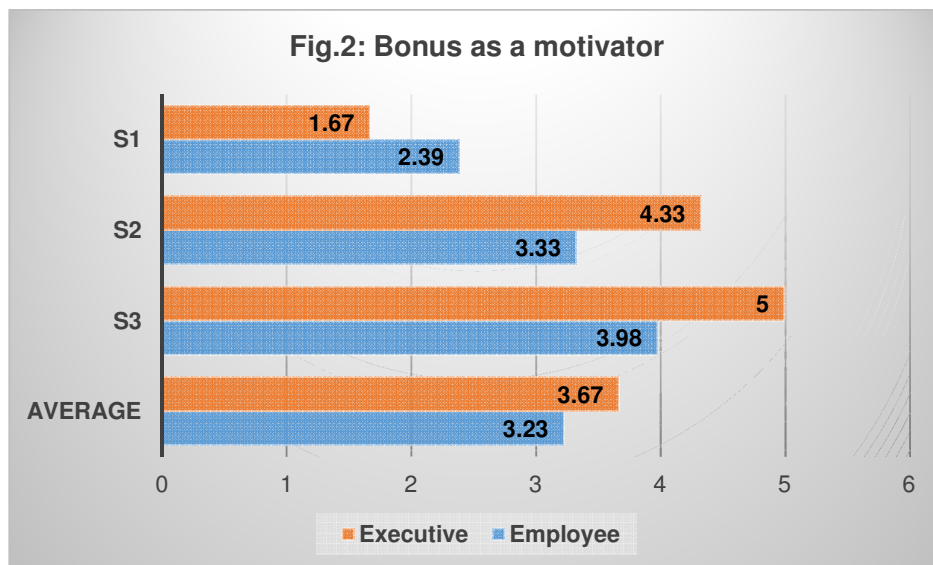
The second dimension is the ability to motivate the targeted beneficiaries. Therefore, both respondent groups were asked to give their personal views about how they perceive bonus as a motivator.

The responses to the above statement are presented in the following table and were processed using Microsoft Excel 2013.

Table 2: Bonus as a Motivator

2. BONUS AS A MOTIVATOR		
<i>What is your personal view on the following statements?</i>	<i>Emplo yees Average Score</i>	<i>Execut ive Average Score</i>
1. The most important thing about a job is bonus	2.39	1.67
2. The kind of work I like is the one that pays bonus for top performance	3.33	4.33
3. I receive a considerable amount of feedback concerning the quality of output on my job	3.98	5.00
<b>AVERAGE</b>	<b>3.23</b>	<b>3.67</b>

Figure 5: Bonus as a Motivator



4.5.1 Dimension Analysis

Both employees and executive gave their views on bonus as a motivator and their responses are between 3 and 4. The employees' average score is 3.23 while Executive average score resulted in 3.67.

Interestingly, both parties disagree with the statement that the most important thing about the job is a bonus.

#### **4.5.2 Item Analysis**

Responses to the first statement "The most important thing about a job is a bonus" scored between 2.39 and 1.67 respectively, meaning that bonus is not important aspect of the job. Both respondents disagree strongly. This indicates the relevance of highly paid work to both respondents, though it may not have featured as the primary source of motivation for the job.

Interestingly, the executives scored 5 on the third statement which says "I receive a considerable amount of feedback concerning the quality of output on my job", meaning that they strongly agree with the statement, whereas, on the other hand, employees rated this statement 3.98, which is between no views and agree. This data illustrates the weak correlation between performance and communication with the individual supervisors.

#### **4.6 Objectives of Performance Incentive Bonus Scheme**

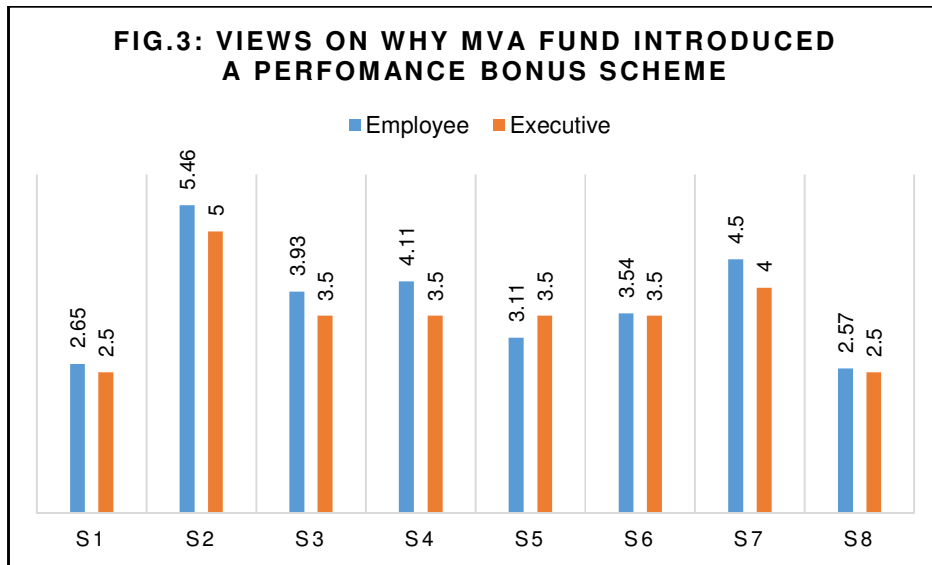
Different people perceive the same things differently. Similarly, the study wanted to find out how MVA Fund employees and executives perceive the purpose for which PIBS is operated as one of the dimension, therefore both employees and executives were asked to give their views on the reason for introducing a PIBS in their organization.

For simplicity, eight feasible objectives were generated and both respondents were asked to rank them between 1 and 8 as highest and lowest respectively. The responses are presented in Table 3 below.

Table 3: View on the reasons why MVA Fund has introduced a PIBS

3. VIEW ON THE REASONS WHY MVA FUND HAS INTRODUCED A PERFORMANCE INCENTIVE BONUS SCHEME		
<i>What do you think MVA Fund's main purpose of operating a performance bonus incentive scheme?</i>	<i>Emplo ees Average Score</i>	<i>Executi ve Average Score</i>
1. Reward good performance	2.65 B	2.50 A
2. Remove the bargaining process away from trade unions	5.46	5.00 D
3. Reinforce existing culture, values and performance expectations	3.93	3.50 B
4. Promote organizational change	4.11	3.50 B
5. Motivate employees	3.11 C	3.50 B
6. Increase commitment to the organization	3.54 D	3.50 B
7. Improve recruitment and retention of staff	4.50	4.00 C
8. Improve performance of the organization	2.57 A	2.50 A

Figure 6: View on the reasons why MVA Fund has introduced a PIBS



#### 4.6.1 Dimension Analysis

The ranking of both employees and executives view on the reason for introducing PIBS, which reward employees based on performance are summarized in the Table 4.3.1 above. The table display both respondents' views on the reasons behind the introduction of the scheme as proposed by the study. The letters A,B,C and D in the table indicate the lowest ranking and the analysis are based on these letters, starting from A as the smallest to D as the greatest.

Both groups of respondents perceived that the primary objective of introducing PIBS is to improve performance of the organization, reward good performance, motivate employees and increase commitment to the organization. It was hypothesized that this could feature to be one of the protruding dimensions of a satisfaction value of PIBS policy.

#### 4.6.2 Item Analysis

This is a ranking question and respondents were asked to rank the statements from the highest to the lowest, 1 being the highest and 8 the lowest. Both respondents believe that the reason why the MVA Fund introduced the PIBS is to improve performance of the organization. The other objectives that are given less importance and issues such as increase commitment of the organization and the reduction in trade union influence.

#### 4.7. Success of PIBS

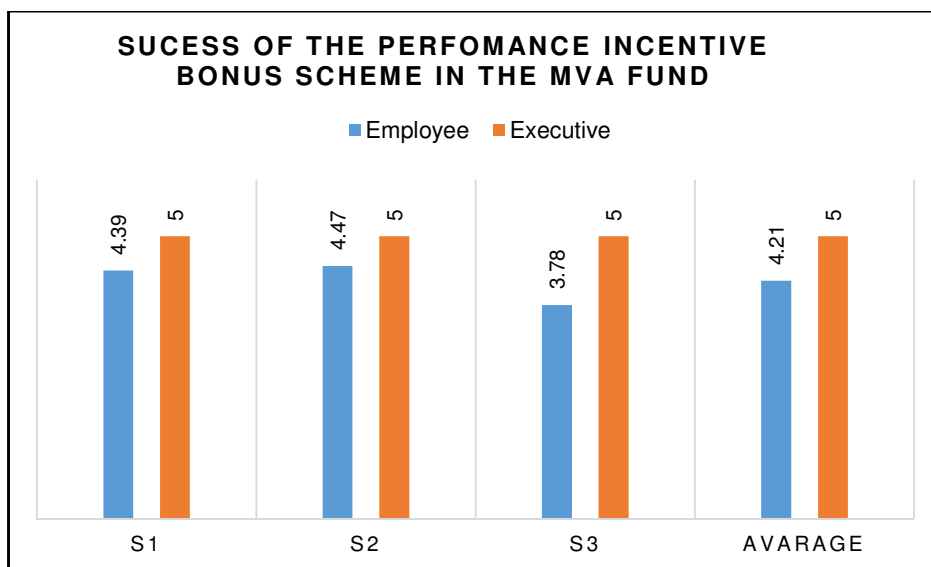
The study also sought to find out how both employees and executive perceived the success of PIBS in their organization. Therefore, they were asked to give their personal opinions on three different statements. Their responses are presented in Table 4.4.1 below as generated by Microsoft Excel 2013.

Table 4: Success of the PIBS in the MVA Fund

4. SUCCESS OF THE PERFORMANCE INCENTIVE BONUS SCHEME IN THE MVA FUND		
<i>What is your personal view on the following statements?</i>	<i>Emplo yees Average Score</i>	<i>Execut ive Average Score</i>
<b>1. Performance bonus incentive scheme has been successful in achieving an overall increase in the organizational performance in MVA Fund</b>	4.39	5.00
<b>2. Performance bonus incentive scheme has provided the Fund with a useful</b>	4.47	5.00

<b>tool in the delivery of quality customer services</b>		
<b>3. Performance bonus incentive scheme has provided the Fund with a useful tool in the attainment of sound financial prudence</b>	3.78	5.00
<b>AVERAGE</b>	<b>4.21</b>	<b>5.00</b>

Figure 7: Success of the PIBS in the MVA Fund



#### 4.7.1 Dimension Analysis

Table 4 above summarizes the responses of both respondents on the three statements seeking to determine the success of the scheme as perceived by both parties. The table clearly shows how both respondents agreed to the statement and both average



scores are 4.21 and 5.00 respectively, which is between agree and strongly agree. This also gives impression that both respondents are of the view that PIBS is a successful policy in the MVA Fund.

#### **4.7.2 Item Analysis**

Both groups of respondents agreed to the statements 1 and 2 with scores between 4 and 5, indicating that they PIBS has indeed been successful in achieving the overall increase in the organizational performance and provides a useful tool in the delivery of quality customer service.

However, with the last statement, only executives believe that the PIBS provided the Fund with a useful tool in the attainment of sound financial prudence, leaving the employees with a total score of 3.78, which is between no views and agree. This could be that executives did not explain the importance of the PIBS as a financial tool for the employees.

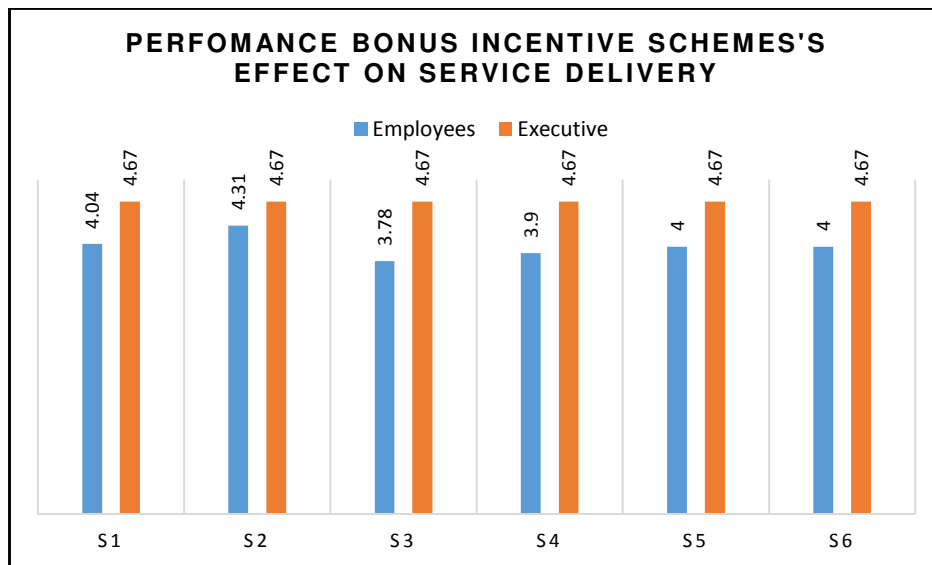
#### **4.8 Effect of the PIBS on performance**

Perception of equity of the PIBS was also examined from the viewpoint of the effect of the schemes on performance. The assumptions here is that the more effective the PIBS, the more equitable both employees and executives perceive it to be. Therefore, both respondents were asked to give their personal views on five different statements that were necessary to assess their overall perception about the scheme's effect on performance. The responses to these statements are presented in Table 5 below.

Table 5: PBIS's effect on service delivery

<b>5. PERFORMANCE BONUS INCENTIVE SCHEME'S EFFECT ON SERVICE DELIVERY</b>		
<i>What is your personal view on the following statements?</i>	<i>Emplo ees Average Score</i>	<i>Execut ive Average Score</i>
<b>1. A performance incentive bonus scheme makes me focus on what I'm meant to achieve</b>	4.04	4.67
<b>2. A performance incentive bonus scheme promotes improvement in organizational performance</b>	4.31	4.67
<b>3. An incentive scheme improves communication with the individual supervisor, the managers' immediate supervisor and an improvement in performance</b>	3.78	4.67
<b>4. A performance incentive bonus scheme helps employees to focus on certain objectives</b>	3.90	4.67
<b>5. A performance incentive bonus scheme provides greater opportunity to interact on a more frequent basis with the supervisor for discussing the focus of direction of the targets set</b>	4.00	4.67
<b>AVERAGE</b>	<b>4.00</b>	<b>4.67</b>

Figure 8: PBIS's effect on service delivery



#### 4.8.1 Dimension Analysis

Both groups of respondents agreed that the PIBS raised organizational performance and makes them focus on what they set out to achieve and provided greater opportunity to interact on a more frequent basis with the supervisor to discuss targets set and how to focus on them. Therefore, overall the average scores for all respondents were between 4.00 and 4.67 respectively, translating into agree and strongly agree indicators.

#### 4.8.2 Item Analysis

Employees rated statements 3 and 4 below 4, which clearly indicated that some have no views and some agreed to the statements. On the 3<sup>rd</sup> statement, “an incentive scheme improves communication with the individual supervisor, the managers’

immediate supervisor and an improvement in performance” was rated 3.78 and 3.90 on “a PIBS helps employees to focus on certain objectives”.

Employees are of the opinion that communication between their supervisors is not cemented although it is there, it is important that supervisors engage their team in order to improve performance. Most importantly, employees believe that the PIBS helps them to focus on all objectives and not only some of them, thus they rated it low.

#### 4.9 Drawbacks with the Scheme

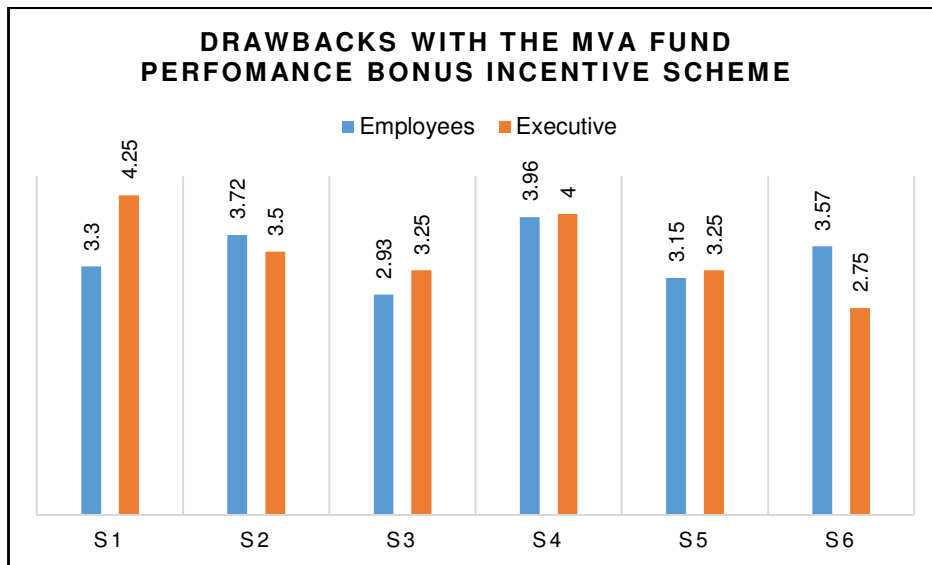
The study was also prompted to survey and establish the shortcomings with the Performance Incentive Bonus Scheme in the organization. Therefore, the respondents were asked to rank a range of possible setbacks of the scheme in order of their relative importance. Their responses are presented in Table 6 below.

Table 6: Drawbacks with the MVA Fund PBIS

6. DRAWBACKS WITH THE MVA FUND PERFORMANCE BONUS INCENTIVE SCHEME		
<i>STATEMENT</i>	<i>Emplo yees Average Score</i>	<i>Executi ve Average Score</i>
<b>1. The amount of reward involved is not enough to substantiate a change in performance</b>	3.30 C	4.25
<b>2. Performance bonus incentive scheme negatively affects team spirit, and co-operation can be jeopardized</b>	3.72	3.50 C

<p><b>3. Performance bonus encourages employees to exercise a narrow focus on short-term quantifiable goals, neglecting long term issues</b></p>	<p>2.93 A</p>	<p>3.25 B</p>
<p><b>4. Performance bonus incentive scheme is not successful in improving employee motivation</b></p>	<p>3.96</p>	<p>4.00 D</p>
<p><b>5. Difficult to measure individual performance objectively</b></p>	<p>3.15 B</p>	<p>3.25 B</p>
<p><b>6. Assumes that money is the best reward</b></p>	<p>3.57 D</p>	<p>2.75 A</p>

Figure 9: Drawbacks with the MVA Fund PBIS



#### 4.9.1 Dimension Analysis

Based on the responses on Table 6 above, employees were of the opinion that the first setback was that Performance Bonus Incentive Scheme encourages employees to

exercise a narrow focus on short-term quantifiable goals, neglecting long term objectives, whereas executives thought that the greatest setback is that it assumes that the money is the best reward which is ranked the lowest by employees. This concurs with the concern reiterated in the literature that pay being an extrinsic reward system, will only have a significant impact on performance as a motivational device for a short period of time.

The second setback is the difficulty to measure individual performance objectively, which is ranked the same by both respondents as the second setback. The third setback is that the amount of reward involved is not enough to substantiate a change in performance, which is ranked as D by the executives. The lowest ranking by employees is D which assumes that money is the best reward, whereas executives have rated it at A.

#### **4.9.2 Item Analysis**

The ranking of both Employees and Executives view on the drawbacks with PIBS, are summarized in the Table 6 above. The table displays both respondents' views on the drawback of the PIBS. The letters A,B,C and D in the table indicate the lowest ranking and the analysis are based on these letters, starting from A as the smallest to D as the greatest.

This is a ranking question and respondents were asked to rank the statements from the highest to the lowest, 1 being the highest and 6 the lowest. Employees believe that the PIBS inspires them to exercise a narrow focus on short term quantifiable goals, and leave them to neglect the long term goals. Executives on the other hand assume that money is the best reward. It also coincides with the extrinsic reward system, which only have a major impact on performance, as a motivational device if the amount involved is significantly large enough to attract the attention of the managers.

#### 4.10 Measuring employees/executive performance for reward purposes

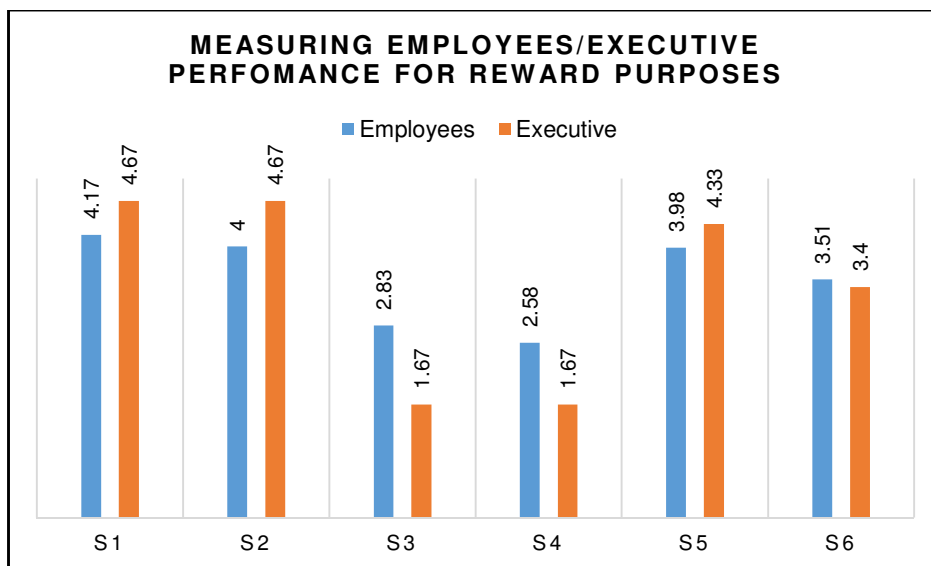
The study was also prompted to survey and measure both employees and executives' performance for reward purposes within the organization. Therefore, the respondents were asked to give their personal views on the five different statements below. Their responses are presented in Table 7 below.

Table 7: Measuring employees'/executive performance for reward purposes

7. MEASURING EMPLOYEES'/EXECUTIVE PERFORMANCE FOR REWARD PURPOSES		
<i>What is your personal view on the following statements?</i>	<i>Emplo yees Average Score</i>	<i>Execut ive Average Score</i>
<b>1. As a result of operating a performance incentive bonus scheme, my work objectives are clear and specific. I know exactly what my job is</b>	4.17	4.67
<b>2. Feedback and feed-forward loops are most important aspects of a performance measurement scheme in MVA Fund</b>	4.00	4.67
<b>3. The task of measuring employees' performance is a difficult one.</b>	2.83	1.67
<b>4. The process of linking pay to performance is ambiguous and very subjective</b>	2.58	1.67

<b>5. A number of mechanisms are possible to overcome difficulties in measuring employees performance in the MVA Fund environment</b>	3.98	4.33
<b>AVERAGE</b>	<b>3.51</b>	<b>3.40</b>

Figure 10: Measuring employees’/executive performance for reward purposes



#### 4.10.1 Dimension Analysis

Although both groups of respondents responses on average is 3.51 and 3.40 respectively, respondents tend to disagree with the two negative statements that the task of measuring employees’ performance is a difficult one as well as the statement that the process of linking pay to performance is ambiguous and very subjective.

Both respondents strongly believe that operating a performance incentive bonus scheme ensures that their work objectives are clear and specific and they know exactly what is required from them. They also strongly believe that feedback and feed-forward



loops are most important aspects of a performance measurement scheme at the MVA Fund.

#### **4.10.2 Item Analysis**

The third and fourth statements are negative, therefore the rankings differs from the positive ones. On the negative statements 1 represent strongly agreed, 3 no view and 5 strongly disagree, which is vice versa the positive statements. The third statement, “the task of measuring employees’ performance is a difficult one” respondents ranked it 2.83 and 1.67 respectively, which represents their opinion between no views and disagree strongly, meaning that respondents do not agree that measuring performance is difficult.

The fourth statement, “The process of linking pay to performance is ambiguous and very subjective.” was 2.58 and 1.67 respectively. Both groups of respondents disagree with the statement that linking pay to performance is ambiguous and subjective.

#### **4.11 Short-term work objectives, Performance targets and feedback**

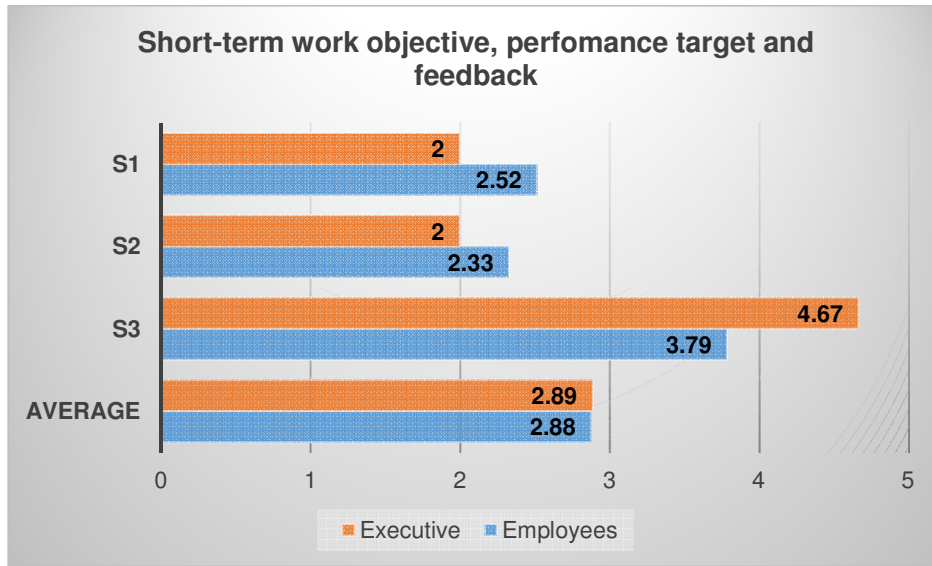
Equity of PIBS may be perceived to be in existence if there is a balance between short and long term objectives. That is, long term objectives should not be ignored for the sake of maximizing short term objectives designed to facilitate the easy earning of performance incentive bonus pay. The respondents’ responses to these three questions are presented in Table 8 below.

Table 8: Short term work objectives, performance targets and feedback

8. SHORT-TERM WORK OBJECTIVES, PERFORMANCE TARGETS AND FEEDBACK
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<i>What is your personal view on the following statements?</i>	<i>Emplo yees Average Score</i>	<i>Execut ive Average Score</i>
<b>1. In practice, there is over-emphasis on quarterly objectives which make it difficult to achievement long-term/annual performance targets effectively</b>	2.52	2.00
<b>2. Targets may become irrelevant as a result of circumstances beyond the employee control</b>	2.33	2.00
<b>3. I am provided with a great deal of feedback and guidance on the quality of my work</b>	3.79	4.67
<b>AVERAGE</b>	<b>2.88</b>	<b>2.89</b>

Figure 11: Short term work objectives, performance targets and feedback



**4.11.1 Dimension Analysis**

Both respondents were asked to comment on the three statements. The average scores for both employees and executives is 2.88 and 2.89 respectively, which is between disagree and no view. This also shows that there is a balance between short and long term objectives.

**4.11.2 Item Analysis**

The first and second statements are negative, therefore the results differ from the positive ones. On the negative statements 1 represents strongly agreed, 3 no view and 5 strongly disagree, which is vice versa the positive statements. The first statement, "In practice there is overemphasis on quarterly objectives which make it difficult to achieve long term target effectively." Respondent ranked it 2.52 and 2.00 respectively, which is between no views and disagree, meaning that respondents understand how short term objective linked or cascaded from long term objectives.

The third statement which stated that “Targets may become irrelevant as a result of circumstances beyond the employee control.” was rated 2.33 and 2.00 respectively, which clearly indicated that most respondents have no view at all and some disagree to the statement.

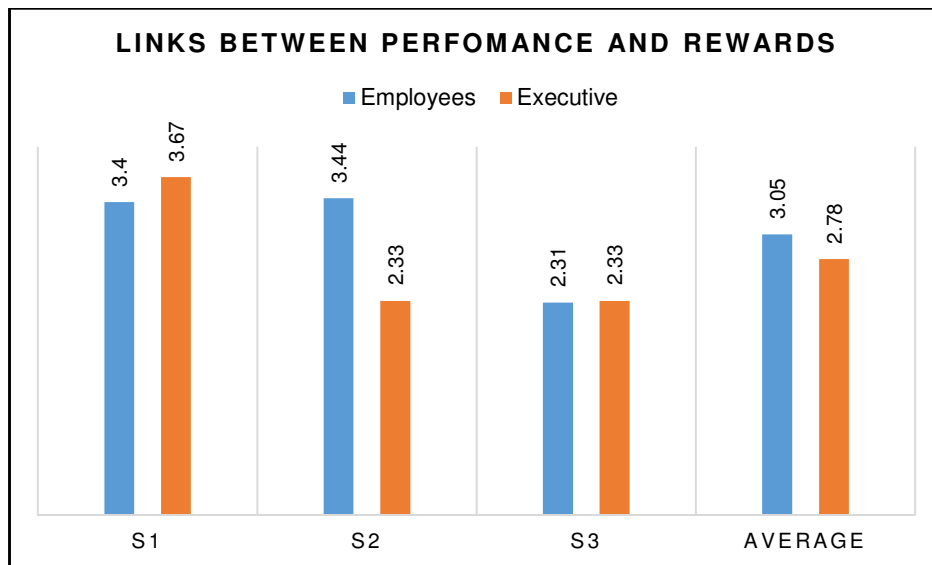
#### 4.12 Links between Performance and Reward

The respondents were asked to give their views on the three statements that were intended to elicit their perception about links between performance and pay awards. The study survey to see if there is a link between performance and reward. Their responses to these three questions are presented in Table 9 below.

Table 9: Links between performance and reward

9. LINKS BETWEEN PERFORMANCE AND REWARD		
<i>What is your personal view on the following statements?</i>	<i>Emplo yees Average Score</i>	<i>Execut ive Average Score</i>
<b>1. Producing high quality work is rewarded with more bonus</b>	3.40	3.67
<b>2. Performance incentive bonus scheme has no effect on my work performance</b>	3.44	2.33
<b>3. The most important thing about a job is bonus</b>	2.31	2.33
<b>AVERAGE</b>	<b>3.05</b>	<b>2.78</b>

Figure 12: Links between performance and reward



#### 4.12.1 Dimension Analysis

Both Employees and Executives average score is standing at 3.05 and 2.78 respectively, which clearly indicates that they are all tend to disagree with the above statements that “the most important thing about a job is not bonus”. Their views are between 2 and 3, which is between disagree and no view.

Most importantly, employees and executives agreed that their work is rewarded with bonus, meaning that there is a linkage between performance and reward.

#### 4.12.2 Item Analysis

On the second statement, employees and executive awarded 3.44 and 2.33 respectively. This is a negative statement, which means that executive scored between agreed and no views, whereas employees scored between no view and disagree. This is so because the executives’ performance is rated on the unit scores and not on their individual rating unlike the employees.

On the third statement, both groups of respondents' results are similar, 2.31 and 2.33 respectively. Although this is a positive statement, both respondents ranked between disagree and no view, which clearly indicated that a bonus is not an important factor for job performance.

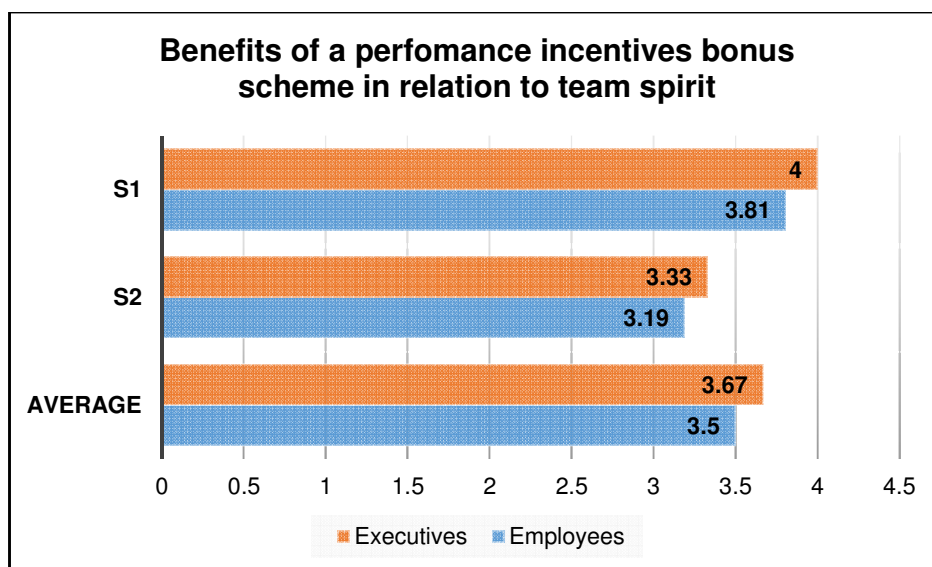
#### 4.13 Effects of PIBS on team spirit

In some literature, it was pointed out that one of the reasons for rejecting the PIBS is its negativity effects on team spirit amongst both employees and executives, therefore in most cases it ended up not implemented. To test the validity of this claim, both respondents were asked to give their personal views about the two different statements that were designed for that purpose. Their view are presented in table 10 below.

Table 10: Benefits of a PIBS in relation to team spirit

10. BENEFITS OF A PERFORMANCE INCENTIVE BONUS SCHEME IN RELATION TO TEAM SPIRIT		
<i>What is your personal view on the following statements?</i>	<i>Emplo yees Average Score</i>	<i>Execut ive Average Score</i>
<b>1. Performance incentive bonus scheme contribute to more effective teamwork</b>	3.81	4.00
<b>2. Performance incentive bonus negatively affect teamwork, and cooperation can suffer</b>	3.19	3.33
<b>AVERAGE</b>	<b>3.50</b>	<b>3.67</b>

Figure 13: Benefits of a PIBS in relation to team spirit



#### 4.13.1 Dimension Analysis

Both groups of respondents average score is at 3.50 and 3.67 respectively, which is between 3 and 4 (no view and agree). This shows a positive reaction because respondents agreed that PIBS contributes effectively to team work.

#### 4.13.2 Item Analysis

The first statement is positive, whereas statement 2 is negative. All respondents agreed to the first statement that the PIBS contributes to team work. However statement 2 is negative and opposes that the PIBS affects teamwork and cooperation negatively.

All respondents ranked this statement 3.19 and 3.33 respectively, which clearly indicated that they all tend to disagree with the statement.

#### 4.14 Joint Consultation in goal setting process

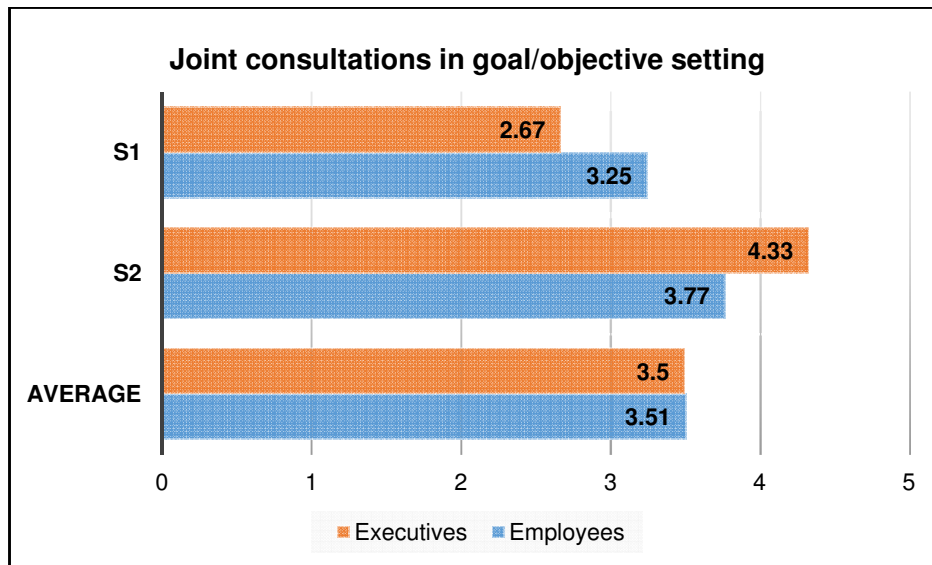
The role of consultations in the formulation of performance objectives and targets is critical to the effectiveness and achievement of the intended corporate objectives. Therefore, the study asked both respondent groups to give their personal views on two different statements. Their responses are presented in Table 11 below.

Table 11: Joint consultations in goal/objective setting

11. JOINT CONSULTATIONS IN GOAL/OBJECTIVE SETTING		
<i>What is your personal view on the following statements?</i>	<i>Emplo yees Average Score</i>	<i>Execut ive Average Score</i>
<b>1. I really have little voice in the formulation of my work objectives</b>	3.25	2.67
<b>2. I am allowed a high degree of influence in the determination of my work objectives</b>	3.77	4.33
<b>AVERAGE</b>	<b>3.51</b>	<b>3.50</b>

Figure 14: Joint consultations in goal/objective setting





#### 4.14.1 Dimension Analysis

All respondents overwhelmingly agreed that they are allowed a high degree of influence in determination of their work objectives. Their average scores are the same standing at 3.51 and 3.50 respectively.

#### 4.14.2 Item Analysis

The first statement is negative. The respondents ranked it 3.25 and 2.67 respectively, which falls between disagree and agreed. Executives believe that they have a voice in formulating their objectives, whereas employees emphasized that they have little voice in formulating their work objectives.

#### 4.15 Improvement in Performance

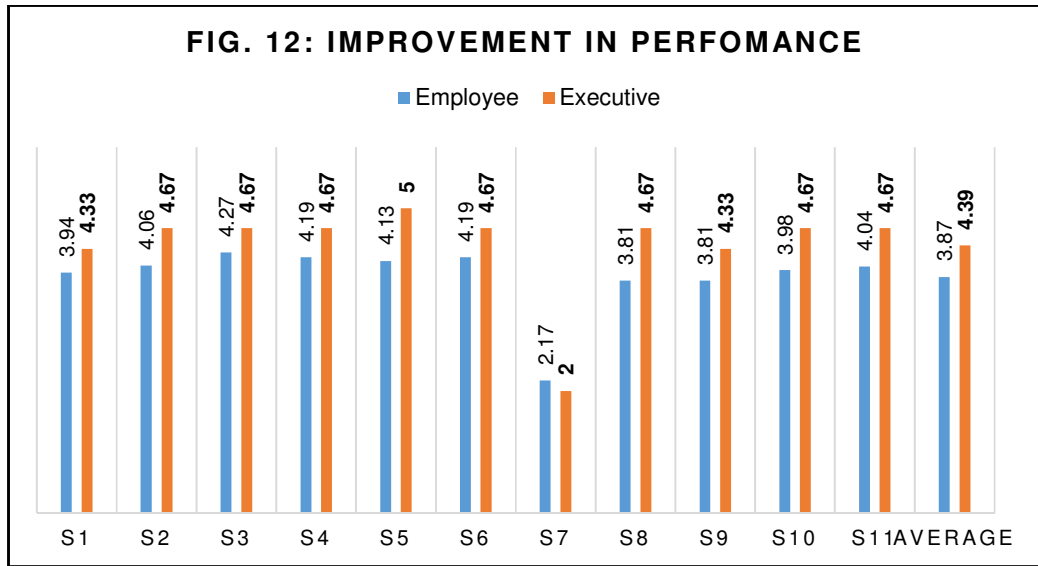
Finally the study surveyed the perception of both respondents about the overall improvement in performance that may be attributed to the PIBS. Both respondents were asked to give their personal views on eleven key statements below. Their responses are presented in Table 12 below.

Table 12: Improvement in Performance

12. IMPROVEMENT IN PERFORMANCE		
<i>What is your personal view on the following statements?</i>	<i>Emplo yees Average Score</i>	<i>Execut ive Average Score</i>
<b>1. With performance incentive bonus scheme my individual efforts and achievements are recognized</b>	3.94	4.33
<b>2. With performance incentive bonus scheme my work objectives are clear and specific. I know exactly what my job is</b>	4.06	4.67
<b>3. With performance incentive bonus scheme I can see how my work contributes to the organization as a whole</b>	4.27	4.67
<b>4. With performance incentive bonus scheme I have a clear idea about how the organization is performing overall</b>	4.19	4.67
<b>5. I am generally told what is going on in the organization</b>	4.13	5.00

<b>6. I've got a clear idea of what this organization's goals and plans are for the future</b>	4.19	4.67
<b>7. Performance incentive bonus scheme has yet to overcome some difficulties in this organization</b>	2.17	2.00
<b>8. Increased communications with supervisor as a result of performance-based incentive scheme</b>	3.81	4.67
<b>9. Performance incentive bonus scheme makes me show more initiative</b>	3.81	4.33
<b>10. Performance incentive bonus scheme makes me focus on what I'm meant to achieve</b>	3.98	4.67
<b>11. I have a clear idea of the MVA Fund's goals and plans for the future</b>	4.04	4.67
<b>AVERAGE</b>	<b>3.87</b>	<b>4.39</b>

Figure 15: Improvement in Performance



**4.15.1 Dimension Analysis**

On average, both respondent groups agreed to the statements above with rating 3.87 and 4.39 respectively. They also seemed to have a clear idea of their organizational future goals and plan, and have found the PIBS to have affected the extent of initiative shown in their work. Although the executives rated high on average, employees also tend to agree with the statements at 3.87 on average.

Both respondent groups agreed that their work contribute to the organization as a whole and see the linkage, and also fully agree that they have clear ideas about how the organization is performing overall and know about the on goings in the organizations.

**4.15.2 Item Analysis**

Both statements are positive except statement number 7, which stated that “PIBS has yet to overcome some difficulties in the organization”. Both respondents rated it at 2.17 and 2.00 respectively, meaning that they disagree with the statement, because they are of the opinion that the PIBS overcomes many difficulties in the organization.

#### **4.16 Key findings**

Interesting conclusions about the following six key issues can be drawn.

##### **4.16.1 Acceptability of the scheme**

Overwhelmingly, both employees and executives have expressed general support and acceptability of the PIBS in the organization, which clearly indicates that there is a buy in.

##### **4.16.2 Bonus is an irrelevant motivator**

The most important thing about a job is not a bonus. This indicate the relevance of highly paid work to both respondents, though it may not have feature as the primary source of motivation for the job.

##### **4.16.3 The main purpose of PIBS is to cultivate organizational achievement culture**

The top ranked purposes for which PIBS is operated to reward good performance are: (a) to remove the bargaining process away from trade unions , (b) to improve recruitment and retention of staff and (c) to increase commitment to the organization.

##### **4.16.4 The main drawbacks with PIBS are attributed to coverage of the scheme**

The top ranked drawbacks with the schemes are: (a) is not successful in improving employee motivation, (b) negatively affects team spirit, and co-operation can be jeopardized, (c) assumes that money is the best reward.

##### **4.16.5 PIBS contribute to short term objectives**

The study also observed that rewarding employees based on performance make them focus mainly on short term work objective rather than long term, and performance

targets may become irrelevant as a result of circumstances beyond their direct supervisors control.

#### **4.16.6 Goal setting process encourages joint consultation**

Responses for joint consultation in objective and goal setting indicate that most employees participate in formulation of their work objectives and are allowed a high degree of influence in determining their work objectives. This is a huge source of motivation which may result in high performance.

#### **4.17 Conclusion**

The examination of twelve dimension of the PIBS in the MVA Fund indicates a strong support of the strategy. The main conclusion to be drawn is that there is buy in from the employees, which actually helps the institution to attain its set objectives. This inclusiveness assisted them to make the Performance Incentive Bonus Scheme a success.

## 5. CHAPTER 5 - DISCUSSION

Based on the survey, it appears that both employees and executives viewed effective management tools for improving the quality of performance positively. The PIBS is perceived as contributing to increase motivation and as an increase in organizational performance.

Overall, there is a general perception that the process of linking pay to performance is ambiguous and subjective. Besides, it is beyond the scope of this study to evaluate whether this principle is effective or not.

The study also viewed that there is a general perception that individual efforts and achievement are recognised. Employees feel that the scheme helps them to see how their work contributes to the organization as a whole and they also think that the scheme helped them to increase communications with their line managers. The also alluded that the scheme helped them to find out what their organisational goals and plans are for the future.

Both staff and management respondents agreed that bonus is irrelevant as a motivator.

Below is the table highlighting the findings to the research questions.

Research Question	Findings
<b>1.The rationale for introducing a Performance Incentive Bonus Scheme in MVA Fund - What are the common objectives of operating a performance pay incentive scheme at the MVA Fund?</b>	The study reveals that the rationale for introducing a PIBS is to improve and reward good performance in the organisation.
<b>2.Acceptability of the MVA Fund Performance Incentive Bonus Scheme - How do MVA Fund Executives/Employees perceive the principle of linking pay to performance?</b>	The study reveals that both Employees and Executives have expressed general support and acceptability of the PIBS to the organization.
<b>3.The successes of the Performance Incentive Bonus Scheme in the MVA Fund - Do MVA Fund Executives/Employees perceive Performance Incentive Bonus Scheme as a successful strategy to motivate staff?</b>	Yes, the study shows that both employees and executives are of the opinion that the PIBS is a successful policy in the MVA Fund.
<b>4.The ability of bonus to act as a motivator for</b>	No, bonus is not a motivator, because both

<b>employees' performance - Is monetary incentive package a motivator at the MVA Fund?</b>	employees and executive differ with the statement that the most important thing about job is a bonus. This indicates the relevance of highly paid work to both respondents, though it may not have featured as the primary source of motivation for the job.
<b>5.Effects of the Performance Incentive Bonus Scheme on MVA Fund service delivery - What effect does Performance Incentive Bonus Scheme have on individual performance of MVA Fund Executives/Employees in relation to service delivery?</b>	Both employees and executives agreed that PIBS raised organizational performance, make them focus on what they set out to achieve and provided greater opportunity to interact on a more frequent basis with the supervisor to discuss targets set and how to focus on them.
<b>6.The drawbacks with the Performance Incentive Bonus Scheme - What are the drawbacks of Performance Incentive Bonus Scheme at the MVA Fund?</b>	The study highlighted two major setbacks that: Performance Bonus Incentive Scheme encourages employees to exercise a narrow focus on short-term quantifiable goals, neglecting long term objectives and secondly, it is difficult to measure individual performance objectively.
<b>7.Views on performance objectives/targets and feedback systems - What impact does Performance Incentive Bonus Scheme have on short-term work objectives, performance targets and feedback?</b>	The study reveals that there is a balance between short and long term objectives. Therefore, long term objectives are not ignored in totality for the sake of maximizing short term objectives.
<b>8.Objectivity of measuring Executives/Employees performance for reward purposes - Has Performance Incentive Bonus Scheme been able to establish a relationship of measuring individual performance for reward purposes?</b>	The study shows that both respondents strongly believe that operating a performance incentive bonus scheme ensures that their work objectives are clear and specific and they know exactly what is required from them. They also strongly believe that feedback and feed-forward loops are most important aspects of a performance measurement scheme at the MVA Fund.
<b>9.Linkage between performance and reward - Has Performance Incentive Bonus Scheme been able to establish a link between individual performance and pay awards?</b>	Both employees and executives agreed that their work is rewarded with a bonus.
<b>10. Benefits of the Performance Incentive Bonus Scheme in relation to team spirit - What effect has Performance Incentive Bonus Scheme had on team spirit?</b>	Both employees and executives agreed that the Performance Incentive Bonus Scheme contribute effectively to team spirit.
<b>11. Joint consultations in goal/objective settings - What role does joint consultation play in goal setting within a performance management framework?</b>	All respondents overwhelmingly agreed that they are allowed a high degree of influence in determining their work objectives, which indicates there is a buy in.
<b>12. Views on organizational culture in relation to performance improvement - Has the improvements or otherwise of the overall performance been attributable to Performance Incentive Bonus Scheme?</b>	All respondents agreed that their work contribute to the organization as a whole and could see the linkage. They also agreed that they have clear ideas on how the organization is performing overall and know what is going on at the MVA Fund.



The study established that the PIBS is a fruitful tool in motivating both employees and executives. To be more specific, the Performance Incentive Bonus Scheme is perceived as a dynamic force to increased motivation and an increase in organizational performance.

## **6. CHAPTER 6 - CONCLUSION & RECOMMENDATIONS**

The study was set up after witnessing that performance management practice created strains between those who manage the services and those who are managed within them. Hence, this trend has prompted a debate for and against the objectivity and compatibility of motivational strategies toward which this study seeks to contribute.

However, in considering what exactly constitutes a successful scheme, it seems useful to point out the consequences of outlining the success of the scheme. The lack of substantial evidence as a means of monitoring the scheme's success leaves little guidance in finding a point of evaluation. Hence, the predicament of choosing the most suitable criteria on which to critique a scheme's success remains a desolation.

Most outstandingly, in conjunction with the goal setting theory, the point to which both employees and executives are involved in crafting the organizational objectives is a main source of motivation not only to the MVA Fund employees, but also in general. Goal-setting can also play a crucial role in satisfying the encroachment need of employees. Executives can help employees set career goals and support them in achieving their objectives. This was supported by Gupta & Singhal (1993) when confirmed that organizations which are able to implement appraisal systems, establish reward mechanisms and find methods to negotiate between the employees' career goals and the needs of the organization are far more likely to be transformed.

The study confirmed that employees should partake in goal-setting surely to decide upon their own work, but also at organizational level, along with their immediate supervisors and executives. Awarding employees with autonomy to set their objectives,

within pre-defined limits, is guaranteed that they will strive to succeed. Differing perspectives suggest that, when managers attend to employee's experiences of autonomy, competence and relatedness in the work setting employees' motivation will be enhanced (Deci, 1972).

There is a general observation that by means of the PIBS, individual efforts and accomplishments are recognized. The respondents feel that the scheme supports them to realize how their work contributes to the organizational objectives as a whole, and they also think that the scheme aids them to increase communications with their supervisors and also helps them to identify their organizational goals and plans for the future.

The equity dimensions specify that there is a broad consensus that is essential to relate pay to performance. Bonus is alleged to be an irrelevant motivator if the package is unattractive and feedback is ineffective. The main purpose of the PIBS is to nurture organizational achievement culture and its main drawback is attributable to encourage employees to exercise a narrow focus on short-term quantifiable goals.

Overall, a scheme such as the Performance Incentive Bonus Scheme becomes useless when enforced on employees, however if there is a buy-in and if employees are engaged in crafting their own objectives, it will be a successful strategy to motivate employees and offers an opportunity to reward performance.

The case study approach is exclusively focused on the MVA Fund. The study is limited to the impact of the PRP at the MVA Fund and will not venture on impacts of remuneration strategy and or intrinsic and extrinsic factors that motivate employees.

This study is however the first to investigate the impact of the PIBS on employees at the MVA Fund and thus demonstrate that when executives do not pay attention to the motivation needs of their employees, they will reject the implementation thereof.

### **6.1 Limitations**

Number of factors have limited this study. These limitations are found in the methodology employed. All respondents are from the MVA Fund. This sampling approach limits the generalization of the research findings. However undertaking other sampling approach would have been beyond the scope of this study. Thus, future research should adopt sampling approaches to identify whether differences exist with regard to the impact of PIBS on employees in the state owned enterprises.

According to Robson (1995) there is inherent limitations in all survey designs, with regards to the high rate of non-responses with email questionnaire. A response rate of only 50% was achieved, although several reminders were send to the employees to partake in the survey. However, the information gathered can still provide significant insight with the impact of the PIBS on employees in the state owned enterprises.

The implementation of cross sectional approach is a further limitation.

### **6.2 Future Research**

Further research is needed to further analyze the impact of the Performance Incentive Bonus Scheme at the state owned enterprises. I am of the opinion that it will cover a wider population and be able to do a proper comparison as it will incorporate a larger random sample size by questioning employees. This would allow for further generalizability of the findings.

The present results illustrate a concurrence between employees and executives, however other state owned enterprises need to follow suit to see how they stand with the employees, and engage them from the onset.

In conclusion, the concept of employee motivation has generated a considerable research attention and are important facets of the work life of any employee. Therefore, the MVA Fund has now a quantitative evidence on the impact of the PIBS on employees. However, a few issues between employees and executives still need to be sorted out.

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## **1. APPENDICES**

### **Appendix 1 - Employees Questionnaire**

#### **Questionnaire for Employees: Motor Vehicle Accident Fund**

This is an academic questionnaire that is intended to obtain the general perception of new Performance Related Pay on employees' performance at MVA Fund.

Response to these questions will be exclusively for the purpose of this study and will be treated with strictest confidence. The Researcher will forward the questionnaire to all employees through the link; however the employees' names will remain anonymous.



**1. ACCEPTABILITY OF THE MVA FUND PERFORMANCE  
INCENTIVE BONUS SCHEME**

<p><i>What is your personal view on the following statements?</i></p>	<p><i>Strongly Agree</i></p>	<p><i>Agree</i></p>	<p><i>No View</i></p>	<p><i>Disagree</i></p>	<p><i>Disagree Strongly</i></p>
<p><b>1. The principle of relating pay to performance is essentially a good one</b></p>					
<p><b>2. A performance incentive bonus scheme is a good idea for managerial staff only</b></p>					
<p><b>3. A performance incentive bonus scheme is a good idea for both managerial and non-managerial staff</b></p>					

<p><b>4. The idea of performance incentive bonus scheme is essentially unfair</b></p>					
<p><b>5. Working under performance contracting is a good policy in a state-owned enterprise</b></p>					

Additional remarks, if any:

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**2. BONUS AS A MOTIVATOR**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<b>1. The most important thing about a job is bonus</b>					
<b>2. The kind of work I like is the one that pays bonus for top performance</b>					
<b>3. I receive a considerable amount of feedback concerning the</b>					

<b>quality of output on my job</b>					
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Additional remarks, if any:

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**3. VIEW ON THE REASONS WHY MVA FUND HAS INTRODUCED A PERFORMANCE INCENTIVE BONUS SCHEME**

Please rank the following objectives of the MVA Fund Performance Bonus Incentive Scheme between 1 and 8, where 1=highest and 8=lowest rank

<i>What do you think MVA Fund's main purpose of operating a performance bonus incentive scheme?</i>	<i>Rank</i>
<b>1. Reward good performance</b>	
<b>2. Remove the bargaining process away from trade unions</b>	
<b>3. Reinforce existing culture, values and performance expectations</b>	
<b>4. Promote organizational change</b>	
<b>5. Motivate employees</b>	
<b>6. Increase commitment to the organization</b>	
<b>7. Improve recruitment and retention of staff</b>	
<b>8. Improve performance of the organization</b>	

Additional remarks, if any:

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#### 4. SUCCESS OF THE PERFORMANCE INCENTIVE BONUS SCHEME IN THE MVA FUND

There are three statements, which are designed to determine the success of the bonus scheme as perceived by the employees:

	<i>STATEMENT 1</i>	<i>STATEMENT 2</i>	<i>STATEMENT 3</i>
	Performance bonus incentive scheme has been successful in achieving an overall increase in the organizational performance in MVA Fund	Performance bonus incentive scheme has provided the Fund with a useful tool in the delivery of quality customer services	Performance bonus incentive scheme has provided the Fund with a useful tool in the attainment of sound financial prudence
<b><i>Strongly Agree</i></b>			
<b><i>Agree</i></b>			
<b><i>No View</i></b>			
<b><i>Disagree</i></b>			
<b><i>Disagree Strongly</i></b>			

Additional remarks, if any:





**5. PERFORMANCE BONUS INCENTIVE SCHEME'S EFFECT ON SERVICE DELIVERY**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<b>1. A performance incentive bonus scheme makes me focus on what I'm meant to achieve</b>					
<b>2. A performance incentive bonus scheme promotes improvement in organizational performance</b>					
<b>3. An incentive scheme improves communication with the individual supervisor, the managers' immediate supervisor and an improvement in performance</b>					
<b>4. A performance incentive bonus scheme helps employees to focus on</b>					



**6. DRAWBACKS WITH THE MVA FUND PERFORMANCE BONUS INCENTIVE SCHEME**

Please rank the following statements relating to a performance bonus incentive scheme in MVA Fund according to their order of degree of drawback. Rank between 1 and 6, where 1=highest and 6=lowest rank

<i>STATEMENT</i>	<i>Rank</i>
<b>1. The amount of reward involved is not enough to substantiate a change in performance</b>	
<b>2. Performance bonus incentive scheme negatively affects team spirit, and co-operation can be jeopardized</b>	
<b>3. Performance bonus encourages employees to exercise a narrow focus on short-term quantifiable goals, neglecting long term issues</b>	
<b>4. Performance bonus incentive scheme is not successful in improving employee motivation</b>	
<b>5. Difficult to measure individual performance objectively</b>	
<b>6. Assumes that money is the best reward</b>	

Additional remarks, if any:

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**7. MEASURING EMPLOYEES PERFORMANCE FOR REWARD PURPOSES**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<p><b>1. As a result of operating a performance incentive bonus scheme, my work objectives are clear and specific. I know exactly what my job is</b></p>					
<p><b>2. Feedback and feed-forward loops are most important aspects of a performance measurement scheme in MVA Fund</b></p>					
<p><b>3. The task of measuring employees' performance is a difficult one.</b></p>					
<p><b>4. The process of linking pay to performance is ambiguous and very subjective</b></p>					
<p><b>5. A number of mechanisms are possible to</b></p>					

<p><b>overcome difficulties in measuring employees performance in the MVA Fund environment</b></p>					
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Additional remarks, if any:

What is your personal view on the following statements?	Strongly Agree	Agree	No View	Disagree	Disagree Strongly
<p><b>1. In practice, there is over-emphasis on quarterly objectives which make it difficult to achievement long-term/annual performance targets effectively</b></p>					
<p><b>2. Targets may become irrelevant as a result of circumstances beyond the employee control</b></p>					
<p><b>3. I am provided with a great deal of feedback</b></p>					

<b>and guidance on the quality of my work</b>					
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**8. SHORT-TERM WORK OBJECTIVES, PERFORMANCE TARGETS AND FEEDBACK**

Additional remarks, if any:

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**9. LINKS BETWEEN PERFORMANCE AND REWARD**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<b>1. Producing high quality work is rewarded with more bonus</b>					
<b>2. Performance incentive bonus scheme has no effect on my work performance</b>					
<b>3. The most important thing about a job is bonus</b>					

Additional remarks, if any:

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**10. BENEFITS OF A PERFORMANCE INCENTIVE BONUS SCHEME  
IN RELATION TO TEAM SPIRIT**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<b>1. Performance incentive bonus scheme contribute to more effective teamwork</b>					
<b>2. Performance incentive bonus negatively affect teamwork, and cooperation can suffer</b>					

Additional remarks, if any:

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**11. JOINT CONSULTATIONS IN GOAL/OBJECTIVE SETTING**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<b>1. I really have little voice in the formulation of my work objectives</b>					
<b>2. I am allowed a high degree of influence in the determination of my work objectives</b>					

**12. IMPROVEMENT IN PERFORMANCE**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<b>1. With performance incentive bonus scheme my individual efforts and achievements are recognized</b>					
<b>2. With performance</b>					

<p><b>incentive bonus scheme my work objectives are clear and specific. I know exactly what my job is</b></p>					
<p><b>3. With performance incentive bonus scheme I can see how my work contributes to the organization as a whole</b></p>					
<p><b>4. With performance incentive bonus scheme I have a clear idea about how the organization is performing overall</b></p>					
<p><b>5. I am generally told what is going on in the organization</b></p>					
<p><b>6. I've got a clear idea of what this organization's goals and plans are for the future</b></p>					
<p><b>7. Performance incentive bonus scheme has yet to overcome some difficulties in this</b></p>					

<b>organization</b>					
<b>8. Increased communications with supervisor as a result of performance-based incentive scheme</b>					
<b>9. Performance incentive bonus scheme makes me show more initiative</b>					
<b>10. Performance incentive bonus scheme makes me focus on what I'm meant to achieve</b>					
<b>11. I have a clear idea of the MVA Fund's goals and plans for the future</b>					

Additional remarks, if any:

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**END OF QUESTIONNAIRE, Thank you for your co-operation!**

**Appendix 2 - Executive Questionnaire**

**Questionnaire for Executives: Motor Vehicle Accident Fund**

This is an academic questionnaire that is intended to obtain the general perception of new Performance Related Pay on employees’ performance at MVA Fund.

Response to these questions will be exclusively for the purpose of this study and will be treated with strictest confidence. The Researcher will forward the questionnaire to all executives through the link; however the executives’ names will remain anonymous.

**1. ACCEPTABILITY OF THE MVA FUND PERFORMANCE INCENTIVE BONUS SCHEME**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<b>1. The principle of relating pay to performance is essentially a good one</b>					
<b>2. A performance incentive bonus scheme is a good idea for managerial staff only</b>					

<b>3. A performance incentive bonus scheme is a good idea for both managerial and non-man managerial staff</b>					
<b>4. The idea of performance incentive bonus scheme is essentially unfair</b>					
<b>5. Working under performance contracting is a good policy in a state-owned enterprise</b>					

Additional remarks, if any:

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**2. BONUS AS A MOTIVATOR**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<b>1. The most important thing about a job is bonus</b>					
<b>2. The kind of work I like</b>					

<b>is the one that pays bonus for top performance</b>					
<b>3. I receive a considerable amount of feedback concerning the quality of output on my job</b>					

Additional remarks, if any:

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**3. VIEW ON THE REASONS WHY MVA FUND HAS INTRODUCED A PERFORMANCE INCENTIVE BONUS SCHEME**

Please rank the following objectives of the MVA Fund Performance Bonus Incentive Scheme between 1 and 8, where 1=highest and 8=lowest rank

<i>What do you think MVA Fund's main purpose of operating a performance bonus incentive scheme?</i>	<i>Rank</i>
<b>1. Reward good performance</b>	
<b>2. Remove the bargaining process away from trade unions</b>	
<b>3. Reinforce existing culture, values and performance</b>	

<b>expectations</b>	
<b>4. Promote organizational change</b>	
<b>5. Motivate employees</b>	
<b>6. Increase commitment to the organization</b>	
<b>7. Improve recruitment and retention of staff</b>	
<b>8. Improve performance of the organization</b>	

Additional remarks, if any:

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	<i>STATEMENT 1</i>	<i>STATEMENT 2</i>	<i>STATEMENT 3</i>
	Performance bonus incentive scheme has been successful in achieving an overall increase in the organizational performance in MVA Fund	Performance bonus incentive scheme has provided the Fund with a useful tool in the delivery of quality customer services	Performance bonus incentive scheme has provided the Fund with a useful tool in the attainment of sound financial prudence



<i>Strongly Agree</i>			
<i>Agree</i>			
<i>No View</i>			
<i>Disagree</i>			
<i>Strongly Disagree</i>			

**4. SUCCESS OF THE PERFORMANCE INCENTIVE BONUS SCHEME IN THE MVA FUND**

There are three statements, which are designed to determine the success of the bonus scheme as perceived by the Executive Management:

Additional remarks, if any:

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**5. PERFORMANCE BONUS INCENTIVE SCHEME’S EFFECT ON SERVICE DELIVERY**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<b>1. A performance incentive bonus scheme makes me focus on what I'm meant to achieve</b>					
<b>2. A performance incentive bonus scheme promotes improvement in organizational performance</b>					
<b>3. An incentive scheme improves communication with the individual supervisor, the managers' immediate supervisor and an improvement in performance</b>					
<b>4. A performance incentive bonus scheme helps Executive Management to focus on certain objectives</b>					
<b>5. A performance incentive bonus scheme provides greater</b>					

<p><b>opportunity to interact on a more frequent basis with the supervisor for discussing the focus of direction of the targets set</b></p>					
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Additional remarks, if any:

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**6. DRAWBACKS WITH THE MVA FUND PERFORMANCE BONUS INCENTIVE SCHEME**

Please rank the following statements relating to a performance bonus incentive scheme in MVA Fund according to their order of degree of drawback. Rank between 1 and 8, where 1=highest and 8=lowest rank

<i>STATEMENT</i>	<i>Rank</i>
<p><b>1. The amount of reward involved is not enough to substantiate a change in performance</b></p>	
<p><b>2. Performance bonus incentive scheme negatively</b></p>	

<b>affects team spirit, and co-operation can be jeopardized</b>	
<b>3. Performance bonus encourages Executive Management to exercise a narrow focus on short-term quantifiable goals, neglecting long term issues</b>	
<b>4. Performance bonus incentive scheme is not successful in improving employee motivation</b>	
<b>5. It is principally unfair for not discriminating between individual contributions</b>	
<b>6. It is principally unfair in discriminating between individual contributions</b>	
<b>7. Difficult to measure individual performance objectively</b>	
<b>8. Assumes that money is the best reward</b>	

Additional remarks, if any:

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**7. MEASURING EXECUTIVE MANAGEMENT PERFORMANCE FOR REWARD PURPOSES**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<p><b>1. As a result of operating a performance incentive bonus scheme, my work objectives are clear and specific. I know exactly what my job is</b></p>					
<p><b>2. Feedback and feed-forward loops are most important aspects of a performance measurement scheme in MVA Fund</b></p>					
<p><b>3. The task of measuring employees' performance is a difficult one.</b></p>					
<p><b>4. The process of linking pay to performance is ambiguous and very subjective</b></p>					
<p><b>5. A number of mechanisms are possible to overcome difficulties in measuring</b></p>					

<b>employees performance in the MVA Fund environment</b>					
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Additional remarks, if any:

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**8. SHORT-TERM WORK OBJECTIVES, PERFORMANCE TARGETS AND FEEDBACK**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<b>1. In practice, there is over-emphasis on quarterly objectives which make it difficult to achievement long-term/annual performance targets effectively</b>					
<b>2. Targets may become irrelevant as a result of circumstances beyond the Executive Management control</b>					
<b>3. I am provided with a</b>					

<p><b>great deal of feedback and guidance on the quality of my work</b></p>					
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Additional remarks, if any:

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**9. LINKS BETWEEN PERFORMANCE AND REWARD**

<p><i>What is your personal view on the following statements?</i></p>	<p><i>Strongly Agree</i></p>	<p><i>Agree</i></p>	<p><i>No View</i></p>	<p><i>Disagree</i></p>	<p><i>Disagree Strongly</i></p>
<p><b>1. Producing high quality work is rewarded with more bonus</b></p>					
<p><b>2. Performance incentive bonus scheme has no effect on my work performance</b></p>					

<b>3. The most important thing about a job is bonus</b>					
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Additional remarks, if any:

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**10. BENEFITS OF A PERFORMANCE INCENTIVE BONUS SCHEME IN RELATION TO TEAM SPIRIT**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<b>1. Performance incentive bonus scheme contribute to more effective teamwork</b>					
<b>2. Performance incentive</b>					



<b>bonus negatively affect teamwork, and cooperation can suffer</b>					
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Additional remarks, if any:

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**11. JOINT CONSULTATIONS IN GOAL/OBJECTIVE SETTING**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<b>1. I really have little voice in the formulation of my work objectives</b>					
<b>2. I am allowed a high degree of influence in the determination of my work objectives</b>					

**12. IMPROVEMENT IN PERFORMANCE**

<i>What is your personal view on the following statements?</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No View</i>	<i>Disagree</i>	<i>Disagree Strongly</i>
<p><b>1. With performance incentive bonus scheme my individual efforts and achievements are recognized</b></p>					
<p><b>2. With performance incentive bonus scheme my work objectives are clear and specific. I know exactly what my job is</b></p>					
<p><b>3. With performance incentive bonus scheme I can see how my work contributes to the organization as a whole</b></p>					
<p><b>4. With performance incentive bonus scheme I have a clear idea about how the organization is performing overall</b></p>					
<p><b>5. I am generally informed what is going on in the organization</b></p>					

<p><b>6. I've got a clear idea of what this organization's goals and plans are for the future</b></p>					
<p><b>7. Performance incentive bonus scheme has yet to overcome some difficulties in this organization</b></p>					
<p><b>8. Increased communications with supervisor as a result of performance-based incentive scheme</b></p>					
<p><b>9. Performance incentive bonus scheme makes me show more initiative</b></p>					
<p><b>10. Performance incentive bonus scheme makes me focus on what I'm meant to achieve</b></p>					
<p><b>11. I have a clear idea of the MVA Fund's goals and plans for the future</b></p>					

Additional remarks, if any:

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**END OF QUESTIONNAIRE**

**Thank you for your co-operation!**