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Impact of Financial and Non Financial Motivation on Employees' Performance: a case study on Orient Lanka Confectionery (Pvt) Ltd Kandy.

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Abstract

This research is mainly concerned with analysis of financial and non financial motivation on Employees' Performance. The researcher regarded financial motivation and non financial motivation as important elements that affect the employees' performance.

Subsequently, the primary objective of this study was to investigate whether financial or non financial motivation has the major impact on employees' performance. In order to achieve this objective, Orient Lanka Confectionery (Pvt) Ltd- Kandy was selected for a case study and 100 employees from it were selected as the sample. A self developed questionnaire was used to collect primary data to analyze the relevant relationship between selected two independent variables as financial motivation and non financial motivation and the dependent variable was employee performance.

The study results revealed that, there is a positive relationship between financial motivation and employee performance as well as a positive relationship between non financial motivation and employee performance with the correlation coefficient of 0.564 and 0.664 respectively. Therefore, the researcher concluded that non financial motivation has a greater impact on employee performance than financial motivation in Orient Lanka Confectionery (PVT) Ltd.

Keywords: Financial Motivation, Non Financial Motivation, Employee Performance

Introduction

This research is mainly concerned with the analysis of "Impact of Financial and Non Financial Motivation on Employees' Performance". The researcher considered that the financial motivation and non financial motivation are important elements that affect the Employees' Performance. The objective of this study was to investigate whether financial or non financial motivation highly impacts on employees' performance. To achieve this objective, Orient Lanka Confectionery (Pvt) Ltd- Kandy was selected for a case study.

Management's basic job is to utilize human resources to achieve goals and objectives of the organization. They seek the ways to improve employee performance to get things done successfully. To do this, it should motivate its employees.

Employee motivation is the major issue faced by every organization. Each manager's responsibility is to motivate his/ her subordinate or create "will to work" among employees. Employees cannot achieve anything if they are not willing to work even they are capable of doing work.

Motivation can be given in the work places as financial and non financial methods. Financial methods directly involve monetary rewards e.g. bonuses, pay raises, pensions etc. Non financial motivation refers to non monetary rewards. These types of rewards do not involve direct payment of cash and they can be tangible or intangible.

Performance is doing something, may be tasks/ activities. Performance of employee is how well an employee is doing his/ her duties, tasks and responsibilities.

Motivation is most important to enhance the performance of the employees. Motivated employees voluntarily do the work more than is expected and get more success than others. Motivation is a creation of condition that encourages an employee to achieve a high performance

So, every organization must understand that how motivation affects or impacts on employees' performance, than only the top level managers make bold decisions regarding employee performance with effective motivation. Therefore, the researcher tried to find out the relationship between financial and non financial motivation and employee performance in Orient Lanka Confectionery (Pvt) Ltd.

Orient Lanka Confectionery (Pvt) Ltd Kandy is the 3rd biggest confectionery firm in Sri Lanka. Today it has about 20% of the market share in confectionery products in Sri Lanka as well this company's products exported to most of the Middle Eastern countries. The company's products are sold under the brand of "Maam". Orient Lanka Confectionery (Pvt) Ltd was founded in 2001 with 20 employees in a small rented house. The brand name was "Rich" up to 2003. In 2003 the brand name was changed into "Maam". But now the company is working with 350 employees. The company has equipped modern technologies for the production and owns own building for the production in Kandy

Literature Review and Hypothesis development

Mullins defines motivation as 'the degree to which an individual wants and chooses to engage in certain specified behaviors' (1999). From this theory, Mullins identifies four common characteristics which underline the above definition of motivation:

- Motivation is typified as an individual phenomenon. Every person is unique and all the major theories of motivation allow for this uniqueness to be demonstrated in one way or another.

- Motivation is described, usually, as intentional. Motivation is assumed to be under the worker's control, and behaviors that are influenced by motivation, such as effort expended, are seen as choices of action.
- Motivation is multifaceted. The two factors of greatest importance are (1) what gets people activated (arousal); and (2) the force of an individual to engage in desired behavior (direction or choice of behavior).
- The purpose of motivational theories is to predict behavior. Motivation is not the behavior itself, and it is not performance. Motivation concerns action, and the internal and external forces that influence a person's choice of action.

Motivation can be given in the work places as financial and non financial methods. Financial motivation directly involves monetary rewards. Some directly provide the employee with cash. E.g. base salary, bonuses, and commissions. Some are indirect payment by the cash, e.g., benefits.

Base Salary - Organizations pay a fixed rate of remuneration to its employees for rendering services to the firms.

Bonus - In addition to base salary most of profits earning organizations apply some varieties of bonuses as an incentive to bring about superior performance of the employees within the organization. Employees are entitled for bonus either annually or semi annually.

Benefits - Benefits are recurring non cash rewards that a deemed to be part of base pay. Several components come under it. Such as Adoption leave, Career counselling, Child care, Car allowances, Business travel insurance, Clothing allowances and etc.

Non financial motivation refers to non monetary rewards. These types of rewards do not involve direct payment of cash and they can be tangible or intangible. Armstrong (1999) sees nonfinancial motivation as including any rewards that focus on the

needs people have to varying degrees for achievement, recognition, responsibility, influence and personal growth.

According to Chiang & Birtch (2009), rewards that are non-financial in nature, such as the provision of an increase in holidays, and increases in family benefits, contribute towards the employee perceiving his/her workplace as a 'supporting and caring' organization.

Non financial motivation techniques are, Recognition - According to Parker (2003), Recognition is appreciation of performance by the organization of an act done by the team or team member.

Responsibility - The employees need the employer to feel that they are useful and have abilities to do several tasks. To satisfy their needs, the employer can increase or add more responsibilities to the employees to increase their self-esteem.

Flexible work schedules - Flexitime is a work schedule in which employees set their own work hours within set boundaries.

Feedback - Performance feedback is defined as providing quantitative or qualitative information on past performance for the purpose of changing or maintaining performance in specific ways (Prue & Fairbank, 1981).

Performance of employee is how well an employee is doing his/ her duties, tasks and responsibilities. According to Cascio (1989) performance refers to an employee's accomplishments of assigned tasks.

The dimensions of performance on which an employee is evaluated are called the criteria of evaluation. Examples include quality of work, quantity of work and cost of work (Ivancevich, 1998). Criteria are measures of identifying success of job performance of employees (Opatha, 2002).

Opatha (2002) suggested that several criteria become needed in order to evaluate job performance of an employee accurately. In the view of Mathis & Jackson (2003), the data or information that managers receive on how well employees are performing their jobs can be of three different types. Trait-based

information, Behaviour-based information, Result based information.

Motivation is most important to enhance the performance of the employees. According to Antonioni (1990, p29), "The amount of effort people are willing to put in their works depends on the degree to which they feel their motivational needs will be satisfied." Lawler (1994) and Buchanan and Huczynski (1997) submit that motivation is the single most important determinant of individual job performance.

Motivation increases have been realized in work behaviors including attendance, punctuality, stock work, selling, cost reduction, work quality, productivity, sales calls, and customer service (Komaki, 1982).

All businesses use pay, promotion or bonuses or other types of rewards to encourage high level of performance (Cameron and pierce, 1977). Denton (1961) illustrated that employees are best motivated by having them bet on their own success. When management ties their performance in with their bonuses, they take it as a challenge to generate greater performance for receiving bigger financial reward.

Performance of workers affects by innovative work practices like flexible job design, employee participation in problem solving teams, training to provide workers with multiple skills, extensive screening and communication and employment security (ichniowski et al., 1997, cited in shahzad et al).

Meir (1972) noted that while workers are interested in advancing their financial position, there are many other considerations such as opinions of their fellow workers, their comfort and enjoyment on the job and their long range security that prevents them from making a direct automatic positive response to an incentive plan. This implies that for employees to perform and have better results they must be motivated by a token of appreciation.

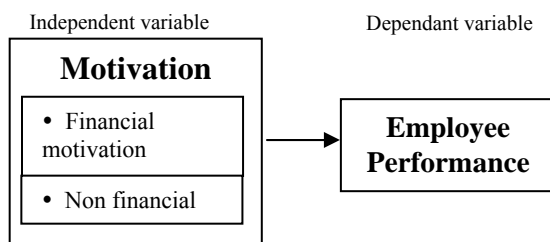
Based on the above literature evidence following hypothesis were formulated and used in this study.

Hypothesis

H₁: There is a positive relationship between financial motivation and employee performance.

H₂: There is a positive relationship between non financial motivation and employee performance.

Conceptualization of this research is described and elaborated network of associations among the variables deemed relevant to the problem situation. The conceptualization for this study as follows:



Method

Purpose of this study is to analyse the Impact of financial and non financial motivation on employees' performance in Orient Lanka confectionery (Pvt) Ltd. Population of this study was 350 employees in which 100 employees including managerial, executive and others were selected as the research sample using simple random selection.

100 questionnaires were issued to respondents to collect the data. With the use of SPSS 16.0 collected data were analysed under Univariate analysis and Bivariate analysis. Under univariate analysis

Descriptive statistical techniques were used such as frequencies, central tendencies and dispersions of the dependent and independent variables. Under Bivariate analysis, correlation analysis and regression analysis were used. Correlation analysis is a statistical analysis tool which statistically measures the extent and nature of the relationship between two variables. For this study variables namely dependent and independent variables are to be considered in the account of this analysis tool.

Regression analysis explains the mathematical equation which identifies the best fit for the two variables. The purpose of the analysis is to calculate what a dependent Variable will be for a given values of independent variable.

The reliability of collect data was examined by using Cornbach's Alpha coefficient. The cronbach's alpha coefficient of financial motivation was 0.785, non financial motivation was 0.821 and Employee performance was 0.837. These reflect results had higher internal consistency overtime.

Measures

Financial motivation

Dimensions for measuring financial motivation for this research are pay, bonus and benefit. Questionnaire consisted 12 question items regarding financial motivation which were measured by using 5 point Likert scale.

Non financial Motivation

According to Abraham Maslow's hierarchy of needs theory, security needs, social needs, self esteem needs and self actualization needs are chosen as the dimensions to measure the nonfinancial motivation in this study. Questionnaire has 15 question item of non financial motivation; each question was measured by using 5 point Likert scale.

Employee performance

The job performance of Managerial, executive and other employees was measured in terms of three dimensions as traits, behaviors and results (Opatha, 2002). A questionnaire was developed to measure the variable of employee performance and it has 18 question items. 18 question items were divided into three factors: traits, behaviors and results. A 5- point Likert scale was used to evaluate the answers.

Discussion and findings

Results of measurement of Financial Motivation, Non Financial Motivation and Employees' Performance.

Variables	Mean	Stad. deviation	Quality level
Financial Motivation	41.23	3.91	High
Pay	10.13	1.50	Moderate
Bonus	10.09	1.72	Moderate
Benefit	21.01	2.06	High
Nonfinancial Motivation	56.66	4.75	High
Security Needs	11.80	1.25	High
Social Needs	8.37	0.86	High
Self Esteem Needs	26.51	2.85	High
Self Actualization Needs	9.98	1.74	Moderate
Employees' Performance	70.03	6.54	High

According to above table financial motivation, non financial motivation and employees' performance are high in Orient Lanka Confectionery (Pvt) Ltd.

It was found according to bivariate analysis, Pearson correlation (r) between financial motivation and employees' performance is 0.564. This shows there is a strong positive relationship between Financial Motivation and Employee Performance. And Correlation (r) between Non financial motivation and employees' Performance is 0.664. Since, there is a strong positive relationship between NFM and EP. The above correlations are significant at P(0.000) levels. It can identify correlation between NFM and EP is higher than the combination of FM and EP.

Further this study finds from the correlation analysis that the Non financial motivation highly impacts on employees' performance than financial motivation in Orient Lanka Confectionery (Pvt) Ltd.

Through regression analysis it has been constructed that the positive relationship of combinations for financial motivation and non financial motivation with employees' performance. In addition to finding relationship between variables, developed hypotheses for the research has been verified that there is linear relationship between financial motivation and employee

performance and also NFM and employees' performance. It was founded that 31.8% of variability in employee performance is explained its linear relationship by financial motivation. And 44% of variability in employee performance is explained its linear relationship by non financial motivation. According to multiple regression analysis coefficient of determination (R²) was 0.519 found to be normal, which shows that 51.9% of variability in employee performance is explained its linear relationship by motivation.

Conclusion

The study found the empirical evidence to support the hypothesis that there is a positive relationship between financial motivation and employee performance. Furthermore, non financial motivation has too, a positive relationship with employee performance.

This research study answers that the non financial motivation highly impact on employee performance than financial motivation in Orient Lanka Confectionery (Pvt) Ltd, to the research question of "which type whether the financial motivation or non financial motivation does highly impact on employees' performance in Orient Lanka Confectionery (Pvt) Ltd?"

The analysis of the financial and non financial motivation of Orient Lanka

Confectionery (Pvt) Ltd illustrates that the both are provided to employees at high level by the company.

Results implying that, though financial and non financial motivation are in high level, a more systematic financial motivation namely in the dimension of pay, bonus and benefit should be provided to employees and more systematic system of non financial motivation namely in the dimension of security needs, social needs, self esteem needs and self actualization needs of employees must be fulfilled in order to improve employees' performance.

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