

Final Project 2

PMG 497

The Impact of Financial Incentives on Employee Satisfaction in Pharmaceutical Companies in Saudi Arabia

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Acknowledgment

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I am immensely thankful to my family for their unwavering support and belief in me. Their love and encouragement have been the driving force behind my accomplishments.

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Lastly, I am grateful to all the participants in this study who generously shared their time and insights. Their contributions have been essential to the success of this research

Dedication

This work is lovingly dedicated to my family and my best friends, whose unwavering support, encouragement, and belief in me have been the foundation of my journey. Thank you for being my constant source of strength and inspiration.

Abstract

Purpose:

This study examines the impact of financial incentives on employee satisfaction within pharmaceutical companies in Saudi Arabia. It aims to explore how well-structured financial rewards contribute to employee motivation, retention, and alignment with organizational goals.

Methodology:

The research employs a quantitative approach using a structured questionnaire distributed to employees in various departments of pharmaceutical companies. Statistical analysis, including descriptive statistics, correlation, and regression analysis, was conducted using SPSS to assess the relationship between financial incentives and employee satisfaction.

Findings:

The study reveals a significant positive correlation ($r = 0.622$, $p < 0.01$) between financial incentives and employee satisfaction, with financial incentives explaining 38.7% of the variance in satisfaction levels. Salary increases (80%) and annual bonuses (60%) emerged as the most valued incentives. Fairness and transparency in incentive distribution were identified as critical factors influencing satisfaction. The findings emphasize the importance of integrating financial incentives with non-financial rewards to achieve long-term employee motivation.

Originality & Implication:

This research contributes to the limited body of knowledge on financial incentives in the pharmaceutical sector, particularly in Saudi Arabia. The results provide actionable insights for industry leaders to design effective incentive programs that align with employee expectations and organizational objectives. It also highlights the need for a holistic approach to employee satisfaction, incorporating both financial and non-financial rewards.

Keywords:

Financial incentives, employee satisfaction, pharmaceutical industry, Saudi Arabia, organizational goals, motivation, rewards systems.

Table of Contents

Acknowledgment.....	2
Dedication.....	3
Abstract.....	4
1. Chapter 1: Introduction	8
1.1. Research Background.....	8
1.2. Research Problem.....	12
1.2.1. Theoretical Gaps	13
1.2.2. Practical Gaps	13
1.3. Research Significance	13
1.3.1. At the theoretical level.....	14
1.3.2. At the practical level	14
1.4. Research Questions	14
1.5. Research Objectives	14
1.6. Research Hypotheses.....	15
1.7. Research Model.....	17
1.8. Scope of The Study	18
1.9. The Project Structure.....	18
2. Chapter 2: Literature Review	19
2.1. Introduction	20
2.2. The independent variable	21
2.3. The dependent variable	22
2.4. The relationship between the independent and the dependent variables	23
2.5. Conclusion.....	24
3. Chapter 3: Research Methodology	25
3.1. Introduction	26
3.2. Operational definitions for research variables	26
3.3. Research design (research onion).....	27
3.4. Research population & Sampling methods and technique.....	28
3.5. Data collection method.....	29
3.6. Types of data	29

3.7. Statistical analysis procedures.....	29
3.8. Conclusion.....	30
4. Chapter 4: Statistical Analysis & Findings discussion.....	31
4.1. Introduction	32
4.2. Sample profile (descriptive statistics for research sample).....	32
4.3. Validity & reliability tests for the questionnaires	37
4.4. Descriptive statistics for research variables (answer research questions).....	40
4.5. Testing Hypotheses & Findings Discussion	44
4.6. Conclusion.....	49
5. Chapter five: Research limitations, Recommendations & Conclusion	51
5.1. Research Limitations & Future Research.....	52
5.2. Research Recommendations	53
References.....	56
Appendix.....	58

List of Figures:

Figure No.	Figure Title	Figure Page
1	The Proposed Research Model	17
2	The Project structure	18
3	Research designs	27
4	Description of the Sample by Gender	34
5	Description of the Sample by Age	34
6	Description of the Sample by year of experience	35
7	Description of the Sample by Job Title/Position	36
8	Description of the Sample by Department	37
9	Financial incentives valued by employees	48
10	Suggestions for improving financial incentives Source: Survey result	49

List of Tables:

Table No.	Table Title	Table Page
1	Research Population and Sampling Method Details	28
2	Description of the Study Sample	33
3	Validity of the Scales Used in the Study for the Dependent and Independent Variables	38
4	Reliability of the Study	39
5	Significance of the Arithmetic Means	41
6	Means and Standard Deviations of the Study Variables	41
7	Linear Correlation Coefficients Between Financial Incentives and Employee Satisfaction	43

1. Chapter 1: Introduction

1.1. Research Background

In today's dynamic business environment, employee satisfaction is increasingly recognized as a fundamental driver of organizational success. The relationship between employee satisfaction and productivity has been well-documented across various industries, revealing that satisfied employees are more engaged, motivated, and likely to contribute positively to their organizations. In the pharmaceutical sector, where innovation, regulatory compliance, and competitive pressures are paramount, fostering a stable and productive workforce is essential. This industry is characterized by its complexity, with employees often working in high-stakes roles that demand both creativity and adherence to strict regulations. As such, understanding the factors that influence employee satisfaction becomes critical for pharmaceutical companies aiming to retain top talent and achieve strategic objectives.

Financial incentives, including bonuses and performance-based rewards, are often cited as primary motivators for employees across various sectors. Within pharmaceutical companies, where job roles can be demanding and outcomes are often tied to team performance, the strategic implementation of these incentives can significantly impact employee morale. Numerous studies have documented the positive correlation between financial rewards and job satisfaction, suggesting that well-structured incentive programs not only motivate employees but also contribute to their overall well-being and commitment to the organization. However, the effectiveness of financial incentives is not solely dependent on their monetary value; the way they are perceived by employees and integrated into a broader reward system plays a crucial role in their success.

The relevance of studying financial incentives in the context of employee satisfaction in pharmaceutical companies cannot be overstated. Theoretical frameworks, such as Expectancy Theory and Equity Theory, provide insights

into why financial rewards can lead to enhanced motivation. Yet, empirical evidence specific to the pharmaceutical sector remains limited. Practically, this research is crucial for industry leaders aiming to develop effective compensation strategies that align with both employee expectations and organizational objectives. Given the unique challenges faced by pharmaceutical companies, such as stringent regulations and the need for innovation, understanding how to tailor financial incentive programs to fit this context is imperative.

Despite the general consensus on the benefits of financial incentives, there remains a gap in targeted research focusing on the pharmaceutical industry, particularly in the context of Saudi Arabia. Existing literature often draws on studies from other sectors, which may not fully capture the unique aspects of the pharmaceutical workforce. Therefore, it is crucial to understand how financial incentives are perceived within this specific context and their subsequent effect on employee satisfaction.

The significance of this research lies in its dual contribution to theory and practice. From a theoretical standpoint, it aims to expand the existing body of knowledge regarding financial incentives and employee satisfaction by focusing on industry-specific variables. By examining the relationship between these variables in the context of the pharmaceutical sector, this study will contribute to a more nuanced understanding of how financial incentives can be effectively utilized to enhance employee satisfaction and align with broader organizational objectives.

Practically, the findings of this research are expected to provide valuable insights for pharmaceutical companies seeking to develop effective compensation strategies. In a competitive industry where talent retention is

vital, understanding the role of financial incentives in employee satisfaction can help organizations tailor their reward systems to better meet the needs and expectations of their workforce. This alignment is crucial not only for attracting new talent but also for maintaining a motivated and committed employee base that can drive the company's success.

Despite the extensive literature on employee satisfaction and financial incentives, significant gaps remain, particularly concerning their application in the pharmaceutical sector in Saudi Arabia. Most existing studies either generalize findings across various industries or fail to consider the unique dynamics inherent to pharmaceuticals, such as regulatory pressures and ethical considerations. This lack of targeted research creates an imperative for further investigation, as pharmaceutical companies may inadvertently implement incentive strategies that do not resonate with their workforce.

Moreover, while financial incentives are often emphasized, the integration of non-financial rewards—such as recognition and career development opportunities—remains an underexplored area. Understanding how these non-financial elements can complement financial incentives is essential for developing a holistic approach to employee satisfaction. This study aims to fill these gaps by exploring the specific impact of financial incentives on employee satisfaction within the pharmaceutical sector and examining how these incentives can be optimized to achieve both employee and organizational goals. This research is structured to provide a comprehensive examination of the impact of financial incentives on employee satisfaction in pharmaceutical companies in Saudi Arabia. Following this introduction, the research problem will be articulated, and the significance of the study will be further elaborated. The subsequent sections will outline the research questions, objectives, and hypotheses, setting the stage for a thorough literature review. This review will

analyze existing studies related to financial incentives and employee satisfaction, highlighting key theories, patterns, and gaps in the literature. Ultimately, the findings from this research will offer actionable insights for pharmaceutical companies, enabling them to refine their financial incentive strategies to enhance employee satisfaction and align with strategic goals

1.2. Research Problem

This study aims to explore how financial incentives, such as bonuses and structured rewards, influence employee satisfaction within pharmaceutical companies, and how this, in turn, impacts the achievement of strategic company goals. Despite extensive research on financial incentives, there is a notable absence of studies specifically targeting the pharmaceutical sector, leading to a lack of actionable data for crafting sector-specific incentive strategies.

1.2.1. Theoretical Gaps

Current literature often overlooks the unique dynamics of the pharmaceutical industry, which may differ significantly from other sectors in terms of regulatory environments, ethical considerations, and market pressures.

1.2.2. Practical Gaps

There is also a practical need for insights into the effectiveness of current financial incentives in meeting both employee expectations and company objectives, highlighting a potential misalignment that could adversely affect performance.

Given these theoretical and practical gaps, this research seeks to address the following key question:

What is the effect of financial incentives on employee satisfaction in pharmaceutical companies, and how does this satisfaction influence the achievement of strategic company goals?

1.3. Research Significance

By focusing on the pharmaceutical industry, this research will enhance the theoretical framework concerning financial incentives and provide data-driven insights that could help refine reward systems. This is crucial for boosting morale, increasing productivity, and aligning with strategic goals.

1.3.1. At the theoretical level

This study aims to integrate industry-specific variables affecting the effectiveness of financial incentives, thus enriching the theoretical landscape.

1.3.2. At the practical level

The findings are expected to aid pharmaceutical companies in tailoring their reward systems more effectively, ensuring they not only attract but also retain top talent while achieving business objectives.

1.4. Research Questions

What is the effect of financial incentives on employee satisfaction in pharmaceutical companies, and how does this satisfaction influence the achievement of strategic company goals?"

1.5. Research Objectives

The objectives of this study are to:

1. **Examine the Impact of Financial Incentives:** Determine how financial incentives such as bonuses and structured rewards influence employee satisfaction in pharmaceutical companies.
2. **Analyze Long-term Effects:** Investigate how sustained financial and non-financial incentives affect long-term employee morale and productivity.
3. **Identify Industry-specific Factors:** Explore the unique dynamics within the pharmaceutical sector that impact the effectiveness of financial incentives.
4. **Assess Alignment with Strategic Goals:** Evaluate the extent to which enhanced employee satisfaction through financial incentives contributes to the achievement of strategic company objectives.
5. **Develop Recommendations:** Provide actionable insights and recommendations for pharmaceutical companies to optimize their financial incentive strategies.

1.6. Research Hypotheses

1. **H1: Financial incentives have a positive impact on employee satisfaction:** Financial rewards such as bonuses significantly boost employee morale and satisfaction within pharmaceutical companies.
2. **H2: Non-financial incentives complement financial rewards:** Non-financial rewards (e.g., recognition programs, career development opportunities) enhance the effectiveness of financial incentives in sustaining long-term employee satisfaction.
3. **H3: Industry-specific factors influence the effectiveness of incentives:** Unique regulatory, ethical, and market pressures in the pharmaceutical sector affect the success of financial incentive programs.

4. H4: Enhanced employee satisfaction positively impacts strategic goals:

Improved employee satisfaction through effective incentive schemes contributes to the achievement of strategic company goals such as increased productivity and talent retention.

1.7. Research Model

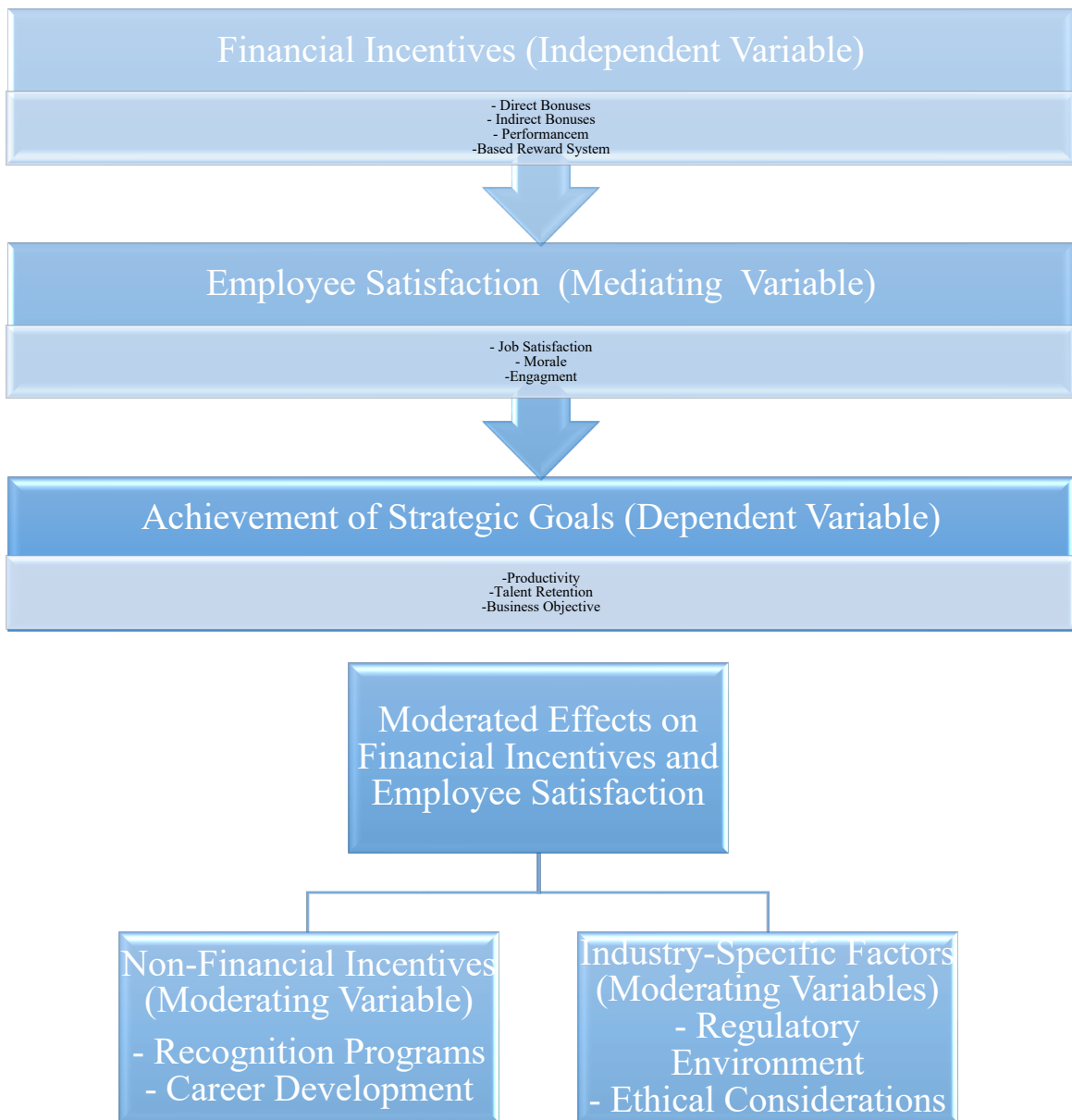


Figure (1) The Proposed Research Model

Source: Prepared by the Student

1.8. Scope of The Study

The study will focus on:

- **Geographical Scope:** Pharmaceutical companies operating in Saudi Arabia.
- **Sector Scope:** Various departments within pharmaceutical companies, including R&D, manufacturing, sales, and administration.
- **Time Frame:** A defined period (e.g., the past five years) to analyze trends and outcomes of financial incentive programs.
- **Participants:** Employees at different levels (entry-level to senior management) to capture a diverse range of perspectives.

1.9. The Project Structure

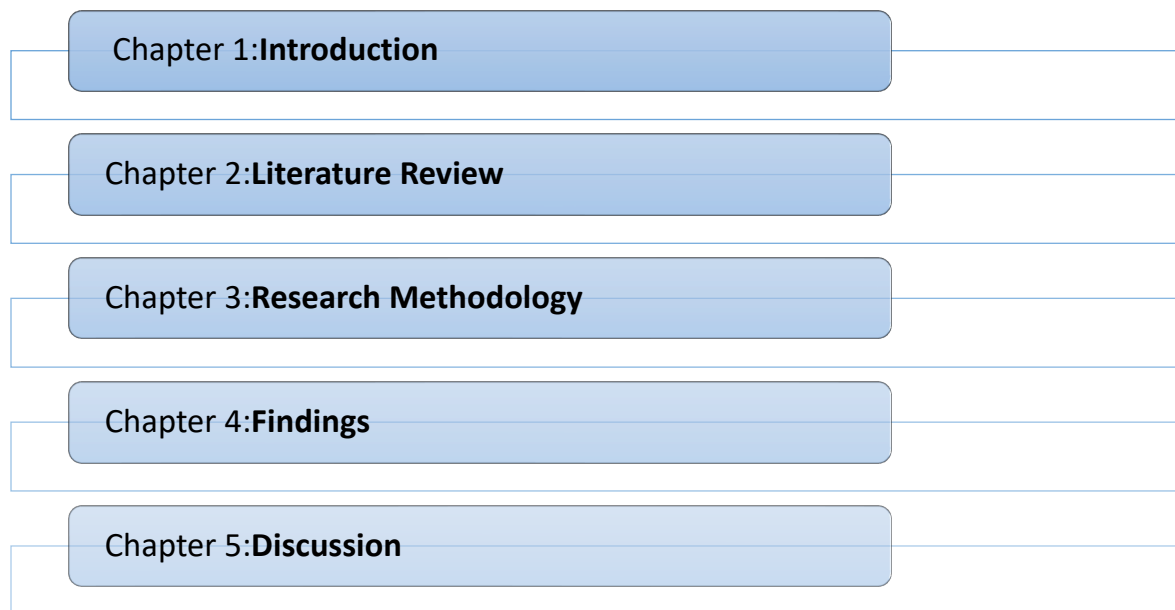


Figure (2) The Project structure
Source: Prepared by the Student

2.Chapter 2: Literature Review

2.1. Introduction

In this chapter, we will review previous studies related to the impact of financial incentives on employee satisfaction and how this satisfaction affects the achievement of strategic company goals, particularly in the pharmaceutical sector. The existing literature provides a critical foundation for understanding the evolving concepts of financial incentives and job satisfaction, as well as their influence on overall company performance. It also highlights the importance of identifying research gaps and considering current trends in this field.

Reviewing prior studies is essential for building a robust understanding of how financial incentives can be effectively utilized to enhance employee satisfaction and achieve strategic objectives. By examining the existing literature, we can identify significant developments in this area, explore key theories related to our variables, and pinpoint gaps that current research needs to address.

In this study, the independent variable is financial incentives, while the dependent variable is employee satisfaction. We will analyze the relationship between these variables to understand how financial incentives impact job satisfaction and how this satisfaction, in turn, contributes to the achievement of strategic goals.

2.2. The independent variable

Definitions: Financial incentives refer to monetary rewards offered by companies to employees as additional compensation for exceptional performance or as motivation to achieve specific goals. These incentives include cash bonuses, salary increases, and commissions.

Developments: Financial incentives have evolved over time to include a range of methods, from simple bonuses to complex reward systems linked to performance. Financial incentives are now integrated into broader compensation strategies, including periodic evaluations and performance reviews.

Dimensions: The dimensions of financial incentives include:

- **Direct Bonuses:** Such as cash bonuses and commissions.
- **Indirect Bonuses:** Such as profit sharing.
- **Performance-Based Reward Systems:** Linked to specific achievements.

Theories: Key theories related to financial incentives include:

- **Expectancy Theory:** Suggests that individuals are motivated if they expect their efforts to lead to rewards.
- **Equity Theory:** Focuses on how individuals assess fairness in rewards compared to their peers.
- **Reinforcement Theory:** Emphasizes that behaviors can be reinforced through financial rewards.

2.3. The dependent variable

Definitions: Employee satisfaction refers to the extent to which employees are content with their work and work environment. This includes satisfaction with salaries, benefits, work conditions, and professional growth opportunities.

Developments: Concepts of employee satisfaction have evolved to encompass not only financial aspects but also psychological and social dimensions such as recognition and appreciation. Companies now focus on providing comprehensive experiences to enhance employee satisfaction.

Dimensions: The dimensions of employee satisfaction include:

- Satisfaction with Compensation: Related to how well financial rewards meet employees' expectations.
- Satisfaction with Work Environment: Related to the effectiveness and comfort of the work setting.
- Satisfaction with Career Opportunities: Related to the availability of growth and development opportunities.

Theories: Key theories related to employee satisfaction include:

- Herzberg's Two-Factor Theory: Distinguishes between factors leading to satisfaction and those causing dissatisfaction, indicating that financial incentives can lead to satisfaction but not necessarily ensure its persistence.
- Maslow's Hierarchy of Needs: Suggests that achieving job satisfaction depends on fulfilling individuals' basic and higher needs.

2.4. The relationship between the independent and the dependent variables

Analyzing the relationship between research variables includes studying how financial incentives affect employee satisfaction and how this satisfaction influences the achievement of strategic goals. Previous studies have shown several patterns, conflicts, and gaps in this relationship:

- **Patterns:** Certain studies highlight a positive relationship between financial incentives and employee satisfaction, contributing to improved performance and goal achievement.
- **Conflicts:** Some studies indicate that financial incentives alone may not be effective and need to be complemented with non-financial incentives for the best results.
- **Gaps:** There is a lack of data on the impact of financial incentives in specific industrial contexts, such as the pharmaceutical sector, necessitating further research in this area.

2.5. Conclusion

Summary of Findings from Previous Studies: Previous studies confirm that financial incentives play a significant role in improving employee satisfaction and increasing motivation. However, there is a need for integrating financial incentives with non-financial strategies to achieve the best outcomes.

Discussion of Future Research Implications: The findings suggest the need for further research on how to tailor financial incentives in specific industrial sectors, such as pharmaceuticals. These studies could help develop more effective reward strategies to improve employee satisfaction and overall performance.

Overall Contributions to the Field: The research contributes to enhancing theoretical and practical understanding of how financial incentives impact employee satisfaction and strategic goal achievement. It provides a basis for future research and helps companies develop more effective compensation strategies.

3. Chapter 3: Research Methodology

3.1. Introduction

This chapter outlines the research methodology employed in this study to investigate the impact of financial incentives on employee satisfaction within pharmaceutical companies in Saudi Arabia. It details the research design, sampling methods, data collection techniques, and statistical analysis procedures used to derive meaningful insights from the data.

3.2. Operational definitions for research variables

- **Financial Incentives:** Monetary rewards given to employees for achieving specific performance goals, including bonuses, commissions, and salary increases.
- **Employee Satisfaction:** The degree of contentment employees feel regarding their job roles, compensation, work environment, and growth opportunities.

3.3. Research design (research onion)

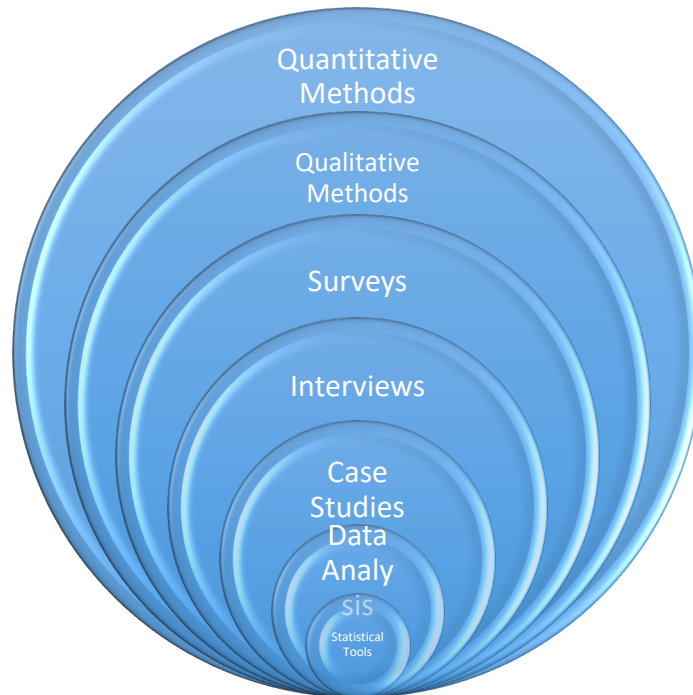


Figure (3) Research designs
Source: Prepared by the Student

The research design follows the "research onion" framework, which includes layers such as:

- **Philosophical Approach:** This study adopts a positivist approach, focusing on quantifiable data to understand the relationship between financial incentives and employee satisfaction.
- **Approach:** A deductive approach is utilized, testing hypotheses derived from existing theories and literature.
- **Methodology:** A quantitative methodology is employed to collect numerical data through surveys.
- **Time Horizon:** The research is cross-sectional, capturing data at a single point in time to analyze current trends.
- **Techniques and Procedures:** Surveys will be distributed to gather primary data from employees in pharmaceutical companies.

3.4. Research population & Sampling methods and technique

- **Population:** The target population consists of employees working in various departments (e.g., R&D, manufacturing, sales, administration) of pharmaceutical companies in Saudi Arabia.
- **Sampling Method:** A stratified random sampling technique will be used to ensure representation across different levels of the organization, including entry-level, mid-level, and senior management.

Sample Size: A sample size of approximately [30] employees will be aimed for, based on statistical power analysis.

Aspects	Details
Population	Employees working in various departments of pharmaceutical companies in Saudi Arabia (e.g., R&D, manufacturing, sales, administration).
Sampling Method	Stratified random sampling technique to ensure representation across different levels of the organization.
Management Levels	Entry-level, mid-level, and senior management.
Sample Size	Approximately 30 employees, based on statistical power analysis.

Table (1) Research Population and Sampling Method Details

Source: Prepared by the Student

3.5. Data collection method

Data will be collected using a structured questionnaire that includes:

- **Demographic Information:** Age, gender, job title, and years of experience.
- **Financial Incentives:** Questions assessing perceptions of various financial incentives offered by the organization.
- **Employee Satisfaction:** Likert scale items measuring different dimensions of employee satisfaction. The questionnaires will be distributed electronically via [mention platform, e.g., Google Forms, SurveyMonkey].

3.6. Types of data

- **Primary Data:** Collected directly from respondents through the questionnaire.
- **Secondary Data:** Relevant literature and existing studies will be reviewed to provide context and support for the findings.

3.7. Statistical analysis procedures

- **Descriptive Statistics:** To summarize demographic data and provide an overview of financial incentives and employee satisfaction levels.
- **Inferential Statistics:** Hypothesis testing will be conducted using techniques such as regression analysis to determine the impact of financial incentives on employee satisfaction.
- **Reliability Testing:** Cronbach's alpha will be used to assess the internal consistency of the scales used in the questionnaire.

3.8. Conclusion

This chapter has detailed the methodological framework for examining the relationship between financial incentives and employee satisfaction in the pharmaceutical industry. The following chapters will present the findings and discussions based on the data collected.

4. Chapter 4: Statistical Analysis & Findings discussion

4.1. Introduction

This chapter presents the findings of the study, analyzed statistically using SPSS version 30. The statistical analysis includes a detailed description of the research sample through descriptive statistics, validity and reliability tests for the measurement tools, and correlation analysis to understand relationships between variables. Regression analysis was also conducted to test the study's hypotheses and evaluate the impact of financial incentives on employee satisfaction. The discussion is grounded in the statistical results to provide insights and recommendations based on the findings.

4.2. Sample profile (descriptive statistics for research sample)

- The study sample was distributed according to gender, age group, years of experience, job title, and department.
- Frequencies and percentages of the study sample's demographic information were calculated, which include:
 - Gender: Includes males and females.
 - Age Group: Includes participants aged 25–34 years.
 - Years of Experience: Includes participants with less than 1 year, 1–3 years, 4–6 years, and 7–10 years of experience.
 - Job Title/Position: Includes entry-level, mid-level, and senior management positions.

Department: Includes sales, administration, and other departments.

Table (2) Description of the Study Sample

Variable	Variable Categories	Count	% of Total Sample
Gender	1.Male	7	23.3%
	2.Fmale	23	76.7%
	Total	30	100%
Age Group	1. 25–34 Years	30	100%
	Total	30	100%
Years of Experience	1. Less than 1 year	4	13.3%
	2. 1–3 Years	14	46.7%
	3. 4–6 Years	11	36.7%
	4. 7–10 Years	1	3.3%
	Total	30	100%
Job Title/Position	1. Entry-Level	12	40%
	2. Mid-Level	15	50%
	3. Senior Management	3	10%
	Total	30	100%
Department	1. Sales	28	93.3%
	2. Administration	1	3.3%
	3. Other	1	3.3%
	Total	30	100%

Source: Prepared by the Student based on the statistical results of the field study

-From the data in **Table (2)**, the statistical results show that:

The study sample consists predominantly of females compared to males.

Specifically:

- The number of **males** in the sample was **7 participants**, representing **23.3%** of the total sample.
- The number of **females** in the sample was **23 participants**, representing **76.7%** of the total sample.

-The *gender* distribution within the sample is illustrated in the figure below:

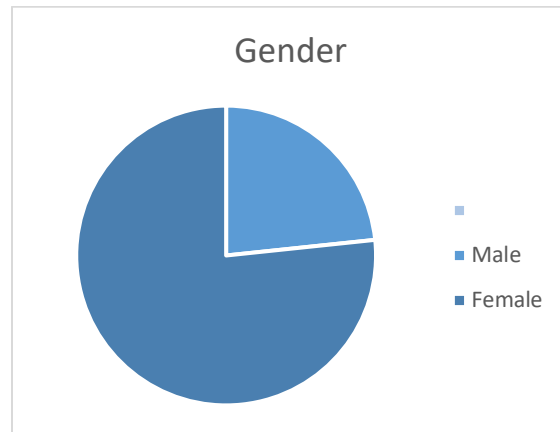


Figure (4) Description of the Sample by Gender

-The study sample falls entirely within the 25–34 *age* group. Specifically:

- All **30 participants** in the study are within the **25–34 years** age range, representing **100%** of the total sample.

This homogeneity in age distribution indicates that the study focused exclusively on individuals within this specific age group. The age distribution is illustrated in the following figure:

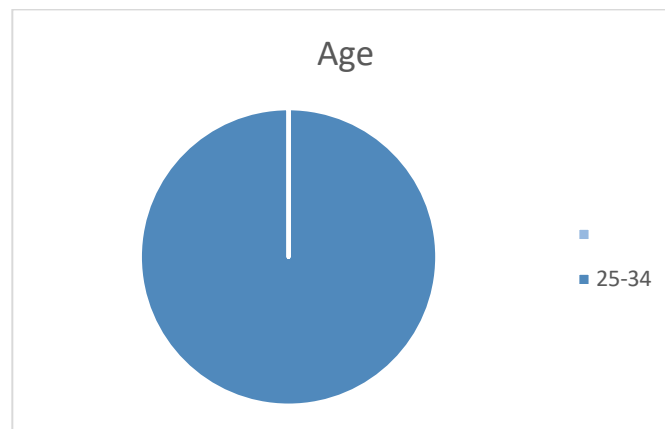


Figure (5) Description of the Sample by Age

-The distribution of years of experience among the participants in the study is as follows:

- **Less than 1 year:** 4 participants, representing 13.3% of the total sample.
- **1–3 years:** 14 participants, representing 46.7% of the total sample.
- **4–6 years:** 11 participants, representing 36.7% of the total sample.
- **7–10 years:** 1 participant, representing 3.3% of the total sample.

This distribution shows that the majority of participants have between **1 and 6 years of experience**, making up **83.4%** of the total sample. The breakdown of years of experience is illustrated in the following figure:

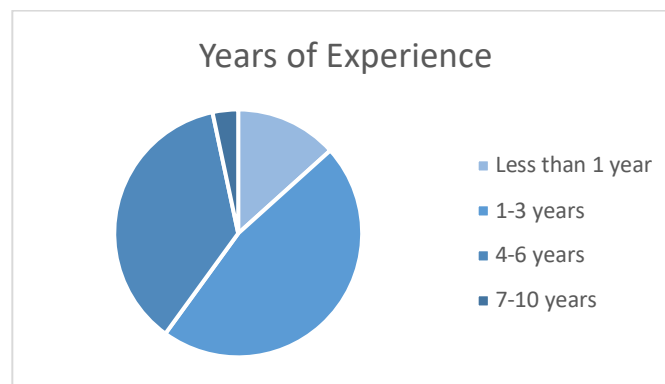


Figure (6) Description of the Sample by year of experience

-The distribution of job titles among the study participants is as follows:

- **Entry-Level Positions:** 12 participants, representing 40% of the total sample.
- **Mid-Level Positions:** 15 participants, representing 50% of the total sample.
- **Senior Management Positions:** 3 participants, representing 10% of the total sample.

This distribution indicates that the majority of participants hold **mid-level positions**, followed by **entry-level roles**, with a smaller proportion in **senior management**. The job title distribution is visually represented in the following figure:

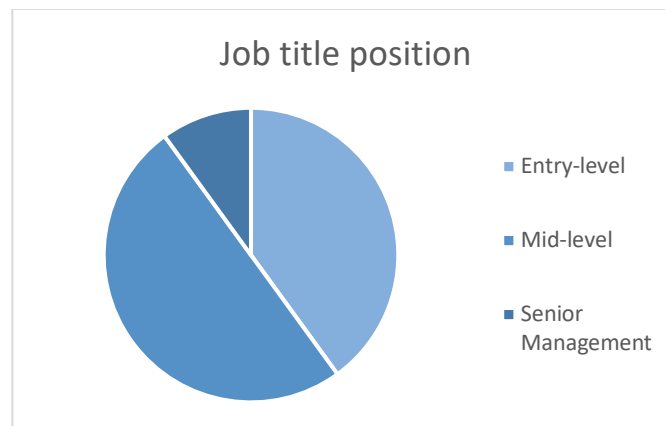


Figure (7) Description of the Sample by job title/position

-The distribution of participants across different departments in the study is as follows:

- **Sales Department:** 28 participants, representing **93.3%** of the total sample.
- **Administration Department:** 1 participant, representing **3.3%** of the total sample.
- **Other Departments:** 1 participant, representing **3.3%** of the total sample.

This distribution highlights that the majority of the participants are from the **Sales Department**, which aligns with the focus of the study on roles that directly relate to incentives and employee satisfaction. The department distribution is visually represented in the following figure:

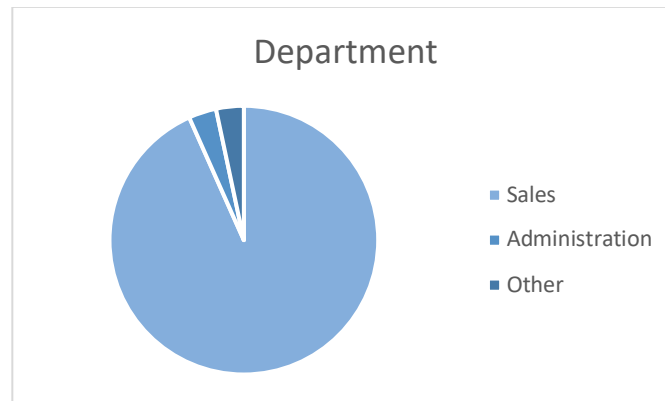


Figure (8) Description of the Sample by Department

4.3. Validity & reliability tests for the questionnaires

-The validity and reliability of the measurement scales used in the study were assessed using various statistical indicators, including the **Kaiser-Meyer-Olkin (KMO) test**, **factor loadings**, **standard deviation**, and **Average Variance Extracted (AVE)**.

1. Internal Consistency Validity

- The **KMO test** was used to evaluate the sampling adequacy for both the independent and dependent variables:
 - **Financial Incentives (Independent Variable):** KMO = 0.822, indicating excellent sampling adequacy.
 - **Employee Satisfaction (Dependent Variable):** KMO = 0.715, indicating good sampling adequacy.

- The factor loadings for all items exceeded the recommended threshold of 0.7, confirming internal consistency validity.

2. Convergent Validity

- **Average Variance Extracted (AVE):**
 - Financial Incentives: AVE = 0.7911 (> 0.5), confirming convergent validity.
 - Employee Satisfaction: AVE = 0.8058 (> 0.5), confirming convergent validity.

Table (3) Validity of the Scales Used in the Study for the Dependent and Independent Variables

Variable	Statements	KMO	Factor loadings	Standard deviation	P Value	Average variance extracted
Financial Incentives (Independent)	A1	.822	.833	1.003	0.000	0.7764 0.7911
	A2		.849	1.474	0.000	
	A3		.786	1.179	0.000	
	A4		.852	1.278	0.000	
	A5		.562	1.548	0.000	
Employee Satisfaction (Dependent)	B1	.715	.808	1.048	0.000	0.8058
	B2		.763	1.093	0.000	
	B3		.804	1.484	0.000	
	B4		.824	1.317	0.000	
	B5		.830	1.029	0.000	

Source: Prepared by the Student based on the statistical results of the field study

Analysis of Results

- **Financial Incentives:**
 - The high KMO value (0.822) confirms the suitability of the data for factor analysis.
 - Factor loadings ranged from 0.562 to 0.852, with one item (A5) slightly below the 0.7 threshold but still acceptable.

- The AVE value (0.7911) exceeds the threshold of 0.5, confirming strong convergent validity.
- **Employee Satisfaction:**
 - The KMO value (0.715) indicates good sampling adequacy.
 - Factor loadings ranged from 0.763 to 0.830, confirming internal consistency.

The AVE value (0.8058) exceeds the threshold of 0.5, confirming strong convergent validity.

-The **reliability of the questionnaire** was assessed using **Cronbach's Alpha** to evaluate the internal consistency of the scales. A value of **Cronbach's Alpha** greater than **0.7** indicates acceptable reliability, as recommended by **Hair et al. (2010)**. The table below presents the Cronbach's Alpha values for each variable and its individual statements:

Table (4) Reliability of the Study

Variables		Number of Statements	Cronbach's Alpha	
Financial Incentives	Adequate financial rewards	5	.795	.856
	Motivation through financial incentives		.786	
	Fairness of incentives compared to peers		.809	
	Performance based rewards system		.776	
	Understanding how to achieve financial incentives		.867	
Employee Satisfaction	Overall job satisfaction	5	.823	.865
	Satisfaction with compensation and benefits		.842	
	Satisfaction with the work environment		.835	
	Satisfaction with opportunities for career development		.820	
	Recognition for work and contributions		.819	

Source: Prepared by the Student based on the statistical results of the field study

Analysis of Results

- **Financial Incentives (Independent Variable):**
 - The overall **Cronbach's Alpha** for financial incentives was **0.856**, indicating high reliability.
 - Individual statement reliability values ranged from **0.776** to **0.867**, confirming strong internal consistency across the scale.
- **Employee Satisfaction (Dependent Variable):**
 - The overall **Cronbach's Alpha** for employee satisfaction was **0.865**, indicating excellent reliability.
 - Individual statement reliability values ranged from **0.819** to **0.842**, showing consistent responses across items.

Conclusion

The results confirm that all scales used in the study meet the reliability criteria, as all **Cronbach's Alpha** values are above the threshold of **0.7**. This indicates that the scales are internally consistent and reliable for use in testing the research hypotheses.

4.4. Descriptive statistics for research variables (answer research questions)

The responses of the sample individuals to the scale items were measured according to the **five-point Likert scale**, as follows:

Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
1	2	3	4	5

To calculate the level of importance, the relative weight corresponding to each category was determined by multiplying the arithmetic mean by **20%**:

$$\text{Relative weight} = \frac{100}{5} = 20\%$$

Table (5) Significance of the Arithmetic Means

The value of the arithmetic mean	Result (general trend)	Relative weight %	level (degree) Practice/importance
1.00 to 1.80	Very Dissatisfied	From 20% to less than 36%	Very Low
1.81 to 2.60	Dissatisfied	From 36% to less than 52%	Low
2.61 to 3.40	Neutral	From 52% to less than 68%	Moderate
3.41 to 4.2	Satisfied	From 68% to less than 84%	High
4.21 to 5.00	Very Satisfied	From 84% to less than 100%	Very High

The descriptive statistics, including arithmetic means and standard deviations, were computed for the research variables to identify trends and levels of importance. The results are summarized in the table below:

Table (6) Means and Standard Deviations of the Study Variables

Variables		Arithmetic Mean		Standard deviation		General trend		Level of importance	
Financial Incentives	Adequate financial rewards	2.60	2.80	1.003	.999	Neutral	Neutral	Moderate	Moderate
	Motivation through financial incentives	2.97		1.474		Neutral		Moderate	
	Fairness of incentives compared to peers	2.30		1.179		Dissatisfied		Low	
	Performance based rewards system	2.60		1.248		Neutral		Moderate	
	Understanding how to achieve financial incentives	3.57		1.524		Satisfied		High	
Employee Satisfaction	Overall job satisfaction	3.07	2.92	1.048	.964	Neutral	Neutral	Moderate	Moderate
	Satisfaction with compensation and benefits	2.67		1.093		Neutral		Moderate	
	Satisfaction with the work environment	3.27		1.484		Neutral		Moderate	
	Satisfaction with opportunities for career development	2.70		1.317		Neutral		Moderate	
	Recognition for work and contributions	2.90		1.029		Neutral		Moderate	

Source: Prepared by the Student based on the statistical results of the field study

Analysis of Results

• Financial Incentives (Independent Variable)

- The overall mean for financial incentives is 2.80, which falls within the Neutral range with a Moderate level of importance. This result suggests that while participants are not entirely dissatisfied, there is room for improvement in the design and delivery of financial incentives.

- **Fairness of incentives compared to peers** recorded the lowest mean (2.30), categorized as Dissatisfied, indicating significant concerns about equity in the distribution of financial rewards.
- **Understanding how to achieve financial incentives** received the highest mean (3.57), classified as Satisfied, showing clarity in the incentive structure.
- **Employee Satisfaction (Dependent Variable)**
 - The overall mean for employee satisfaction is **2.92**, also categorized as **Neutral** with a **Moderate** level of importance. This indicates that participants neither expressed strong satisfaction nor dissatisfaction with their jobs.
 - Satisfaction with the work environment scored the highest mean (3.27), suggesting slight positivity, while Satisfaction with compensation and benefits scored a lower mean (2.67), reflecting neutral perceptions.

The analysis highlights the need for organizations to address fairness in financial incentives and enhance benefits to improve both financial incentives and employee satisfaction levels.

-Linear Correlation Coefficients Between the Study Variables

The following section discusses the results of the linear correlation (Pearson correlation) between the study variables. These results were computed using SPSS (Version 30) and demonstrate the relationship between Financial Incentives (independent variable) and Employee Satisfaction (dependent variable). The findings are presented in Table 7 below.

Table 7: Linear Correlation Coefficients Between Financial Incentives and Employee Satisfaction

Variables				Financial Incentives	Employee Satisfaction
Financial Incentives	Pearson Correlation			1	.622**
	Sig. (2-tailed)				<.001
	N			30	30
Employee Satisfaction	Pearson Correlation			.622**	1
	Sig. (2-tailed)			<.001	
	N			30	30
	Bootstrap ^c	Bias			
		Std. Error			
		95% Confidence Interval	Lower	0.295	
			Upper	.843	

** . Correlation is significant at the 0.01 level (2-tailed).

c. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

Source: Prepared by the Student based on the statistical results of the field study

Interpretation of Results

1. Significant Positive Relationship:

The Pearson correlation coefficient between Financial Incentives and Employee Satisfaction is .622, indicating a strong positive relationship. This means that as financial incentives improve, employee satisfaction is likely to increase.

2. Statistical Significance:

The significance value (Sig. (2-tailed)) for the correlation is <.001, which confirms that the relationship between financial incentives and employee satisfaction is statistically significant at the 0.01 level.

3. Bootstrap Validation:

The bootstrap confidence interval for the correlation coefficient ranges

from 0.295 to 0.843, further validating the robustness and reliability of the results.

Conclusion

The analysis indicates a statistically significant and positive relationship between financial incentives and employee satisfaction. This finding supports the study's hypothesis and aligns with the theoretical framework, emphasizing the critical role of financial incentives in enhancing employee morale and satisfaction.

4.5. Testing Hypotheses & Findings Discussion

This section presents the testing of the main and sub-hypotheses of the study using regression analysis. The results are discussed below:

Main Hypothesis Testing

The main hypothesis explores the relationship between financial incentives (independent variable) and employee satisfaction (dependent variable). The findings from the regression analysis are summarized in the following tables:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.622 ^a	.387	.365	.768

a. Predictors: (Constant), Financial_Incentives

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.425	1	10.425	17.687	<.001 ^b
	Residual	16.503	28	.589		
	Total	26.928	29			

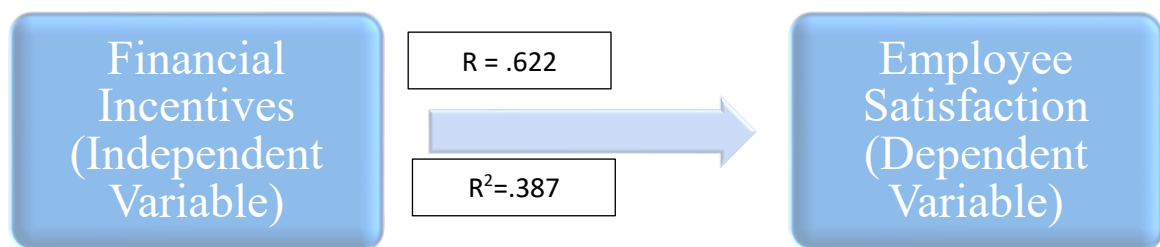
a. Dependent Variable: Employee_Satisfaction

b. Predictors: (Constant), Financial_Incentives

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	1.241		2.934	.007
	Financial_Incentives	.600	.622	4.206	<.001

a. Dependent Variable: Employee_Satisfaction



Analysis

- **Correlation Strength:** The R value of .622 indicates a moderate positive correlation between financial incentives and employee satisfaction. This suggests that better financial incentives correlate with higher employee satisfaction levels.
- **Variance Explained:** The model explains 38.7% of the variance in employee satisfaction (R Square = .387).
- **Significance:** The regression model is statistically significant (F = 17.687, Sig. < .001).
- **Impact of Financial Incentives:** Financial incentives significantly influence employee satisfaction (Beta = .622, Sig. < .001).

Sub-Hypotheses Testing

The sub-hypotheses examine the impact of individual components of financial incentives on employee satisfaction. The findings are presented in the tables below:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.697 ^a	.486	.379	.759

a. Predictors: (Constant), Understanding how to achieve financial incentives, Fairness of incentives compared to peers, Adequate_financial_rewards, Motivation through financial incentives, Effectiveness of performance based rewards system

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.095	5	2.619	4.544	.005 ^b
	Residual	13.833	24	.576		
	Total	26.928	29			

a. Dependent Variable: Employee Satisfaction

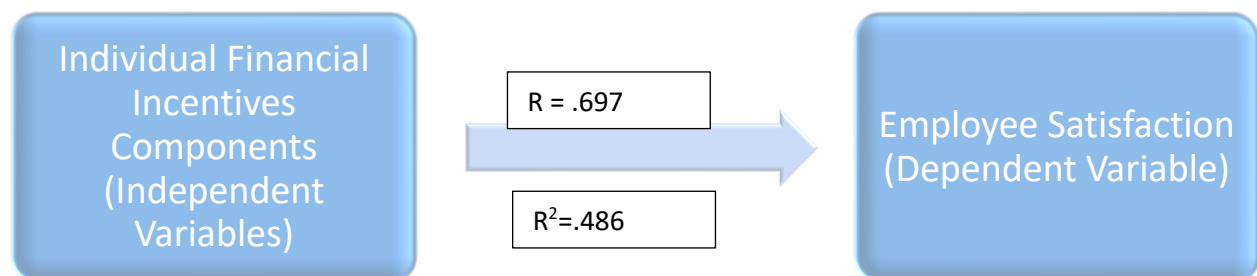
b. Predictors: (Constant), Understanding how-to achieve financial incentives, Fairness of incentives compared to peers, Adequate financial rewards, Motivation through financial incentives, Effectiveness of performance-based rewards system

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.335	.440		3.038	.006

Adequate_financial_rewards	.325	.210	.339	1.552	.134
Motivation through financial incentives	.291	.143	.445	2.036	.053
Fairness of incentives compared to peers	-.076	.171	-.093	-.443	.662
Effectiveness of performance-based rewards system	.061	.184	.079	.333	.742
Understanding how to achieve financial incentives	-.031	.109	-.048	-.280	.782

a. Dependent Variable: Employee Satisfaction



Analysis

- **Correlation Strength:** The R value of .697 suggests a moderate positive correlation between the predictors and employee satisfaction.
- **Variance Explained:** The predictors explain 48.6% of the variance in employee satisfaction (R Square = .486).
- **Significance:** The regression model is statistically significant (F = 4.544, Sig. = .005).
- **Individual Predictor Insights:** Motivation through financial incentives has the highest impact (Beta = .445, Sig. = .053) but is marginally significant. Other predictors show weaker or nonsignificant effects.

Discussion

These findings support the main hypothesis, affirming that financial incentives positively impact employee satisfaction. The sub-hypotheses reveal varying levels of influence among individual components, with motivation through financial incentives emerging as the most impactful. These insights align with existing literature emphasizing the motivational role of financial rewards in enhancing job satisfaction. Organizations are recommended to prioritize and optimize financial incentives to foster greater satisfaction and engagement among employees.

Employee Preferences for Financial Incentives

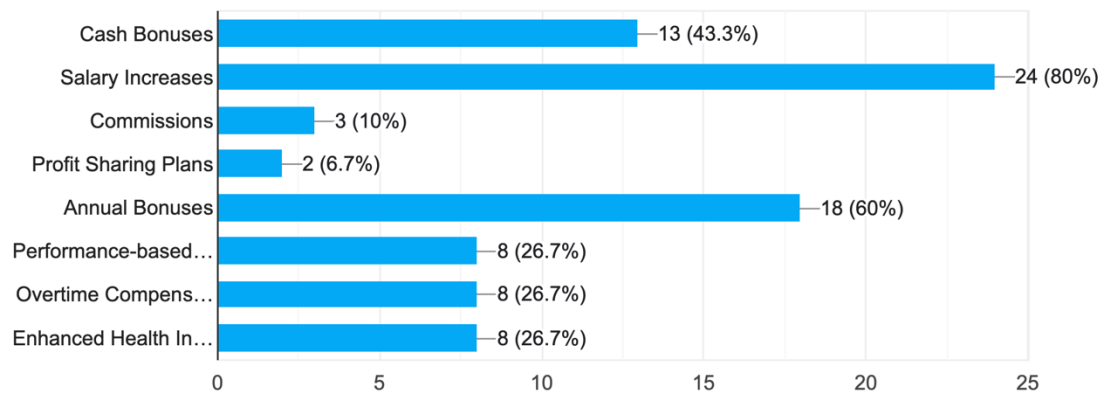


Figure (9) Financial incentives valued by employees
Source: Survey result

-The analysis of employee preferences for financial incentives reveals that salary increases are overwhelmingly the most valued incentive, with 80% of respondents identifying this as their top priority. This is followed by annual bonuses, preferred by 60% of employees, and cash bonuses, valued by 43.3%. Other incentives, such as performance-based rewards, overtime compensation, and enhanced health insurance, were each cited by 26.7% of respondents, indicating moderate importance. Interestingly, commissions and profit-sharing plans were the least valued, with only 10% and 6.7% of employees selecting them, respectively.

-The trends suggest that employees place the highest importance on predictable and substantial financial rewards, such as salary increases and

annual bonuses, to feel motivated and satisfied in their roles. These findings underline the need for organizations to focus on these specific incentives when designing compensation programs to enhance job satisfaction.

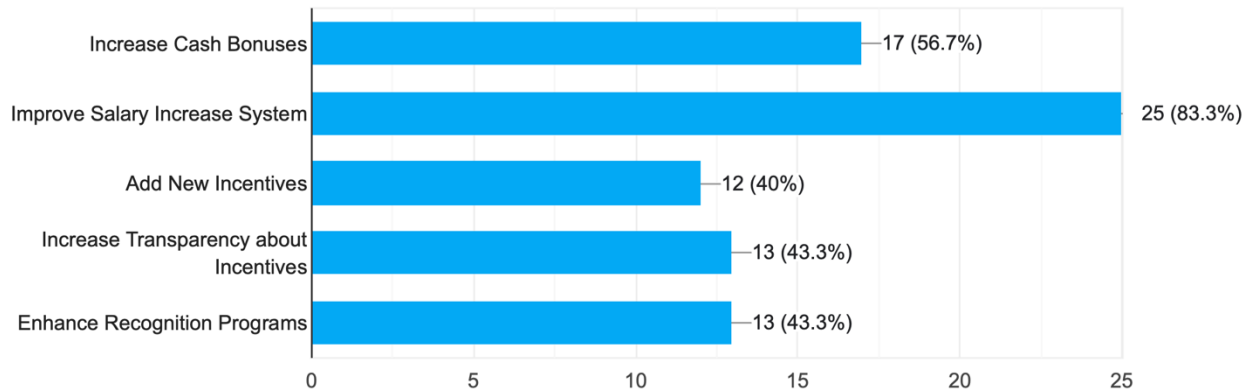


Figure (10) Suggestions for improving financial incentives

Source: Survey result

-The analysis of employee suggestions for improving financial incentives highlights that 83.3% of respondents believe enhancing the salary increase system is the most critical improvement needed. This is followed by increasing cash bonuses, which was suggested by 56.7% of employees.

Additional areas for improvement include increasing transparency about incentives and enhancing recognition programs, both identified by 43.3% of respondents, and introducing new incentives, suggested by 40%.

-These findings underscore the importance of addressing fairness and consistency in salary adjustments, as well as providing clearer communication and acknowledgment of employee efforts. By prioritizing these changes, organizations can foster greater trust and satisfaction among employees, leading to improved motivation and retention.

4.6. Conclusion

This chapter has provided an in-depth analysis of the relationship between financial incentives and employee satisfaction, supported by both statistical

findings and employee preferences. Through rigorous statistical methods, the study confirmed a strong positive correlation between financial incentives and employee satisfaction, with financial incentives explaining a significant portion of variance in satisfaction levels. The analysis further revealed specific areas of improvement and employee priorities regarding incentive systems.

Summary of Key Findings:

- **Demographic Trends:** The sample consisted primarily of females aged 25–34 years with 1–6 years of experience.
- **Measurement Tools:** High reliability and validity of scales were confirmed, ensuring robust data analysis.
- **Satisfaction Trends:** Moderate levels of employee satisfaction were observed, highlighting room for improvement.
- **Correlation Insights:** A significant positive relationship between financial incentives and employee satisfaction was established.
- **Employee Preferences:** Salary increases and annual bonuses were identified as the most valued incentives.
- **Improvement Areas:** Enhancing salary systems, increasing bonuses, and fostering transparency were key recommendations.

These findings underscore the need for organizations to adopt a structured and equitable approach to financial rewards. By focusing on these key areas, organizations can better align incentive programs with employee preferences, leading to higher motivation, satisfaction, and overall performance. This chapter provides a foundation for actionable recommendations and future research aimed at refining financial incentive strategies to meet organizational and employee goals effectively.

5. Chapter five: Research limitations, Recommendations & Conclusion

5.1. Research Limitations & Future Research

This study has provided valuable insights into the impact of financial incentives on employee satisfaction in the pharmaceutical industry in Saudi Arabia. However, several limitations must be acknowledged:

1. **Sample Size and Scope:** The study involved a relatively small sample size of 30 participants, which may limit the generalizability of the findings. Expanding the sample size in future research could provide more robust insights.
2. **Geographic Limitation:** The study focuses exclusively on pharmaceutical companies in Saudi Arabia, which may not capture regional or global trends. Future research could explore cross-country comparisons to provide a broader perspective.
3. **Cross-Sectional Design:** This research employed a cross-sectional approach, capturing data at a single point in time. A longitudinal study could offer insights into how financial incentives influence employee satisfaction over an extended period.
4. **Exclusion of Non-Financial Incentives:** While financial incentives were the primary focus, non-financial rewards such as career development opportunities and recognition were only briefly considered. Future studies could examine how these factors complement financial incentives to enhance satisfaction.
5. **Industry-Specific Factors:** The pharmaceutical sector's unique characteristics, such as regulatory pressures, were not deeply explored in relation to financial incentives. Additional research could examine how these dynamics interact with incentive structures.

Future research should address these limitations by adopting diverse methodologies, expanding the scope of analysis, and integrating qualitative approaches to capture the nuanced experiences of employees.

5.2. Research Recommendations

Based on the findings and limitations of this study, the following recommendations are proposed for pharmaceutical companies in Saudi Arabia:

1. Enhance Salary Structures:
 - Regularly review and adjust salary levels to align with market standards and employee expectations.
 - Establish transparent criteria for salary increases to foster trust and satisfaction.
2. Introduce Comprehensive Incentive Programs:
 - Combine financial incentives (e.g., bonuses and cash rewards) with non-financial rewards (e.g., training opportunities and recognition programs).
 - Develop tailored incentive packages that cater to the diverse needs of employees at different levels.
3. Increase Transparency and Communication:
 - Clearly communicate the criteria and processes for receiving financial incentives.
 - Foster open dialogues with employees to understand their preferences and expectations regarding rewards.

4. Focus on Equity and Fairness:

- Ensure fair distribution of rewards to avoid perceptions of favoritism.
- Regularly assess employee satisfaction with the incentive system to identify and address disparities.

5. Invest in Employee Development:

- Complement financial rewards with opportunities for professional growth and skill enhancement.
- Create clear career advancement pathways to maintain long-term motivation.

6. Conduct Regular Evaluations:

- Periodically evaluate the effectiveness of incentive programs through employee feedback and performance metrics.
- Use data-driven approaches to refine and optimize reward systems.

5.3. Conclusion

This research highlights the critical role of financial incentives in influencing employee satisfaction within the pharmaceutical sector in Saudi Arabia. The study found a strong positive correlation between financial incentives and employee satisfaction, emphasizing the importance of well-structured and transparent reward systems. Key findings indicate that salary increases and annual bonuses are the most valued incentives, while enhancing fairness, transparency, and communication around these programs can significantly improve satisfaction.

The recommendations provided offer actionable steps for pharmaceutical companies to design effective incentive strategies that align with employee expectations and organizational goals. By addressing the identified gaps and limitations, future research can further advance the understanding of how financial and non-financial rewards contribute to employee satisfaction and productivity.

In conclusion, this study underscores the need for a holistic approach to incentive management—one that integrates financial rewards with opportunities for professional development and recognition. Such an approach is essential for fostering a motivated and satisfied workforce, ultimately driving organizational success in the competitive pharmaceutical industry.

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Appendix

Survey

Section 1: Demographic Information

Gender				
Male		Female		Prefer not to say
Under 25	25-34	35-44	45-54	55 and above
Job Title/Position				
Entry-level		Mid-level		Senior Management
Department				
Sales	Research & Development	Manufacturing	Administration	Other
Years of Experience				
Less than 1 year	1-3 years	4-6 years	7-10 years	More than 10 years

Section 2: Financial Incentives

Dimension	No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Financial Incentives	1	I receive adequate financial rewards (bonuses, salary increases) for my performance.					
	2	The financial incentives provided by my company motivate me to perform better.					
	3	I believe that the financial incentives offered are fair compared to my peers.					
	4	The performance-based rewards system effectively recognizes my contributions.					
	5	I understand how to achieve the financial incentives offered by my company.					

Section 3: Employee Satisfaction

	No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Employee Satisfaction	1	Overall job satisfaction					
	2	Satisfaction with compensation and benefits					
	3	Satisfaction with your work environment					
	4	Satisfaction with opportunities for career development					
	5	Recognition for your work and contribution					

Section 4: Open-Ended Questions

	No.	Questions	Answer Field
Open-Ended Questions	1	What specific financial incentives do you value most in your role?	1.Cash Bonuses
			2.Salary Increases
			3.Commissions
			4.Profit Sharing Plans
			5.Annual Bonuses
			6.Performance-based Incentives
			7.Overtime Compensation
			8.Enhanced Health Insurance
			Other (please specify)
	3	In your opinion, how could the financial incentives be improved to enhance your job satisfaction?	1.Increase Cash Bonuses
			2.Improve Salary Increase System
			3.Add New Incentives
			4.Increase Transparency about Incentives
			5.Enhance Recognition Programs
			Other (please specify)