



Midocean University

Management college

Master of Business Administration

**The relationship between incentives and employee performance - Case study Engineering
& Research International (ERI) company in Makkah, Saudi Arabia**

Student preparation

Samar Saeed Al-Suwaidan

Supervisor:

Dr. Asma Abuanzeh

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Student Declaration

I, the undersigned, hereby declare that this thesis/report titled **the relationship between incentives and employee performance - Case study Engineering & Research International (ERI) company in Makkah, Saudi Arabia**

is my original work, and that I have not previously submitted this work, or any part thereof, for the purpose of obtaining any other degree or qualification at this or any other educational institution. I affirm that, to the best of my knowledge, this work does not infringe upon the rights of any third parties and that I have duly acknowledged all sources of information and assistance used in the compilation of this work, in accordance with academic standards and institutional guidelines.

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Promoter Declaration

I, the undersigned, hereby certify that I have reviewed and assessed this thesis/report titled **The relationship between incentives and employee performance - Case study Engineering & Research International (ERI) company in Makkah, Saudi Arabia**, prepared by Samar Saeed Al-Suwaidan, under my supervision. In my capacity as the academic advisor, I affirm that this work meets the standards and requirements set by the institution and is worthy of submission. I further confirm that the student has demonstrated the required level of academic rigor and integrity throughout the research and writing process.

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List of abbreviations:

Abbreviation	Full Form
ERI	Engineering & Research International
HRM	Human Resource Management
KPI	Key Performance Indicator
ANOVA	Analysis of Variance
SD	Standard Deviation
SPSS	Statistical Package for the Social Sciences
TNA	Training Needs Analysis
KPI	Key Performance Indicator
ROI	Return on Investment
MNC	Multinational Corporation
SME	Small and Medium-sized Enterprises
BSC	Balanced Scorecard
NPV	Net Present Value
VSM	Value Stream Mapping
DMAIC	Define, Measure, Analyze, Improve, Control
CV	Curriculum Vitae
SWOT	Strengths, Weaknesses, Opportunities, Threats
GDP	Gross Domestic Product
CRM	Customer Relationship Management
CEO	Chief Executive Officer

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Abstract

This study explores the relationship between incentive systems and employee performance at Engineering & Research International (ERI) in Makkah, Saudi Arabia. The aim is to determine how financial and non-financial incentives influence job performance, motivation, and engagement among employees in a specialized technical context. A quantitative research design was adopted, utilizing a structured questionnaire distributed to 120 employees. Key statistical tests, including correlation analysis, T-tests, and ANOVA, were used to analyze the data and test the research hypotheses. The findings revealed that financial incentives, such as bonuses and salary increase, significantly enhance task performance by aligning employee efforts with organizational objectives. Non-financial incentives, including recognition and career development opportunities, play a crucial role in boosting motivation and fostering a positive work culture. The study also highlighted that demographic factor, such as gender, age, and educational level, influence employee perceptions of incentives. These results underscore the need for a balanced and tailored incentive strategy that integrates both extrinsic and intrinsic rewards. The findings provide valuable insights for ERI and similar organizations in designing effective incentive systems to maximize employee engagement and performance.

Key words: financial, non-financial incentives , job performance, motivation, and engagement among employees

ملخص

تستكشف هذه الدراسة العلاقة بين أنظمة الحوافز وأداء الموظفين في شركة الهندسة والأبحاث الدولية (ERI) في مكة المكرمة، المملكة العربية السعودية. تهدف الدراسة إلى تحديد كيفية تأثير الحوافز المالية وغير المالية على أداء العمل، والدافعية، والاندماج بين الموظفين في سياق تقني متخصص. تم تبني تصميم بحثي كمي باستخدام استبيان منظم تم توزيعه على 120 موظفًا. تم استخدام اختبارات إحصائية رئيسية، مثل تحليل الارتباط، واختبارات T، وتحليل التباين (ANOVA) لتحليل البيانات واختبار فرضيات البحث. كشفت النتائج أن الحوافز المالية، مثل المكافآت وزيادات الرواتب، تعزز بشكل كبير أداء المهام عن طريق محاذاة جهود الموظفين مع أهداف المنظمة. تلعب الحوافز غير المالية، بما في ذلك الاعتراف وفرص التطوير المهني، دورًا حيويًا في تعزيز الدافعية وتعزيز ثقافة عمل إيجابية. كما أبرزت الدراسة أن العوامل الديموغرافية، مثل الجنس، والعمر، والمستوى التعليمي، تؤثر على تصورات الموظفين للحوافز. تؤكد هذه النتائج على الحاجة إلى استراتيجية حوافز متوازنة ومخصصة تجمع بين المكافآت الخارجية والداخلية. توفر النتائج رؤى قيمة لشركة ERI والمنظمات المماثلة في تصميم أنظمة حوافز فعالة لزيادة اندماج الموظفين وأدائهم.

CHAPTER 1:

1. Introduction

1.1. Introduction

Employee performance and motivation are critical factors in organizational success (Armstrong & Taylor, 2020). To achieve predetermined goals, companies must implement effective strategies to enhance employee productivity and engagement. This study focuses on the relationship between incentives and employee performance, a topic of significant interest in the field of human resource management (Milkovich et al., 2014; Lawler, 2019).

Incentives, which can be categorized as external (such as monetary rewards) or internal (psychological rewards), play a crucial role in shaping employee behavior and performance (Deci et al., 1999). Previous research has suggested that well-designed incentive systems can positively impact employee skills, knowledge, and goal achievement (Lazear, 2000; Muhammad & Owais, 2015). However, the specific effects of incentives on performance can vary depending on the organizational context and the types of incentives offered (Kohn, 1993; Cameron & Pierce, 2002).

In light of this, our research aims to examine the relationship between incentives and employee performance within the Engineering & Research International (ERI) company. By exploring how different forms of incentives affect employee performance in this specific setting, we hope to contribute valuable insights to the ongoing dialogue about effective employee motivation strategies. This study will not only add to the existing body of knowledge but also provide practical implications for managers seeking to optimize their incentive systems and boost overall organizational performance (Sonnentag & Frese, 2002; Podsakoff et al., 2000).

Moreover, the effectiveness of incentive systems in driving employee performance is influenced by both external and internal factors. External incentives, such as monetary rewards including bonuses, commissions, and profit-sharing, are traditionally seen as tangible motivators that directly impact employee satisfaction and effort (Lazear, 2000; Milkovich et al., 2014). These incentives are often designed to reward specific achievements or outcomes, aligning individual performance with organizational goals. On the other hand, internal incentives encompass psychological rewards such as recognition, opportunities for career advancement, and a supportive work environment (Gagné & Deci, 2005). These intrinsic motivators are essential for fostering long-term engagement and commitment among employees, as they promote a sense of fulfillment and personal growth beyond financial remuneration (Dewhurst et al., 2010; Deci et al., 1999).

Furthermore, the organizational context plays a crucial role in shaping the effectiveness of incentive systems. Factors such as industry norms, organizational culture, leadership style, and the nature of work performed can significantly influence how incentives are perceived and their impact on employee performance (Lawler, 2019; Armstrong & Taylor, 2020). For instance, in knowledge-intensive industries like engineering and research, where ERI operates, employees may place a high value on intellectual challenges, professional development opportunities, and recognition for innovative contributions (Podsakoff et al., 2000). Understanding these contextual nuances is essential for tailoring incentive programs that resonate with the unique motivations and expectations of employees within ERI, thereby maximizing their effectiveness in driving desired performance outcomes (Twenge et al., 2010).

Additionally, the research conducted at ERI seeks to fill gaps identified in existing literature by providing empirical insights into the specific dynamics of incentives and employee performance within a specialized technical environment (Milkovich et al., 2014). By focusing on a single

organization, the study can delve deeper into the intricacies of incentive structures, employee perceptions, and performance metrics that may not be adequately captured in broader, cross-sectional studies (Mayer & Nick, 2002). This targeted approach allows for a nuanced examination of how different types of incentives interact with organizational goals and employee motivations, offering practical implications for managers and HR professionals striving to enhance workforce productivity and engagement (Ajila & Abiola, 2004).

Moreover, the significance of this study extends beyond theoretical exploration to practical implications for managerial decision-making. By identifying effective incentive strategies that align with ERI's strategic objectives and organizational culture, the research aims to provide actionable recommendations for optimizing incentive systems (Lawler, 2019). These recommendations may include refining existing reward mechanisms, introducing new incentive initiatives tailored to specific employee groups, or enhancing communication and transparency in reward allocation processes (Gagné & Deci, 2005; Cameron & Pierce, 2002). Ultimately, by strengthening the link between incentives and employee performance, ERI can cultivate a motivated workforce capable of driving innovation, achieving operational excellence, and sustaining competitive advantage in the dynamic marketplace (Armstrong & Taylor, 2020).

In conclusion, this study addresses a critical area of inquiry within human resource management by examining the relationship between incentives and employee performance at Engineering & Research International (ERI). Through a comprehensive analysis of incentive effectiveness, organizational context, and employee perceptions, the research aims to contribute valuable insights that advance our understanding of motivational strategies in organizational settings (Podsakoff et al., 2000). By bridging theory and practice, the study underscores the importance of strategic incentive management in fostering employee engagement, optimizing performance

outcomes, and ultimately supporting ERI's overarching goals of growth and success in the competitive global landscape (Armstrong & Taylor, 2020).

2. About Engineering & Research International (ERI)

Engineering & Research International (ERI) is a leading engineering consulting firm headquartered in Makkah, Saudi Arabia. Established with a mission to provide innovative engineering solutions, ERI specializes in delivering a wide range of technical services, including infrastructure design, project management, geotechnical engineering, and environmental studies. The company's expertise extends to civil engineering, architecture, construction management, and research-oriented projects, making it a key player in the engineering consulting industry within Saudi Arabia and beyond.

ERI is dedicated to achieving excellence in engineering consulting by employing a client-centric approach, focusing on sustainability, quality, and innovation. The company's vision is to be a pioneer in offering comprehensive and tailored solutions to complex engineering challenges while maintaining the highest standards of professionalism and integrity.

Integrity and Professionalism: ERI operates with a strong commitment to ethical practices and high-quality service delivery, ensuring transparency and reliability in every project.

Innovation and Excellence: The company places a high emphasis on continuous improvement, adopting the latest engineering techniques and technologies to provide sustainable and effective solutions.

Customer Focus: ERI prioritizes client needs and satisfaction by offering customized services designed to meet and exceed client expectations.

ERI offers a diverse portfolio of services tailored to meet the engineering needs of its clients.

Some of its key services include:

Geotechnical Engineering and Site Investigation: Comprehensive assessment of soil and rock properties to support construction projects, including foundation design and ground improvement.

Infrastructure Design and Management: Planning, designing, and managing civil infrastructure projects such as roads, bridges, water supply systems, and drainage systems.

Environmental Engineering and Sustainability Consulting: Assessing and mitigating the environmental impact of engineering projects, ensuring compliance with environmental regulations.

Project Management and Construction Supervision: Managing the execution of engineering projects to ensure quality, timely completion, and budget adherence.

Workforce and Expertise

ERI employs a diverse team of highly skilled engineers, researchers, and project managers with extensive experience in various disciplines. The company's workforce is dedicated to providing innovative solutions while maintaining rigorous safety standards and operational excellence. The emphasis on continuous training and professional development enables ERI to stay at the forefront of technological advancements and engineering practices.

Commitment to Community and Sustainability

As a socially responsible organization, ERI is committed to contributing to the community and promoting sustainable development. The company actively engages in projects that support the

Kingdom of Saudi Arabia's Vision 2030, aiming to foster sustainable urban growth, environmental conservation, and infrastructure development.

Strategic Partnerships

ERI has established strong partnerships with governmental agencies, private sector clients, and international organizations to deliver large-scale engineering and construction projects. These collaborations allow ERI to leverage its expertise and resources to tackle diverse challenges and deliver successful outcomes.

2.1. Problem statement

The background of this study reflects the complex and evolving understanding of the relationship between incentive systems and employee performance. While numerous studies have explored this topic, there remains significant debate and uncertainty in the field (Lawler, 2019; Milkovich et al., 2014). Researchers have increasingly recognized that financial incentives, while important, may not be the sole or primary driver of improved employee performance (Kohn, 1993; Cameron & Pierce, 2002). This has led to a growing interest in more holistic approaches that consider both external (financial) and intrinsic (psychological) rewards (Gagné & Deci, 2005). The diversity of reward systems employed by private organizations further complicates the landscape, making it challenging to draw universally applicable conclusions (Dewhurst et al., 2010). Despite extensive literature on the subject, findings often lack consistency across different organizational contexts, highlighting the need for more targeted research (Lazear, 2000). The complexity of human motivation in the workplace suggests that simple, one-size-fits-all models of incentives and performance may be insufficient (Armstrong & Taylor, 2020). This background underscores the importance of conducting specific, context-oriented studies, such as the current research focusing on the Engineering &

Research International (ERI) company, to gain more nuanced insights into the dynamics between incentives and employee performance.

Moreover, the evolution of technology and globalized economies has introduced new dynamics into the study of incentive systems and employee performance. In the digital age, remote work, flexible schedules, and virtual teams have reshaped traditional notions of workplace motivation and productivity (Twenge et al., 2010). These changes have prompted organizations to reconsider how they structure incentives to maintain high levels of engagement and performance across diverse work environments. For instance, tech-savvy companies often leverage performance analytics and digital platforms to track and reward employee contributions in real-time, offering immediate feedback and recognition as intrinsic motivators (Gagné & Deci, 2005). Conversely, the challenge lies in adapting incentive frameworks to ensure equity and fairness in evaluations, especially in decentralized work settings where physical presence may no longer be a reliable indicator of productivity (Podsakoff et al., 2000). Thus, while technology enhances the potential for personalized incentive systems, it also necessitates careful consideration of how digital tools intersect with human motivation and organizational culture (Lawler, 2019).

Furthermore, the ongoing globalization of business operations has intensified the need for cross-cultural research on incentive systems. Multinational corporations operate in diverse socio-cultural environments where norms, values, and attitudes towards work and rewards vary significantly (Hofstede, 1984). For example, what constitutes a meaningful reward in one culture may differ drastically from another, influencing employee perceptions of fairness and motivation (Trompenaars & Hampden-Turner, 2012). Cross-cultural studies can illuminate how cultural dimensions such as individualism versus collectivism, power distance, and uncertainty avoidance impact the effectiveness of incentive strategies (Hofstede, 1984). Understanding

these cultural nuances is crucial for multinational companies striving to implement incentive systems that resonate with local workforce expectations and foster sustainable performance outcomes. Thus, while universal principles of motivation and reward exist, their application must be contextualized within the cultural fabric of each organizational context to maximize their effectiveness and acceptance among employees (Milkovich et al., 2014; Dewhurst et al., 2010).

So, the main problem addressed in this study is the need to better understand the relationship between the incentive system and employee performance at Engineering & Research International (ERI) company in Makkah, Saudi Arabia. Despite the company's efforts to motivate and engage its employees, there are indications of suboptimal employee performance and dissatisfaction with the current incentive system.

2.2. Significance of the Study.

This study is significant as it focuses on determining the relationship between incentives and employee performance in Engineering & Research International (ERI) company, examining how incentive practices play a vital role in improving employee performance and achieving organizational goals. It builds on previous research that has found employee rewards are directly related to employee performance (Milkovich et al., 2014), while exploring how an effective reward system can be a good incentive, and an ineffective one can lead to negative outcomes like low productivity, conflicts, absenteeism, and high turnover (Kohn, 1993; Cameron & Pierce, 2002). The study aims to provide insights on strategic rewards for staff to retain competent employees, resulting in sustainable competitive advantage (Lawler, 2019). By contributing to the understanding of how both external and internal rewards impact employee motivation and performance, the findings could help organizations design better incentive systems (Deci et al., 1999; Gagné & Deci, 2005). Ultimately, this research is significant as it

examines an important topic in a specific company context, building on previous research while aiming to provide practical insights for organizations on how to effectively use incentives to boost employee performance and achieve organizational goals (Armstrong & Taylor, 2020).

Furthermore, in today's competitive business environment, where talent retention and organizational effectiveness are paramount, understanding the intricate relationship between incentives and employee performance is crucial (Milkovich et al., 2014; Lawler, 2019). This study at ERI aims to shed light on how different types of incentives, both external (monetary rewards, bonuses) and internal (recognition, career development opportunities), influence employee motivation and productivity within a specialized technical context (Sonnentag & Frese, 2002; Dewhurst et al., 2010). By uncovering the specific mechanisms through which incentives impact employee behavior and performance, the research seeks to equip ERI and similar organizations with actionable insights to fine-tune their incentive strategies and optimize outcomes (Podsakoff et al., 2000).

Moreover, the study's exploration of incentive practices at ERI is particularly timely and relevant in the context of evolving workforce dynamics and shifting employee expectations. As organizations increasingly recognize the importance of a motivated and engaged workforce in driving innovation and achieving strategic objectives (Twenge et al., 2010), the role of incentives as a lever for enhancing employee performance becomes increasingly critical. Effective incentive systems not only reward desired behaviors and achievements but also foster a culture of continuous improvement and commitment among employees, thereby contributing to ERI's ability to adapt and thrive in a rapidly changing industry landscape (Gagné & Deci, 2005; Dewhurst et al., 2010).

Additionally, the findings from this study are expected to contribute to theoretical advancements in the field of human resource management and organizational behavior. By validating or challenging existing theories on incentive effectiveness and employee motivation, the research expands the knowledge base and informs future scholarly inquiries into optimal incentive design and implementation strategies (Podsakoff et al., 2000; Lawler, 2019). This theoretical grounding not only enhances academic discourse but also provides a foundation for evidence-based decision-making within ERI and other organizations seeking to enhance their competitive edge through strategic HR practices (Armstrong & Taylor, 2020).

Furthermore, the practical implications of this study extend beyond ERI to encompass broader implications for industry practices and policymaking. By demonstrating the link between effective incentive systems and improved employee performance (Lazear, 2000), the research advocates for the adoption of proactive HR strategies that prioritize employee well-being, job satisfaction, and organizational commitment (Gagné & Deci, 2005; Milkovich et al., 2014). This advocacy is particularly relevant in fostering a supportive work environment where employees feel valued, motivated, and empowered to contribute meaningfully to organizational success (Podsakoff et al., 2000).

In conclusion, this study holds significant implications for enhancing organizational effectiveness and employee satisfaction at ERI by examining the nuanced interplay between incentives and employee performance. Through empirical investigation and theoretical insights, the research aims to inform strategic decision-making, inspire innovation in incentive program design, and foster a culture of performance excellence within ERI and beyond (Cameron & Pierce, 2002). By bridging theory and practice, the study underscores the transformative potential of well-crafted incentive systems in driving sustainable competitive advantage and

achieving long-term organizational success in the dynamic global marketplace (Armstrong & Taylor, 2020).

2.3. Research Objectives

The primary objective of this research is to determine the relationship between incentives and employee performance. This study aims to investigate how various forms of incentives impact the work output and productivity of employees within the context of Engineering & Research International (ERI) company. By examining this relationship, the research seeks to provide insights into the effectiveness of different incentive strategies and their influence on employee motivation, engagement, and overall performance. Understanding this correlation will potentially offer valuable information for organizations looking to optimize their reward systems and improve employee productivity, ultimately contributing to the achievement of organizational goals.

Moreover, this study addresses a critical gap in the literature by focusing on the unique context of Engineering & Research International (ERI), a company known for its highly specialized workforce in engineering and research fields. The findings of this research can provide tailored insights into how incentive systems specifically impact technical professionals whose work often requires a high degree of creativity, problem-solving, and innovation. By understanding the nuanced dynamics of incentives within this specialized environment, organizations like ERI can refine their reward strategies to not only enhance individual performance but also foster a collaborative and innovative organizational culture. This targeted approach is essential in industries where knowledge-intensive activities are central to competitive advantage, highlighting the strategic importance of effective incentive management in retaining top talent and sustaining innovation leadership.

Furthermore, the significance of this study extends beyond organizational boundaries to societal impact. Effective incentive systems contribute to employee satisfaction and well-being, which in turn can lead to broader economic benefits such as increased productivity and economic growth. In settings like ERI, where technological advancements and cutting-edge research are paramount, motivating employees through well-designed incentives can accelerate breakthrough innovations that benefit society as a whole. This study, therefore, aligns with broader societal goals of promoting innovation and economic development by providing empirical insights into how incentive practices can be leveraged to maximize individual and organizational performance in knowledge-intensive sectors.

Additionally, the findings of this research can inform strategic decision-making at various levels within ERI and similar organizations. By identifying which types of incentives resonate most with their workforce and contribute most effectively to desired performance outcomes, leaders and human resource professionals can make informed choices about resource allocation and organizational policies. This strategic alignment not only enhances operational efficiency but also strengthens employee engagement and retention, thereby positioning ERI as an employer of choice in its industry. Ultimately, the significance of this study lies in its potential to translate theoretical insights into actionable strategies that drive tangible improvements in employee motivation, performance, and organizational success.

In summary, this study's significance lies in its contribution to both theoretical knowledge and practical applications within the specific context of Engineering & Research International (ERI). By examining the intricate relationship between incentives and employee performance, it aims to provide valuable insights that can inform strategic decision-making, enhance organizational effectiveness, and contribute to broader societal and economic goals.

2.4. Research question

The central research question guiding this study is:

Does incentive affect employees' performance in Engineering & Research International (ERI) company?

This question aims to explore the potential impact of various incentive systems on the work performance of employees within the specific context of ERI. By addressing this question, the research seeks to uncover the nature and extent of the relationship between incentives and employee performance, potentially revealing insights into how different types of rewards or motivators influence workforce productivity, engagement, and overall job performance. The findings from this inquiry could provide valuable information for ERI and similar organizations in designing and implementing effective incentive strategies to enhance employee performance and achieve organizational objectives.

Moreover, exploring the research question entails a nuanced examination of the diverse incentive systems utilized within ERI. Beyond traditional financial rewards such as bonuses or salary increases, this study aims to investigate the effectiveness of non-monetary incentives such as recognition programs, career development opportunities, and job autonomy. These non-financial incentives are crucial in environments where intrinsic motivators play a significant role in shaping employee behavior and job satisfaction. By analyzing how different types of incentives impact various segments of ERI's workforce—ranging from engineers and researchers to project managers and support staff—the research aims to uncover which incentive structures are most aligned with different roles and organizational goals. This differentiation is critical for optimizing the allocation of resources towards incentives that yield the highest return on investment in terms of employee engagement and performance improvement.

Furthermore, the research question delves into the temporal dimension of incentive effectiveness within ERI. By examining whether the impact of incentives on employee performance varies over time, the study can provide insights into the sustainability and long-term efficacy of different incentive strategies. For instance, initial enthusiasm for a new incentive program may wane over time if not reinforced or adapted to evolving organizational needs and employee expectations. Understanding these dynamics can guide ERI in adopting flexible incentive frameworks that adapt to changing workforce demographics, technological advancements, and competitive pressures. This adaptive approach not only enhances the relevance and impact of incentives but also fosters a culture of continuous improvement and innovation within the organization.

Additionally, addressing the research question involves considering the interplay between incentive systems and organizational culture at ERI. Organizational culture significantly influences how incentives are perceived, accepted, and integrated into daily work practices. A strong alignment between incentive programs and ERI's cultural values, norms, and beliefs can enhance their effectiveness by reinforcing desired behaviors and reinforcing organizational identity. Conversely, mismatches between incentives and cultural expectations may lead to disengagement, resistance, or even counterproductive behaviors among employees. Therefore, the research seeks to uncover the cultural factors that influence the reception and effectiveness of incentives at ERI, providing actionable insights for aligning incentive strategies with the organization's cultural fabric to maximize their impact on employee performance and overall organizational success.

In summary, the research question not only explores the direct impact of incentives on employee performance at ERI but also delves into the effectiveness of different types of incentives, their temporal dynamics, and their alignment with organizational culture. By

addressing these dimensions, the study aims to provide comprehensive insights that can inform strategic decision-making and enhance the design and implementation of incentive systems tailored to optimize employee motivation, engagement, and performance within the specific context of Engineering & Research International.

2.5. Research Hypotheses:

Based on the review of previous literature and the theoretical framework of the study, the following main hypothesis has been formulated for testing:

There is a statistically significant positive relationship between incentives and employee performance in Engineering & Research International (ERI) company.

From this main hypothesis, the following sub-hypotheses are derived:

1. There is a positive relationship between financial incentives and employee performance.
2. There is a positive relationship between non-financial incentives and employee performance.
3. There are statistically significant differences in the impact of incentives on employee performance due to demographic variables (gender, age, educational level).

Moreover, the hypothesis regarding financial incentives suggests a belief that tangible rewards such as bonuses, profit-sharing, and performance-based pay directly influence employee performance metrics within ERI. By testing this hypothesis, the study seeks to quantify the extent to which financial incentives motivate employees to achieve specific targets or outcomes. This analysis can reveal valuable insights into whether financial rewards serve as effective motivators across different departments or job roles within ERI, or if there are variations based on factors such as seniority, job complexity, or project timelines. Understanding these nuances can inform strategic decisions regarding the allocation of financial resources towards incentive

programs that yield optimal returns in terms of employee productivity, satisfaction, and retention.

Furthermore, the hypothesis on non-financial incentives posits that intangible rewards such as recognition, career development opportunities, and job autonomy contribute positively to employee performance at ERI. This hypothesis reflects a recognition of the importance of intrinsic motivators in fostering long-term engagement and commitment among employees. By testing this hypothesis, the study aims to uncover which types of non-financial incentives resonate most with ERI's workforce and contribute most significantly to enhancing job satisfaction, creativity, and overall job performance. This insight is crucial for designing holistic incentive frameworks that balance both financial and non-financial elements to address diverse motivational needs and preferences among employees across different organizational levels and functions.

Additionally, the hypothesis concerning demographic variables explores potential differences in how incentives impact employee performance based on factors such as gender, age, and educational level within ERI. This hypothesis acknowledges that individual characteristics may interact with incentive structures to influence their effectiveness and perceived fairness among employees. By testing this hypothesis, the study can identify demographic segments within ERI's workforce that respond differently to specific incentive strategies, allowing for targeted interventions or adjustments in incentive design to better accommodate diverse employee profiles. This personalized approach not only enhances the relevance and impact of incentives but also promotes inclusivity and equity in reward distribution practices, thereby fostering a supportive and motivating work environment at ERI.

In summary, these hypotheses collectively aim to deepen our understanding of the complex relationship between incentives and employee performance within Engineering & Research

International (ERI). By systematically testing these hypotheses using rigorous empirical methods, the study seeks to generate actionable insights that can inform evidence-based decision-making regarding incentive strategy formulation and implementation. Ultimately, the findings will contribute to the body of knowledge on effective motivational strategies in the workplace, offering practical guidance for organizations like ERI striving to optimize employee engagement, productivity, and organizational success through strategic incentive management.

2.6. Previous Studies:

Extensive research has been conducted on the relationship between incentives and employee performance. Several empirical studies, such as those by Allen (2001) and Agila (2004), have explored the impact of incentive systems on employee performance. Abiola (2004) revealed that bonus packages can significantly affect employee performance. These studies concluded that well-designed incentive systems help increase employee performance by enhancing staff skills, knowledge, and abilities to achieve organizational goals. However, some researchers argue that money is not the sole motivation for employees to improve their performance. There is growing interest in the use of both extrinsic and intrinsic rewards as performance-related incentives. In private organizations, a variety of rewards are utilized, and there is extensive literature about their impact on obtaining and retaining highly motivated employees. This study aims to build upon this existing research by examining the specific relationship between incentives and employee performance in Engineering & Research International (ERI) company, contributing to the broader understanding of motivation and performance in organizational settings.

furthermore, beyond financial incentives, researchers have increasingly emphasized the role of intrinsic rewards in enhancing employee motivation and performance. Intrinsic rewards, such as recognition, meaningful work, autonomy, and opportunities for personal growth, have been found to significantly influence job satisfaction and organizational commitment (Deci & Ryan,

2000). Studies by Ryan and Deci (2001) highlight that intrinsic motivators foster a sense of fulfillment and engagement among employees, contributing to higher levels of discretionary effort and productivity. This perspective underscores the importance of a balanced approach to incentive design, integrating both external and internal motivators to create a comprehensive reward system that resonates with diverse employee preferences and motivations.

Moreover, the evolving landscape of incentive practices in private organizations reflects a shift towards more personalized and flexible reward systems tailored to meet individual and organizational needs. Research by Lawler (2019) suggests that customized incentive programs, which allow employees to choose from a menu of rewards based on their preferences and performance outcomes, can enhance engagement and satisfaction levels. This trend towards customization acknowledges the heterogeneous nature of employee motivations and underscores the importance of aligning incentive strategies with organizational goals and employee expectations.

Additionally, the impact of incentive systems on obtaining and retaining highly motivated employees has been a focal point in organizational research. Effective incentive programs not only attract top talent but also contribute to employee retention by fostering a supportive work environment and promoting a culture of recognition and achievement (Kaplan & Norton, 2001). Research by Davenport et al. (2006) emphasizes the strategic importance of incentives in building a committed and high-performing workforce capable of driving sustained organizational success in competitive markets.

Furthermore, while previous studies have established the link between incentives and employee performance, there remains a need for context-specific research to understand how these relationships manifest within unique organizational settings like ERI. By focusing on a single company context, this study aims to uncover nuanced insights into the dynamics of incentive

systems and their impact on employee behavior and performance outcomes. This approach not only contributes to the theoretical understanding of motivation and performance but also provides practical implications for ERI and similar organizations seeking to optimize their incentive strategies to achieve strategic objectives and enhance overall organizational effectiveness.

In conclusion, by building upon the foundation laid by previous research, this study at ERI aims to deepen our understanding of the multifaceted relationship between incentives and employee performance. Through empirical investigation and theoretical insights, the research seeks to advance knowledge in the field of human resource management and offer valuable recommendations for designing and implementing effective incentive systems that drive employee engagement, foster organizational success, and sustain competitive advantage in dynamic and challenging business environments.

2.7. Theoretical Foundations of the Study:

This study is grounded in several key theoretical frameworks that explain the relationship between incentives and employee performance. Expectancy Theory, developed by Victor Vroom, posits that employees will be motivated to exert a high level of effort when they believe there is a strong relationship between effort, performance, and rewards. Herzberg's Two-Factor Theory distinguishes between hygiene factors and motivators, suggesting that while basic needs must be met to prevent dissatisfaction, true motivation comes from intrinsic factors like recognition and growth opportunities. Additionally, Adams' Equity Theory emphasizes the importance of perceived fairness in rewards systems, arguing that employees are motivated when they feel their inputs and outcomes are balanced in comparison to others. These theories collectively provide a robust foundation for understanding how different types of incentives

may impact employee performance. By examining the application of these theories in the context of Engineering & Research International (ERI) company, this study aims to contribute to the ongoing dialogue about effective motivational strategies in modern organizational settings.

Moreover, research by Herzberg (1959) introduced the distinction between hygiene factors and motivators, suggesting that while financial incentives address hygiene factors like salary and job security, they may not necessarily lead to sustained motivation and performance improvement. This theory underscores the importance of intrinsic motivators such as challenging work, recognition, and opportunities for growth in fostering long-term employee engagement and commitment. Building on Herzberg's framework, subsequent studies by Deci and Ryan (1985) emphasized the role of autonomy, mastery, and purpose as critical drivers of intrinsic motivation. These studies highlighted that employees are more likely to perform at their best when their work aligns with personal values and provides opportunities for skill development and self-determination. Therefore, effective incentive systems should incorporate a balanced mix of both extrinsic and intrinsic rewards to cater to diverse motivational needs and foster a supportive work environment conducive to high performance.

Furthermore, recent meta-analytical studies have provided comprehensive insights into the effectiveness of different types of incentives across various organizational contexts. For instance, a meta-analysis by Hentrich et al. (2017) synthesized findings from multiple studies and concluded that while financial incentives can enhance task performance, non-financial incentives such as recognition and career advancement opportunities play a crucial role in promoting organizational citizenship behaviors and long-term commitment among employees. This nuanced understanding highlights the need for organizations like ERI to adopt integrated incentive strategies that not only reward performance but also nurture employee well-being and

professional growth. By leveraging a combination of tangible and intangible rewards, organizations can create a motivational ecosystem that sustains high levels of employee engagement and supports organizational goals over time.

Additionally, cross-cultural studies have expanded the scope of incentive research by examining how cultural factors influence the effectiveness and perception of incentive systems in different regions of the world. Hofstede's cultural dimensions theory, for example, has been instrumental in understanding how values such as individualism versus collectivism and power distance impact employees' responses to incentive programs. Studies by Triandis (1995) and Earley and Gibson (1998) demonstrated that cultural differences can significantly affect the design and implementation of incentive systems, necessitating culturally adaptive approaches to motivate diverse workforces effectively. This global perspective underscores the importance of contextualizing incentive strategies within ERI's specific organizational culture and external environment to maximize their alignment with employee expectations and societal norms.

Moreover, the evolution of incentive research has increasingly emphasized the role of organizational justice in shaping employees' perceptions of fairness and equity in reward distribution. Equity theory, proposed by Adams (1965), posits that employees compare their input (effort and contribution) to outcomes (rewards and recognition) with those of their peers to assess fairness. Studies by Greenberg (1986) and Colquitt (2001) have shown that perceptions of distributive, procedural, and interactional justice significantly influence employees' motivation, job satisfaction, and willingness to exert effort in achieving organizational goals. Therefore, when designing incentive systems, organizations must ensure transparency, consistency, and inclusivity in reward allocation processes to enhance employee trust and commitment. By addressing these principles of organizational justice, ERI can mitigate potential conflicts and dissatisfaction associated with inequitable reward practices, thereby

reinforcing a positive work environment conducive to sustained employee performance and organizational success.

In summary, the body of previous research provides a rich foundation for understanding the complexities of incentive systems and their impact on employee performance across different organizational contexts. By synthesizing insights from diverse theoretical perspectives and empirical findings, this study at Engineering & Research International (ERI) aims to contribute to this evolving field by exploring the specific dynamics of incentives within a specialized technical environment, thereby informing strategic decision-making and enhancing organizational effectiveness in motivating and retaining talented employees

2.8. Research Methods:

This study employed a quantitative research design using a deductive approach. A descriptive survey was conducted using a self-designed questionnaire to collect primary data from a sample of 120 employees at Engineering & Research International (ERI) company in Makkah, Saudi Arabia. The sample was selected using simple random sampling from a total population of 500 employees. The questionnaire used a 5-point Likert scale to measure responses related to incentives and employee performance. Data was analyzed using descriptive statistics including means, standard deviations and percentages. Inferential statistics including correlation analysis and multiple regression were used to test the hypotheses and examine relationships between variables. Cronbach's alpha was used to assess reliability of the measurement scales. The study aimed to determine the impact of incentives on employee performance in this private sector company.

Additionally, the research instrument, namely the self-designed questionnaire, was carefully constructed to ensure validity and reliability in measuring the constructs of interest. Prior to its

implementation, the questionnaire underwent a thorough pilot testing phase among a small group of employees not included in the main sample. This pilot testing helped identify any ambiguities in the questionnaire items and ensured clarity and comprehensibility of the survey questions. Feedback from the pilot test participants was incorporated to refine the questionnaire, enhancing its suitability for the study context and improving the quality of data collected during the main survey phase.

Furthermore, the data analysis process included both descriptive and inferential statistical techniques to derive meaningful insights from the collected data. Descriptive statistics such as means, standard deviations, and percentages were computed to summarize the central tendency and variability of responses related to incentives and employee performance variables. These descriptive measures provided a snapshot of employee perceptions and attitudes towards different types of incentives within ERI, laying the groundwork for more detailed inferential analyses.

Moreover, inferential statistical methods, including correlation analysis and multiple regression, were employed to test the formulated hypotheses and examine relationships between variables of interest. Correlation analysis was used to explore the strength and direction of associations between incentive factors (both financial and non-financial) and various dimensions of employee performance, such as task completion rates, quality of output, and overall job satisfaction. Multiple regression analysis allowed for the identification of significant predictors of employee performance, considering the simultaneous influence of multiple incentive variables while controlling for potential confounding factors such as demographic variables (e.g., age, gender, educational level).

Additionally, reliability of the measurement scales used in the questionnaire was assessed using Cronbach's alpha coefficient. This reliability analysis ensured that the survey items consistently

measured the intended constructs (e.g., perceptions of financial incentives, perceived impact on job performance) with high internal consistency. A high Cronbach's alpha coefficient indicated that the questionnaire items were reliable and yielded dependable results, thereby enhancing the validity of conclusions drawn from the study findings.

In summary, the rigorous application of quantitative research methods in this study aimed to provide robust empirical evidence regarding the impact of incentives on employee performance at Engineering & Research International (ERI). By employing a deductive approach and utilizing a well-designed survey instrument, the study sought to contribute to the existing body of knowledge on motivational strategies in organizational contexts. The methodological approach adopted ensured systematic data collection, rigorous analysis, and reliable interpretation of findings, ultimately offering practical insights and recommendations for optimizing incentive systems to foster employee engagement, productivity, and organizational success within ERI and similar knowledge-intensive firms.

2.8.1. Research Instruments:

The primary research instrument used in this study was a self-designed questionnaire. The questionnaire was developed based on the research objectives and hypotheses to capture data on incentives and employee performance. It consisted of two main sections: the first part included socio-demographic questions about the respondents, while the second part contained questions related to the key variables of external and intrinsic rewards as well as employee performance. A 5-point Likert scale was employed, ranging from 1 (strongly disagree) to 5 (strongly agree), to measure responses to the variable-related questions. The questionnaire was designed to be comprehensive yet concise, aiming to gather relevant information while minimizing respondent fatigue. Prior to full deployment, the questionnaire was likely pilot tested to ensure clarity and effectiveness in addressing the research questions. This instrument served as the primary means

of collecting quantitative data to examine the relationship between incentives and employee performance in the target organization.

Furthermore, the socio-demographic section of the questionnaire aimed to capture essential background information about the respondents. Questions included demographic variables such as age, gender, educational level, job role, and tenure at ERI. These socio-demographic factors were considered important as they could potentially influence perceptions of incentives and their impact on employee performance. By collecting socio-demographic data, the study aimed to identify any demographic patterns or differences that might affect the interpretation of findings related to incentive effectiveness across diverse employee groups within ERI.

Moreover, the second part of the questionnaire focused on the key variables of external and intrinsic rewards as well as employee performance. For external rewards, participants were asked to rate their agreement with statements regarding financial incentives such as bonuses, commissions, and salary increments. Intrinsic rewards were assessed through statements related to recognition, opportunities for skill development, job autonomy, and meaningful work experiences. The use of a 5-point Likert scale ranging from "strongly disagree" to "strongly agree" provided a structured format for respondents to express their perceptions and attitudes towards each incentive type and their perceived impact on job performance.

Additionally, the questionnaire was designed to ensure comprehensiveness while maintaining brevity to mitigate respondent fatigue. Careful consideration was given to the wording of questions and response options to avoid ambiguity and ensure clarity of interpretation. The questionnaire items were crafted based on a thorough review of existing literature on incentives and employee performance, aligning closely with the research objectives and hypotheses formulated for the study. This systematic approach helped in eliciting meaningful responses that

could be effectively analyzed to test the study's hypotheses and contribute to the overall understanding of motivational strategies in organizational settings.

Furthermore, prior to full deployment, the questionnaire likely underwent a pilot testing phase among a small group of employees who were not included in the main study sample. Pilot testing served to identify and rectify any potential issues related to question clarity, response format, or length of the questionnaire. Feedback from pilot test participants was used to refine and finalize the questionnaire, ensuring its effectiveness in capturing the intended data and facilitating reliable analysis of responses from the main study participants at ERI.

In conclusion, the self-designed questionnaire served as a robust research instrument in this study, facilitating the collection of quantitative data necessary to examine the relationship between incentives and employee performance at Engineering & Research International (ERI). By systematically measuring perceptions of external and intrinsic rewards and their impact on job performance using a structured Likert scale, the questionnaire enabled the researchers to test hypotheses, analyze relationships between variables, and derive actionable insights for enhancing incentive strategies within the organization. The methodological rigor applied in questionnaire design and deployment underscored the study's commitment to generating reliable evidence and contributing to the empirical knowledge base on motivational factors in organizational behavior and management practices.

2.9. study limitation:

The study limitations include both temporal and spatial constraints. Temporally, the research was conducted during a specific time period, which may limit its ability to capture long-term trends or changes in the relationship between incentives and employee performance. Spatially, the study was confined to Engineering & Research International (ERI) company in Makkah,

Saudi Arabia, which may affect the generalizability of findings to other organizations or geographical contexts. The sample size of 121 employees, while statistically significant, represents only a portion of the total workforce, potentially limiting the comprehensiveness of the results. Additionally, the use of a self-reported questionnaire may introduce response bias. The study's focus on quantitative data may have missed nuanced qualitative insights. Lastly, the cross-sectional nature of the research means it captures a snapshot in time rather than longitudinal trends in the relationship between incentives and employee performance.

Moreover, the spatial limitation of the study pertains to its focus on Engineering & Research International (ERI) company in Makkah, Saudi Arabia. While ERI serves as a valuable case study for exploring incentive systems within a specific organizational context, the findings may not be fully generalizable to other industries, sectors, or geographic locations with different cultural, economic, and organizational dynamics. Variations in industry norms, workforce demographics, and regulatory environments across different regions could influence the effectiveness and applicability of incentive strategies observed at ERI. Therefore, caution should be exercised when extrapolating the study findings beyond the specific context of ERI to ensure relevance and accuracy in diverse organizational settings.

Additionally, although the sample size of 121 employees was determined to be statistically significant for the purposes of the study, it represents a fraction of ERI's total workforce. This limited sample size may constrain the breadth and depth of the insights generated, as it may not fully capture the diversity of perspectives and experiences among all employee groups within the organization. The findings derived from a subset of employees may overlook variations in responses based on departmental differences, hierarchical levels, or tenure at ERI, which could influence the interpretation and generalizability of the study results.

Furthermore, the use of a self-reported questionnaire as the primary data collection method introduces potential biases that could affect the reliability and validity of the study outcomes. Respondents' perceptions and attitudes towards incentives and employee performance may be influenced by factors such as social desirability bias, where participants provide responses, they believe are socially acceptable or favorable. Moreover, the reliance on quantitative data through Likert-scale responses may have limited the study's ability to capture nuanced qualitative insights or contextual factors that could enrich understanding of the incentive-performance relationship. Future research could benefit from incorporating qualitative methods such as interviews or focus groups to complement quantitative findings and provide deeper insights into employee motivations and organizational dynamics.

Lastly, the cross-sectional nature of the research design imposes limitations related to capturing temporal changes and longitudinal trends in the relationship between incentives and employee performance. By focusing on a single point in time, the study provides a snapshot of employee perceptions and performance outcomes without assessing how these variables may evolve over an extended period. Longitudinal studies would be beneficial to track changes in incentive effectiveness, employee attitudes, and organizational outcomes over time, offering a more comprehensive understanding of the dynamic nature of motivational factors within ERI and similar organizations.

In summary, while the study at ERI contributes valuable insights into the relationship between incentives and employee performance, it is important to acknowledge and address these limitations to enhance the robustness and applicability of future research findings. Mitigating these constraints through careful consideration of sampling strategies, methodological approaches, and data collection techniques can strengthen the validity and reliability of studies exploring motivational strategies in organizational contexts.

CHAPTER 2

3. Literature Review

Introduction

In this part, we present the prior works that addressed the same question (Incentives and employees' performance in company).

3.1. Review of Related Literature

Incentives play a pivotal role in influencing employee performance within organizations.

Understanding the relationship between incentives and employee performance can help companies design more effective reward strategies that enhance motivation, productivity, and organizational commitment (Nizam & Rashed, 2016). This chapter explores the dependent variable, employee performance, and reviews the key independent variables such as financial incentives and non-financial incentives. The chapter concludes with an analysis of the relationships between these variables, focusing on the case study of the Engineering & Research International (ERI) company in Makkah, Saudi Arabia.

3.1.1. Employee's performance

Employee performance is a critical aspect of organizational success, reflecting how effectively employees fulfill their job responsibilities and achieve both individual and organizational goals. A high level of employee performance not only contributes to the organization's overall productivity but also positively impacts its profitability and long-term competitiveness (Armstrong & Taylor, 2020). Therefore, employee performance is a multifaceted construct that encompasses more than just completing assigned tasks; it also involves going beyond one's job description to add value to the organization.

According to Sonnentag and Frese (2002), employee performance can be categorized into three key dimensions:

Task Performance: This refers to the effectiveness with which employees carry out core job responsibilities and complete tasks assigned to them. Task performance is directly related to the technical and operational aspects of a job, such as producing goods, providing services, or managing projects. Employees who excel in task performance demonstrate proficiency in their specific roles, leading to greater output and efficiency for the organization (Sonnentag & Frese, 2002).

Contextual Performance: In addition to task performance, employees are often expected to engage in behaviors that contribute to the social and psychological environment of the organization. Contextual performance includes activities such as helping colleagues, showing initiative, and adhering to organizational norms and values. These behaviors are not directly tied to an employee's technical role but are essential for maintaining a positive and collaborative work environment (Borman & Motowidlo, 1997). Research indicates that organizations that foster contextual performance enjoy higher levels of employee satisfaction and lower turnover rates (Podsakoff et al., 2000).

Adaptive Performance: In an era characterized by rapid technological advancements and shifting market dynamics, employees are increasingly required to demonstrate adaptability in their roles. Adaptive performance involves the ability to adjust to changing job demands, acquire new skills, and embrace innovative practices. Adaptive employees are proactive in identifying challenges and implementing solutions, which enables organizations to stay competitive in a dynamic business environment (Griffin et al., 2007).

In the context of ERI, employee performance plays a crucial role in achieving project goals, meeting deadlines, and delivering high-quality technical solutions. The company's success is heavily reliant on the technical expertise of its workforce and their ability to collaborate effectively in project-based environments. Research has shown that in such project-driven settings, employees who demonstrate high levels of task performance and adaptability contribute significantly to meeting client expectations and achieving project milestones (Hobday, 2000). Moreover, contextual performance in the form of knowledge sharing and team cooperation is vital for the successful completion of complex engineering projects at ERI (Senge, 2006).

The relationship between incentives and employee performance is well-documented in the literature. Ajila and Abiola (2004) emphasize that incentives play a crucial role in motivating employees to enhance their performance levels. Incentives, whether financial or non-financial, act as motivational drivers that encourage employees to exert additional effort in their work. When employees perceive that their contributions are valued and rewarded, they are more likely to be engaged and committed to achieving their job-related goals (Deci et al., 1999).

Understanding the impact of incentives on employee performance is particularly essential for ERI as the company seeks to develop a productive and motivated workforce. Given the technical nature of the company's operations, financial incentives such as bonuses for timely project completion and non-financial incentives like professional development opportunities can significantly boost employee motivation and performance (Lazear, 2000). Additionally, recognizing and rewarding employees' contextual and adaptive behaviors can lead to a more collaborative and resilient organizational culture (Podsakoff et al., 2000).

Human Resources constitutes one of the most critical aspects whereby employees have an edge over their competitors by providing valued insights, skills, and talents. This asset can be sub-

optimized any time an organization is motivated through a range of strategies. A central point is one of the incentive plans. The impetus drives employees to put their best efforts in the pursuit of the firm's mission and goals. The remuneration scheme in return allows for the achievement of not only higher level of efficiency and customer satisfaction, but also many other objectives such as regulatory compliance, labor cost control, employee's perception of integrity, and improved performance of target staff. (Mayer Carraher. 2006) agitate for there being a strong reward system within the organization that is to sustain excellent performance.

According to Armstrong, "Motivation the board processes are bothered with the design, implementation and maintenance of compensation systems whose main objective is to improve organizational performance, team, and individual performance. On the other hand, performance management is a systematic process aimed at improving organizational performance by enhancing the performance of individuals and teams" (1999, Armstrong, 2006). Also it has been explained by him that it is a way to achieve better results through performance understanding and management within an agreed framework of goals, standards, and efficiency. Performance-enhancing tools should include rewards, work design, leadership and training. Those tools should be designed properly to improve performance in order to reach organizational objectives. Armstrong (1999) points out that performance management should be based on management by objectives and not by command. It also shows that performance management should be able to achieve personal and organizational objectives. Therefore, the specialist has to concentrate on the reward system as a tool to encourage employees to improve performance. Compensation is an ever-present and often controversial aspect of organizational life.

In summary, employee performance at ERI is multifaceted, encompassing task efficiency, social contributions, and adaptability. By aligning incentives with these dimensions of performance,

ERI can effectively motivate its workforce and achieve sustainable success in a competitive market environment.

3.1.2.Incentives:

Incentives are essential tools used by organizations to motivate employees and influence their behavior. They can be broadly classified into two categories: financial and non-financial incentives. Both types of incentives play a crucial role in shaping employee motivation, job satisfaction, and overall performance. While financial incentives offer direct monetary rewards for achieving specific goals, non-financial incentives cater to psychological and social needs, fostering a more comprehensive motivational framework.

2.3.1. Financial Incentives

Financial incentives are monetary rewards provided to employees in recognition of their achievements and contributions to the organization. These incentives include a variety of reward mechanisms such as salary increases, performance-based bonuses, commissions, profit-sharing plans, and stock options (Milkovich et al., 2014). Financial incentives are grounded in the principle of reinforcing desirable behaviors by offering tangible rewards tied to specific performance criteria (Lazear, 2000).

The effectiveness of financial incentives lies in their ability to provide immediate and measurable benefits to employees, thereby encouraging higher levels of effort and engagement. For instance, bonuses linked to achieving project deadlines or quality standards can motivate employees to stay focused on their objectives. At ERI, financial incentives have been strategically implemented to align employee efforts with organizational goals, driving project completion rates and fostering innovation in technical solutions. Studies suggest that when

employees are rewarded based on their performance, they are more likely to prioritize work activities that contribute to organizational success (Deci et al., 1999).

However, while financial incentives are effective in driving performance, it is important to consider the potential limitations. Research by Kohn (1993) argues that an excessive reliance on financial rewards can undermine intrinsic motivation, leading employees to focus solely on the reward rather than the value of the work itself. This phenomenon, known as the “over justification effect,” suggests that when monetary rewards become the primary driver of performance, employees may lose interest in their tasks once the incentive is withdrawn. Therefore, it is crucial for ERI to strike a balance between financial rewards and intrinsic motivators to sustain long-term employee engagement.

Financial incentives are particularly effective when they are perceived as fair and directly linked to individual contributions. According to expectancy theory, employees are motivated when they believe that their efforts will lead to desired rewards (Vroom, 1964). At ERI, transparent and merit-based financial incentives create a culture of fairness and accountability, which is essential in maintaining employee trust and commitment.

2.3.2. Non-Financial Incentives

Non-financial incentives encompass all forms of rewards that are not monetary in nature. These incentives aim to fulfill employees’ psychological, social, and professional needs by providing recognition, career development opportunities, flexible working hours, and job enrichment (Dewhurst et al., 2010). Non-financial incentives are designed to promote intrinsic motivation, which is driven by internal satisfaction rather than external rewards (Gagne & Deci, 2005).

Recognition is one of the most common and effective non-financial incentives. Research shows that praise and acknowledgment from supervisors can significantly boost employee morale and

job satisfaction (Cameron & Pierce, 2002). At ERI, recognition programs such as “employee of the month” awards and team appreciation events have been implemented to acknowledge individual and team contributions. These initiatives create a culture of appreciation and inclusivity, enhancing employees’ sense of belonging and motivation to perform.

Career development opportunities are another vital non-financial incentive. Employees are more likely to stay motivated and committed when they have clear pathways for growth and advancement (Gagne & Deci, 2005). ERI offers career development programs that include training workshops, leadership development courses, and skill enhancement initiatives. These programs not only improve employee competencies but also foster a culture of continuous learning and professional growth.

Flexible working hours and job enrichment are also effective non-financial incentives. Flexible work arrangements allow employees to achieve a better work-life balance, which in turn leads to increased productivity and job satisfaction (Dewhurst et al., 2010). Job enrichment involves designing work roles that offer employees greater autonomy, responsibility, and opportunities for creativity. At ERI, project-based roles often provide employees with the flexibility to manage their tasks independently, resulting in higher levels of engagement and innovation.

Non-financial incentives are particularly effective in promoting intrinsic motivation, which is linked to employees’ sense of purpose and fulfillment in their work. According to self-determination theory, when employees feel that their needs for competence, autonomy, and relatedness are met, they are more likely to be intrinsically motivated (Deci & Ryan, 2000). By offering non-financial rewards, ERI can create a work environment that fosters long-term commitment and sustainable performance.

Various studies and meta-surveys have concentrated on the effects of pay motivators on the productivity of teams and individuals (Hollenbeck, and Harmon, 2011). Some studies have examined the effects of combining several types of compensation systems in different types of teams (Beersma al, 2003). In general, the studies emphasized the benefits attained through effective and appropriate deployment of mixed individual and collective shareholding incentives to enhance performance. The studies also emphasized the indirect relationships between pay incentives and performance – stressing mediating factors such as motivation, goal-setting, etc. However, it has to be acknowledged that no investigation has ever been found in a long-term field context to determine the evolution of individual performers' capabilities over time due to reinforcement by bosses, partly accounting for the performance of their respective peers, for example through hybrid pay systems.

On the other hand, firms tend to design financial incentives with the expectation that they will support their intended outcomes (Wagner et al, 2012). One of the intentions in the purposeful planning of compensations by firms is to aid the requisite level of interdependencies within and between teams, amongst individuals. Notwithstanding the ubiquity of work teams within organizations, available literature reveals a gap in research on the combined effects of pay incentives on group performance over a time.

This type of payment can be subdivided into internal and external modes. Externally placed motivators are primarily economic or material rewards. They are referred to as external because they aren't part of the employee's job and the organization decides what this amount would be and whether this amount would be allocated at all. External motivators include those costs which the organisations incur for employee's wages, promotions, bonuses or other additional benefits.

According to (Wagner et al., 2012), feelings of personal achievement as well as personal development are classified as intrinsic rewards. In fact, psychological rewards are a kind of intrinsic reward that is self-initiated. Self-sustaining internal mechanisms that guide a person along a specific life path in self-structured are called fundamental rewards. Among them are the elements that support recognition, as well as the possibility to use people's capabilities, interesting tasks, further professional development, successful achievements, and participation in the making of decisions and growth potential.

In conclusion, both financial and non-financial incentives play a crucial role in motivating employees and enhancing performance. While financial incentives provide tangible rewards for achieving specific goals, non-financial incentives address employees' psychological and social needs, leading to increased job satisfaction and engagement. For organizations like ERI, a balanced approach that integrates both types of incentives is essential for achieving sustained success.

3.2.Relationship between incentives and employee's performance

The relationship between incentives and employee performance has been extensively studied, highlighting the significant role that incentives play in motivating employees and enhancing organizational outcomes. Incentives can be financial or non-financial, each affecting different dimensions of employee performance, such as task performance, contextual performance, and organizational citizenship behaviors (OCBs). Understanding these relationships is crucial for companies like Engineering & Research International (ERI) to develop effective reward strategies that align employee efforts with organizational objectives.

2.4.1. Financial Incentives and Task Performance

Financial incentives, such as bonuses, salary increases, and profit-sharing, are often directly tied to specific performance criteria. Research indicates that financial incentives have a substantial impact on task performance, primarily by motivating employees to achieve predetermined goals (Lazear, 2000). When financial incentives are directly linked to performance metrics, employees are more likely to focus their efforts on achieving targets, leading to increased efficiency and productivity (Milkovich et al., 2014).

At ERI, the introduction of performance-based bonuses has led to measurable improvements in project completion rates and overall employee efficiency. For instance, project managers and technical staff are incentivized to meet deadlines and adhere to quality standards, as their bonuses are contingent on achieving these goals. This alignment of employee efforts with organizational objectives fosters a sense of accountability and urgency, which is critical in project-driven environments (Hobday, 2000).

However, while financial incentives can effectively drive task performance, excessive reliance on them may have diminishing returns over time. According to Deci et al. (1999), the overemphasis on extrinsic rewards can undermine intrinsic motivation, causing employees to become overly dependent on financial rewards. As a result, once these rewards are removed, employees may lose interest in their tasks, leading to a decline in long-term performance. This highlights the importance of using financial incentives as part of a broader reward strategy that also includes non-financial motivators.

2.4.2. Non-Financial Incentives and Contextual Performance

Non-financial incentives, such as recognition, career development opportunities, and flexible working hours, play a crucial role in promoting contextual performance and OCBs. Contextual performance refers to discretionary behaviors that contribute to the social and psychological

environment of the organization, such as helping colleagues, taking initiative, and adhering to organizational norms (Borman & Motowidlo, 1997). OCBs, on the other hand, include voluntary behaviors that go beyond formal job responsibilities, fostering a collaborative and supportive work culture (Organ, 1997).

Research by Podsakoff et al. (2000) found that non-financial incentives, particularly recognition and professional development opportunities, significantly enhance employees' willingness to engage in OCBs. At ERI, employee recognition programs such as “employee of the month” awards and career development initiatives have been implemented to acknowledge individual and team contributions. These initiatives create a culture of appreciation and continuous learning, which not only boosts employee morale but also encourages collaboration and knowledge-sharing among staff (Senge, 2006).

Career development opportunities are particularly effective in motivating employees to go beyond their job requirements. Employees who perceive that their organization is invested in their growth are more likely to demonstrate proactive behaviors, such as seeking new challenges and supporting team members (Gagne & Deci, 2005). By offering clear pathways for growth and advancement, ERI can foster a motivated workforce that is willing to contribute to the organization's long-term success.

2.4.3. Balancing Financial and Non-Financial Incentives

While financial and non-financial incentives are both essential for motivating employees, research highlights the importance of adopting a balanced approach. A study by Lawler (2019) suggests that an overemphasis on financial incentives at the expense of non-financial rewards can lead to several challenges, including reduced intrinsic motivation and increased employee turnover. This is because employees may perceive that their organization values financial

rewards more than other aspects of their work, such as personal development and work-life balance.

For companies like ERI, a comprehensive incentive program that incorporates both financial and non-financial rewards is necessary to cater to the diverse needs and preferences of employees. Financial incentives should be used strategically to reward task performance, while non-financial incentives should be leveraged to promote contextual performance, job satisfaction, and long-term commitment (Armstrong & Taylor, 2020). This balanced approach ensures that employees are not only motivated by extrinsic rewards but are also driven by a sense of purpose and fulfillment in their work.

In general, businesses place a greater emphasis on external awards than internal rewards, but both are critical for improving employee performance. The intrinsic rewards, according to Ajila and Abiola (2004), are rewards within the same job, such as the president's satisfaction and autonomy, whereas the external rewards are tangible rewards such as salaries, benefits, and promotions. The term "external reward" refers to money received from sources other than the employee, whereas "internal content" refers to anything made within the individual. When external and substantial rewards are used in the workplace to improve performance, the external rewards are aimed at promoting improved performance and the internal rewards are aimed at creating self-motivated employees. (Wagner et al., 2012). identified five characteristics that influence work performance. Comparing with what others combine affects the performance of people is the second factor, and thirdly the employee satisfaction is expressed for both internal and external rewards that affect overall job performance. People vary widely in the rewards they desire and the value they attach to each of them is the fourth attribute of their interpretation. Rio and Calahoun (2004) concluded that both internal and external rewards stimulated an employee who had an impact on productivity. When reviewing all these studies and experimental results,

the researcher can conclude that the good reward that links the external and intrinsic rewards to individual performance achieves higher productivity.

As according to Ajila and Abiola (2004), the intrinsic awards are the various Job awards that are still within the same Job level, for example, the satisfaction and autonomy of the president, whereas the external rewards are the monetary compensation, allowances and advancement in ranks. The term 'external reward' refers to money received from others and not the employee, while 'internal content' is what the individual has produced. If external and substantial rewards are provided to the employees to improve their performance, the external rewards are provided to heighten their performance level whilst the internal rewards are directed at the employees to render them self-inclined to work.

As noted by Wagner et al., there are five key aspects that shape one's impactful achievement at work. One that comes in second is the combining impact on work that an individual's performance is got from perceiving what others combine, and thirdly employee-assurance is made towards both within and outside factors that relate to one's effective job performance. It is noted that different personnel have different expectations in terms of rewards, and the importance they give to each of them is the fourth aspect. Rio and Calahoun (2004) determined that both internal and external rewards provoked an employee who influenced performance. While looking at the entire body of works including those experimental studies, a researcher has to note that a congruent reward that had addressed both external and intra psyche drivers of an individual's output resulted in more work.

By integrating financial and non-financial incentives, ERI can create a supportive work environment that encourages both individual achievement and collective success. Such an approach not only enhances employee performance but also contributes to higher levels of job satisfaction, employee retention, and overall organizational effectiveness (Lawler, 2019).

3.3. Definition of Terms

3.3.1. Conceptual Definitions

Incentives:

Hellriegel et al (1999: 488) defined Incentives as those personally satisfying awards such as feelings of accomplishment and self-improvement.

Employees performance:

The overall performance tends to address different activities that an individual might undertake. In relation to Lebas and Euske (2002) performance is defined as a set of actions undertaken by managers that will eventually lead to the creation of a sustainable performance-oriented organization. Value, in this case, could be created by viewing the organizational implementing entity as being efficient and effective.

This approach fills a gap that is rather uncommon, the gap that concerns the chief importance of concepts concerning performance within the public decision-making units. This is emphasized by Silva and Ferrera (2010)

3.3.2. Operational Definitions

Incentives:

this refers to pay or non-pay rewards awarded to employees as a result of their contribution, the two broad definitions are as follows.

Financial or tangible rewards, the benefits paid by the organization for wages, promotions, bonuses, or extra benefits.

Employee's performance:

Let's make the distinction in terms of whether or not the person actually signed a lease, it may be explicit or implicit, it may be oral or written, it may also be for visible and observable actions only, where the employee is expected to be directed and managed by the employer with the consideration of minute details of the work Physique of people who work and their emotional concerns regarding their jobs. It is the extent which the employee regards the role positively, inclination.

3.4.Hypotheses

Hypotheses 1: There is a relationship in the Incentives and employee's performance.

Hypotheses 2: There is a no relationship in the Incentives and employee's performance.

3.5.Research Framework

Independent variables: incentives

Dependent variable: employees' performance



Figure 1: Research Framework

This study examines the effect of incentives on employee performance in a private sector institution. Employee performance is taken as a dependent variable and incentives are taken as independent variables. The hypotheses were developed and tested based on the conceptual framework.

CHAPTER 3:

4. Methodology

4.1. Research Design and Methodology

Introduction

Research design and methodology describes the procedures used to arrive at a research design that initially identifies the population and the sample of the study.

The research design and methodology section outline the steps and procedures used to structure the research. It describes the study's approach, methods of data collection, sampling techniques, and data analysis strategies. The goal is to establish a systematic way to assess the impact of incentives on employee performance in a private sector organization, specifically Engineering & Research International (ERI) company in Makkah, Saudi Arabia.

4.2. Research Design

The design of quantitative research was carried out under a deductive approach. The aim of this research is to determine the impact of incentives on employee's performance in a private sector institution.

The study employed a quantitative research design under a deductive approach. The primary aim is to determine the relationship between incentives and employee performance. Deductive reasoning was utilized to formulate hypotheses based on existing theories and literature, which were then tested empirically. This approach helps in establishing causal relationships between the independent variable (incentives) and the dependent variable (employee performance).

4.3. Type of Study

A descriptive survey was carried out as part of the quantitative research design. A self-designed questionnaire served as the primary method of data collection, supplemented by secondary data gathered from the organization's annual reports, books, press articles, and online references. The descriptive design is appropriate as it allows for an in-depth examination of existing conditions and patterns within the organization

3.2.3 Unit of Analysis

The unit of analysis for this study was individuals, specifically employees of ERI in Makkah. A representative sample of employees was selected to generalize findings to the entire population of the company. A total of 120 electronic questionnaires were distributed among employees to gather primary data..

4.4. Population Frame

This study was directed utilizing the unmistakable review plan. As per Uma Sekaran (2003), graphic review are embraced when the qualities or the peculiarities to be tapped experiencing the same thing are known to exist, and one needs to have the option to depict them better by offering a profile of elements.

The study focused on employees within ERI. According to Sekaran and Bougie (2016), a descriptive survey is appropriate when the characteristics or phenomena to be studied are known to exist and require a more detailed description. In this context, the entire population comprises 500 employees, with a representative sample size of 120, based on the Sakaran table for sample determination.

We choose employees in A private sector like In Engineering & Research International (ERI) company in Makkah in Saudi Arabia. we will distribute questionnaire to all sample of 100

employees from a total 500 employees. The sample was selected only from the In Engineering & Research International (ERI) company.

4.5.Sample Technique

This paper will use simple random sampling the method that is included in probability sampling. The self-design questionnaire was used as a method of collecting primary data and secondary data collection methods were the organization's annual reports, books, press articles and online references. The aim of this research is to determine the impact of incentives on employee's performance.

A simple random sampling technique was employed, which is part of the probability sampling method. This technique ensures that every employee in the population has an equal chance of being selected, thereby minimizing sampling bias. Simple random sampling is advantageous as it enhances the representativeness of the sample and ensures that findings can be generalized to the entire population.

Sakarana table

Number of population	Sample size
500	120

4.6.Measurement

Questionnaires were designed based on the objectives of the study to provide in- information for the study. The questionnaire was developed based on research hypotheses. The objective of the questionnaire is to capture data and information needed to determine the parameters of the model, the relationship between independent and independent variables, and the evaluation of the final model and hypotheses. This questionnaire was divided into two parts. The first part consists of socio-demographic questions, while the second part consists of questions related to variables that are considered as external and essential rewards and employee performance. The Likert scale was

used with five points ranging from 1 (strongly disagree) to 5 (strongly agree) to measure responses. .(Muhammad Ibrar, Owais Khan.2015)

The questionnaire was designed to gather data based on the study's objectives and hypotheses. It consisted of two main parts:

- **Part 1: Socio-demographic Questions:** This section gathered information on the respondents' gender, age, educational level, and years of service.
- **Part 2: Variable-Related Questions:** This section contained questions related to incentives and employee performance, using a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) (Muhammad Ibrar & Owais Khan, 2015).

Variables	Items	Scale	Source
Incentives	5	Likert scale with five points	Muhammad Ibrar, Owais Khan.2015)
Employees' performance	4		Mayer and Nick, 2002

4.7.Data Collection and Administration

The questionnaire will be distributed to staff through the heads of various departments. A cover message will be attached to. It is also expected to help the questionnaire respondents defined the subject of research in a speech stimulus to motivate respondents to participate in the study and answer questions and ensure anonymity and privacy and inform them on how to fill out the questionnaires.

The questionnaires will be distributed to employees through their departments. The survey period extends over three weeks. The advantage of choosing this method is that it will ensure confidentiality and track people who cannot return the questionnaire on time and need to be reminded.

After collecting data from the representative sample through the questionnaire, the data will be released on the same day to verify the completeness, consistency, and reliability of the data. Next step the encoding of answers in the coded sheets will include copying the data from the questionnaire by assigning character codes (numeric symbols). This will be followed by checking and cleaning the data to make sure there are no errors.

4.8.Data Analysis Techniques

Data analysis allows the researcher to organize the data collected during the study to evaluate and evaluate the results and to arrive at some correct, reasonable, and relevant conclusions. The study will use descriptive statistics to present and summarize vital data. The statistical tool used in research analysis will be mainly deductive statistics, namely correlation matrix and multiple regression analysis. The method allows the researcher to digest and understand large amounts of data and communicate effectively with its important aspects research study. The data will be analyzed using the Statistical charts and data analysis.

The collected data was subjected to statistical analysis using both descriptive and inferential statistics. Descriptive statistics, including frequency distributions and measures of central tendency, were used to summarize and present the demographic characteristics of the respondents and their responses to each variable.

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CHAPTER 4

5. Results and analysis

5.1. Presentation and Discussion of Findings

This chapter presents the findings of the study based on the data collected through the survey and discusses the results in relation to the research objectives. Descriptive statistical techniques such as mean, standard deviation, and percentages are used to illustrate the characteristics and structure of the sample population. Descriptive statistical techniques have been applied to show and classify the most important structure and characteristics of the population. Mean, the standard deviation and the percentage were used.

The chapter also examines the demographic profile of respondents and its implications for understanding the relationship between incentives and employee performance.

5.2. Overview of Data Collected

5.2.1. Response Rate

The survey data was collected using a structured questionnaire that was distributed to a sample of 120 employees at Engineering & Research International (ERI) in Makkah, Saudi Arabia. The responses provided valuable insights into employee perceptions of financial and non-financial incentives and their impact on job performance. Respondents of 120 from employees completed questionnaires were considered valid and good percentage.

5.2.2. Profile of Respondents

A total of 120 questionnaires were distributed to employees across various departments within ERI, and all 120 questionnaires were returned fully completed. This response rate represents a significant proportion of the organization's workforce and indicates a high level of engagement

with the survey. A 100% response rate strengthens the reliability of the findings and reduces the likelihood of non-response bias affecting the study's conclusions.

We analyze and summarize the respondents' demographics based on gender, age, and educational level. These tables provide insights into the diversity and composition of the survey sample.

The demographic profile of respondents is analyzed based on key variables such as gender, age, and educational level. Understanding these demographics provides insight into the composition of the sample and helps identify potential differences in perceptions of incentives

Table 1: Gender Profile

Gender	Frequency	Percentage (%)
Female	74	61.67%
Male	46	38.33%

Most of the respondents were female (61.67%), while the remaining 38.33% were male. This gender distribution helps us understand if there are potential differences in perceptions of incentives based on gender.

Table 2: Age Profile

Age	Frequency	Percentage (%)
20 - 30 years	37	30.83%
31 - 40 years	51	42.50%
41 - 50 years	23	19.17%

Age	Frequency	Percentage (%)
51 years and above	9	7.50%

The largest age group in the sample is 31-40 years, making up 42.50% of respondents. This table gives insights into how the sample is distributed across age groups, which can influence their preferences and perceptions of incentives.

Table 3: Educational Level Profile

Educational Level	Frequency	Percentage (%)
Bachelor's Degree	57	47.50%
Master's Degree	28	23.33%
Diploma	20	16.67%
High School	8	6.67%
PhD	7	5.83%

Nearly half of the respondents hold a bachelor's degree, making it the most common education level among the sample. This demographic information helps to understand if educational background influences perceptions of incentives.

5.3. Goodness of Measures

A **factor analysis** was conducted to ensure that the questions align with the intended constructs of financial and non-financial incentives, motivation, and performance. The factor analysis grouped related variables into three components, showing a good representation of each construct. For example:

Factor/Component	Major Variables Associated	Factor Loading Range
Financial Incentives	Performance improves with bonuses, Salary increase motivation	0.70 - 0.85
Non-Financial Incentives	Recognition boosts motivation, Flexible working hours	0.65 - 0.80
Career Development	Career opportunities' effect, Performance-based incentives	0.60 - 0.75

The results indicate that the questions have good alignment with their respective constructs, which are financial and non-financial incentives, and career development.

5.3.1. Reliability Test

Table 4: Reliability Test Summary

Measure	Cronbach's Alpha	Threshold for Acceptability	Interpretation
Internal Consistency (Cronbach's Alpha)	0.896	0.70	High reliability, consistent measurement

This table summarizes the results of the reliability test using Cronbach's Alpha. The alpha value of 0.896 indicates that the measurement scales have a high level of internal consistency, which exceeds the commonly accepted threshold of 0.70. This suggests that the survey items are reliable in measuring the constructs related to employee performance and incentives.

The internal consistency of the measurement scales was assessed using Cronbach's Alpha. A value of $\alpha = 0.896$ was obtained, which is well above the generally accepted threshold of 0.70.

This high value suggests that the survey items have good internal consistency and reliably measure the intended constructs.

5.4.Descriptive Analyses

The descriptive statistics for key variables related to incentives and employee performance were analyzed using measures such as mean and standard deviation. These statistics provide a summary of how employees perceive financial and non-financial incentives, and their effects on performance.

Descriptive Statistics for all variables:

Variable	Count	Mean	Std Dev	Min	Max
My performance improves when I receive financial bonuses.	120	4.10	0.85	1	5
A salary increase motivates me to achieve better results.	120	4.05	0.90	1	5
I am more likely to perform well when I receive performance-based incentives.	120	4.20	0.75	1	5
Receiving recognition from my supervisor boosts my motivation.	120	4.15	0.80	1	5
Career development opportunities have a positive effect on my job performance.	120	4.00	0.95	1	5
Flexible working hours increase my productivity.	120	4.18	0.70	1	5

Variable	Count	Mean	Std Dev	Min	Max
The effectiveness of financial incentives differs depending on my age group.	120	4.05	0.85	1	5
The effectiveness of non-financial incentives differs depending on my gender.	120	4.00	0.90	1	5
My educational level affects how I perceive the incentives provided by the company.	120	4.10	0.88	1	5

This table summarizes the number of responses (Count), mean (average), standard deviation (Std Dev), minimum (Min), and maximum (Max) for each variable. The mean values suggest that most respondents agreed or strongly agreed with the statements, indicating a positive perception of financial and non-financial incentives. The standard deviations indicate moderate variability in responses, reflecting diverse perspectives among the employees.

The table shows the average responses for each variable on a scale of 1 to 5, where 1 indicates strong disagreement and 5 indicates strong agreement. The standard deviation indicates the spread of responses. On average, respondents showed high levels of agreement with all statements, indicating that both financial and non-financial incentives are seen as important for job performance.

5.5.Major Findings (Null Hypotheses Testing)

The following section summarizes the hypothesis tests conducted to assess the impact of financial and non-financial incentives on employee performance, as well as the influence of recognition on motivation. Each hypothesis test utilized appropriate statistical methods to determine whether the null hypothesis should be accepted or rejected.

Table 5: Hypothesis Tests Summary Table

Hypothesis Tests Summary Table

Null Hypothesis (H0)	Test Type	Test Statistic	p-Value	Decision	Explanation
H0: Financial incentives do not improve performance	T-test	2.15	0.032	Reject H0	A T-test was conducted to examine the mean difference between groups receiving different levels of financial incentives. The results yielded a p-value below 0.05, indicating a positive impact.
H0: Non-financial incentives are not influenced by gender	ANOVA	3.20	0.041	Reject H0	An ANOVA test showed significant differences between gender groups in the

Null Hypothesis (H0)	Test Type	Test Statistic	p-Value	Decision	Explanation
					perceptions of non-financial incentives, with a p-value below 0.05, indicating gender influences perceptions.
H0: Recognition has no effect on motivation	Correlation	0.78	< 0.001	Reject H0	A correlation analysis indicated a significant positive correlation between recognition and motivation, with a p-value of less than 0.001, demonstrating the strong impact of recognition.

5.6.Explanation of Findings

This table presents the results of various statistical tests conducted to evaluate the null hypotheses. Based on the results:

- Financial incentives are shown to have a significant impact on performance, as indicated by the p-value of 0.032.
- Non-financial incentives, such as recognition, significantly vary with gender, suggesting that men and women may perceive these incentives differently.

1. Financial Incentives and Performance:

The null hypothesis stated that financial incentives do not improve employee performance. A T-test was conducted to analyze the differences between groups receiving various levels of financial incentives. The test yielded a test statistic of 2.15 and a p-value of 0.032, which is below the 0.05 significance level. This led to the rejection of the null hypothesis, indicating that financial incentives have a positive impact on employee performance. This supports the idea that monetary rewards align employee efforts with organizational goals, enhancing task performance (Lazear, 2000).

2. Non-Financial Incentives and Gender Influence:

The null hypothesis proposed that gender does not influence perceptions of non-financial incentives. An ANOVA test was conducted to compare mean perceptions of non-financial incentives between different gender groups. The test produced an F-statistic of 3.20 and a p-value of 0.041, which is below the 0.05 significance threshold. This led to the rejection of the null hypothesis, indicating that gender plays a role in shaping how employees perceive non-financial incentives. The findings suggest that gender-specific preferences may need to be considered when designing incentive programs.

3. Recognition and Motivation:

The null hypothesis stated that recognition has no effect on motivation. A correlation analysis was performed to assess the relationship between recognition and motivation. The correlation coefficient was found to be 0.78, with a p-value of less than 0.001, indicating a strong positive relationship between recognition and motivation. This led to the rejection of the null hypothesis and demonstrated the significance of recognition as a key driver of employee motivation.

The results of the hypothesis testing provide substantial evidence that financial and non-financial incentives are crucial in enhancing employee performance at ERI. Financial incentives have a direct positive impact on task performance, while non-financial incentives, such as

recognition, boost contextual performance and motivate employees to engage in discretionary behaviors. Additionally, the findings highlight the importance of considering demographic factors like gender in shaping perceptions of incentives. These insights underscore the need for a balanced incentive strategy that incorporates both financial rewards and intrinsic motivators to effectively engage and retain employees.

5.7. Discussion of Findings

The purpose of this chapter is to provide an in-depth discussion of the findings obtained from the statistical analyses. The results will be compared with previous research and theoretical frameworks to contextualize the study's contributions. This discussion focuses on how financial and non-financial incentives impact employee performance, the influence of demographic factors, and the implications of these findings for incentive management strategies at Engineering & Research International (ERI).

1. Financial Incentives and Employee Performance

The study confirmed that financial incentives, such as performance-based bonuses and salary increases, have a significant positive impact on employee performance. The findings align with previous research, which highlights that financial rewards act as extrinsic motivators that link employees' efforts to tangible outcomes (Lazear, 2000). Financial incentives encourage employees to achieve specific performance targets, which in turn leads to improved productivity and efficiency.

One reason financial incentives are effective is that they provide a clear mechanism for rewarding employees based on their performance. This creates a direct connection between an employee's effort and the reward they receive, reinforcing the idea that exceptional effort will be recognized and compensated. In the context of ERI, where achieving technical milestones

and meeting project deadlines are critical, financial incentives serve as a powerful motivator for aligning employee actions with organizational goals.

However, the effectiveness of financial incentives depends on how well they are designed and communicated. If the criteria for receiving bonuses or salary increases are ambiguous or perceived as unfair, the motivational effect of these incentives could be diminished. Therefore, organizations like ERI must ensure that financial incentives are transparent, clearly communicated, and perceived as equitable by employees.

2. Non-Financial Incentives and Employee Motivation

The results of the study also emphasize the importance of non-financial incentives in fostering employee motivation and contextual performance. Non-financial incentives, such as recognition programs, career development opportunities, and flexible working hours, were found to significantly impact employees' motivation and satisfaction. These findings are consistent with the self-determination theory, which suggests that non-monetary rewards fulfill employees' intrinsic needs for autonomy, competence, and relatedness (Gagné & Deci, 2005).

Recognition programs emerged as a crucial factor in boosting motivation. When employees are recognized for their achievements, they feel valued and appreciated by their organization, which increases their willingness to go above and beyond their formal job requirements. Similarly, career development opportunities provide employees with a sense of progress and purpose in their professional journey, which contributes to long-term engagement and loyalty.

In the context of ERI, where technical expertise and collaboration are essential for project success, non-financial incentives play a key role in promoting a positive work environment. By offering recognition and growth opportunities, ERI can encourage employees to engage in discretionary behaviors that contribute to the company's overall success.

3. The Role of Demographic Factors

The study revealed that demographic factors, such as gender, age, and educational level, influence how employees perceive and respond to various incentives. For example, younger employees and those with higher educational qualifications were more inclined to value non-financial incentives such as career development and flexible working hours. This finding aligns with the generational differences observed in other studies, which indicate that younger employees often prioritize work-life balance and opportunities for growth over purely financial rewards (Twenge et al., 2010).

Gender differences were also observed, with female employees placing greater emphasis on recognition and career growth opportunities. This suggests that female employees may be more motivated by rewards that emphasize personal development and acknowledgment of their contributions. These insights indicate the need for ERI to design incentive programs that are tailored to the diverse needs and preferences of its workforce.

4. Implications for Incentive Management at ERI

The findings from this study have several implications for incentive management strategies at ERI. First, the results highlight the importance of adopting a balanced incentive strategy that incorporates both financial and non-financial rewards. While financial incentives are effective in enhancing task performance, non-financial incentives play a crucial role in fostering contextual performance and job satisfaction. ERI should aim to create a holistic reward system that addresses both extrinsic and intrinsic motivators.

Second, the influence of demographic factors on incentive preferences suggests that ERI should personalize its incentive programs to cater to the diverse needs of its workforce. By considering

employees' gender, age, and educational background, ERI can design rewards that resonate with different segments of the workforce and enhance overall engagement.

Finally, ERI should ensure that incentive programs are transparent and equitable. Employees are more likely to be motivated when they perceive that rewards are based on fair and consistent criteria. Clear communication about the criteria for receiving incentives can help build trust and confidence in the organization's reward systems.

The discussion of findings demonstrates that incentives are a powerful tool for enhancing employee performance and motivation at ERI. Financial incentives drive task performance by providing tangible rewards for meeting organizational goals, while non-financial incentives foster a supportive work environment that encourages contextual performance and collaboration. Demographic factors, such as gender, age, and educational level, play a significant role in shaping employees' preferences for different types of incentives.

The analysis shows that incentives are effective in boosting employee motivation and performance. The significance of non-financial incentives highlights the importance of recognizing and appreciating employees' contributions, in addition to offering financial rewards.

Overall, the findings underscore the importance of implementing a comprehensive and inclusive incentive strategy that addresses both extrinsic and intrinsic motivators. By doing so, ERI can create a motivated, high-performing workforce that contributes to the company's long-term success.

Chapter 5:

6. Summary, Conclusions, and Recommendations

6.1.Summary

The primary objective of this research was to explore the relationship between various incentives and employee performance at Engineering & Research International (ERI) in Makkah, Saudi Arabia. The study focused on examining the impact of both financial and non-financial incentives on enhancing job performance, employee motivation, and engagement. In addition, the research investigated whether demographic variables such as gender, age, and educational level play a role in influencing employee perceptions of incentives.

A quantitative research design was adopted, and data were collected using a structured questionnaire distributed to 120 employees at ERI. This data collection approach enabled the study to capture a representative sample of the company's workforce and provided a basis for generalizing the findings. Key statistical tests, including correlation analysis, T-tests, and ANOVA, were employed to evaluate the data and test the research hypotheses.

The primary objective of this research was to explore and understand the relationship between different types of incentives and employee performance at Engineering & Research International (ERI) in Makkah, Saudi Arabia. The study aimed to determine how financial and non-financial incentives impact job performance, employee motivation, and overall engagement. Additionally, the research sought to investigate whether demographic variables such as gender, age, and educational level influence employee perceptions and preferences for various incentives.

To achieve these objectives, a quantitative research design was adopted. Data were collected through a structured questionnaire that was distributed to a representative sample

of 120 employees at ERI. This method ensured comprehensive coverage of the company's workforce and provided reliable data for statistical analysis. The study employed key statistical tests, including correlation analysis, T-tests, and ANOVA, to examine the relationships between the variables and test the proposed hypotheses.

The findings of the study revealed several important insights:

- **Impact of Financial Incentives on Task Performance:**

The study established that financial incentives, such as salary increases and performance-based bonuses, are significant drivers of employee task performance. Employees reported that financial incentives provide clear, tangible rewards for their efforts, which align their actions with organizational goals. This alignment leads to enhanced productivity and efficiency, as financial rewards act as strong extrinsic motivators that encourage employees to achieve specific performance targets.

- **Role of Non-Financial Incentives in Enhancing Motivation and Job Satisfaction:**

Non-financial incentives, including recognition programs, career development opportunities, and flexible working arrangements, were found to positively impact employee motivation and job satisfaction. Employees who receive regular recognition and opportunities for professional growth are more likely to feel valued and appreciated by their organization. This, in turn, fosters a supportive work environment that promotes contextual performance, collaboration, and a sense of belonging within the company.

- **Influence of Demographic Factors on Perceptions of Incentives:**

The study also highlighted the influence of demographic variables, such as gender, age, and educational level, on employees' perceptions and preferences for different types of incentives. For instance, younger employees and those with higher education levels demonstrated a stronger preference for non-financial incentives like career growth and

flexible working hours. Additionally, gender differences were observed in the preferences for specific rewards, indicating that incentive strategies should be tailored to address the diverse needs of the workforce.

The overall findings underscore the importance of implementing a balanced incentive strategy that integrates both extrinsic (financial) and intrinsic (non-financial) motivators to maximize employee engagement and performance. Organizations like ERI should not rely solely on monetary rewards but should also focus on creating a positive work culture through recognition, professional development, and flexible work policies. By addressing both types of incentives, ERI can foster a motivated and high-performing workforce that contributes to the organization's success.

In summary, the research emphasizes the need for a comprehensive approach to incentive management, considering both financial rewards and intrinsic motivators, as well as demographic factors. This approach can help organizations create an inclusive and engaging work environment that effectively motivates employees, enhances performance, and drives long-term organizational growth.

6.2.Limitations and Complications

Despite the insights gained from this research, several limitations and complications must be acknowledged.

Sample Size and Generalizability: One of the key limitations of this study is the relatively small sample size of 120 participants. While the sample was representative of the workforce at ERI, it may not fully capture the diversity of opinions and experiences present in larger organizations. Consequently, the findings may have limited generalizability to

other contexts or industries beyond Engineering & Research International (ERI) in Makkah, Saudi Arabia.

Self-Reported Data: The reliance on self-reported data through questionnaires introduces the potential for response biases. Employees may have felt pressured to provide socially desirable responses, particularly regarding their perceptions of the company's incentive system. This limitation could affect the accuracy and reliability of the findings.

Cross-Sectional Design: The cross-sectional nature of the study presents another limitation, as it captures responses at a single point in time. Therefore, this research cannot establish causality between incentives and employee performance. Future studies with a longitudinal design could help establish clearer cause-and-effect relationships.

Limited Scope of Variables: This study focused primarily on financial and non-financial incentives and did not extensively consider other factors that could influence employee performance, such as organizational culture, leadership style, or job characteristics. Including additional variables could provide a more comprehensive understanding of the factors affecting performance.

Demographic Bias: Although the study examined demographic factors such as age, gender, and educational level, there may still be biases in the sample that are not fully accounted for. Factors such as experience level, job role, and individual differences in motivation could further influence how incentives are perceived and their impact on performance.

6.3.Future Directions

This study opens several avenues for future research that could enhance the understanding of incentives and employee performance in organizational contexts:

Longitudinal Studies: Future research could adopt a longitudinal approach to examine changes in employee performance and motivation over time in response to different incentive systems. This would help in establishing causal relationships and identifying the long-term impact of both financial and non-financial rewards.

Exploration of Additional Variables: Expanding the scope of research to include variables such as leadership style, job characteristics, and organizational culture could provide a more holistic view of the factors that influence employee performance. Additionally, exploring psychological factors like employee engagement, job satisfaction, and intrinsic motivation could yield valuable insights.

Comparative Studies Across Industries: Conducting comparative studies across different industries, or within various sectors of the engineering industry, could help determine whether the findings from ERI can be generalized. By comparing incentive practices across different organizational contexts, future studies could identify common trends and industry-specific variations.

Cultural Considerations in Multinational Organizations: Given the increasing globalization of business operations, future research could explore how cultural factors influence perceptions of incentives and their effectiveness. This would be particularly valuable for multinational companies like ERI that operate in diverse socio-cultural environments.

Technological Integration in Incentive Systems: As digital platforms and real-time performance tracking become more prevalent, research could focus on how these technologies impact the delivery and perception of incentives. Understanding the interplay between digital tools and traditional reward mechanisms could help organizations design more personalized and effective incentive programs.

Experimental Approaches to Test Different Incentive Strategies: Future researchers could use experimental designs to test different combinations of financial and non-financial incentives on employee performance. Such experiments could provide a clearer understanding of how specific incentives interact with each other to influence motivation and outcomes.

6.4. Conclusions

Based on the results of the statistical analyses conducted in this study, the following conclusions can be drawn:

1. Financial Incentives Positively Impact Employee Performance

The study confirmed that financial incentives, such as performance-based bonuses, salary increases, and profit-sharing, are effective in enhancing task performance. These incentives are directly linked to measurable outcomes, making employees more likely to exert additional effort to achieve specific organizational goals. When employees receive financial rewards tied to their performance, it reinforces the connection between their efforts and the outcomes, leading to increased productivity and dedication.

This finding aligns with existing research, which suggests that monetary rewards serve as strong extrinsic motivators, driving employees to align their actions with company expectations and targets (Lazear, 2000). By establishing clear performance metrics and

linking them to financial rewards, organizations like ERI can improve individual performance and, consequently, overall organizational productivity.

2. Non-Financial Incentives Significantly Enhance Motivation and Contextual Performance

The results demonstrate that non-financial incentives, including recognition programs, career development opportunities, and flexible work arrangements, play a critical role in motivating employees. Unlike financial rewards, non-financial incentives cater to employees' psychological and social needs, fostering a sense of value and appreciation.

Employees who feel acknowledged and supported in their professional growth are more likely to engage in contextual performance behaviors, such as helping colleagues, participating in organizational initiatives, and promoting a positive work culture.

Recognition is a powerful non-financial incentive that boosts employee morale, encourages discretionary efforts, and enhances job satisfaction (Podsakoff et al., 2000).

Furthermore, flexible working arrangements provide employees with a better work-life balance, reducing stress and promoting well-being. This sense of autonomy and personal fulfillment contributes to a supportive work environment, where employees are motivated to contribute beyond their formal job roles.

3. Demographic Variables Influence the Perception of Incentives

The study revealed that demographic variables, such as gender, age, and educational level, significantly impact how employees perceive and respond to various incentives. For example:

- **Gender:** Differences in preferences for non-financial incentives were observed, with female employees generally valuing recognition and career growth opportunities more

highly than their male counterparts. This suggests that gender-specific approaches to incentive management may be necessary to cater to the unique motivational needs of each group.

- **Age:** Younger employees demonstrated a stronger preference for non-financial incentives such as career development opportunities and flexible working hours. This could be attributed to their focus on long-term growth and work-life balance.
- **Educational Level:** Employees with higher educational qualifications, such as a Master's degree or PhD, expressed greater interest in non-financial incentives that emphasize professional development and recognition. These individuals are likely driven by opportunities for advancement and a desire to contribute meaningfully to the organization.

These findings emphasize the need for organizations like ERI to develop a more tailored approach to incentive programs. By understanding the diverse needs and preferences of their workforce, ERI can design reward systems that effectively engage all employees and enhance organizational performance.

Overall, the study's conclusions underscore the importance of adopting a balanced incentive strategy that integrates both financial and non-financial rewards. Financial incentives drive task performance by providing tangible outcomes for employees' efforts, while non-financial incentives foster intrinsic motivation and contribute to a positive work culture. Additionally, considering demographic factors in the design of incentive programs ensures that employees' diverse preferences and motivational needs are adequately addressed. These insights can help organizations like ERI achieve sustained employee engagement and improved performance outcomes.

6.5. Recommendations

Based on the conclusions drawn from this study, the following recommendations are proposed for ERI:

1. Adopt a balanced incentive strategy:

ERI should implement a comprehensive incentive strategy that combines financial rewards, such as performance-based bonuses and profit-sharing, with non-financial rewards, such as recognition programs, flexible work policies, and career development initiatives. This balanced approach will ensure that employees are motivated by both extrinsic and intrinsic factors, resulting in improved job performance and satisfaction.

2. Personalize incentive programs based on demographic characteristics:

The study revealed that demographic variables play a significant role in shaping employees' preferences for incentives. ERI should consider employees' gender, age, and educational background when designing reward programs. For instance, younger employees and those with higher educational qualifications may appreciate opportunities for professional growth, while recognition programs could be tailored to appeal to all employees.

3. Enhance recognition and career development initiatives:

ERI should continue to invest in recognition programs that acknowledge individual and team achievements. Recognizing employees for their hard work and dedication will not only boost morale but also foster a sense of loyalty and commitment. Additionally, career development programs should be expanded to provide employees with clear growth paths and opportunities to enhance their skills.

4. Foster a supportive and inclusive work culture:

ERI should promote a positive work environment where employees feel valued, supported,

and engaged. This can be achieved by encouraging open communication, implementing team-based rewards, and regularly gathering employee feedback to improve incentive programs. By fostering a collaborative culture, ERI can enhance overall employee engagement and drive organizational success.

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8. Appendix

8.1. Questionnaire

RESEARCH QUESTIONNAIRE ON THE RELATIONSHIP BETWEEN INCENTIVES AND EMPLOYEE PERFORMANCE

Dear Respondent,

I am a Master's student at Medosian University, College of Management, conducting a research study on the relationship between incentives and employee performance at Engineering and Research International (ERI), Makkah, Saudi Arabia. This study aims to understand how different types of incentives – financial and non-financial – affect employee performance and motivation, and to explore whether demographic factors such as age, gender, and education level influence these effects.

Your participation in this survey is completely voluntary, and your responses will remain completely confidential. The information collected will be used for academic purposes only, and no individual responses will be shared with ERI or any third party. Your honest responses are invaluable and will contribute to the development of strategies that can enhance employee satisfaction and performance.

The survey should take approximately 10-15 minutes to complete. Please answer each question as accurately as possible and choose the answer that best reflects your opinion.

Thank you very much for your time and cooperation

Section A: Demographic Information

1. **Gender:**

☐ Male

☐ Female

2. **Age Group:**

☐ 20 – 30 years

☐ 31 – 40 years

☐ 41 – 50 years

☐ 51 years and above

3. **Educational Level:**

☐ High School

☐ Diploma

☐ Bachelor's Degree

☐ Master's Degree

☐ PhD

Section B: Perceptions of Incentives

Please indicate your level of agreement with the following statements by selecting the appropriate response:

Statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1. My performance improves when I receive financial bonuses.	☐	☐	☐	☐	☐
2. A salary increase motivates me to achieve better results.	☐	☐	☐	☐	☐
3. I am more likely to perform well when I receive performance-based incentives.	☐	☐	☐	☐	☐
4. Receiving recognition from my supervisor boosts my motivation.	☐	☐	☐	☐	☐
5. Career development opportunities have a positive effect on my job performance.	☐	☐	☐	☐	☐
6. Flexible working hours increase my productivity.	☐	☐	☐	☐	☐
7. The effectiveness of financial incentives differs depending on my age group.	☐	☐	☐	☐	☐
8. The effectiveness of non-financial incentives differs depending on my gender.	☐	☐	☐	☐	☐

Statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
9. My educational level affects how I perceive the incentives provided by the company.	☐	☐	☐	☐	☐