

A STUDY OF THE IMPACT OF INCENTIVES ON EMPLOYEE PERFORMANCE WITH SPECIAL REFERENCE TO KARNATAKA WOOD INDUSTRIES, KEDAMBADY – MANGALURU

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ABSTRACT:

With over twenty-five years of combined knowledge within the timber industry, Karnataka Wood Industry and Karnataka Timber Industries are able to supply top-notch goods by utilizing their expertise in wood and wood processing. In this study, the effect of financial incentives on employees' performance in the workplace is analysed. Financial incentives were taken into consideration as a type of payment that is directly related to the performance of the employees. Employee performance improves when profits or incentives increase. This encourages workers to meet objectives and pushes them to achieve more. One of the frequent financial incentives that support employees' professional growth is salary increases. This study analyses the types of financial incentives utilized in organizations, including bonuses, commissions, and rewards. It also explores the relationship between financial incentives and employee performance. The current study used a questionnaire survey strategy to collect data from sample participant units that were chosen at random. This encourages staff to meet objectives and pushes them to go beyond them. One of the frequent financial incentives that support employees' professional growth is salary increases. This study analyses the types of financial incentives utilized in organizations, including bonuses, commissions, profit sharing, and stock options. It also explores the relationship between financial incentives and employee performance. The current study used a questionnaire survey technique to collect data from a sample group of individuals chosen at KWI. The results indicate that using financial incentives to motivate employees' performance is the best option.

1.0. INTRODUCTION:

Employee incentives are a method of recognizing and rewarding employees for their success and effort at work by giving them the opportunity to win rewards or accolades. An employee incentive program is one choice a firm has when it wants to promote productivity among its personnel.

The things that motivate employees to work to the best of their abilities to meet the unit's goals can also be referred to as incentives. There is no question that satisfying an individual's needs and motivation go hand in hand. Motives pay individuals to meet a particular need and offer incentives. The ability to work alone is insufficient; the person must also be motivated to work. And this is when the significance of delivering stimuli begins.

to assure commitment to the performance of employees by filling their hearts with fulfilment from their employment. to eliminate the causes, symptoms, and other factors that interfere with their performance and generate stress and anxiety.

Many businesses today use various incentive programs to encourage and reward their personnel. Similar to other industries, this one has implemented an incentive structure to determine how it affects employee performance.

For the wood industries in Karnataka, this study was conducted. The purpose of this study is to investigate the effects of various incentives on employee performance. Finding a balance between incentives that increase performance and job satisfaction is the key goal. In controlling employee performance, monetary compensation has always been significant, but in recent years, in order to give companies more flexibility in rewarding and motivating employees, various components of remuneration have emerged. According to Armstrong and Taylor (2010), "Performance is defined as behaviour that achieves results. Performance management affects performance by assisting individuals in comprehending what constitutes good performance and by supplying them with the knowledge necessary to enhance it.

Each product's origins can be traced back to our very own timber coupes, allowing KWI total control over the sourcing of raw materials and the production of high-quality goods. End-to-end operations with comprehensive backward integration are a core competency of KWI. According to ISI criteria, every raw material input satisfies the highest standards. The raw material is then produced and processed using the most cutting-edge machinery setup at our enormous 50,000 SFT factory. The prompt delivery of goods to clients is always guaranteed by our own sizable fleet of logistical assistance.

1.1. SIGNIFICANCE OF THE STUDY

To investigate the organization's productivity; to gauge employee retention; and propose measures to enhance employees' performance

1.2. SCOPE OF THE STUDY

- To investigate how employee performance is influenced by incentives thanks to this research.
- The current study's focus is only on Karnataka Wood Industries (KWI).
- The purpose of this study is to determine how incentives affect employees' performance at work.

1.3. OBJECTIVES OF THE STUDY

- To research the kinds of rewards Karnataka Wood Industries (KWI), Mangalore, offers to its workers.
- To determine which incentives are most effective at raising employee performance.
- To determine how appropriate incentives help employees feel satisfied at work.
- To make suggestions for more effective reward systems.

1.4. RESEARCH METHODOLOGY

Research Design

The data collected for this study may be classified into two parts:

- PrimaryData

The data was collected through questionnaires created with the help of Google Forms and Personal observation.

- SecondaryData

The data is collected through various secondary sources such as previous projects, online journals, books and the home page of the company.

1.5. STUDY AREA:

The study area was Karnataka Wood Industries, Kedambady, Mangalore.

1.6. SAMPLE DESIGN:

This current study is based on a Descriptive study.

1.7. SAMPLE SIZE:

I have distributed questionnaires to the employees in Karnataka Wood Industries, Mangalore and the sample size is 51.

1.8. LIMITATIONS:

- The study on incentive strategies is limited to a particular industry.
- The duration of the study is in accordance with the course curriculum; Hence the study has the elements of time constraints.
- This study is specifically related to incentive strategies in Karnataka Wood Industries (KWI) in particular.

1.9. LITERATURE REVIEW:

The fact that performance-based pay systems link pay to employees' outputs is highlighted by Bratton and Gold (2012). These outputs may include beneficial contributions from the individual or team, serving as the foundation for various remuneration systems. The ubiquity of performance appraisal distortion and its impact on performance and motivation are highlighted by St-Onge et al. (2009). Although this distortion is unavoidable in the majority of firms, managers should also consider evaluating the evaluations and the manner in which we convey success or failure and the associated reward. Armstrong (2007) claims that there was a backlash against PRP in the 1990s, and as a result, contemporary organizations have introduced second-generation methods in an effort to correct previous errors. Additional study in this area is needed. According to Gilmore and Smith (2005), this high-

performance company is non-hierarchical and is transitioning away from centralized managerial control to a more team-based manner of working with more evenly distributed duties and a foundation built on strong levels of trust and communication. This brings up some intriguing questions regarding the best ways to reward these teams, both collectively and individually, as well as how reward systems function in a team-based context. Smith and William (2003) examined the risks of receiving the erroneous merit increment when performance-related pay models are implemented and the implications this can have on motivation in their study of the relationship between performance rating pay and motivational influences. The perceptions that employees have of their reward climate affect their performance, according to Babakus et al. Although cash prizes are appreciated by workers, managers should never use them as a means of encouraging their staff to perform better, according to Nelson & Spitzer (2002). There's a danger that the reward's main point would be forgotten if this were to occur. Guest, 2002; Mendonca, 2002; Fey and Bjorkman, 2001. The expectation hypothesis, which contends that employees are more likely to be motivated to perform when they believe there is a strong correlation between their performance and the incentive they receive, forms the basis of a reward and compensation system. Managers should be cautious of "non-rewards," the researcher cautions in a study by Bewen (2000). These incentives should not be given out frequently and should be used sparingly. They are also characterized as being passive, and they don't always result in long-term constructive behaviour. According to Reynolds & Beatty (1999), the rapport that has been built between the staff and the clients may boost the consumers' view of the value of the bank's goods and services. When a high sense of value is attained, it is also very likely that the customer will be happy, which will increase the bank's revenue. Goodwin & Gremler (1996) assert that the banking sector needs motivated staff since, in the absence of them, client satisfaction levels will suffer. According to Deeprose (1994), giving workers efficient tools can increase their motivation and productivity. To put it another way, the remuneration structure, such as profit sharing, enhances performance by connecting employees' interests to those of the team and the organization. Huselid, 1995; Kling, 1995; Kalleberg and Moody, 1994. Adelman et al. (1994), who contend that the interpersonal connections made between bank employees and customers are a key factor in determining whether a consumer is satisfied or unsatisfied, also support this theory. In their study on the changing workplace, Beer et al. (1984) makes the strong claim that organizations today have undergone a complete transformation. As a result, it is more crucial than ever for top management to implement new methodologies for creating solid and long-lasting relationships between the organization and its employees in order to achieve organizational goals.

1.10. CONCLUSION ON LITERATURE REVIEW:

The study topic, which is based on the effects of reward systems on employee performance, has been extensively covered in the critical review of the literature. It is crucial to support this with the appropriate level or combination of rewards at that particular time in order to create an effective reward system within your company and foster a culture of efficiency and continuous progress. The type of reward system to use inside your organization cannot be determined in a "one size fits all" fashion. However, the effectiveness of that reward scheme depends greatly on the timing of it as well as the staff dynamics. In this regard, a successful system of incentives and recognition

will provide a crystal-clear means of obtaining the best results for your employees while developing a positive work environment. Armstrong (2012, p. 324) underlines that high performers are frequently extremely motivated. Extrinsic rewards may lessen intrinsic interest, it has been stated, and working just for money gain may lead to a less motivated or happy environment. The performance will be most affected by the mix of prizes delivered in the right way to the right person or group. It may be claimed that today, it is generally accepted that combining awards from a comprehensive rewards perspective is the best course of action to follow inside a business. These days, a significant amount of the content that has been created is committed to a more inclusive strategy for rewarding our employees. Typical motivation Traditional motivational theories are still relevant in today's firms, and because they are mutually supportive, they can also raise employee engagement and productivity. According to Armstrong (2009, p. 38), engagement happens when employees are really motivated by a sense of success and belonging and have a clear grasp of the nature of their tasks within the organization as a whole. Additionally, this is in line with expectation theory, which maintains a connection between performance and outcomes.

1.11. DATA ANALYSIS AND INTERPRETATION:

1. Age of employees

The respondents are of different age groups. They include freshers who are working as well as experienced seniors.

Age of Employees	Respondents	Percentage
18-29 years	22	43%
30-39 years	12	24%
40-49 years	8	16%
50-59 years	7	13%
60 above	2	4%
Total	51	100

Source: Primary Data

From the survey it was found that about 43% of the respondents were between the age of 18- 29 years and about 24% of the respondents were of the age group 30-39 years about 16% of the employees were of age between 40-49 about 13% of the employees were of age group 50- 59 years and 4% of the respondents belonged to 60 and above.

2. Qualification of Employees

The qualification of employees who are working in different fields is a part of the study.

Qualification of Employees	Respondents	Percentage
Below SSLC	21	40%
S.S.L.C.	12	24%
P.U.C.	10	20%
Graduate	5	10%
P.G.	3	6%
Total	51	100

Source: Primary Data

From the survey, it was found that about 40% of the employees are the BELOW S.S.L.C, about 24% of the employees are S.S.L.C. passed out, for about 20% are P.U.C, about 10% of them are Graduates and about 6% of them have done P.G.

3. Work Experience in Karnataka Wood Industries

The respondents who are working in Karnataka Wood Industries are well experienced. The number of experiences says about the job satisfaction level of employees.

Work Experience in Karnataka Wood Industries	Respondents	Percentage
0 to 2 years	20	39%
2-5 years	18	35%
5-15 years	12	24%
15-25 years	1	2%
Total	51	100

Source: Primary Data

From the study, we can conclude that the Human Resources of Karnataka Wood Industries Company is a mixture of all the employees who are experienced. 39% are freshers, the employees who are working for 2-5 years are about 35%, there is a good number of experienced employees consisting of 5-15% years of experience for about 24%, 15-25 years of experience for about 2%.

4. Incentives provided by the company

The Incentive offered by the company is based on their work or category of management level.

Incentives provided by the company Work Experience	Respondents	Percentage
Travel Allowance	45	88%
Hra	51	100%
Bonus	40	78%
Education Allowance	0	0%
Food Allowance	51	100%
Medical Allowance	20	39%
Others	8	16%

Source: Primary Data

From the survey, about 88% of the employees are provided with a Travel allowance, about 100% of the employees are provided with HRA, about 78% are provided with a Bonus, no Education Allowance is provided, for about 100% are provided with Food Allowance, for about 39% are provided with Medical Allowance and for about 16% others.

The incentives motivate the employees to take the initiative

The initiative is one of the factors that boost employee performance. Thus, the evaluation of initiative is necessary. The following survey shows the same.

The incentives motivate the employees to take initiative Gender	Respondents	Percentage
YES	37	72%
NO	10	20%
NOT SURE	4	8%
TOTAL	51	100

Source: Primary Data

From the survey, it is found that about 72% responded YES, that they are motivated to take initiative and 20% responded NO and the rest 8% NOT SURE.

6. The Incentive Method adopted by Karnataka Wood Industries

It is important to know how rewards are given in the company as it says about the rewards system followed by the company. Each organization has its unique way of rewarding their employees, it might even change from one region to another or one department to another issue on the system the company feels suitable.

Incentive Method adopted by Karnataka Wood Industries Options	Respondents	Percentage
Based on the assigned work	10	20%
Based on the overtime work	5	9%
Profitability of the company	10	20%
Based on the increased productivity	26	51%
Total	51	100

Source: Primary Data

From the study, Karnataka Wood Industries followed a variety of techniques to reward their employees. 20% of the employees agreed that it is their assigned work that leads to rewards, 9% of employees considered based on overtime work, 20% of the employees said that some rewards are dependent on the profitability of the company and about 51% consider increased productivity.

7. Opinion on regular payment of wage/salary is better than incentives

In order to know if wage/salary is better than incentives, the following is the survey done.

Opinion on regular payment of wage/salary is better than incentives Options	Respondents	Percentage
Strongly Agree	10	19%
Agree	20	39%
Neutral	2	4%
Disagree	10	20%
Strongly Disagree	9	18%
Total	51	100

Opinion on receiving feedback/recognition at work Options	Respondents	Percentage
PERSONAL FEEDBACK	31	61%
TEAM-BASED FEEDBACK	6	12%
PERFORMANCE-BASED FEEDBACK	8	16%
IMMEDIATE FEEDBACK	5	9%
OTHERS	1	2%
TOTAL	51	100

Source: Primary Data

The survey found that around 19% of the employees strongly agree that wage/salary is better than incentives, about 39% agreed, around 4% are neutral, 20% of the employees disagree, and around 18% strongly disagree on the opinion that regular payment of wage/salary is better than incentives.

8. The Preference for Rewards

There are two methods of rewards. The organization can reward based on team or individual. this survey is done to know what employees do prefer.

The Preference for Rewards Options	Respondents	Percentage
Team Based Rewards	32	63%
Individual Rewards	19	37%
Total	51	100

Source: Primary Data

From the response, it was found that over 63% of the employees like to be rewarded in a group, this speaks about them liking teamwork much and rewards based on it. Over 37% that is the majority chose Individual Rewards shows that the employees like to be rewarded individually helping them to improve themselves and benefit wholly.

9. Opinion on receiving feedback/recognition at work

Feedback is the only option where an employee can understand their input. The following survey shows on what basis the employees prefer to receive feedback/recognition.

Source: Primary Data

From the response, found that around about 61% prefer Personal Feedback, 12% prefer Team Based Feedback, around 16% prefer Performance Based Feedback, around 9% prefer Immediate Feedback and 2% others.

10. Changes required by the Employees in the Organisation

Environment plays a vital role in influencing the behaviour of the employees. The survey below indicates the influence of environmental conditions.

Changes Required by the Employees in the Organisation Options	Respondents	Percentage
Leave permit	13	25%
Safety and Security	11	22%
Flexitime	15	29%
Environmental	10	20%
Others	2	4%
Total	51	100

Source: Primary Data

From the response, about 25% of the people strongly agree that environmental condition affects the performance of employees, 22% agree that environmental condition affects their performance, around 29% were neutral, around 20% disagreed and 4% strongly opposed.

1.12. SUGGESTION:

Karnataka Wood Industries, KWI, has a structured incentive program. In addition to the current system, I'd like to recommend a few actions the company may take, such as offering short-term loans and grants, to lessen the load on the employees in the event of a financial emergency. The employer should offer flexible scheduling to employees who choose to work shifts as this will afterwards boost worker productivity. Measures must be considered because the organization offers incentives based on employee performance, which are not adhered to strictly. The results of the poll suggest that employees prefer to get incentives based on their performance.

1.13. CONCLUSION:

Employees benefit greatly from the KWI (Karnataka Wood Industries) company's incentive program. The company's incentive program is well-liked by the personnel. The company also encourages its staff to work hard. The business is also prepared to implement any modifications for the staff. It promotes a pleasant environment where morale, motivation, and ultimately performance are high to provide the message that employees are valued within the organization and that their performance and commitment matter. In order to effectively convey this message, a relevant and practical reward system is essential since it demonstrates to current and potential new employees that their interests are taken seriously.

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