

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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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 Life 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.