

Performance Related Pay System: How Does It Affect the Performance of the Employees?

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Abstract

Performance-based pay system acknowledges employee dedication and nurtures a high- performance culture which is important for both short-term and long-term organizational success (Allen, Whittaker, & Sutton, 2017). In the past, the government had a great say in employee salary and remuneration. Wages were negotiated and influenced by government regulation (Hegewisch & Filella, 2017). In those days, productivity and profit played no significant role in influencing pay increase. However, things have changed and productivity significantly influences pay increase and job promotion. This study was conducted on two dominating Saudi Arabian companies: Saudi Telecom Company (STC) and Saudi Electric Company (SEC), to investigate the impact of PRP on the performance of the employees in the two industries. The research was conducted on 141 employees in both companies (n=141). The sample was comprised of 131 departmental employees and 10 supervisors. The investigation used a mixed methodology approach where both interviews and questionnaires were applied in the collection of data and SPSS was used to test the main hypothesis. Additionally, various credible sources were used in collecting information on studies conducted previously on PRP by other researchers. The results collected during this study proved that PRP has minimal impact on the performance of the employees, but it works effectively as an employee control system; the system acts as a motivational system but issues like favoritism, lack of team work and clear definition of performance standards prevent the system from being effective. The main limitation of the study, was the time constraint that prevented more respondents from being interviewed. Hence, the interpretation of the results should not be over generalized.

Keywords: Pay related performance, compensation, motivation, incentives, benefits, culture

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1. INTRODUCTION

Employers are always seeking to increase the efficiency of their staff by linking payment to performance. Organizations that have already implemented execution-related pay are likely to attract talented workers and encourage the employed workers to put in more effort. Intrinsic motivation is vital for the running of any business because the employees need to stay motivated to achieve the organization's goals (Allen et al., 2017). Productivity in the organization is affected if the morale of the employees is low, hence to ensure job satisfaction, companies have implemented monetary incentives to encourage excellent performance. In an increasingly competitive corporate world, companies are more invested in performance management to maintain and improve the standards of the organization. Performance, according to Armstrong & Taylor (2010), is behavior that accomplishes results. Thus, performance management is effective in communicating the employees the basics of excellent performance and guiding them on how it can be attained. In linking performance and pay, employers are working on reward management in the organization, which means the recognition of effort and using incentives to improve the performance.

Employees view compensation as a reward for the services rendered, but it can also be a recognition of talent and a means of motivation. The concept of PRP is influenced by the expectancy theory and the principal-agent theory. The expectancy theory is based on the existence of manifest external incentives that influence the input of each employee in achieving the set objectives (Jirjhan, 2016). Employees are known to show more significant effort in achieving the set goals if specific rewards have been set. The existence of a reward system assures the employees that their efforts are not taken for granted, and it encourages them. Also, there is the agency theory, which is central to the performance-related pay system, where the focus is on the interests of the principals and the agent (Jirjhan, 2016). The use of incentives encourages the alignment of the goals and objectives of the agent and those of the principal. It is easier for the organization to meet its objectives when the purposes are communicated to the employees.

The ability of compensation to influence the work attitudes and behaviors of the employees and, subsequently, the productivity of the company is the main reason why it is viewed as a competitive advantage. The literature review focuses on the different studies conducted on the motivation of the employees through the use of reward systems. Compensation for many years has been used as a means of equity or justice for the services rendered, but the PRP system uses the benefit as a recognition of talent and a reward system.

Problem Statement: Studies on performance pay systems have been conducted over the years on how compensation can be used to improve the achievement of the companies' objectives. However, this paper aims to

provide a connection between the use of compensation as intrinsic motivation on individuals, as well as how it affects teamwork.

Performance-related pay is not a new trend, because, for decades, companies have used financial incentives to improve the performance of the employees. However, the trend is under scrutiny, especially by the private sector in trying to discover the linkage between payment and performance, in a bid to maintain high standards in the contemporary world. This study aims to explore the application of the system in two leading Saudi Arabian companies. Intensely few studies have focused on employee motivation in Saudi Arabia, especially on the use of merit-based payments. The companies, Saudi Telecom Company (STC) and Saudi Electric Company (SEC), are both leaders in the Saudi Arabia telecommunications industry. Both companies employ a large workforce, and to stay competitive; they expect the employees to observe high standards of performance. The use of performance-related systems in the country's leading companies has not been explored as much as it has in other modern economies. This study provides a comprehensive outlook on the use of the system in Saudi Arabia and the impact it has on improving the employees' productivity.

The research question of the study was, to what extent is the impact of the PRP system on the performance of the employees in Saudi telecommunications and electric utility sectors. Additionally, the study tested the two hypotheses:

Hypothesis 1: PRP is positively correlated to improved employee performance

Hypothesis 2: there is a significant change in the organization after the introduction of PRP in the organization.

It is evident that there is a connection between pay and performance based on the studies conducted previously, the compensation is supposed to motivate the employees and the study examines its impact when used as a reward system on the various systems of the organization.

In this study, the first section focused on the literature review, where the focus will be on the various studies already conducted on the PRP systems. Additionally, the section focused on an analysis of the various theories connected to the PRP method of motivating employees.

The Second section focused on the methodology applied during this study. The study used a mixed approach to collect data, where questionnaires and in depth semi-structured interviews were applied.

Furthermore, the third section are the findings and discussions of the study, where the main aim was to analyze the results collected during the study.

2. LITERATURE REVIEW

Performance-related pay (PRP) was first introduced in the late 1980s as a way to motivate employees by compensating them based on their performance (De Spiegelaere, Van Gyes & Hootegeem, 2018). Many scholars have conducted a lot of studies regarding managers compensation and employee compensation based on performance. Some scholars have also carried a little research on the compensation of directors. Pay is important to employees and more often determines the relationship between an employee and employer (Gooderham et al., 2018). For this reason, it is used to leverage employee performance by linking pay to performance, thus making employees work towards achieving the target performance. The relationship between pay and performance continues to attract attention among researchers and scholars in an effort to dissect the correlation between employee pay and the level of performance. The concept of pay for performance in a majority of management literature review has been greatly influenced by the expectancy theory and principal-agent theory. The two theories underpin the rationale for some of the pay approaches advanced by different organizations towards achieving a highly-performing and motivated workforce. At first, PRP focused on individual performance and this encouraged individuality over teamwork. However, with the constant changes in technology and the interconnectedness of different activities within the workplace, a majority of organizations have turned to teams to deliver organizational goals (DeVaro & Heywood, 2017). The introduction of teams within organizations has led to the emergence of team-based reward system (De Spiegelaere et al., 2018) within the larger PRP schemes adopted by organizations.

2.1 Pay for Performance

Different scholars have defined pay for performance in different ways leaving no standardized definition. Nonetheless, pay for performance can be described as a tendency by organizations to link performance and pay and strengthen this link to create a lasting connection between what employees receive as pay as a compensation for their time and dedication in performing their duties (Cardinaleschi, Damiani, & Pompei, 2018). According to Chen (2018), pay for performance is based on the notion that employee behavior is greatly influenced by compensation which includes employment benefits commensurate with their performance.

The current trend of pay for performance-related pay has led to the unending desire of employers trying to create the best public image that draws potential employees closer to the company when they are guaranteed that every hard work and quality performance will never go unnoticed (Jacobsen & Jensen, 2017). The expectation of companies while engaging in well-thought of recruitment plan is to inspire and retain top talent. This is based on the expectancy theory which posits that employee behavior is shaped by their expectation of better rewards at the

end of work with additional benefits. This depends on both their seniority and expertise mirrored in past performance record and pay level at a given time (Jirjahn, 2016). According to this theory, there must be clear external incentives to influence the input of each employee in achieving a specific goal which cumulatively leads to the achievement of both long-term and short-term goals (Kampkotter, 2017).

Another central theory to the development of performance-related pay is the agency theory. The theory addresses the differences in the objectives or interests of principals and the agent. The use of incentives based on this theory may lead to a realignment of the goals and objectives of the agent to those of the principal, thus leading to the attainment of organizational goals which is critical in defining the existence of any organization both in the short-run and long-run (Patel et al., 2018). However, this theory ignores intrinsic motivation which is one of the greatest sources of motivation leading to sustained high performance (Jacobsen & Jensen, 2017). Intrinsic motivation is not dependent on external incentives. When a company heavily relies on external incentives to influence high performance in an organization, it risks losing high performing employees when these external motivational factors no longer appeal to employees (Lockey, Graham, & Zhou, 2017).

2.2 Performance-related Pay and Cultural Context

Culture plays a vital role in employee reward and performance management. Different

PRP schemes are implemented differently across countries (Chen, 2018). This is because culture plays a significant role in influencing employee perception about certain rewards advanced by the employer. Employees reception to certain PRP scheme is hugely influenced by their culture which can either support such schemes or perceive them as a tool for oppression and punishment (Markovitz & Ryan, 2017) should they fail to live up to the expectation of the employer. The implementation of PRP schemes in Saudi reflects the importation of western culture in the workplace. The success of these schemes heavily relies on the cultural practices by the Saudi based organizations which must infuse western culture in their workplaces to realize some of the benefits of these schemes as a way of influencing high-performance culture. It is impossible to assume that a particular PRP scheme will produce a comparable effect across counties with different cultural context (Hegewisch & Filella, 2017). Therefore, the implementation of PRP scheme should consider the cultural context to achieve a desirable outcome.

2.3 Saudi Arabian Context

Saudi Arabia is one of the Gulf states that has fully embraced internationalization of the global economy. Operating on an oil-based economy has exposed the country to different human resource and management practices such as the adoption and implementation of PRP schemes. The government allows 100 percent foreign ownership of multinational enterprises (Proeller et al., 2016) and this has led to foreign professionals replicating international human resource practices. One such practice which has gained significant recognition in Saudi Arabia is performance-based pay.

Pay for performance can lead to both positive and negative impacts. Employees who are highly rewarded for their exceptional work over a given period are likely to stick with the organization and happier with the employer (Markovitz & Ryan, 2017). Also, they are likely to develop a positive attitude towards their work when they get rewarded for every action that leads to the accomplishment of desired organizations goals (Ogbonnaya, Daniels, & Nielsen, 2017). Job satisfaction levels are likely to increase among these group of employees receiving the best employee benefits (Singh & Mishra, 201). An organization can benefit from PRP schemes by retaining top talent.

On the other hand, employees who are not rewarded by a PRP scheme are likely to be demotivated (Kampkotter, 2017). The workplace can become quite uncomfortable for such a group of employees not meeting target performance. Similarly, the employees not eligible for attractive rewards are likely to register low job satisfaction level (Lockey, Graham & Zhou, 2017). Their dissatisfaction which stems out of huge disparity in pay with their colleagues in the same organization likely make them feel, perhaps, they are in the wrong job or place. This can lead to a high turnover rate, especially when a huge number of employees do not qualify for employment rewards (Wenzel, Krause, & Vogel, 2017). Organizations experiencing high employee turnover are likely to experience an increase in the cost of human capital. This is because it is expensive to train employees who will soon leave the organization, making such employee training and development investment taking a big proportion of the company budget.

2.4 Performance Measures: Linking Productivity to Pay

Pay for performance originated from agency problem as a way of resolving principal-agent conflicting interests (Jacobsen & Jensen, 2017). When an organization or company succeeds, both the agent and principal benefits. The success of an organization depends on the input of employees and pay is believed to influence the behavior of employees, thus aligning their interests to those of the agent (Zhang et al., 2016). Both agent and principal are believed to be selfish when acting on their own will to serve personal interests which may not be beneficial to the other party. Employees on monthly wages are likely to pay less attention to their jobs because they are guaranteed compulsory pay at the end of the month based on their employment contract. At the same time, the employer may

make employees work for more hours a day without compensating them for overtime hours (Patel et al., 2018). Different PRP schemes have been developed to help both employers and employee enjoy a good working relationship that benefits all.

Bonus pay rewards quality production and punishes mediocrity (Singh & Mishra, 2016). It keeps employees aware of the expectation of the employer and capable of making performance-related decisions that will either make them qualify for the bonus or not. Similar to bonus, Profit-sharing PRP schemes focus on the overall organizational performance. Employees are guaranteed a share of the profit when the company surpasses a preset profit margin (Wenzel et al., 2017). Unlike other PRP schemes which reward individual performance, this scheme encourages employee collaboration across all levels, employees are motivated and aware of their inability to meet individual performance targets will cost other employees additional income. Conroy and Gupta (2016) argue that this scheme has promoted teamwork within organizations and encourage accountability among employees. When the profit-sharing scheme is based on shares, employees own the company. This makes them give their all in their daily duties having in mind that they will benefits through dividends when the company makes profits (De Spiegelaere et al., 2018). Employees understand that employer gifts deserve reciprocity and this motivates them to meet their individual performance goals anticipating similar treatment by the employer. However, when employees fail to qualify for these rewards, they develop a negative attitude towards work (Gooderham et al., 2018). They sometimes become withdrawn from the company.

A study by Allen (2017) established a strong link between pay for performance and employee attitudes. The study showed that when employees perceive high performance related pay, they developed positive work attitudes. This is similar to Kampkotter (2017) findings which established that employees work behavior under pay for performance changed significantly and were more focused on accomplishing individual performance goals. PRP schemes have been critical in aligning employee-organization service quality and values (Wenzel et al., 2017). Employee reward schemes focus on quality performance and this has pushed employees to give their level best in every task entrusted to qualify for any of the attached performance-related benefits. Other studies such as Ogbonnaya, Daniels, and Nielsen (2017) established a positive correlation between PRP and employee job satisfaction. Employees, especially those eligible for higher pay and other employment benefits demonstrate a high level of job satisfaction. This is similar to Kampkotter (2017) findings which established that top talented and high performing employees have no intent to leave. Therefore, organizations which implement best PRP schemes are likely to enjoy low turnover which in turn will lead to increase employee commitment and enhance service quality which is critical in retaining and attracting customers.

Performance-related pay systems have made workers to pay more attention to production as opposed to establishing a good relationship with others (Patel et al., 2018). As a result, it has created a culture of mistrust and promoted individuality in organizations (Markovitz & Ryan, 2017). In organizations where PRP systems are highly prioritized, there is a lack of collaboration among employees (Conroy & Gupta, 2016). Every employee will be focusing on achieving individual performance to attain individual performance goals which unlock different rewards and benefits at the end of a performance evaluation window.

5. DATA COLLECTION

5.1 Primary Data

As mentioned earlier, the primary data collection methods used in this current study were; Interviews and questionnaires. According to Thiertart et al. (2017) primary research methods are considered to be more dependable given they yield greater truth value, as the researcher assesses the information based on what they have observed. Primary research methods of data collection have their advantages and disadvantages and this study, some of the advantages experienced were;

- Ability to address the specific issues
- Control over the direction of the study
- Control of spending during the study
- Privacy, in terms of not being obligated to share the information with others

On the other hand, there were some issues experienced that contributed to the disadvantages of the primary research study

- Time consuming
- Not always having access to the respondents
- Unexpected expenses

During the primary research study, I intended to conduct 10 interviews on the managerial level respondents and 10 interviews on the non-managerial staff. However, due to time constraints, only 7 interviews were conducted on the supervisors; 4 from STC and 3 from SEC. On the other hand, collectively 131 respondents were able to participate in the questionnaires, where 300 questionnaires were sent to each firm, but 70 returned from STC and 61 from SEC.

5.1.2 Questionnaire

The use of questionnaires in this study proved to be convenient because it provided a holistic approach to the research with the involvement of all the respondents. The lack of moderation while taking the survey, provided the respondents with privacy and anonymity in the event that they wanted their private details maintained. The data collected was edited accordingly using the Statistical Package Science Solutions (SPSS). The approach was effective in the analysis and interpretation of descriptive statistics collected during the study.

5.2 Secondary Data

In this study, the Secondary data research was applied through conducting a critical analysis of the published literature. Published literature was significant in the study because it provided insight into the topic in question. The information collected during the previous studies provided the necessary guidance when conducting the current study. Additionally, the published studies were important in determining the relevant questions to be used in the survey and interviews. Secondary sources were effective in the study but Sanders et al. (2015) claims that although Secondary sources may seem to be relevant, they might not be appropriate for the primary research. However, in this study, the Secondary research study was relevant to the primary research given they both focused on the monetary motivation of employees based on merit.

Some of the benefits of Secondary research realized through this study were;

- Clarification of the research question
- No costs incurred in information acquisition
- Ease of access

However, some of the disadvantages experienced were:

- Some of the information was not timely or relevant to the research
- Some of the information found was incomplete

Motivation among the employees is a continuous research in the corporate environment given employers are always looking for ways to keep the employees motivated. The secondary data used in this study consisted of online data resources, published journals and other scholarly sources. The use of the combined methods; primary and secondary sources of data made it possible to strike a balance between the theoretical framework and practical research on the employees, in terms of the themes in question and the development of recommendations for future research.

6. FINDINGS AND DISCUSSIONS

The current study aimed to show the impact of PRP systems on the performance of employees in the Saudi's leading industries. In the primary study, the methods used were; questionnaires and interviews, data collected was then recorded for further analysis. In this section, I aim to provide a comprehensive analysis of the results collected from the primary research, and link the information to the main theories and concepts discussed earlier in the literature review section. The study examined the impact of performance-based pay among a group of employees from different firms, to examine how the system impacts the employees in different work environments. The general concept of how the PRP system affects the performance of the employees in the primary research is linked directly to the themes discussed in the literature review. It is evident from the results collected that the PRP serves as an effective employee controlling system but its impact on motivation was not undoubtedly clear due to various issues like lack of fairness and encouragement of teamwork.

6.1 Results and Discussions

The study conducted aimed to show how PRP affects the performance of the employees in the leading firms in Saudi Arabia. During the study, various areas were tested to determine, whether the staff understood what is expected of them in terms of performance and whether they were meeting the stipulated targets.

6.2 Awareness of Standard of Performance

The study aimed to find out if the participants were aware of their standards of performance and according to the study, 82% of the respondents from STC and 78% from SEC claimed they were satisfied. On the other hand, 12% from STC and 15% from SEC, were not aware of their performance standards and the remaining 6% and 7% from SEC were not sure of their performance standards.

When the respondents were asked whether they were motivated by the performance-based pay 75% from STC and 78% from SEC, rated the system as very satisfactory, 15% STC; 19% SEC, were not sure whether the system was effective and 10% STC; 3% SEC, gave an affirmative not satisfied, as they claimed the system only favors some people while others are not taken into consideration.

6.4 Impact of PRP on teamwork

When the participants were asked whether, PRP improved teamwork, 58% STC; 50% SEC, said yes, they felt

more motivated to work together as teams, 25%STC; 30% were not sure, and 17% STC; 20% SEC, claimed it only increased competition among employees which was not good for team work.

70% of the total participants opted for the individual PRP system rather than the group system, 15% opted for the group-based system, while 15% were not sure, which system would work better for them or the company

6.5 Impact of PRP on Management

80% of the supervisors, supported the use of the PRP system in motivating the employees, and improving their performance, while 20% believed other options would work better than the PRP system. 80% of the supervisors claimed to be motivated by the implementation of the system.

6.6 Impact of PRP on Employee turnover rate

According to the supervisors interviewed, the rate of employee turnover has had no significant change, before the introduction of PRP and after its implementation in the organizations.

However, supervisors in both firms agreed that the rate of absenteeism has significantly reduced after the introduction of the system, only 4% were not sure whether the system has changed the rate of absenteeism.

Hypothesis 1: PRP is positively correlated to improved employee performance

Hypothesis 2: there is a significant change in the organization after the introduction of PRP in the organization.

7. DISCUSSION

There are various forms of related monetary awards in the organization, but this study focused on the payment of employees based on their performances. The effectiveness of the system includes motivation and fairness experienced by the employees and the ability to meet the set objectives. The employees are expected to perform according to the standards set by the organization while, at the same time, stay motivated to increase job satisfaction. These PRP success factors were measured against the empirical data collected during the study.

In the issue of awareness of the performance standards, most of the respondents were aware of their expected efficiency in the workplace, while the rest were not sure, and others were completely unaware of their expected performances. Although the study does not measure the correlation between awareness and impact of PRP on the organization, knowledge of the standards of the organization and what is expected of them is clear communication of the objectives to the employees. During the interviews conducted on the employees, when asked whether they were aware of the performance standards expected of them, one of the respondents said that,

“I am aware of the goals of the company and the results they expect from me, so as long as the company is making profit, then I am meeting the goals.”

In this situation, the employee-related the goals of the organization to what is expected of him rather than how the employers expect him to conduct his duties. The information communicated to the employees sets the foundation for the employees to start working on their performance. According to Buckingham and Goodhall (2015), performance management is a significant aspect of every organization, and employee engagement drives high performance. Hence, the awareness of the performance standards can translate to the success or achievements of the two organizations. Additionally, the success of PRP is highly dependent on the ability of the employees to realize what is expected of them and how to achieve these goals (Emerton & Jones, 2018).

Awareness of the employees on their expected performance goals is in line with the data collected on staff and motivation. Most of the employees claimed to be motivated by the PRP system, and they considered it to be fair. The system worked favorably for the 70% who claimed they preferred the individual based system to the group system because they were motivated by it. The data collected suggests that the PRP system achieves its goal of driving the staff, even though 15% were not happy with the system and claimed it was a medium of extending favoritism to some of the employees. However, the participants failed to provide other alternatives for a system that will reward their performances fairly. When the participants were questioned on whether they had other options that could lead to better results in their performances, 90% of them gave an affirmative No, while the 10% were undecided. According to Parker et al. (2018), based on stress appraisal and self-determination theories, performance-based pay systems works favorably for individuals because they tend to feel less strained and more prosocial, leading to autonomous motivations. In other words, the recognition of individual effort is essential in encouraging the employees to improve their performance.

Additionally, the employees held the opinion that their talents were appreciated at the organization, which is motivational to staff. Despite the positive reception of individual PRP systems, there was a dissatisfaction level of 15%, and an additional 15% were not sure of their preferences. The dissatisfaction level is quite high and provides a reason for further research in the organizations on the levels of dissatisfaction. However, a majority of the employees in both organizations offered positive feedback on the application of the system and its impact on their motivation. Chen (2018), as previously discussed in the literature review, claims that employee behavior is greatly influenced by compensation, which is evident in this study, that the majority of the participants were motivated that their contributions were taken into consideration.

On the impact of PRP on teamwork, most of the participants were not in favor of the system when it came to teams. Most of the employees from both companies expressed dissatisfaction with the use of PRP on teams. One of the respondents stated, “there is no fair recognition of effort in teamwork, so the system is not effective.” The dissatisfaction of the system when it comes to teamwork is based on the lack of recognition of individual effort. Even employees who put in minimum effort in the completion of the tasks get compensated for the work of others. On the other hand, the competition for performance recognition might prevent the employees from working together as a unit. Additionally, another interviewer stated,

“the is a problem with the PRP system as there is not enough room for every good employee.”

The use of sales quotas can be an effective method of measuring the employees’ performance, where individual goals are measured in terms of quotas, and feedback from customers. In their study, Fay et al. (2014) examine the importance of teamwork and how to use merit-based pay to improve the effectiveness of teamwork in the organization. From the data collected, it is evident that the employees are more motivated by the individual PRP system more than the group system. Managers prefer individual merit-based pay because it is an opportunity to discover talent and recruit talent as well, as claimed by Jacob and Jensen (2017). Additionally, the results of the study support the expectancy theory reviewed by Jirjhan (2016) on employee behavior being shaped by the expectation of better rewards at the end of their work. Expectancy theory states that the external incentives should be communicated to the employees so it can influence their input of achieving specific goals.

The corporate performance of the organizations before the introduction of the PRP systems showed that there were some changes in their performances. Some of the supervisors credited the success to the PRP systems because they can retain talent and motivate the employees. It is not possible to prove that the PRP systems influenced the changes in the organization because other changes occurred between the stipulated periods. These organizational changes could have affected the performance of the employees. Factors in the external environment that could have improved the general performance were not explored in this study either. Hence, the improved performance in the organizations cannot be attributed to the PRP system, even though most of the employees in both organizations approved of the system.

The supervisors who participated in the study appeared to share the same opinions regarding the application of the system in the organization. 80% of the questioned supervisors claimed they realized better results in terms of cooperation from the employees as they were more willing to achieve their obligations.

The results from the study additionally support the agency theory discussed by Patel et al. (2018). As reviewed in the literature review, the agency theory looks at the differences in the objectives or interests of principals and the agent. The application of the incentives, which in this case is the use of the PRP, leads to the realignment of the goals and objectives of the agent and those of the principal. The alignment of the goals ultimately leads to the achievement of the organizational goals (Proeller et al., 2016). The supervisors are in support of the system because the employees and employers share common goals. Hence it is easier for the employees to meet the set goals. Although the achievement of the organizational goals is guaranteed in this situation, the essential factor of motivation is ignored, which is the ultimate goal of PBP.

Intrinsic motivation is a significant factor in the success of the organization, where external incentives are not relied on to motivate the employees. The motivation of the employees highly relies on the internal factors because the organization will be at risk of losing great talent if the external factors are no longer motivational (Lockey, Graham & Zhous, 2017). The use of PRP in this study acts as intrinsic motivation where the employees are supposed to be influenced by compensation based on merit. Compensation is an essential intrinsic motivation, but when it is based on merit or talent, it communicates appreciation to the employees. In the use of the system, the employees are aware that their efforts are not in vain, and the recognition motivates them to meet their objectives. If the system no longer drives the employees, various adjustments can be made, like increasing the compensation, or rewarding merit using other means.

The main issue communicated by the participants regarding the use of the system is favoritism. One of the respondents complained that,

“some employees are favored so they are easily awarded PRP, compared to others,” while one of the supervisors claimed, “The issue with the system is that it's not easy for me to give a bad rating to some I've known for a long time”

Participants who showed disapproval of the system were approximately 20%, and they blamed favoritism in the application of the system in organizations. Some of the participants complained that their efforts were not recognized despite meeting the set goals and meeting the performance standards. PRP system, if applied unfairly, could demoralize the employees instead of motivating them. Hence the measurement of the standards of performance should be reliable. Supervisors or the managers should not be the only ones doing the evaluations as there are automated systems where data can be collected, and the employees can be given the correct ratings. If some of the employees feel disgruntled, it is the mandate of the management to implement changes or other motivation techniques that will encourage all employees to improve their performance. Krampkotter (2017) addressed the issue of employee dissatisfaction in the PRP system in his study. Krampkotter claims that discontent

among the employees can be caused by the disparities in the payment of the employees. Given that not all employees will meet their set targets, not all will be rewarded, and the workplace becomes an uncomfortable environment. If the employees fail to qualify for the compensation rewards, they tend to feel out of place and in some cases leads to high turnover rates.

Organizations can approach the issue by trying to link performance to pay by reflecting on employee input. The success of the organization depends on the employee input, and the reward system influences their attitudes and behaviors. In this study, there appears to be a gap between understanding the performance standards of the organizations and meeting the set objectives. Although the employees might be motivated, it might be challenging to achieve their goals because they lack understanding of what is expected of them in the organizations. Therefore, based on the results collected, PRP comes across as an excellent controlling system, but it is not abundantly clear whether it has a positive impact on the performance due to related issues like lack of fairness, discouraging teamwork and lack of clarity on expectations of employees.

8. STUDY LIMITATIONS

When conducting the study, some of the limitations experienced were;

Although 300 questionnaires were deployed in each organization, less than half were returned from both institutions. One firm returned 71 questionnaires while the other one returned 69 questionnaires. The aim of deploying many questionnaires was to reduce chances of bias during the study.

Additionally, due to time limitations, the interviews conducted were less than initially intended, the study was also unable to gain data from managers or top executives in the organization.

9. CONCLUSION

In general, PRP systems are praised for helping organizations improve production and employee performance. However, these systems have shown weakness in rewarding senior and more experienced workers (Ogbonnaya et al., 2017). There have been various studies that have linked PRP to improved employee performance. The results collected in the study, showed that although most of the respondents viewed the system as motivational, it serves better as an employee control system. The respondents reported various anomalies in the application of the system; unfairness, lack of teamwork and lack of clear communication of the expectations of the companies. Another way to stir motivation in the workplace and ensure fairness in employee reward, is by using job design. Rather than focusing on production while compromising quality associated with a majority of PRP designs, job designs stir intrinsic motivation as well as influences external motivation triggered by other employee benefits and rewards (Castanheira, 2016). Job design outline task to be completed defines how it will be completed and assign responsibility to different employees based on their skillsets and talent. It allows employees to perform duties they are familiar with and learn new work processes and methods which enriches their skills and lead to a high level of job satisfaction (Llopis & Foss, 2016). Job design is sustainable and rewards outstanding performance and recognizes the efforts of all employees both junior and highly skilled in the organization.

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