



TAMPERE UNIVERSITY OF TECHNOLOGY

THE EFFECTS OF INCENTIVES ON PERFORMANCE AND JOB SATISFACTION

Literature review and interview research

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ABSTRACT

The aim of this study is to research how different incentives affect performance and job satisfaction. In the study, the effects of recognition, participation, feedback, monetary incentives, non-monetary tangible incentives and benefits on performance and job satisfaction are researched. It is posited that different incentives have different effects on performance and job satisfaction.

Incentives effect on performance and job satisfaction are researched trough critical literature review and interview research.

On the basis of the literature review and the interview research, it seems that all the incentives types are important but they have different meanings for employees. Indeed it seems that there are two different aspects in rewarding. These two aspects are effectiveness and humanity. Effectiveness-aspect means that employees feel that they are justified to get monetary incentives because they have put extra effort on work. For the humanity-aspect it is important that employees feel that employer is interested in employees, their work and well-being. The rewarding of the humanity aspect is more important in generating job satisfaction whereas the rewarding of the effectiveness-aspect affects performance. Different incentives affects different aspects in a different way. Hence different incentives have different effects on performance and job satisfaction, like it was posited. However, it is important to notice that these aspects complement each other. Hence we can talk about comprehensive rewarding.

Keywords: incentives, performance, job satisfaction

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1. INTRODUCTION

Nowadays many companies use some kind of incentive system to motivate and reward their employees. In the last two decades, incentives have become more popular and companies use lots of money in their incentive systems. A study, for example, which researched how incentives and rewarding have develop in Finland in last decade reported that almost 65 per cent of companies have introduced a new rewarding system during last three years and 50 per cent have planned to adopt an incentive system during the next three years (Salimäki, Sweins, Heiskanen & Laamanen 2009, p.6). Usually companies considered incentives important in motivating employees and making employer more attractive among possible future employees.

This study is made for Empower Incorporation. The company's idea was to become the most wanted employer among employees. Hence the aim of this study is to research how different incentives affect performance and job satisfaction. In the study, the effects of recognition, participation, feedback, monetary incentives, non-monetary tangible incentives and benefits on performance and job satisfaction are researched. It is posited that different incentives have different effects on performance and job satisfaction. Hence the main idea is to find balance between incentives which generate job satisfaction and which improve performance. In the study above mentioned incentives effects on job satisfaction and performance are researched through critical literature review. Incentives effects on job satisfaction have also researched through interview research. This study is part of the bigger research project which researches resource optimization in a new networked Smart Grid business environment.

At the beginning of the second chapter, researched rewarding types are introduced. In addition the most salient motivation theories are also introduced in the second chapter. Understanding motivation theories is important in understanding the effects of different incentives on performance and job satisfaction because motivation theories are the base of rewarding. Researched incentives effects on performance are also discussed in the second chapter. In the third chapter, it is discussed how researched incentives affect employees' job satisfaction. Interview research and the results of the interview research are discussed in the chapter four. Recommendations based on the study's results are introduced in chapter five. Finally, in the last chapter the most important results are summarized. Also the limitations of the study and future research possibilities are considered in the last chapter.

2. INCENTIVES AND PERFORMANCE

Typically different types of incentives are categorized into two groups. These groups are financial and non-financial incentives. In figure 1 these two different groups have been introduced. Figure 1 also introduces typical types of rewarding in Finland from both financial and non-financial group. Financial incentives are in upper of the picture and non-financial incentives in turn in lower of the picture.



Figure 1. Typical types of rewarding in Finland (Modified from Vartiainen et al. 1998)

Financial incentives include base pay, profit sharing, gain sharing, benefits, initiative rewards and special rewards. Except for benefits and special rewards financial incentives are typically paid as money. However benefits and special rewards are part of financial incentives because recipients benefit from them economically.

A base pay is the pay employee typically gets from the job. It is a task specific minimum pay. In Finland base pay is often determined by collective labour agreement. A base pay is not in a very important role when talking about motivating employees because all employees working in the same task get the same base pay regardless of performance. That is why a base pay has not been enlarged any further. It is however important to notice that base pay is more important as a motivator at a lower organization-

al level than upper level because at lower level a base pay is smaller and it is important in fulfilling one's physiological needs (Stjkovic & Luthans 2001, p. 581).

Profit sharing means that employees are paid a proportion of the organization's pre-tax profits. In Finland the central organizations of parties in the labour market (työmarkkinakeskusjärjestöt) have given a special definition for profit sharing. According to definition we can talk about profit sharing compensation when the interdependence between profit sharing and organization's profit is over 50 per cent. (Elinkeinoelämän keskusliitto 2005, p. 27) This means that organization can pay profit sharing compensation based on only organization's profit or based on organization's profit and some other measures, for example customer satisfaction. However, organization's profit has to be in the biggest role in determining whether profit sharing compensation is paid for organization's employees or not.

The Finnish central organizations of parties in the labour market have also given a definition for gain sharing. According to this definition in gain sharing determinants for compensation can include different goals or their combinations, such as economic key ratios, customer satisfaction and some specific development targets. Also organization's profit can be one of the determinants for gain sharing but profit's proportion of total determinant has to be less than 50 per cent. (Elinkeinoelämän keskusliitto 2005, p. 27) Gain sharing creates a stronger link between pay and performance than profit sharing because bonus payments in gain sharing systems are based on specific criteria of documented improvements within specific group (Hanlon & Taylor 1994, s. 88).

Company car, company flat, life insurance, private medical care and annual holiday entitlement are examples of different benefits. Also flexible working hours and exercise possibilities are examples of different benefits. Nowadays it is talked a lot of about flexible benefits. In flexible or cafeteria benefit systems employer offers different kinds of benefits and employees can choose their own benefits packets among benefits that had been offered by employer (Tremblay, Sire & Pelchat 1998, p. 671).

Initial rewards refer to rewards giving employees' for useful initiatives. The main goal of initial rewards is to encourage employees to develop work and their working place. Special rewards are non-monetary tangible rewards. Special rewards can be almost everything. For example trips, tickets to sport event or golf club membership offered by employer can be special rewards. Special rewards can be delivered unexpected without any bonus plan or there can be bonus plan according to which rewards are distributed. (Jeffrey & Shaffer 2007)

Non-financial incentives include feedback, recognition, possibilities to participation, the work itself and permanence of the employment. Feedback has been defined actions taken by an external agent in order to provide information regarding some aspects of one's task performance (Kluger & DeNisi 1996, p. 255). One of the advantages of feedback

is that according to definition it besides motivating also provides important knowledge of employee's performance for employee itself. Recognition can for example be verbal confession from the work that has been done well or the employee of the month prize. Participation means that employees' are able to take part and influence organization's operations and contents of their own work (Brown 1996; Fernie & Metcalf 1995, p. 382). For example employees' possibilities to choose working order or their own working times are examples of participation. Also the work itself can be seen as reward if work is interesting and challenging. Permanence of the employment is important because in a permanent job employee can plan more his or her future. Because of that the permanence of employment can be seen as reward.

In next chapters is discussed how financial and non-financial incentives affect performance based on earlier studies. It has not been considered all mentioned types of rewarding. Only the most salient and most studied incentives are discussed because of limited space. Incentives discussed are feedback, participation, recognition, monetary incentives, non-monetary tangible incentives and benefits. Before moving on incentives effects on performance, it is discussed different motivation theories.

2.1. Motivation theories as base of rewarding

Motivation consists of factors within the individual that impel individual action (Locke 2004). Usually, motivation is categorized into intrinsic and extrinsic motivation. Frey (1997, p. 430) defines extrinsic motivation as motivation which derives from preferences activated from outside the person. These preferences can be for example money or different kind of gifts. In turn intrinsic motivation derives from the person's innate needs. Both Deci and Ryan (1985, p. 30, according to Rynes et al. 2005) and Sprinkle (2000, p. 301) defines intrinsic motivation as individual's sense of being competence and meaningful. Besides according to Deci and Ryan (1985, p. 30, according to Rynes et al. 2005) also individual's self-determination is an important aspect of an intrinsic motivation. According to Frey (1997, p. 429) when individual is intrinsically motivated he or she is working for the value of work. Because extrinsically motivated person work for extrinsic reasons instead of intrinsic he or she would be motivated just as long as extrinsic rewards keep coming (Cameron, Banko & Pierce 2001, p. 1). According to Sprinkle (2000, p. 301) another advantage of intrinsic motivation is that intrinsically motivated people are more creative and flexible decisions makers. Besides according to Frey (1997) intrinsically motivated people are usually more content and they have better mental and physical health than solely extrinsically motivated people. Intrinsically motivated people are also more enthusiastic for learning and have more curiosity towards work (Frey 1997).

In this chapter seven most salient motivation theories is introduced. These theories are Maslow's hierarchy of need theory, Herzberg's motivation-hygiene theory, Deci and

Ryan's cognitive evaluation theory, Latham and Locke's goal-directed theory, expectancy theory, agency theory and Bandura's self-efficacy theory.

Maslow's hierarchy of needs consist on five basic needs — physiological needs (e.g. food, water, sleep, warmth), safety needs (e.g. security, protection), social needs (e.g. sense of belonging to group, love), esteem needs (e.g. recognition, status) and self-actualization needs (e.g. self development, realization). According to Maslow the need which is deprived act as a primary motivator but lower level needs have to be satiated before individual can move to satisfy next level needs. (Maslow 1943) This mean for example that individual who is starving does not motivate about possibilities to gain status which belong in upper esteem needs. Maslow hypothesized that lower level needs (i.e. physiological and safety needs) can be satiated by money. Instead higher-order needs are more likely to be satiated by meaningful and interesting work than monetary rewards. (Maslow 1943) This would mean that individuals who are at lower levels of Maslow's hierarchy of needs can be motivated through extrinsic rewards but in upper level intrinsic motivation and intrinsic motivators are more important.

In Herzberg's motivation-hygiene theory Herzberg categorized factors into two groups, factors that contribute satisfaction and factors that contribute dissatisfaction at work. Factors that contribute satisfaction are called motivation factors and factors that contribute dissatisfaction are hygiene factors. According to Herzberg factors that lead to job dissatisfaction are different than factors that lead job satisfaction. Because of that, it follows that these two feelings are not opposites for each other. In other words hygiene factors cannot distribute job satisfaction and motivation factors cannot lead to job dissatisfaction. Hygiene factors include supervision, interpersonal relationship, salary and status. Motivation factors consist of achievement, recognition, the work itself, responsibility and growth. (Herzberg 1968, p. 54–63) According to theory motivation factors are a source of motivation. Besides, theory hypothesis that individual cannot be motivated through hygiene factors for example salary. Usually Herzberg's hygiene factors are seen as extrinsic motivation factors. However Herzberg's theory hypothesis hygiene factors cannot motivate individuals. Because of that there is no such a thing as extrinsic motivation according to Herzberg. Indeed Herzberg (1968, P. 56–57) has stated that reward provider is motivated to get a reward target to do something but the target itself is not, even though he or she would do the task.

The third motivation theory which challenges the role of money in motivating, like Maslow's hierarchy of needs and Herzberg's motivation-hygiene theory, is Deci and Ryan's cognitive evaluation theory (CET). According to theory individual's basic needs are the psychological needs for autonomy and competence. These needs are also a source of intrinsic motivation. The effect of reward on motivation depends on how it affects perceived self-determination and autonomy. According to basic hypothesis of theory extrinsic rewards like money can decrease intrinsic motivation if rewards are

perceived as controlling. In this case extrinsic incentives work against the potential effect of rewards. (Deci, Koestner & Ryan 1999, p. 628)

The basic idea of Locke and Latham's goal-setting theory is that personal goals are the primary determinant of effort. Besides theory suggest that specific and challenging goals lead to greater effort than easy goals or no goals at all. According to theory, expectancies, for example different kind of rewards, can affect personal goals. There are three different ways in which incentives can affect individual's personal goals. Incentives may generate goals that individual would not set without incentives. Incentives may also cause people to set more challenging goals which in turn led to greater effort. Finally, incentives can cause higher goal commitment. However expectancies and assigned personal goals have different effects on performance. Assigned personal goals have greater effect than do expectancies alone. (Locke & Latham 1990, according to Bonner & Sprinkle 2002, p. 308–309)

The fifth motivation theory is expectancy theory. Theory hypothesis that people act in ways that maximize expected satisfaction with outcomes. The expectancy theory takes account that different people value different things. People are likely indeed to act in ways which lead to rewards they value. According to theory motivation is the function of two factors: the expected relationship between effort and outcome (i.e. effort-outcome expectancy) and the attractiveness of reward. (Vroom 1964, according to Bonner & Sprinkle 2002, p.307) Indeed expectancy theory hypothesis that people are more motivated when there is clear interdependence between performance and reward.

Agency theory hypothesis people are utility maximizers. According to agency theory individual motivation is solely dependent on self-interest, which is in turn the function of wealth and leisure. Therefore agency theory posits that people will exert effort only on tasks which increases somehow their own economic well-being. (e.g. Eisenhardt 1989)

According to Bandura's self-efficacy (or social-cognitive) theory the important determinant of effort is individual's belief about his or her ability to perform a specific task. An individual estimate whether he or she can execute a given task at a specific level of performance. Self-efficacy is a variable which affect effort. Theory also suggests that self-efficacy has indirect effects on effort through goal setting and goal commitment. (Bandura & Adams 1977) Figure 2 combines introduced motivation theories in the same picture. Besides it also illustrates the effect of incentives on effort and performance through different motivation theories and different variables.

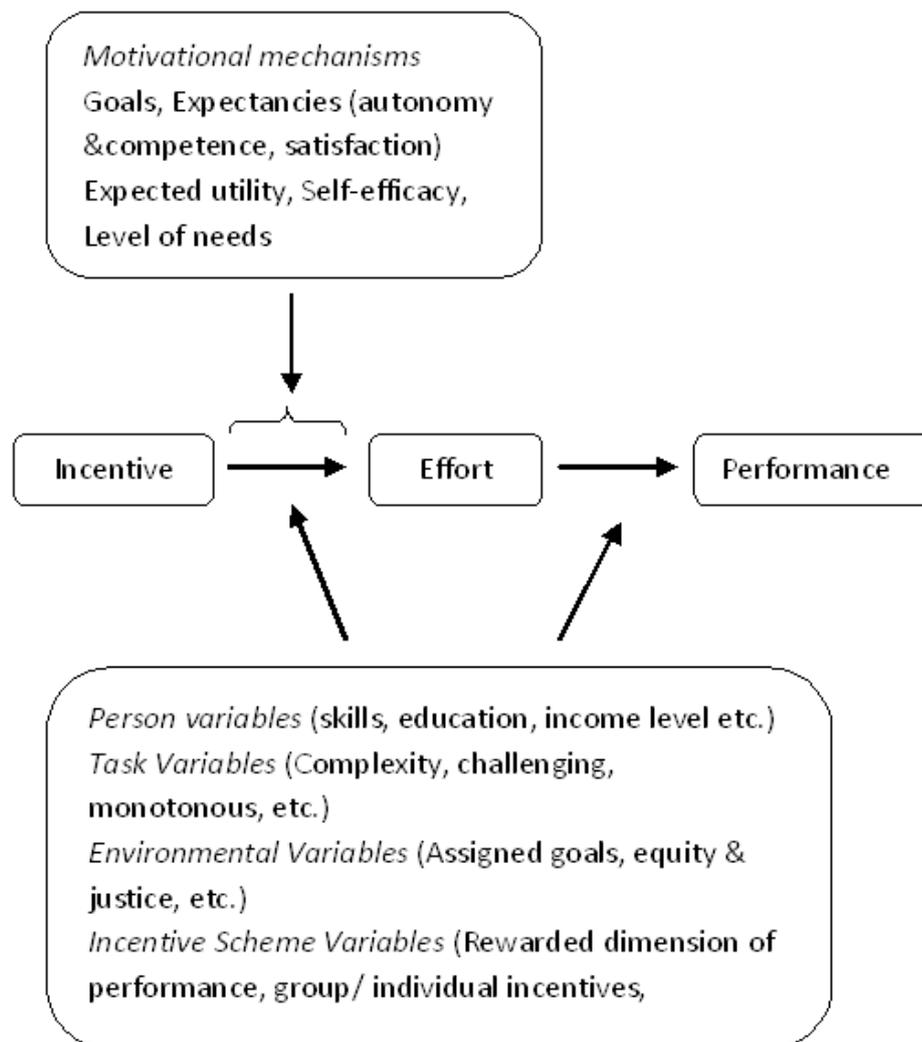


Figure 2. Effect of incentives on effort and task performance (Modified from Bonner & Sprinkle 2002)

According to Locke effort consist of three aspects; direction, intensity and duration. Direction refers to individuals' choice of the target of the action. Intensity in turn means the amount of effort that individual put in the specific task. Duration is defined as the continuance of action. (Locke 2004, p. 709)

Figure 2 is discussed more deeply in the following chapters. In next chapters is considered how different incentives affect effort and performance through above introduced seven motivation theories. Besides it is also discussed how different variables, such as person and task variables, can affect incentives' effect. Chapters are organized by different incentives, first are discussed non-financial incentives and after that financial incentives. However in every incentive's case has to note that task complexity and person's skills are important variables in determining if improved effort can lead to improved performance. If incentives improve effort but individual do not have skills,

which is needed to accomplish the task, improved effort cannot generate better performance. In this situation performance remains at the same level as without incentives. This applies in every incentive's case. Also individual's educational background and experience have effect on introduced situation. For example Camerer and Hogarth (1999, p. 9–23) reported that incentives do not have effect when a task is hard and individual's skills and task demands do not match. Furthermore they (1999, p. 21–22) found that in these cases incentives can even hurt performance. This can be because of individual's frustration. Individual know that he or she would get reward if he or she accomplished the task but is not able to do it. Also Awastki and Pratt (1990, p. 799) noticed in their study that monetary incentives can generate higher levels of effort without improving performance if individual do not have requisite skills. According to Awastki and Pratt (1990, p. 804–808) this applies in decision making tasks. However Camerer and Hogarth's (1999, p. 21) findings do not support this. Instead they find that incentives improved performance especially in decision making tasks. (Camerer & Hogarth 1999, p. 21).

2.2. Non-financial incentives

2.2.1. Feedback

Feedback is an efficient and quick way to motivate employees because feedback is given in the working situation (Stakovic & Luthans 2001, p. 583). Feedback has also indirect effect on motivation. Feedback gives important information to employee how he or she is performing which in turn helps employee to set goals and attain goals that are set earlier. (Kluger & DeNisi 1996, p. 255) Because of that, feedback is in an important role also when there are some other rewards (Rynes, Gerhart & Parks 2005, p. 573; Cameron & Hogarth 1999, p. 33).

According to most studies researching feedback and performance, feedback has positive effect on performance (Deci et al. 1999, p. 638–639; Kluger & DeNisi 1996, p. 254–355; Cameron et al. 2001, p. 15–22; Rynes, Gerhart & Parks 2005, p. 579). In their empirical study Stajkovic and Luthans (2001, p. 586–587) found that feedback increased performance 20 per cent. Moreover Deci et al. (1999, p. 638–639) found that feedback affect specifically intrinsic motivation. Increased intrinsic motivation in turn led to improved performance. When Rynes et al. (2005, p. 579) combined earlier studies of feedback they noticed that overall positive effect of feedback on performance is quite modest. Besides Kluger and DeNisi (1996, p. 254–255) found that feedback has quite variable effect on performance although on average feedback have positive effect. Sometimes feedback can improve performance, sometimes decrease and sometimes there is no effect. For example in the study of Kluger and DeNisi (1996), feedback improved performance on average but in one third of cases performance decreases after feedback. Stajkovic and Luthans (2001, p. 587) indeed assume that the key variation in motivating effect of feedback is task complexity.

Stajkovic and Luthans (2001, p. 587) found that feedback is not an effective motivator when the task is simple and well defined. Instead in complex setting feedback is likely to be the strongest motivator. (Stajkovic & Luthans 2001, p. 587–588) Also Kluger and DeNisi (1996, p. 275) found that in mental tasks feedback improved performance more than in physical tasks. Besides they found that negative feedback improved performance more than positive feedback. In fact when feedback signal was positive performance decreased or maintained. According to authors people work harder when they are not performing up expectations. (Kluger & DeNisi 1996, p. 260–263) The results partly supplement each other. It is quite logical that in complex settings people can easily underperform which lead to negative feedback. Negative feedback in turn improves performance because typically negative feedback causes people to strive to attain the goal. Also the goal-setting theory supports results. In complex setting feedback can clarify the goal which in turn increases effort. Also Kluger and DeNisi's (1996, p. 275) research supports this idea. They found that feedback which includes some solution improved performance more than feedback without solutions.

The negative feedback and improved performance is inconsistency with Bandura's self-efficacy theory. Negative feedback can lower self-esteem which in turn can decrease effort and performance. However in complex settings especially positive feedback can increase self-esteem which led to improved performance. This was also found by Deci et al. (1999, p. 638–639). The self-esteem theory can also explain Stajkovic and Luthans' results about complex setting and feedback's positive effect on performance. In fact also Kluger and Denisi (1996, p. 269, 275) found that negative feedback can has negative effects on performance if individual does not believe that he or she are able to manage the task (i.e. have low self-esteem). In low self-esteem situations, negative feedback easily turns employee's attention from task to the self. In every situation where feedback focuses on the worker self instead of the task, has feedback negative effect on performance. Feedback that includes comparison with others moves easily employee's attention from task to self. Also verbal feedback moves attention from task to self more easily than written feedback because the feedback provider is in the salient role. Unexpectedly also praise turns attention to the worker itself. In all of these situations feedback's effect on performance is attenuated because of moved attention. (Kluger & DeNisi 1996, p. 269–275)

2.2.2. Participation

Employees' possibility to participation is the source of intrinsic motivation (Herzberg 1968, p. 57; Fernie & Metcalf 1995; p. 382; Brown 1996, p. 235–237). According to Brown (1996, p. 235–237) participation is a key to activate employee motivation. Participation engages employee in work and makes work more meaningful which in turn increases intrinsic motivation. Four of the six above demonstrated motivation theories support participation's positive effect on performance. According to Maslow's hierarchy of needs participation can fulfill peoples' social and self-actualization needs. In

Herzberg's motivation hygiene theory participation is a motivation factor which increases motivation and job satisfaction. Cognitive evaluation theory hypothesis individual's basic needs are autonomy and competence. Participation gives employees' possibility to influence on their work. In that way, participation can fulfill individual's need for autonomy and motivate employees. In their empirical study Fernie and Metcalf (1995, p. 383) also found that participation great better understanding about organization's goals. According to goal-setting theory the clarity of goals can also improve employees' performance.

Although participation has been considered the source of intrinsic motivation and some of the motivation theories support participation's motivating effect several studies have been found out that generally participation has modest positive effect on performance. Locke, Feren, McCaleb and Shawn (1980) researched how monetary incentives, participation and job enrichment affect performance. In their study, they found that participation has the most minor effect on performance. Participation improved performance less than one per cent. (Locke et al. 1980) Also Brown (1996, p. 243–244) found that generally correlation between participation and performance is positive but weak. Cotton, Vollrath and Froggatt (1988, 12–13) found that employees' possibility to influence on decision focusing on the employees' work or job issues has positive effect on performance. However, they did not report how strong correlation between participation and performance was. Besides participation's positive effect on performance, they also found that short time participation has no effect on performance and that the improvement of the performance is dependent on the amount of the influence. The more influence employees had the more performance improved. (Cotton et al. 1988, p. 12–14)

Although participation's direct effects on performance have reported to be modest there is possibility that participation has some indirect effects on performance. For example Fernie and Metcalf (1995, p. 381–383) found that possibility to participation increases employees' commitment to organization and organization's goals. One reason for employees' increased commitment can be that employees feel they are important when they have access to management info and influence on decision making. Also Brown (1996, p. 239–244) found that participation has strong positive correlation with commitment. Brown also reported that participation has negative correlation with turnover. More involvement employees want to stay in organization. (Brown 1996, p. 239–244) The participation's commitment aspect can be one reason why Cotton et al. found no effect with short term participation and performance. Maybe participation's effects on performance come out only in long run. This hypothesis also partly impugns the results of other studies which reported participation to have only modest effect on performance. Like in the case of feedback it is important to notice that participation is also important when implementing other incentive plans. Especially in monetary incentive's case participation has positive effect on incentives satisfaction. (Brown 1996, p. 247)

2.2.3. Recognition

Like participation also recognition is a source of intrinsic motivation (Herzberg 1968, p. 57; Maslow 1947; Deci et al. 1996). In their field study Stajkovic and Luthans (2001 p. 582) defined recognition as personal attention which express interest, approval and appreciation. They also stated that usually social recognition is delivered verbally and it requires interpersonal skills of managers. (Stakovic & Luthans 2001, p. 582) In their empirical study they found that verbally conveyed social recognition improved employees' performance 24 per cent (Stakovic & Luthans 2001, p. 586–587). There have not been many other studies about the effects of recognition on performance. However considering motivation theories four of them support the motivating effect of recognition. Both Maslow and Herzberg see recognition as a motivation factor. In Maslow's hierarchy of needs recognition satisfies individual's need for esteem (Maslow 1943). According to self-efficacy theory individual's belief about her or his ability to perform the task is an important determinant of effort. Recognition can improve self-esteem which in turn can lead higher effort and increase performance. Cognitive evaluation theory emphasizes the importance of need for competence as a source of intrinsic motivation. It is logical that recognition can fulfill the individual's need for competence and increase motivation.

There have been some studies which have identified different variables considering recognition's motivating effect. Middle managers usually find recognition important. Also for blue-collar men recognition is important. However, usually among blue-collar worker recognition can be seen as possible career opportunities in the future. (Tsutsumi & Kwakami 2004, p. 2351) Also Stjkovic and Luthans (2001, p. 582, 587) found that in low income jobs social recognition can be seen as a promise to the future outcome usually monetary. Stjkovic and Luthans (2001, p. 581) also found that recognition is more important in higher income than lower income because a person with higher incomes is likely to have been fulfilled her or his physiological needs. Also Maslow's hierarchy of needs supports this idea.

It has been also considered that the motivating effect of money can be based on social recognition. According to some studies, money can be seen as a symbol of achievements (Frey 1997, p. 430; Deci et al. 1999, p. 628; Rynes, Gerhart & Minette 2004, p. 385). Rynes et al. (2004, p. 385) even profess that money itself is not a good motivator but the symbolic value of money is an only important factor that can cause motivation.

2.3. Financial incentives

2.3.1. Monetary incentives

In this review monetary incentive refers to incentives which are paid as money. Most commonly used types of monetary incentives are gain sharing and profit sharing.

Among different incentives monetary incentives are the most researched and several studies have researched how monetary incentives affect motivation and performance. Many of the researchers have found positive correlation between monetary incentives and performance. Stajkovic and Luthans (2001, p. 585–587) conducted an empirical study in two facilities which conducted the same tasks and located several miles apart from each other. According to study monetary incentives improved performance over 30 per cent compared with those who did not get incentives. Also other researchers have conducted similar empirical studies and found that performance increase in groups with monetary bonus systems whereas in control groups performance usually stays at the same level (Pelty, Singleton & Connell 1992, p. 430; Hanlon & Taylor 1994, p. 97; Condly, Clark & Stalovich 2003, p. 51). Furthermore Locke et al. (1980) compared individual pay incentives, job enrichment and employee participation and found that monetary rewards are most efficient. There are also some studies which have ended up in different results. According to these studies, monetary incentives have no effect or have negative effect on performance. In their review Camerer and Hogarth (1999, p. 22–23) found that in studies researching monetary incentives the most common result was that monetary incentives have no effect on mean performance. Pfeffer's example also states against motivating effect of money. According to Pfeffer (1998, p. 110) Southwest Airlines have never used monetary rewards in order to improve performance and they are number one in productivity in the industry in which monetary incentives are commonly used. Moreover in Jamer's study (2004, p. 19) fixed pay generates more effort than monetary incentives paid based on employees' performance.

Some of motivating theories supports the motivating effect of money and some do not. Lower needs of Maslow's hierarchy can be fulfilled by money. For example physiological needs can be fulfilled by money buying food and clothes. Also some empirical studies support Maslow's theory. According to Camerer and Hogarth (1999, p. 8) monetary incentives cause persistence diligence in boring and mundane jobs in which intrinsic motivation is usually low. In that way, monetary incentives improve performance in boring and mundane jobs. At lower income levels, jobs are usually more mundane and boring than at upper income levels. In that way, study's results support Maslow's theory. Besides at lower income level jobs are also more commonly psychical than at upper income level. This can explain why monetary incentives are more effective in psychical than in mental work (Condly et al. 2003, p. 56; Cameron, Banko & Peierce 2001, p.15; Bonner & Sprinkle 2002, p. 324). According to Maslow's theory, money does not motivate at upper level. For example Rynes et al. (2002, p. 386–388) noticed that the motivating effect of money dilutes at upper income level because of declining marginal utility. Studies according to which money motivates also at upper income levels emphasizes the symbolic value of money. Money can symbolize status and it can help you to gain social status. This is supported by the research according to which relative pay is more important in motivating than absolute pay levels (Rynes et al. 2002, p. 385; 2004, p. 385). Also some researchers who constantly criticize the motivating effect

of money have admitted that money can be seen as recognition and symbolic reward if worker regard monetary incentive as acknowledging their competence and work morale (Frey 1997, p. 430; Deci et al. 1999, p. 639–646; Jamer 2004, p. 4). Cognitive evaluation theory also supports the motivating effect of money if it symbolizes individual's competence. According to cognitive evaluation theory individual's basic needs are a need for competence and autonomy. Deci et al. (1999, p. 628) emphasize that monetary incentives have to be informational to be able to fulfill a need for competence. However if the motivating effect of money at upper income levels is mainly based on social recognition and its symbolic value it has to be considered can the same results be achieved with non-financial social recognition in more efficiency way.

Also goal-setting and agency theory support the motivating effect of money. Monetary incentives show employees what is valued in organization. Especially monetary incentives can also clarify organization's goals because usually monetary incentives are paid based on a certain indicator. These factors help employees to attain the goal. (Gupta & Shaw 1998, p. 27) There are inconsistent results whether monetary incentives great commitment or not. In their empirical study Hanlon and Taylor (1994, p. 97) found that commitment was two times stronger in the group with a bonus system than in the group without a bonus system. Instead (Wright, George, Farnsworth & McMahan 1993, p. 377–378) found in laboratory study that monetary incentives do not create commitment. Also Frey (1997, p. 432–434) stated that extrinsic incentives like money can change what we do but do not create lasting commitment. According to goal-setting theory goal commitment is important determining amount of effort. In turn agency theory hypothesis that individual motivation is solely dependent on self interest, which is the function of wealth and leisure. According to theory monetary incentives motivate because people can maximize their wealth.

According to agency theory money can also be demotivational if individual want to maximize his or her leisure at the expense of wealth. Some studies have found that monetary incentives can be seen as possibility to regulate working effort. In fixed pay systems it is a social norm that employee do honest day's work for honest day's pay. Instead in bonus payment systems people can feel that they have the right to put less effort at their work because they are paid based on their performance. (Jamer 2004, 19–21) That is not in accordance with the interests of the company because there are lots of fixed costs which do not disappear. Also according to cognitive evaluation theory money can motivate if it is regarded as acknowledging competence but money can also be seen as controlling. In this case money does not provide motivation because of individual's basic need for autonomy is hurt. In fact in a case in which money is perceived as controlling, intrinsic motivation decreases (Cameron et al. 2001, p. 15–21). This is called motivation crowded out effect. Monetary incentives can be seen as controlling if incentives are large and salience. (Frey 1997, p. 432–434; Deci et al. 1999, p. 628; Jamer 2004, p. 9; Frey 2007, p. 4) Deci et al (1999, p. 651) found that crowded out effect was greater for interesting jobs because people were already intrinsically motivated.

They found no effect on boring jobs. Besides cognitive evaluation and agency theory also Herzberg's motivation-hygiene theory posits that monetary incentives cannot motivate.

According to expectancy theory motivation is the function of two factors: the expected relationship between effort and outcome and the attractiveness of reward. The attractiveness of reward in turn depends on different variables. Usually, it is considered that individuals find monetary rewards attractive because with money they can buy different things. However, Rynes et al. (2005, p. 5829) found that monetary incentives are more attractive for people with a high need for achievement and higher feelings of self-efficacy. This finding supports Bandura's self-efficacy theory according to which individual's self-esteem is an important determinant of effort. It is also important that individual feels that his or her work have influence on attaining a target (Rynes et al. 2005, p. 590). Usually individual incentive systems are more effective than group based incentive systems because individual feel that he or she can have effect on attaining a goal. Profit sharing incentives are based on company's pre-tax profit and because of the wideness of goal individual can feel that his or her performance does not matter. In that case monetary incentives do not motivate. Rynes et al. (2005, p. 590) also cite Kaufman's study where he found that doubling the numbers of employees in gain sharing decreases productivity nearly 50 per cent. However, Condly et al. (2003, p. 54–55) found that team based monetary incentives were more effective than individual based incentives. Team based incentives increased performance 48 per cent whereas individual based incentives increased performance 19 per cent. The reasons for this can be group motivation and social pressure. (Condly et al. 2003, p. 54–55) The more tightly incentive pay is related to performance the more individual feel that his or her work have influence on attaining a target. Contingent incentives usually improve performance more than non-contingent incentives. There are also studies which reveal that the more contingent the reward is on performance the more harmful it is for intrinsic motivation. That is because contingent incentives are easily perceived as controlling. (Frey 1997, p. 432–434; Deci et al. 1999, p. 657; Cameron et al. 2001, p. 17–18; Frey 2007, p. 41).

There are also some drawbacks considering monetary incentives. Many studies have found that monetary incentives can lead to situation where people follow incentive systems strictly i.e. people do only things that are rewarded (Wright et al. 1993, p. 378; Gupta & Shaw 1998, p. 27; Jamer 2004, p. 4–15). Some of the researchers posit that this is only measurement problem and all relevant aspects of behavior have to be included in measurement so incentive systems can work. It has to think it is really possible to measure all relevant behavior. In this way, incentive systems would be quite complicated and expensive. The other drawback is that incentives can make employees lose the immediate goal (Camerer et al. 1999, p. 8; Frey 2007, p. 48–51). In the long run, this can be harmful for the organization. For example Wright (1994, p. 43) introduced in his article a manufacturing firm called Lincoln Electric and their problems with monetary incentives when employees trade quality for quantity. Wright (1994, p.

45) also discussed Sears automobile repair shop where employees get monetary bonuses by the job rates. This led to a situation, in which employees cheated and to get bonuses they did unnecessary repairs. This in turn led to customer dissatisfaction which in turn hurt company's market position. (Wright 1994, p. 45) Furthermore there is negative correlation between monetary incentives and extra-role behavior i.e. helping co-workers (Wright et al. 1993, p. 377–378; Hanlon & Taylor 1994, p. 99; Marsden & Richardson 1994, p. 252–258; Shaw, Grupta & Deleny 2002, p. 507–508). Extra-role behavior is important to organization's effectiveness but not directly associated with individual goal attainment. Extra-role behavior is higher in team based incentive systems than in individual incentive systems (Wright et al. 1993, p. 377–378; Hanlon & Taylor 1994, p. 99).

2.3.2. Non-monetary tangible incentives

Besides monetary incentives also non-monetary tangible incentives and benefits are financial incentives because recipients benefit from them economically. Both non-monetary tangible incentives and benefits are extrinsic rewards like monetary incentives. There are not so much studies about non-monetary tangible incentives and their effects on performance. One of the reasons can be that it is almost impossible to determine the actual cash value of non-monetary tangible incentives and this makes studies disparate (Condly et al. 2003, p. 52).

In their meta-analytic review Condly et al. (2003, p. 52) found that non-monetary tangible incentives improved performance on average 13 per cent. Jeffrey and Shaffer (2007, p. 45) state that non-monetary tangible incentives are effective because they are very visible. Because of visibility, the symbolic value of non-monetary tangible incentives is higher than other incentives. Another reason for the effectiveness of non-monetary tangible incentives can be that these incentives are usually distributed right after performance. Instead in monetary incentives' case it can take months before incentives are distributed to employees. In this case reward-compensation relation is not so tight than in situation where reward is given right after performance. This can have effect on motivation and performance. Jeffrey and Shaffer (2007, p. 45–46) also state that monetary incentives are easily perceived as part of a basic pay. In this case monetary incentives can lose their motivating impact. Instead non-monetary tangible incentives are really noted and employees perceived them as extra reward. Because of that in some cases non-monetary tangible incentives can be more effective than monetary incentives. One problem in non-monetary tangible incentives is that people like different things (Jeffrey & Shaffer 2003, p. 48). One can be motivated through football tickets whereas the other can find a holiday trip more attractive. It is challenging for manager to decide which would be appropriate incentive in different situations. Another problem is that at lower income level non-monetary tangible incentives can be perceived worthless because of the need for money (Jeffrey & Shaffer 2007, p. 49).

Usually non-monetary tangible incentives are delivered unexpectedly. This means that there is not a special incentive plan according to which the rewards are distributed. Because of unexpectedness, non-monetary tangible incentives do not have similar negative effect on intrinsic motivation as monetary incentives have (Deci et al. 1999, p. 639–640). For example individuals do not perceive non-monetary tangible incentives as controlling because incentives are not evidently contingent on performance. Because of unexpectedness non-monetary tangible incentives neither have similar drawbacks as monetary incentives have (Deci et al. 1999, p. 639–640). For example non-monetary tangible incentives do not lead so easily to the situation where employees lose the immediate goal because of incentives, than in monetary incentives' case. That is because unexpected incentives do not create the goal which employees should attain. However, it is important to notice that according to some studies non-monetary tangible incentives have usually no effects on performance because of unexpectedness (Deci et al. 1999, p. 639–640; Cameron et al. 2001, p. 15–22). That is because these incentives do not guide employees' actions. The goal-setting theory supports this finding.

2.3.3. Benefits

The effects of benefits on the performance has not been studied much either. Studies focusing on benefits usually research how benefits affect employees' job satisfaction and which benefits employees find attractive. Usually benefits are considered to be something which makes employer and workplace attractive.

The computer software company SAS Institute offers exceptional benefits to its employees instead of monetary incentives which are common and popular in industry. Partly because of benefits SAS Institute's turnover rate is much lower than usually in industry and employees are also very bound to the company (Pfeffer 1998, p. 111). According to goal-setting theory commitment is an important factor affecting effort and motivation. Tremblay, Sire and Pelchat (1998, p. 671) found that employees find flexible benefits more attractive than normal benefits. In flexible benefit system employees can choose their own benefit packets among benefits that had been offered by employer. In other words, employee can choose benefits which he or she finds the most attractive. According to the expectancy theory this increases motivation because attractiveness of reward is an important determinant of motivation. It was also found that because of the attractiveness flexible benefits generate more effort and motivation. One problem in benefits is that easily workers do not perceived them as reward. Instead employees feel that benefits belong to them automatically. This can dilute benefits' motivating effect. Employees can also expect more benefits in subsequent years than they did have in preceding years. (Williams 1995, p. 1119)

3. INCENTIVES AND JOB SATISFACTION

According to Locke (1976) job satisfaction consists of satisfaction with different independent job elements. These job elements include for example pay and working conditions. (Locke 1976, according to Barber, Dunham & Formisano 1992, p. 57) Like Locke, also Kalleberg (1977, p. 126) define job satisfaction as a sum of different elements. According to Kalleberg job satisfaction is individual's overall affective orientation toward work. Job satisfaction can be also seen as extent to which employees like their work (Agho, Mueller & James 1993, p. 1007).

Pay satisfaction and satisfaction with incentives are important determinants of overall job satisfaction which in turn has great effect on commitment and turnover. Employees' satisfaction with incentives is also an important role in achieving of the goals of organization's compensation system. Because of these reasons it is important to study how incentives affect job satisfaction.

3.1. Non-financial incentives

Often when asked employees directly, which incentives they find the most attractive and important, monetary incentives are not at the beginning of the list (e.g. Kalleberg 1977, p. 135–136; Towers Perrin 2003; Kauhanen LTT Research Inc. 2009). According to Kalleberg's research (1977, p. 135–136) intrinsic rewards have the greatest effect on employees' job satisfaction. Towers Perrin study surveyed about 40 000 full-time employees working in North America in 2003. According to study monetary incentives were not in the top ten factors engaging (motivating) employees. Instead top ten factors motivating employees include the management interest of well-being of the employees, work itself, possibility to influence in decision making and career opportunities. In top ten factors attracting employees a base pay was ranked second and a performance based pay were eight. Top ten attracting factors also include different kind of benefits, challenging work and recognition. (Towers Perrin 2003, p. 21–23) Kauhanen (LTT Research Inc. 2009) researched how important different incentives are for employees. A base pay was ranked to be the most important. After that list contains mainly non-financial incentives such as the permanence of employment, possibility to arrange working times, feedback and career opportunities. Different financial incentives were at the end of list. However, employees find financial incentives to be somewhat or quite important to them. (Kauhanen LTT Research Inc. 2009) These studies show the relative importance of non-financial incentives to employees. Because of that it is logical that non-financial incentives can also cause job satisfaction.

3.1.1. Feedback

In Kauhanen's research Finnish employees listed feedback as fifth important rewarding means (Kauhanen LTT Research Inc. 2009). This indicates that feedback can cause also job satisfaction because employees find it important. In deed Locke (2004, p. 711) have stated that mental challenging, which includes among others feedback, is one of the most important factor influencing individuals' job satisfaction. Moreover Rynes et al. (2005, p. 576) found that feedback correlates with employees' job satisfaction. Cameron et al. (2001, p. 15–16) reported that feedback correlates positively with employees' self reported task interest. This can be transferred to employees' job satisfaction. Jaworski and Kohli (1991, p. 197–198) divided feedback into negative and positive feedback and researched how different kind of feedback affect job satisfaction. They found that positive feedback generates job satisfaction but negative feedback does not have effect on job satisfaction. (Jaworski & Kohli 1991, p. 197–198) Moreover Katz (1978, p. 212) reported that feedback have great effect on employees job satisfaction especially at the beginning of employment.

These findings sound reasonable. Feedback can indicate to employees that managers and supervisors are interested in employees and their jobs. It is also logical that feedback generates more satisfaction at the beginning of employment. New employees need more guidance and counseling than employees who have worked longer time and feedback can provide useful information about employee's performance for new employee. At the beginning of employment especially positive feedback can also improve individual's self-esteem which in turn can lead to increased overall job satisfaction. However finding which suggest that there is no correlation between negative feedback and satisfaction is somehow inconsistent with the finding introduced above which claims that negative feedback have greater effect on performance than positive feedback. Maybe in short term negative information can improve performance but in long run it is not so effective. Inconsistent results can also be the cause of different research methods because also Kluger and DeNisi found that negative feedback can decrease performance if feedback focuses on employee itself instead of a task.

3.1.2. Participation

In Towers Perrin (2003, .p. 21–23) research possibility to influence decisions considering work was ranked a third important motivating factor. Also Brown (1996, p. 235) suggested on the basis of his meta-analysis that participation is an important determination of job satisfaction because it can make work more meaningful. Also Locke (2004, p. 711) has stated that possibility to influence decision making and take responsibility about decisions is a part of work mental challenging which in turn is the most important determinant of job satisfaction. Indeed, Brown (1996, p. 239–244) found strong positive correlation between participation and commitment. Commitment to organization and work in turn indicate job satisfaction. Brown (1996, p. 243–244) also found that

participation correlates negatively with employee turnover. Like employee commitment also decreased turnover indicates employees' job satisfaction. In addition Fernie et al (1995, p. 382) found that employees' possibility to participation increases job satisfaction. Also Cotton et al. (1988, p. 12–14) reported that employee participation has positive effect on job satisfaction. However unlike other researches Cotton et al. found that participation's effect on job satisfaction was only modest. Moreover they also found that only long term participation has effect on job satisfaction. Indeed, short term participation has no effect on employees' job satisfaction. (Cotton et al. 1988, p. 12–14) This finding sound also logical and it is consistent with finding introduced above according to which only long term participation improves performance.

Besides participation's positive effect on job satisfaction Katz (1988, p. 219) found that participation's effect on satisfaction is dependent on the duration of the employment. Indeed when employee has worked for some time the positive effect of the participation on the employee's job satisfaction increases. (Katz 1988, p. 219) This indicates that employees need for the participation increases as a function of the time working in the organization. Katz (1988, p. 219) also stated that the greater the employee's influence on decision making the more satisfied employee is. Furthermore, Katz (1988, p. 211–214) found autonomy be an important determinant of employees' job satisfaction. Employee's autonomy can be seen as a part or a form of participation because employee is able to make his or her own decisions considering his or her work. Cognitive evaluation theory supports Katz's finding. According to cognitive evaluation theory autonomy is one of the individual's basic needs together with competence. Fernie et al. (1995, p. 383–396) reported that participation has also positive effect on industrial relations and climate in workplace. Improved climate and better industrial relations can in turn generate job satisfaction. For example in Tower Perrin (2003, p. 21–23) study work environment was important factor engaging employees. In that way, participation can also affect indirectly job satisfaction. Furthermore Brown (1996, p. 247) stated that employees with participation possibilities have greater job satisfaction in every situation than employees without participation possibilities. This means that employees without participation possibilities became more easily dissatisfied than employees with participation possibilities for example in exceptional conditions. (Brown 1996, p. 247) This can be easily explain by the fact that employees with participation possibilities can have better information and understanding and this in turn can make exceptional situations more acceptable.

3.1.3. Recognition

In Towers Perrin (2003, p. 21–23) study recognition was ranked ninth important in attracting new employees. Also according to Herzberg's (1968, p. 54–66) motivation-hygiene theory recognition is a source of job satisfaction. Indeed a study which researched teachers' job satisfaction found that recognition from management and co-workers has strong positive effect on teachers' job satisfaction (Chapman & Lowther

1982, p. 244–245). In addition Cameron et al. (2001, p. 15–16) reported that verbal rewards which include verbal recognition have positive effect on employees' self reported satisfaction with job. However there can be some bias in this result because in study verbal rewards include also verbal feedback besides verbal recognition. Sibbald, Enzer, Cooper, Rout and Sutherland (2001) researched GPs' (general practitioner) job satisfaction in 1987, 1990 and 1998. In their study, recognition was ranked either first, second or third important factor determining GPs' job satisfaction. (Sibbald et al. 2001, p. 367)

Several studies researching monetary incentives affect on performance suggest that the motivating effect of money is based on the symbolic value of money which can be seen as social recognition (e.g. Frey 1997, p. 430; Deci et al. 1999, p. 628; Rynes, Gerhart & Minette 2004, p. 385). However there have not been many studies researching how this aspect affects job satisfaction. However, it sounds logical that recognition can be the source of job satisfaction because it can indicate to employees that good work is noticed and that organization value employees' work.

3.2. Financial incentives

As mentioned when discussing non-financial incentives, employees find usually financial incentives less attractive and satisfied than non-financial incentives when asked directly employees' opinions about incentives (e.g. Kalleberg 1977, p. 135–136; Towers Perrin 2003; Kauhanen LTT Research Inc. 2009). However, some researches have claimed that this is not really a case and pointed out some reasons for the results which indicate that intrinsic rewards have greater effect on job satisfaction than extrinsic rewards such as monetary incentives. Kalleberg (1977, p. 136) states that effect of rewards depends on their relative variance. For example if employer concentrates only on intrinsic rewards, such as feedback and participation, the variance of intrinsic rewards would reduce. At the same time, however, the relative variance of financial rewards such as monetary incentive and benefits increase. Because of the relative high variance of financial rewards financial rewards can be found to be the most important determinant of job satisfaction. Financial rewards have been in the centre of rewarding for a long time. This could lead to situation where the relative variance of intrinsic rewards has increased and that is why intrinsic rewards have become the most important determinant of employees' job satisfaction. (Kalleberg 1977, p. 136) Rynes et al. (2002, p. 384) have a different view. According to Rynes et al. studies results depends on how matter has been studied. If employees are asked directly do they find money an important determinant of motivation and satisfaction, they usually undermine the effect of money. When employees are asked indirectly for example does your colleague find financial incentives important, results are usually different and financial incentives are found to be more important than non-financial incentives. One reason for this can be that

employees may find it social unacceptable to rank money the most important thing for themselves. (Rynes et al. 2002, p. 384)

Whether financial incentives are or are not the most important incentives affecting employees' job satisfaction it has to be notice that especially in financial incentives case equity is a very important factor affecting employees' incentive satisfaction which in turn is part of overall job satisfaction (e.g. Marsden & Richardson 1994, p. 252–258; Tremblay et al. 2000, p. 273–280; Salimäki, Hakonen & Heneman 2009, p. 164–173). Equity can be divided into distributive and procedural justice. Distributive justice refers to equity with co-workers. Employees' incentives should be relative to reference group. Procedural justice in turn refers to means according to which incentives are distributed to employees. (Tremblay et al. 2000, p. 273–280; Salimäki, Hakonen & Heneman 2009, p. 164–173) It can be also talked about external and internal comparison (Salimäki et al. 2009, p. 165). According to external comparison, satisfaction depends on the comparison of individual's outcome-input ratio to the ratio of co-workers (Adams 1965, according to Salimäki et al. 2009, p. 165). Internal comparison in turn refers to individual's perception what he or she should get and what he or she really gets. Internal comparison shares similar thoughts with the expectancy theory. If employee feels that incentives are unfair, he or she would be less satisfied with them. For example in Marsden and Richardson's case study (1994, p. 252–258) employees experienced incentives unfair and partly because of that employees found incentives overall negative. Moreover Tremblay et al. (2000, p. 273–280) found that procedural justice is more important than distributive justice in reward's case. This is quite logical because usually there is an incentive plan according to which incentives are distributed employees and it may makes it possible that employees receive different amount of incentives.

3.2.1. Monetary incentives

According to Tang's (1992, p. 201) study income generally has strong positive correlation with employees' job satisfaction. This can indicate that also monetary incentives should have positive effect on job satisfaction. Indeed several studies have reported that different kind of monetary incentives have positive effect on employees' overall job satisfaction (Ruobol & Farrel 1983, p. 433–436; Cameron et al. 2001, p. 16; Green & Heywood 2008, p. 716–717; Puoliakas & Theodossiou 2009, p. 673–675). In their meta-analysis Cameron et al. (2001, p. 16) reported that monetary incentives have only small effect on overall job satisfaction whereas other studies found strong correlation between monetary incentives and job satisfaction. There are also some empirical studies which have not researched correlation but in turn have reported employees' positive reactions towards monetary incentives. In case study on electric utility industry 72 per cent of employees wanted to continue under monetary incentives after one year long experimental time (Petty, Singleton & Connell 1992, p. 430–431). This can indicate that major of employees were satisfied with monetary incentives. Similar in case study in three screw machine companies' employees reported quite positive reactions towards

monetary incentive program and also companies' turnover rate reduced (McGrath 194, p. 593).

However there also some studies which have found that monetary incentives have negative effect or do not have effect at all on job satisfaction. In their laboratory test Wright et al. (1993, p. 378) found no correlation between a monetary bonus and commitment which in turn would indicate job satisfaction. Also in Marsden and Richardson's case study (1994, p. 252–258) employees reported negative feelings and effects on job satisfaction after the monetary incentive program was introduced. Besides decreased job satisfaction employees also reported that atmosphere has got worse. Moreover Rynes et al. (2005, p. 582) found that after introducing a monetary incentive program some of the employees quit their jobs. This result strongly indicates that those employees were not satisfied with monetary incentives. However according to researchers this can also indicate that people with a need for achievements and high self-efficacy find monetary incentives more attractive and are more satisfied with them (Rynes et al. 2005, p. 582). Puoliakas and Theodossiou (2009, p. 673–675) found in their long empirical study (1998–2005) that monetary incentives have significant positive correlation with overall job satisfaction. However, they also found that employees with a monetary incentive system were less satisfied with the working hours and level of stress they experience in their work than employees without an incentive program. According to the finding monetary incentive systems can cause psychological strain to employees. (Puoliakas & Theodossiou 2009, p. 673–675) It has to be considered if psychological strain can have negative effects on job satisfaction in the long run.

Like in screw machine companies' case, also other studies have reported some indirect results considering monetary incentives and employees' job satisfaction. In their empirical study Hanlon and Taylor (1994, p. 100) found that monetary incentives generate increase in moral commitment. Also Roubol and Farrel (1983, p. 433–436) reported that monetary incentives correlate with employee commitment. Commitment can in turn indicate employees' job satisfaction.

3.2.2. Non-monetary tangible incentives

In Kauhanen's research (LTT Research Inc. 2009) employees regard non-monetary tangible incentives somehow important. However, employees ranked them the least important rewards. (Kauhanen LTT Research Inc. 2009) Shaffer and Arkes (2009, p. 862–863) found that when people evaluated non-monetary tangible incentives separately from monetary incentives they find non-monetary incentives more attractive than monetary incentives. Researchers suggested (Shaffer & Arkes 2009, p. 862–863) that finding can be explained by the luxurious value of non-monetary tangible incentives. Usually non-monetary tangible incentives are something special and luxurious. Because of luxurious value, people find these incentives desirable but not justifiable to buy them. This is why people find non-monetary tangible incentives attractive. The attractiveness

of non-monetary tangible incentives can indicate that non-monetary tangible incentives can generate employees' job satisfaction. However Shaffer and Arkes (2009, p. 862–863) also found when people evaluate non-monetary tangible incentives jointly with monetary incentives people become more rational and they choose monetary incentives instead of non-monetary tangible incentives. This finding in turn indicates that non-monetary tangible incentives may be a less important source of job satisfaction than monetary incentives because according to study employees prefer monetary incentives over non-monetary tangible incentives.

Another thing, which has to be considered when thinking about non-monetary tangible incentives, is justice. As mentioned earlier non-monetary tangible incentives are usually delivered unexpectedly. In another words, usually there is no incentive plan according to which non-monetary tangible incentives are distributed to employees. This violates procedural justice which is an important determinant of incentive satisfaction. Incentive satisfaction in turn affects overall job satisfaction. So, non-monetary tangible incentives may have negative effect on job satisfaction at least in the long run.

3.2.3. Benefits

In Tower Perrin study (2003, p. 21–23) benefits were find to be relative important attracting employees. In the study over 50 per cent found benefits favorably. This can be compared with the monetary incentives. Only 25 per cent found monetary incentives favorably. (Towers Perrin 2003, p. 25) Also in Kauhanen's study employees thought that benefits are somehow or quite important although benefits were almost at the end of the list. In addition the above introduced example of Software Company SAS Institute and its benefits indicate that benefits generate job satisfaction. In the example this was proofed by increased commitment and decreased turnover. (Pfeffer 1998, p. 111) In fact Williams (1995, p. 1098) has reported that benefit satisfaction is related to commitment and citizenship. Logically benefit satisfaction in turn affect overall job satisfaction. Employees are more satisfied with benefits when there is communication about benefits and employees' opinions are taken into account (Williams 1995, p. 1120; Tremblay 1998, p. 674–675). This finding may indicate that flexible benefits have a stronger positive effect on job satisfaction than normal benefits. Indeed some other studies have found that flexible benefits generate more job satisfaction than normal benefit plans (Barber, Dunham & Formisano 1992, p. 57–58; Tremblay 1998, p. 674–675). Baber et al. (1992, p. 65–66) reported that flexible benefits increased benefit satisfaction significantly which in turn lead to improved overall job satisfaction. However, overall job satisfaction did not improve as much as benefit satisfaction. (Baber et al. 1992, p. 65–66)

According to Barber et al. (1992, p. 57–58) flexible benefits create job satisfaction in two different ways. First flexible benefits increase job satisfaction because people can have what they find important. Because freedom of the choice employees are more satisfied with their benefits. Also Tremblay et al. (1998, p. 671) found this in their study.

Second employees are more aware of nature and value of organization's benefit when using a flexible benefit system. This is because employees find more about benefits when choosing their own benefit package. According to Barber et al. (1992, p. 57–58) employees usually undervalue benefits ordered by employer. This is not a case in flexible benefit systems because employees are more aware of the value of different benefits. Employees improved awareness of values makes benefits more attractive and important to them. This in turn can lead to improved job satisfaction.

4. INTERVIEWS

The purpose of interviews was to find out which incentives employees find meaningful and attractive. Besides, it was also wanted to find out if there are any practical limitations which affect the usage of different incentives in this working environment. These limitations could not have been found out on the basis of survey research because it would have been almost impossible to define right questions. In addition on the basis of interview research, it is also possible to interpret employees' attitudes towards different incentives according to their non-verbal communication.

Interviews were carried out in the summer 2010. The employees who were interviewed were mainly employees who worked already in smart grid –type environment. This was because the attempt was to get as valid information as possible considering to the coming smart grid –operational environment. In total 15 people were interviewed. The most of the interviewees were assemblers but also some superiors were interviewed.

The interview was semi-structured and a total of 42 questions were asked during the interview. All questions researching interviewees' opinions about the importance of different incentives were structured questions. In other words, interviewees were given answer alternatives. All of these questions were form: "how important do you find this incentive". The answer alternatives were organized to five- point scale and alternatives were: not at all important, little important, somewhat important, quite important and very important. One reason for the use of these answer alternatives was that also Kauhanen (2009 LTT Research Inc) used the same scale in his study researching employees' opinions about importance of different incentives. The use of the same answer alternatives makes studies comparable. Questions researching the importance of different incentives were structured also because it makes different interviews comparable with each other. In addition this enables comparisons between different incentives because the same scale was used in every incentive's case. Questions asked in interviews are in the appendix.

Findings

In this chapter, the findings of the interviews are introduced. At the beginning of the chapter it is discussed the average importance of different incentives. Later in the chapter it is discussed reasons for the importance of different incentives one by one. Also challenges related to different incentive systems are considered

In figure 3, it is depicted the average importance of different incentives according to employees. Employees ranked recognition the most important incentive type. The average importance for recognition was 4,4. Monetary incentives were second important incentives according to employees. Also monetary incentives' average importance was over four (4,3). According to interviewees, the least important type of rewarding was non-monetary tangible incentives. Non-monetary tangible incentives were only type of incentives with average importance under three (2,9). Benefits were found to be somewhat important on the average and the average importance of feedback and participation were between three and four.

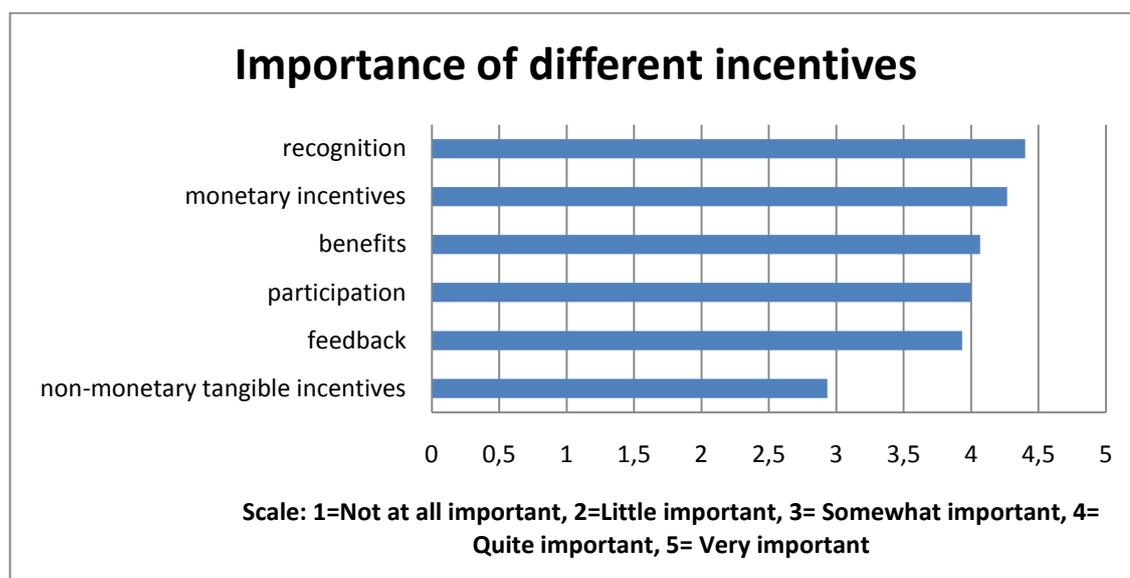


Figure 3. The average importance of different incentives according to interviews.

In figure 3, there is not much variation in the importance of different incentives. This can lead to misreading. In addition the small number of the interviewees can emphasize the distortion of the average. Because of that it is important to depict somehow also the frequency of different grades. In figure 4 grades are divided into two groups; not important (grades 1–3) and important (grades 4–5).

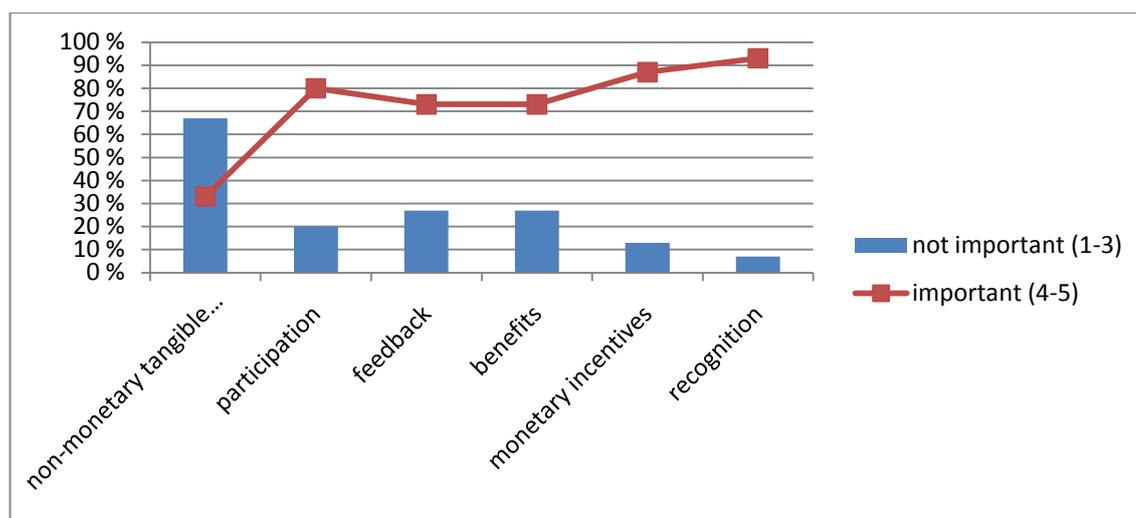


Figure 4. Importance of different incentives.

Figure 4 shows that all interviewees found recognition important and the importance of recognition is much clearer than in figure 3. It has to be also noticed that feedback has got the same amount important grades as benefits although figure 3 shows that on the average employees found benefits more important than feedback. In addition according to figure 4, participation can be more important than what based on average can be proposed. It is also noteworthy that non-monetary tangible incentives are only type of researched incentives which have got more grades classified not important than grades classified important.

Recognition

When asked why employees find recognition important almost all of the interviewees (13/15) mentioned that recognition makes work more meaningful. In the interviews recognition was defined as personal attention which expresses interest, approval and appreciation (according to Stajkovic and Luthans 2001 p. 582). The most common answer was that the work is more meaningful and interesting when you have a feeling that co-workers and managers appreciate you and your work. Because, according to interviewees, recognition has strong effect on the meaningfulness of work it can be concluded that recognition can also have strong effect on employees' job satisfaction. Indeed several interviewees mentioned that recognition generates job satisfaction. This finding supports earlier studies (e.g. Chapman & Lowther 1982, p. 244–245; Sibbald et al. 2001, p. 367) according to which recognition have strong positive effect on job satisfaction. Nine of fifteen interviewees think that recognition also motivates. They felt that feel of recognition improve work efficacy. Without feel of appreciation they would have weaker attitude towards work. In addition half of interviewees said that social recognition is a prerequisite for teamwork. These findings of interviews support above introduced idea that recognition is a source of intrinsic motivation.

When asked interviewees, what would be in their opinion the best way to deliver social recognition nine of fifteen answered that verbal pat on the back or positive verbal feedback. Besides, these interviewees mentioned that positive verbal feedback and a thank-you would be the best way for managers and superiors to deliver social recognition. However, a few interviewees said that verbal recognition has to be naturally delivered and it cannot sound like praise. According to these few interviewees in the case of praise recognition would lose its meaning. In addition almost every interviewee mentioned that the colleagues' recognition came forth in the social intercourse, for example when colleagues ask advice from each other. In addition almost everyone thought that pay and monetary incentives would signal the appreciation of the work and employees.

Monetary incentives

Nine of fifteen interviewees said that monetary incentives are effective because of motivating effect. Half of the interviewees also emphasized their physiological needs and their need for the money. This finding supports Maslow's hierarchy of needs according to which at lower income level physiological needs are usually determinant of motivation. Two thirds of the interviewees mentioned that monetary incentives signal the appreciation of the work and employees. In addition half of the interviewees said that monetary incentives would be the most concrete way to reward employees and that importance is partly related to the feedback aspect of monetary incentives. These interviewees felt that monetary incentives would give them important information about their performance. The importance of monetary incentives is supported by the literature research. Overall there has been found positive correlation between monetary incentives and job satisfaction (e.g. Ruobol & Farrel 1983, p. 433–436; Cameron et al. 2001, p. 16; Green & Heywood 2008, p. 716–717; Puoliakas & Theodossiou 2009, p. 673–675). However, some studies have also found no correlation or negative correlation between monetary incentives and job satisfaction (Wright et al. 1993, p. 378; Marsden & Richardson 1994, p. 252–258; Rynes et al. 2005, p. 582; Puoliakas & Theodossiou 2009, p. 673–675).

It is also noteworthy that a social acceptance emerged in the interviews. A few interviewees started to immediately explain that it is not because of greediness they find monetary incentives important and motivating. This finding partly supports Rynes and her colleagues' (2002, p. 384) findings according to which social unacceptance can lead to situation where interviewees undermine the importance of money when asked directly do they find money important.

Half of the interviewees found that a piece rate bonus system would be the most suitable monetary incentive system for their work. Other half of the interviewees thought that profit sharing system and department specific objectives derived from the company's profit targets could be workable incentive systems in this specific work environment. It has to be noticed that the piece rate bonus system has been in use earlier in one of the

company's office. This has probably had effect on the results of the interview. Indeed every interviewee with experiences of a piece rate bonus system mentioned it when asked what would be the most suitable incentive system for their work environment. Only few interviewees without experiences of a piece rate bonus system mentioned it to be the most suitable incentive system. In addition one superior mentioned that the occupational safety and the reliability of deliveries could be indicators according to which monetary incentives could be delivered to employees.

Almost all the interviewees thought that team based monetary incentive system would be better than individual based system. The most commonly mentioned reason was that the performance of all the tasks is strongly dependent on the working of the whole team. Interviewees also emphasized the importance of team spirit and teamwork. In addition a few interviewees mentioned that it is difficult to compare individual tasks and that the individual tasks are relatively small part of the total amount of work. This would make individual based monetary incentive system complicated. However one superior mentioned that monetary incentive system should be partly individual or individuals should pay some compensation according to their work experience, know-how and demands of the work. The reason for this was that individuals do different kind of work tasks based on their work experience and know-how. Some of the employees do more demanding tasks whereas others do not so demanding tasks. The superior felt that it would be inequity to pay same amount of bonus for team members which do different tasks with different demands. In addition one employee thought that monetary incentive system has to individual because employees work mainly lone.

Other important things emerged in the interviews relating monetary incentive systems were procedural justice and the size of the teams. A few interviewees mentioned that employees have to know means according to which monetary incentives are distributed to employees. This is in line with some earlier researches (e.g. Marsden & Richardson 1994, p. 252–258; Tremblay et al. 2000, p. 273–280; Salimäki, Hakonen & Heneman 2009, p. 164–173). A few interviewees highlighted the importance of the size of the team on which monetary incentives are divided. According to these interviewees the size of team should be so little that the individual worker feels that he or she is able to have effect on the result of the team. This finding in turn supports Kaufman's results about the size of the team (according to Rynes et al. 2005, p. 590). In addition one interviewee mentioned that besides profit targets there are other important indicators which have to be taken account when planning monetary incentive systems, such as team spirit and customer satisfaction. According to interviewee the neglect of these indicators can easily lead to part optimization and decreased team spirit.

Benefits

The most common reason why interviewees found benefits important was the financial benefit that employees can get from the benefits. Half of the interviewees also men-

tioned that monetary incentives would be more attractive to them. Another thing that emerged in the interviews was that quite often interviewees thought that benefits would be nice addition but they did not think benefits as rewards. According to earlier studies introduced above this can be typically in benefits' case (Williams 1995, p. 1119). Quite surprisingly in Turku and Pori over half of the interviewees thought that benefits signals that employer is truly interested in employees' wellbeing and is committed to employees. Hence these interviewees found benefits as an important source of job satisfaction. These findings did not emerge in Tampere.

Answers were quite fragmented when asked the best benefits that employer can offer to employees. However the most commonly mentioned benefit were physical exercise possibilities. Eight of fifteen interviewees mentioned it. Usually, interviewees argued that also employer would benefit about employees' exercise possibilities because it could lead to decreased sick leaves. In addition a few interviewees found company-paid telephone and broadband network useful for employees. Besides they also mentioned that company-paid telephone and broadband network would be very suitable for this work environment.

Participation

When asked the reason for the importance of the participation half of the interviewees answered that employees have better understanding how tasks are performed in the field. Hence interviewees felt that work tasks run more smoothly if employees have possibility to influence job design. Other half of the interviewees mentioned that possibility to influence things regarding employees and employees' work makes work more meaningful and more humane. This supports Brown's (1996, p. 235) findings about participation possibilities, the meaningfulness of the work and job satisfaction. Also cognitive evaluation theory supports this finding. According to cognitive evaluation theory autonomy is one of two individuals' basic needs.

The most of the interviewees were satisfied with their participation possibilities at the moment. At least they did not invent how employees' participation possibilities could be improved. However, a few interviewees mentioned that employer could listen to employees more. In addition a few interviewees mentioned that it would be important to listen to employees more things relating employees' training and resources needed to perform work tasks. One interviewee mentioned that superiors are in an important role in improving participation possibilities. Superiors have to have courage to intercede information from employees to upper management.

Three of the interviewees found that employees do not have participation possibilities at the moment. This was interesting finding because these three interviewees were interviewees which were interviewed in Turku. One explanation can be the fact that in Turku employees' work tasks is mainly lined up for employees. In Tampere and Pori employees are able to arrange their work tasks by themselves. In Tampere and Pori em-

employees found this very important. Hence the possibility to arrange work tasks can be in an important role determining satisfaction with participation possibilities. This finding emerged also when asked what interviewees would think about situation where work tasks are lined up by superiors beforehand. This question was asked only in Turku and Pori. All the interviewees found this as a negative thing. The interviewees thought that scheduling would be impossible because of unexpected problems occurring usually in the work. One interviewee also mentioned that it would be too arduous for superiors to arrange work task beforehand. Besides it would require much of working experience from superiors.

Feedback

The most commonly mentioned reason for the importance of feedback was that feedback can provide employees important information regarding one's task performance. Thirteen of fifteen interviewees mentioned this reason. These interviewees felt that knowledge of one's task performance is important for employees because it enables personal development in the work. Besides, these interviewees also felt that feedback could be an efficient way to spread working methods in workplace. In addition nine of the interviewees mentioned that feedback creates the sense of recognition. When employees are given feedback, they feel that superiors and managers are interested in employees and their work. A few (6) interviewees mentioned that feedback motivates them. This supports earlier study according to which feedback correlates with self reported task interest (Cameron et al. 2001, p. 15–16). These interviewees said that negative feedback would get them work harder and positive feedback would help to maintain performance. Moreover these interviewees said that the motivating effect of positive feedback is based on its recognition aspect. This finding supports Kluger and DeNisi's (1996, p. 260–263) research according to which negative feedback increase performance and positive feedback maintains or decreases performance.

Two third of the interviewees felt that they did not get enough feedback at the moment. Commonly mentioned comment was that employees can assume that they have performed well if they hear nothing afterwards. The most of the interviewees also said that if they get feedback it usually pertains to company's general things such as how company is performing financially. Indeed half of the interviewees mentioned that they would like to have more individual feedback regarding their work. In addition half of the interviewees felt that verbal feedback would be better than the present feedback system in which feedback is delivered through e-mail. This is against the earlier research according to which verbal feedback moves attention from task to self more easily than written feedback. The transition of the attention from the task a worker itself attenuates the effect of the feedback (Kluger & DeNisi 1996, p. 269–275) However interviewees' explanations for verbal feedback were quite reasonable. Interviewees for example mentioned that e-mail feedback is drowned among other e-mails. This can attenuate the importance of feedback. Another reason was that e-mail feedback comes always after-

wards. This can also attenuate the effect of feedback because employees do not necessarily remember the situation anymore at the time they get the feedback. Interviewees also mentioned that verbal feedback creates the sense of recognition.

In Turku and Pori interviewees did not find feedback as important as interviewees in Tampere. The amount of the feedback cannot be the reason for difference because in all localities interviewees felt that they did not get enough feedback at the moment. One explanation can be the fact that in Turku and Pori interviewees were notably older than in Tampere. Usually older interviewees did not have the need for feedback because of their long working experience. This finding is supported by Katz' (1978, p. 212) earlier research according to which feedback have great effect on employees job satisfaction especially at the beginning of employment. Another difference was that in Turku and Pori interviewees felt that they got mainly negative feedback. They also mentioned that they would like to have more positive feedback. According to interviewees positive feedback would be important in creating the sense recognition and motivating employees.

In Turku and Pori interviewees were also asked what they would think about real time feedback delivered by mobile devices. In these mobile devices employees would see some statistic about how they are performing compared to their team and how their team is performing compared to other teams. All of the interviewees thought that it would be a bad idea. The most commonly mentioned reason was that different tasks are not comparable with each other. Because of that two employees which put same amount of effort on work can have different perform rates. According to interviewees this can cause anxiety and gratuitous comparison between employees. However, few interviewees thought that comparison between the teams could be useful information for them.

Non-monetary tangible incentives

When asked reasons for the importance of non-monetary tangible incentives, interviewees usually answered why they do not find these incentives very important. The most common reason was that different people have different needs and preferences. Hence employees thought it would be quite hard to find non-monetary tangible incentives which would be suitable for all employees. The half of the interviewees thought that they would probably get insignificant rewards under a non-monetary tangible incentive-system. Hence most interviewees did not find non-monetary tangible incentives important. This problem was also mentioned by Jeffrey and Shaffer (2007, p. 48) in their article. Jeffrey and Shaffer (2007, p. 49) also mentioned that at lower income level non-monetary tangible incentives can be perceived worthless because of a need for money. This can be another reason why interviewees did not find non-monetary tangible incentives important. One third of the interviewees mentioned that non-monetary tangible incentives are important because these incentives feel like a sincere thankyou for the good work. This gives a feeling that employer is interested in employees and cares em-

employees wellbeing. Overall in the interviews emerged an idea that non-monetary incentives are employer's thankyou for the good work. This idea distinguishes non-monetary incentives clearly from monetary incentives. Usually, interviewees thought that they are justified to get monetary incentives if they put extra effort on work and performance improves. This finding was partly noticed also by Jeffrey and Shaffer (2007, p. 45–46).

When asked interviewees to mention what would be the best way to deliver non-monetary tangible incentives to employees half of the interviewees said that non-monetary incentives could be delivered at the end of the year for all employees as a thankyou for good year. In addition one third of the interviewees mentioned that non-monetary incentives could be a good way to recognize individual well performed tasks. However some of the interviewees said that individual tasks cannot be rewarded at any circumstances because every task is different and highly dependent on the whole team's performance. One third of the interviewees also said that non-monetary tangible incentives could be delivered according to certain objectives.

Other findings

Interviewees were also asked to mention things that have given them pleasure and satisfaction in their present work. The interviewees' most common answers are introduced below.

Things that have caused satisfaction and pleasure in the work	Frequency of answer
The autonomy of employees	7
The variability of working days	7
New challenges and success in these challenges	8
Teamwork and teammates	3

It is noteworthy that all the mentioned things listed in the table can be considered as part of the intrinsic motivation. Only one interviewee mentioned salary as an only thing which has caused satisfaction and pleasure in work. The table also shows that new challenges, participation and variability were the most important things causing satisfaction and pleasure in the work. An interesting finding is new challenges and success in these challenges. The finding strongly proves that intrinsic factors are important in motivating and job satisfaction. Besides the finding is also supported by Locke's (2007, p. 711) research according to which mental challenging is the most important determinant of job satisfaction. The autonomy of employees can be considering as a form or a part of participation because it enables employees to make their own decisions about their

work. This finding is supported by Katz' (1988, p. 211–214) research according to which the autonomy of employees is an important determinant of employees' job satisfaction. However, this finding is little contradictory with other findings. When asked to employees to grade the importance of different incentives, participation was ranked to fourth important among six different incentives. One reason for this contradiction can be that employees were quite satisfied with their participation possibilities at the moment. Maybe because of that employees do not really recognize how important participation possibilities are to them. However, it emerged subconsciously when asked to mention things that have caused satisfaction and pleasure at the work. It has to be noticed that also the variability of working days was quite important in causing satisfaction and pleasure. It is quite obvious that usually employees find monotonous work boring and unsatisfying. Also teammates and colleagues were mentioned a few times.

The importance of teammates and colleagues emerged also when asked interviewees how they would react if they face a problem they do not know how to solve. This question was asked only in Turku and Pori. Half of the interviewees from Turku and Pori answered that at first they would take contact to their teammates and ask advice. Another half answered that they would take contact to superiors. Almost all the interviewees mentioned that asking advice signals appreciation between employers. Although interviewees in Turku and Pori emphasized co-workers importance they also mentioned that the sense of community is lacking at the moment. In Turku and Pori interviewees emphasized individuality more than interviewees in Tampere. For example in Tampere all of the interviewees thought that bonus systems have to be team based instead in Turku and Pori interviewees thought that bonus systems could be individual based. In addition some of the interviewees in Turku and Pori thought that lack of community is quite big problem. They feel that the sense of community is important role in generating job satisfaction.

In Turku and Pori interviewees were also asked would they like to develop their competencies relating their work. Six of the seven interviewees would like to develop their competencies. The interviewees thought that they can talk with their superiors about development possibilities. In addition interviewees also thought that employer should organizes training possibilities if employee is interested in self development.

5. RECOMMENDATIONS

On the basis of the interviews, recognition is the most important incentive type. In addition literature review supports the importance of recognition. Overall the well-being of employees and the management interest of the well-being of the employees were things that the interviewees emphasized. For example when discussing feedback the most of the interviewees mentioned that having feedback signals that superiors and management are interested in employees and their work. Also the symbolic value of non-monetary tangible incentives was important to the interviewees. Many interviewees considered non-monetary tangible incentives as a sincere thankyou for good work. In addition also benefits were important signaling that employer is commitment to employees and is interested in the well-being of employees. Also participation possibilities and recognition were considered to be in an important role generating the well-being of employees. Although according to previous literature monetary incentives have improved performance several per cent, none of these researches have researched the cost-effectiveness of different incentives. Non-financial incentives can be more cost-effective than financial incentives because non-financial incentives do not include any direct costs. Besides according to previous researches also non-financial incentives have improved performance several per cent (e.g. Locke et al. 1980; Vollrath & Froggatt 1988; Brown 1996; Deci et al. 1999; Kluger & DeNisi 1996; Stajkovic & Luthans 2001; Rynes et al. 2005). Hence non-financial incentives can be considered being in important roles increasing job satisfaction and performance especially in the long run.

In Empower attention has to pay especially to feedback. Firstly interviewees regarded feedback quite important. Secondly interviewees found that positive feedback from managers is important in signaling recognition. Besides interviewees felt that they did not get enough feedback at the moment or they got only negative feedback from superiors. According to the interviewees is not a good idea to give employees statistical feedback via mobile devices. According to interviewees it can cause comparison between employees and it can be harmful to teams. In addition statistical feedback would not be the same thing as personal feedback. Only personal feedback gives a feeling that superiors and manager are interested in employees. Personal feedback also signals recognition. Hence the amount of feedback should be increased. Both personal feedback and recognition require interpersonal skills of managers and superiors. Hence, it could be useful to the company to check, do managers and superiors have required skills to deliver personal feedback and recognition or do they need training.

Besides feedback and recognition attention has to pay also to participation. According to interviews, the possibility to arrange work tasks seems to be quite important to em-

ployees. Hence it can be important to preserve the possibility to arrange work tasks. In addition it is also important that employees' opinions are asked and listened. However, it seems like employees do not have interest to participate in decision-making.

In addition also monetary incentives are important. According to employees, the most suitable monetary incentive system would be a piece rate bonus system or a profit sharing system. A monetary bonus system has to be team based because the performance of all the tasks is strongly dependent on the working of the whole team and because it is difficult to compare individual tasks. However, it is important that all the aspects of behavior are taken into account when planning a monetary bonus system. Extra-role behavior for example is important in this working environment. Especially in a piece rate bonus system in which employees are paid for every product produced it has to pay attention that employees do not trade quality for quantity.

Overall it is important that employees feel that they are important assets of the company and that managers are interested in employees, their well-being and work.

6. CONCLUSION

On the basis of the literature review and the interview research, it seems that all the incentives types are important but they have different meanings for employees. Hence different incentives have different effects on performance and job satisfaction, like it was posited. Like in Herzberg's hygiene-motivation theory it seems that there are two different aspects in rewarding. These two aspects are effectiveness and humanity. Different incentives affect different aspects in a different way. Effectiveness-aspect means that employees feel that they are justified to get monetary incentives because they have put extra effort on work. In other words, employees feel that part of the company's profit belongs to them because they have invested their time and effort in the company. Monetary incentives are the most important incentives in rewarding the effectiveness-aspect. For the humanity-aspect it is important that employees feel that employer is interested in employees, their work and well-being. Recognition, feedback, participation, benefits and non-monetary tangible incentives can fulfill these humanity needs.

Both of these aspects seem to be important in motivating and generating job satisfaction. However according to previous literature monetary incentives are the most effective in increasing performance. Whereas non-financial incentives such as feedback, recognition and participation are more important in generating job satisfaction. In addition also benefits and non-monetary tangible incentives are important in generating job satisfaction and signaling that employer is interested in employees and their well-being. Hence the rewarding of the humanity aspect is more important in generating job satisfaction whereas the rewarding of the effectiveness-aspect affects performance. However, it is important to notice that these aspects complement each other. Hence we can talk about comprehensive rewarding.

Research has exposed some limitations. The biggest limitation was the quite small number of the interviewees. The number of the interviewees was too small to enable to generalize all findings of the interviews. The small number of the interviewees also caused some other limitations. Some of the interviewees did not have the best possible attitude towards the interview and these interviewees answered quickly and shortly. The bias in the results caused by these things can be remarkable because of the small number of the interviewees. Another limitation is the unavailability of some highly cited research articles. Often research articles relating to motivation, rewarding and satisfaction are published in psychological journals. This was the problem because some psychological journals were not available.

The future research should focus on comparative study of different incentives. At the moment there are no much long-time case researches which would compare different incentives effect on performance and job satisfaction at the same time. The research should execute in the similar working environment so that the results would be comparable and results should be exposed as few variables as possible. This kind of long-time case study would reveal if non-financial incentives were more important than financial incentives in long run. Also the cost-effectiveness of different incentives could be an interesting research subject. The results of both studies might have interesting managerial implications.

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APPENDIX 1: QUESTIONS

1. Mihin näistä ikähaarukoista kuulut?
 - a. alle 20 vuotta
 - b. 20–29 vuotta
 - c. 30–39 vuotta
 - d. 40–49 vuotta
 - e. yli 50 vuotta
2. Kertoisitko työstäsi?
3. Kuinka kauan olet työskennellyt nykyisessä tehtävässäsi?
4. Miten päädyit työhön?
5. Millainen asema sinulla on tällä hetkellä?
6. Millaisista tehtävistä työsi koostuu?
7. Jos mietit sitä aikaa, jonka olette työskennelleet nykyisessä tehtävässä, minkälaiset asiat ovat tuottaneet työssänne mielihyvää ja tyydytystä?
8. Millä tavoin ja miksi nämä asiat ovat tuottaneet teille tyydytystä?
9. Onko teille työssänne tullut eteen sellaisia työtehtäviä tai ongelmia, joita ette ole osanneet ratkaista?
10. Miten reagoit, jos tällainen tilanne tulee eteen työssänne?
11. Haluaisitko laajentaa omaa osaamistasi töihisi liittyen?
12. Miten voisit viestiä tästä esimiehillesi?
13. Miten mielestäsi työnantajan tulisi huomioida tällaiset toiveet?
14. Kuinka tärkeää palaute on teille työssänne?
 - a. ei lainkaan tärkeä
 - b. vähän tärkeä
 - c. jonkin verran tärkeä
 - d. melko tärkeä
 - e. erittäin tärkeä

15. Miksi palaute on tärkeää?
16. Koetteko saavanne työssänne palautetta?
17. Miten toivoisit saavasi palautetta?
18. Voisiko mielestänne palautetta antaa mobiilipäätteen avulla?

19. Kuinka tärkeää esimiehen ja työkavereiden arvostus on teille työssänne?
 - a. ei lainkaan tärkeää
 - b. vähän tärkeää
 - c. jonkin verran tärkeää
 - d. melko tärkeää
 - e. erittäin tärkeää
20. Miksi pidätte työkavereiden ja esimiehen arvostusta tärkeänä?
21. Miten työssä tulee esille se, että työkaverit ja esimies arvostavat sinua ja sinun työtä?
22. Voitasiko arvostusta tuoda jotenkin paremmin esille?

23. Kuinka tärkeäksi koet mahdollisuuden vaikuttaa työtäsi ja itseäsi koskeviin asioihin työpaikalla?
 - a. en lainkaan tärkeäksi
 - b. vähän tärkeäksi
 - c. jonkin verran tärkeäksi
 - d. melko tärkeäksi
 - e. erittäin tärkeäksi
24. Miksi pidät vaikutus mahdollisuuksia tärkeänä?
25. Koetteko että työntekijöillä on tällä hetkellä mahdollisuus vaikuttaa työtään koskeviin asioihin?
26. Miten työntekijöiden vaikutusmahdollisuuksia voitaisiin parantaa?

27. Haluaisitko osallistua organisaation päätöksentekoon?
28. Onko joitain tiettyjä asioita, joissa työntekijöiden mielipiteet ja vaikutusmahdollisuudet olisi erityisen tärkeitä ottaa huomioon?

29. Minkälaisena kokisit tilanteen, jossa työt olisi järjestetty työntekijöille valmiiksi loogiseen järjestykseen?

30. Kuinka tärkeänä pidät rahallista palkitsemista?
- en lainkaan tärkeänä
 - vähän tärkeänä
 - jonkin verran tärkeänä
 - melko tärkeänä
 - erittäin tärkeänä
31. Miksi pidätte rahallista palkitsemista tärkeänä?
32. Millainen rahallinen palkitsemisjärjestelmä olisi mielestänne sopivin työhönne? (mistä ja millä perusteella palkitaan, tiimi vs. henkilökohtainen, palkitsemisen aikaväli)
33. Kuinka tärkeitä
34. mielestänne ovat erilaiset aineelliset palkkiot?
- ei lainkaan tärkeitä
 - vähän tärkeitä
 - jonkin verran tärkeitä
 - melko tärkeitä
 - erittäin tärkeitä
35. Miksi pidätte aineellisia palkkioita tärkeinä?
36. Millä perusteella tällaisia erikoispalkkioita voitaisiin mielestänne jakaa?
37. Mikä olisi sopiva aikaväli palkitsemiselle?
38. Kuinka tärkeitä teille ovat työsuhteen mukana mahdollisesti tulevat edut, kuten esimerkiksi liikunta- ja lapsenhoitomahdollisuudet, laajennetut työterveys- huolto (esim. hammaslääkäri) ja vakuutus palvelut, lounassetelit, alennukset tietyistä liikkeistä sekä joustavat työajat?
- ei lainkaan tärkeitä
 - vähän tärkeitä
 - jonkin verran tärkeitä
 - melko tärkeitä
 - erittäin tärkeitä
39. Miksi pidätte etuja tärkeinä?
40. Minkälaisista eduista pitäisitte kaikista eniten?
41. Minkä edellä keskustelluista palkitsemiskeinoista koette kaikista mieluisimmaksi?
42. Olisiko vielä muita mieleen tulleita asioita käytyyn haastatteluun liittyen?