

INCENTIVES AT OPERATIVE LEVEL EMPLOYEES AND ITS REFLECTION ON ORGANIZATIONAL EFFECTIVENESS

(A CASE STUDY OF THREE SELECTED PHARMACEUTICAL UNITS
IN THANE – BELAPUR INDUSTRIAL AREA, DURING THE PERIOD
2006-07, 2007-08 AND 2008-09)

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SUBMITTED BY

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DECLARATION

I hereby declare that the thesis entitled “**Incentives at Operative Level Employees and Its Reflection on Organizational Effectiveness** (A case study of three selected pharmaceutical units in Thane – Belapur Industrial Area, during the period 2006-07, 2007-08 and 2008-09)” Submitted for the award of Doctor of Philosophy in Business Management at Padmashree Dr. D.Y. Patil University Department of Business Management is my original work and the thesis has not formed the basis for the award of any degree, associateship, fellowship or any other similar titles.

Place: Navi Mumbai.

Date:

Signature of the Guide

Signature of the
Head of the dept

Signature of the student

CERTIFICATE

This is to certify that the thesis entitled “**Incentives at Operative Level Employees and Its Reflection on Organizational Effectiveness** (A case study of three selected pharmaceutical units in Thane – Belapur Industrial area, during the period 2006-07, 2007-08 and 2008-09)” submitted by **Mr. Makarand Vitthalrao Nandanwar** is a bonafide research work for the award of the Doctor of Philosophy in Business Management at the Padmashree Dr. D. Y. Patil University Department of Business Management in partial fulfilment of the requirements for the award of the Degree of **Doctor of Philosophy in Business Management** and that the thesis has not formed the basis for the award previously of any degree, diploma, associate ship, fellowship or any other similar title of any University or Institution.

Also certified that the thesis represent an independent work on the part of the candidate.

Place:

Date:

Signature of the
Head of the Department

Signature of the Guide

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TABLE OF CONTENTS

	LIST OF TABLES	(i)	Page No.
	LIST OF FIGURES	(ii)	
	LIST OF ABBREVIATIONS	(iii)	
	EXECUTIVE SUMMARY	(iv)	
CHAPTER I	INTRODUCTION		
	1.1	Introduction to study	1
	1.2	Indian industrial scenario	2
	1.3	Challenges in Indian manufacturing units	3
	1.4	Pharmaceutical industrial trends and emerging issues	5
	1.5	Role of incentive	13
	1.6	Organizations under study	14
	1.7	Reasons for selecting the problem	23
CHAPTER II	LITERATURE REVIEW		
	2.1	Organizational Effectiveness	26
	2.2	Motivation	40
	2.3	Job Satisfaction	49
	2.4	Industrial Accidents	53
	2.5	Employee Absenteeism	58
	2.6	Production Wastage	62
	2.7	Role of monetary and non-monetary incentives	67
	2.8	Relationship between different variables	97
	2.9	Gap analysis	102

CHAPTER III	OBJECTIVES AND RESEARCH METHODOLOGY- DATA COLLECTION, CLASSIFICATION AND TABULATION		
	3.1	Objectives and Hypotheses	105
	3.2	Data Collection Methods	110
	3.2.1	Primary data collection	112
	3.2.2	Secondary data collection	113
	3.3	Size and the design of sample	114
	3.4	Instrument of data collection - Structured Questionnaire	114
	3.5	Processing of data: Editing, Coding, Classification and Tabulation	118
	3.6	Statistical tools used for data analysis	120
	3.7	Limitations of study	121
CHAPTER IV	DATA PROCESSING : PART I FINDINGS OF TANGIBLE DATA- OBSERVED EFFECTS		
	4.1	Comparative study of incentives in three organizations	123
	4.1.1	Comparison of mean score and standard deviation	126
	4.1.2	Monetary incentives - Analysis of Variance	127
	4.1.3	Non-monetary incentives - Analysis of Variance	128
	4.2	Observed (tangible) effect of monetary and non- monetary incentives	129
	4.2.1	Simple statistical analysis of secondary data	130
	4.2.2	Absenteeism in man days per hundred employees	132
	4.2.3	Accident rate per hundred employees	132
	4.2.4	Percentage Wastage per employee	134

	4.3	Trend analysis in Small, Medium and Large Organizations	134
CHAPTER V	DATA PROCESSING – PART II FINDINGS OF NON- TANGIBLE DATA- PERCEIVED EFFECTS		
	5.1	Comparison of demographic data - sample homogeneity	146
	5.2	Employees' attitude towards incentives	151
	5.3	Percentage analysis: employees' perception of incentive schemes	153
	5.4	Study of variables - simple correlation analysis	178
	5.4.1	Correlation between dependent variables: motivation and job satisfaction	180
	5.4.2	Correlation between independent variables attitude towards monetary and non-monetary incentives	180
	5.4.3	Correlation between motivation and non-monetary incentives	180
	5.4.4	Correlation between job satisfaction and non-monetary incentives	181
	5.4.5	Correlation between motivation and monetary incentives	181
	5.4.6	Correlation between job satisfaction and monetary incentives	181
	5.5	Regression analysis	200
	5.5.1	Regression model for motivation	201
	5.5.2	Regression model for job satisfaction	202
	5.6	Testing of hypotheses	205
CHAPTER VI	OBSERVATIONS AND CONCLUSIONS		
	6.1	Observations and findings	215
	6.2	Specific observation and discussion	220
	6.3	Cause effect relationship	227

	6.4	The differentiating factors of the study	228
	6.5	Conclusions	235
	6.6	Suggestions and recommendations	237
	6.7	Scope for future research studies	240
		Bibliography	
		Annexure I : Questionnaire	
		Annexure II : Organizational data sheet	
		Annexure III : Working Definitions	
		Annexure IV : Statistical Average scores of variables	

LIST OF TABLES

Table No.	Table title	Page No.
1.1	Incentives offered in three organizations	15
3.1	Detail of population and sample size	114
3.2	Reliability Coefficient of questionnaire	117
4.1	Comparison of monetary and non-monetary incentives	124-125
4.2	Comparison of means - monetary incentives	126
4.3 (a)	Descriptive analysis- Total monetary incentives	128
4.3 (b)	Analysis of Variance – Total monetary incentives	128
4.4 (a)	Descriptive analysis- Total non- monetary incentives	129
4.4 (b)	Analysis of variance – Total non- monetary incentives	129
4.5	Simple statistics- Absenteeism, Accidents and Wastage	131
4.6	Organization wise comparative data on absenteeism, accidents and wastage for three years	133
4.7 (a)	Absenteeism man days/100 employees- small organization – Regression Model Summary	135
4.7 (b)	Absenteeism man Days/100 employees-small organization - coefficients	135
4.8 (a)	No. of Minor near-miss accidents /100 employees: small organization–Regression	135
4.8 (b)	No. of Minor near-miss accidents /100 employees: small organization–Coefficient	136
4.9 (a)	No. of Major accidents /100 employees: small organization–Regression	136
4.9 (b)	No. of Major accidents /100 employees: small organization–Coefficient	136
4.10 (a)	Production wastage% /100 employees in small organization – Regression	137

4.10 (b)	Production wastage%/100 employees in small organization – Coefficient	137
4.11 (a)	Absenteeism man days/100 employees in medium organization- Regression	137
4.11 (b)	Absenteeism man days/100 employees in medium organization- Coefficients	138
4.12 (a)	No. of Minor near miss accidents /100 employees: medium organization–Regression	138
4.12 (b)	No. of Minor near miss accidents /100 employees: medium organization–Coefficient	138
4.13 (a)	No. of Major accidents /100 employees: medium organization–Regression	139
4.13 (b)	No. of Major accidents /100 employees: medium organization–Coefficient	139
4.14 (a)	Production wastage/100 employees in medium organization – Regression	139
4.14 (b)	Production wastage/100 employees in medium organization – Coefficient	139
4.15 (a)	Absenteeism man days/100 employees in large organization- Regression	140
4.15 (b)	Absenteeism man days/100 employees in large organization- Coefficients	140
4.16 (a)	No. of Minor near miss accidents /100 employees: large organization–Regression	141
4.16 (b)	No. of Minor near miss accidents /100 employees: large organization –Coefficient	141
4.17 (a)	No. of major accidents /100 employees: large organization – Regression	141
4.17 (b)	No. of major accidents /100 employees: large organization – Coefficient	141
4.18 (a)	Production wastage% /100 employees: large organization – Regression	142

4.18 (b)	Production wastage% /100 employees: large organization – Coefficient	142
4.19	Percentage and trend analysis of absenteeism, accidents and wastage per 100 employees	143
5.1 (a)	Sample by size of organization	146
5.1 (b)	Sample by gender of respondents	146
5.1 (c)	Sample by marital status of respondents	147
5.1 (d)	Sample by rural urban background of respondents	147
5.1 (e)	Sample by designation of respondents	147
5.1 (f)	Sample by qualifications of respondents	147
5.1 (g)	Sample by age of respondents	147
5.2 (a)	Descriptive statistics on demographic data	148
5.2 (b)	Demographic data	149
5.3 (a)	Reason for taking long leaves * size of organization	150
5.3 (b)	Reason for taking long leaves :Chi-Square test	151
5.4 (a)	Employees attitude towards incentives: Descriptive	152
5.4 (b)	Employees attitude towards incentives: ANOVA	152
5.5	Employees perception of company policies	154
5.6	Employees perception about salary	155
5.7	Employees satisfaction towards incentives and benefit plans	156
5.8	Employee's perception regarding future promotion	157
5.9	Employee's perception towards changing job	158
5.10	Employee's perception on kind of company they would prefer to work with.	160
5.11	Employee's perception on recognizing employees efforts	161
5.12	Employee's perception in contribution of monetary incentives in increasing employee's income	162

5.13	Employee's perception on Monetary incentives as a cause for absenteeism	164
5.14	Employee's perception towards increase in wastage of time and material because of monetary incentives schemes	165
5.15	Employee's perception on appreciation and less accidents rates	166
5.16	Employee's perception that monetary incentives are important than higher responsibilities	168
5.17	Employee's perception on non-monetary incentives and production wastage.	170
5.18	Employee's perception on motivation and job satisfaction by superior's appreciation.	171
5.19	Employee's perception regarding effective work through constant pressure of goal attainment	173
5.20	Incentives and accidents on shop floor	174
5.21	Non-monetary incentives and absenteeism	175
5.22	Employee's perception on en-cashing non-monetary incentives	176
5.23	Employee's perception on en-cashing LTC than availing family holidays	178
5.24	Overall Correlations	179
5.25	Correlations small organization	182
5.26	Correlations medium organization	183
5.27	Correlations large organization	184
5.28	Correlations age group 21 to 33 years.	185
5.29	Correlations age group 34 to 46 years	185
5.30	Correlations age group 47 to 59 years.	185
5.31	Correlations gender: male	186
5.32	Correlations gender: female	188

5.33	Correlations of married employees	189
5.34	Correlations of unmarried employees	191
5.35	Correlations background : Rural	192
5.36	Correlations background : Urban	194
5.37	Correlations designation: Manager	196
5.38	Correlations designation: Supervisor	197
5.39	Correlations designation: Workmen	199
5.40	Regression model For motivation	201-202
5.41	Regression model For job satisfaction	202-203

LIST OF FIGURES

Figure No.	Figure title	Page No.
Fig. 1	Trends of absenteeism	143
Fig. 2	Trends of wastage	143
Fig. 3	Trends major accident	144
Fig. 4	Trends minor accident	144

LIST OF ABBREVIATIONS

Sl. No.	Abbreviation	Full form
1	ASEAN	Association of South East Asian Nation
2	BoDD	Burden of Disease Database
3	BMI	Business Monitor International (Ltd.)
4	CAGR	Compound Annual Growth Rate
5	DALYs	Disability Adjusted Llife Years
6	FDA	Food and Drug Administration
7	FERA	Foreign Exchange Regulatory Act
8	FMCG	Fast Moving Consumer Goods
9	FTA	Foreign Trade Agreement
10	GMP	Good Manufacturing Practices
11	LTA	Loss Time Accident
12	LTC	Leave Travel Concession
13	MON	Monetary incentives
14	MRTP	Monopolistic Restrictive trade practices
15	MIS	Monetary Incentive Scheme
16	NON MON	Non Monetary Incentives
17	OE	Organizational Effectiveness
18	OTC	Over The Counter
19	PPE	Personal Protective Equipments
20	SWOT	Strength, Weakness ,Opportunity, Threat
21	SOP	Standard Operating Procedures
22	WHO	World Health Organization

EXECUTIVE SUMMARY

In Indian economy, industries in production sector play a predominant role. Today, with rapidly changing global political scenario and free market economies, every industrial unit is open to international competition. Effective and efficient working of the manufacturing units is the serious and major challenge for any organization.

In any manufacturing unit involved in standard repetitive production process, shop floor employees are the main moving force in the success of that organization.

Various motivational studies have shown that the human beings have endless needs and the same is true with the employees in an organization. Salary can help to retain the employee but may not be able to generate compelling urge in the individual to give his/ her best output willingly and here the role of incentives became highly important. This study is intended to analyze the impact of some of the monetary and non-monetary incentives on selected aspects of Organizational Effectiveness (OE) at individual level and to find out measures for improving their effectiveness.

A study of Organizational Effectiveness was difficult because of the multiplicity of goals and the apparent incompatibility of some of them which poses a great problem in developing a right criterion of effectiveness. After profound literature review in the field of Organizational Effectiveness and Incentives it was observed that an integrated study considering variables like perceived as well as observed aspect of the Organizational Effectiveness, effects of both monetary and non-monetary incentives and various demographic data has not been carried out.

The intended objectives of the study were:

- To study and compare the existing incentive and compensation packages like monetary, non monetary incentives in the three organizations covered under this study.
- To study and understand the reflection of observed (tangible) and perceived (non-tangible) effects of these incentive schemes on selected determinants of Organizational Effectiveness at individual level.
- To evaluate and identify the relationship between monetary, non-monetary incentives and the selected determinants of Organizational Effectiveness at individual level.
- To study and suggest measures for formulating a better and progressive incentive schemes packages to make it more effective and meaningful for future.

Theoretical conceptualization of study:

In this study the employee's attitude towards monetary incentives and non-monetary incentives were considered as two independent variables. The monetary incentives were represented by annual increment, productivity bonus and medical reimbursement as a cash incentive and subsidies canteen, transport facilities, children education assistance as benefits. The non-monetary incentives were represented by an appreciation letters, display of name and awards as appreciation and higher job responsibilities, opportunity to learn and advance training etc. as a reward.

The Organizational Effectiveness at individual level was represented by five determinants. In this, motivation and job satisfaction were two positive determinants

whereas employee absenteeism, accidents rate and percentage wastage were three negative determinants of Organizational Effectiveness. The selection of these determinants of Organizational Effectiveness was done on the basis of availability of data, type of organizations under study and previous researches in this field. These determinants mostly cover other aspects of Organizational Effectiveness as well.

Three pharmaceutical organizations were selected for this study, which includes one large, one medium and one small scale organization. The characterization was done on the basis of financial turn over, size of the unit and number of permanent employees presently working in the unit. Similar types of monetary and non-monetary incentives were offered in all the three organizations, however they differed in intensity, measurement parameters and periodicity.

Data Collection:

The data collection was done in two stages, in the first stage a **pilot survey** was conducted to ascertain the research parameters and testing the reliability of the instruments used in the study.

In second stage, the **primary data** on non-tangible aspects (perceived effects) were collected through three main methods: 1. Questionnaires, 2. Interviews, 3. Observations through 'walk-through-survey'. The method of observation has been resorted to only as a means to supplement the other two forms of primary data collection.

The **tangible data** required to measure the tangible aspects was collected from the official data records for three years 2006-07, 2007-08 and 2008-09 of the three organizations. The **secondary data** was collected through desk research including literature survey, referring e-libraries etc.

Size and the design of the sample:

The study was conducted on shop floor employees in three selected pharmaceutical manufacturing units. Only permanent employees working in these organizations were taken in this study. Employees in all the categories i.e. workers, supervisors and managers (up to senior manager level), who were the actual beneficiary of the incentive schemes were considered. The sampling was done by stratified random sampling. The final size of the sample was 165 respondents. In all there were 66, 61 and 38 respondents from large, medium and small organization respectively across three different categories of designation namely managers, supervisors and workers. The selected sample was 41.5% of total available universe of 398 employees following under the selection criterion of permanent shop-floor employees.

Instrument of data collection: Questionnaire

The collection of primary data on perceived effect was primarily done by the method of questionnaire. In the first part of the questionnaire, the nature and the purpose of the work were explained and the assurance of complete secrecy of identity of respondent and responses were given. Also some background information of respondents was collected. In the second part there were 36 questions distributed in three different sections on motivation, job satisfaction and attitude towards monetary and non monetary incentives. The reliability coefficient of the questionnaire for above mentioned three different sections i.e. for motivation, job satisfaction and attitude towards incentives, by Kuder – Richardson's formula, was 0.8042, 0.7617 and 0.8235 respectively, which indicates the high reliability of questionnaire.

Data processing:

The data collected with the help of the questionnaire was coded, classified and after that a master table was prepared. Help of Statistical package SPSS was taken for analysis of data. Then for each individual behavioral characteristic mean score was obtained. These mean scores were subjected to various statistical analyses by employing the various statistical tools like comparison of mean scores and Standard Deviations, ANOVAs, Percentage Analysis, Simple Co-relation Test, Chi-square Test. Further Correlation Analysis, Multiple Regression Analysis and Trend analysis were carried out for testing of research hypotheses.

Findings and Conclusions:

On the basis of analysis of data, it can be said with reasonable degree of confidence that well designed monetary and non-monetary incentive schemes increased employee's motivation and job satisfaction. Also these incentive schemes were able to reduce employee absenteeism, production wastage and accidents on shop floor thereby increasing the overall Organizational Effectiveness.

In this study it was observed that, in spite of the fact that organizations offered similar types of monetary and non-monetary incentives, the schemes differed significantly in the three organizations. This difference was due to difference in quantum, measurement parameters and frequency of the incentives offered to the employees.

The employee's attitudes towards these incentives also differed significantly. There existed significant negative correlations between employees' attitude towards monetary and non-monetary incentives. When monetary incentives were offered less than employees' expectations, it resulted in reduction in employees' motivation and

job satisfaction, thereby defeating their own purpose. When the monetary incentives were offered in higher quantum and frequencies, it showed positive reflection on Organizational Effectiveness.

Unlike monetary incentives, non-monetary incentives did not have much negative reflection even when they were offered less in quantum. Hence non-monetary incentives turn out to be the most cost effective method and demonstrated a positive reflection on Organizational Effectiveness. Overall, employees preferred monetary incentives over non- monetary incentives.

A positive correlation between monetary incentives and employee motivation was observed which was not statistically significant. On the other hand there was negative correlation between job satisfaction and monetary incentives. The correlation between non-monetary incentives with both motivation and job satisfaction was positive and significant. This was due to the fact that the correlation was dependent on quantum of incentives as perceived sufficient or insufficient by the employees. The employees' tendency to take more leaves, inclination towards alcoholism, gambling etc., were some of the negative impact on employee's performance resulting from the extra income earned from high monetary incentives offered to them.

The study also reveals that employees perceived monetary and non monetary incentives as important and necessary aspect of job towards achieving Organizations Effectiveness. Employees also perceived incentives as a compensation of their additional efforts that were required for achieveing organizational goals. The incentives should be discriminative.

The regression analysis revealed that the unique and differentiating factor of this research is that the incentive scheme should not be design solely on the basis of employee designation alone and due regards needs to be given to demographic characteristics like age, gender and qualification of the employees', as they had different inclinations and priorities. This was the major reason for failure or success of any incentive program. It was also observed that female respondents preferred monetary incentives over higher responsibility and promotions due to domestic responsibilities. The second finding was that all non-monetary incentives were valued by the employees of all age groups. As the age of employee increases, the preference shifts from self growth to self actualization needs.

In monetary incentives bonus and increment were the most effective tools. The monthly productivity incentives were important for increasing productivity and achieving organization's targets but this scheme also had negative impact on employee health and performance. Better food and transport facilities were found important in improving employees' attitude, but they do not necessarily increased employees motivation and job satisfaction. The absence of hygiene factors can leads to demotivation and dissatisfaction.

No system can be made full proof, so are the incentive schemes, but their adverse effect can be minimized by taking proper care while designing them and involving employees of all the levels. Regular feedback and corrections in the scheme helped in reducing the negative impact of the monetary and non-monetary incentive schemes.

Though the study was conducted on shop floor employees of selected pharmaceutical organizations the results of the study are universal and can be

applied to any type of organization where shop floor or assemble line operations are performed.

This research indicated that non-monetary incentives were more effective in increasing employee motivation, job satisfaction and had lesser negative impact compared to monetary incentive schemes. Overall, depending upon the intensity, incentive schemes were able to proportionately reduce absenteeism in employee, accident rates and production wastage on shop floor and thus were very effective in increasing Organizational Effectiveness in the organizations under the study.

Suggestions and Recommendations

1. Incentive scheme designing should be done on the basis of employee's age, gender and qualification and not only on the basis of the designation alone.
2. More emphasis should be given to non-monetary incentives supported by good monetary incentives to have synergistic effect in increasing overall Organizational Effectiveness.
3. The monetary incentives should be inclusive of quantitative as well as qualitative aspects like number of days employee was present, percentage yield and nil Loss Time Accident (LTA) to minimize the negative determinants of Organizational Effectiveness like absenteeism, wastage and accidents respectively.
4. The emphasis should be given in formulating and percolating good non-monetary incentives as they have very profound and sustained effect on all the employees within the organisation. These awards should be presented on the occasion of family get together and other social functions.
5. To encourage good team work, team awards and group incentives should be encouraged.

6. In case of Monthly Monetary Incentives, its quantum should be in line with performance targets. On the lower side employees should feel it worth to go for it and higher quantum should not lead to absenteeism, accidents and bad habits.
7. The periodic feedback in the system will help to sustain the effectiveness and also take care of negative aspect like increased stress level, employee becoming more targets oriented than creative and innovative in their approach.
8. The incentives should be differentiating at individual as well as group levels to generate competitiveness amongst the employees.
9. To minimise the subjectivity, the performance targets should be well spelled at all the level. The KRA's and measures should be well defined and quantifiable. The scheme should be easy to understand by all and there should be choice for employee to choose their incentive package from the available incentive basket.

On the basis of the findings of the study a theoretical model was summarised to explain the overall reflection of monetary and non-monetary incentive schemes on Organizational Effectiveness at individual level.

The study revealed that both monetary and non-monetary incentives were felt necessary to achieve Organizational Effectiveness. Incentives were the fastest and reliable mode to reach desired targets, growth and stability.

The study also opened new doors for future research on different aspect of organizational success with respect to incentives and more data from various other organizations to come up with new upgraded versions of incentive packages in future.