AN EMPIRICAL ANALYSIS OF JOB INCENTIVES ON EMPLOYEE PERFORMANCE IN CHAD BASIN DEVELOPMENT AUTHORITY

BY

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DECLARATION

I hereby declare that this research entitled "An Empirical Analysis of Job Incentive on Employee Performance in Chad Basin Development Authority" has been performed by me in the Department of Business Administration. The information derived from the literature has been duly acknowledged in the text and a list of references provided. No part of this thesis was previously presented for another degree or diploma at any University.

	…….	……..…
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CERTIFICATION

This is to certify that this project titled "An Empirical Analysis of Job Incentive on Employee Performance in Chad Basin Development Authority" written by Madu Steven Gadzama meets the partial regulations governing the award of Master Degree in Business Administration (MBA) of Ahmadu Bello University, Zaria and its approved for the contribution of knowledge and literary presentation.

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DEDICATION

This project is dedicated to the glory of our Lord Jesus Christ whom we believed in for guidance, protection and salvation of our soul (Amen).

To

My late beloved sister whom I cherish so much in my life before her sudden departure on 11th December 2005, I miss her so much. May her soul rest perfect peace.

And

To all the less privilege children in the universe.

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Sincerely I am privileged to meet a highly principle man like Dr. A. M. Abu-Abdissamad who took me in too semester in the best course of study during my MBA I think the knowledge I acquired for the programme can enable complete favourably with the rest of the world he is a symbol of intellect and brain drains. I am most grateful to Mallam Sabo MBA Coordinator whom against all odds encouraged me to complete my programme. Dr. Sani Abdullahi, Dr. Akpan were quite good people whom were always there for fatherly advice and support.

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altogether, the programme was a huge success so far. I heard a swell time meeting good people like you guys. May God Almighty strength and help all of us to be good leaders of tomorrow (Amen).

ABSTRACT

A number of factors are usually considered when deciding which job incentives to adopt on employee performance and in view of the fact that job incentives takes a significant portion on employee performance appraisal and requires a lot of management innovation and interprenu airship skills the manner in which the system is adopted posee a significant challenge to the management to identifies the most viable appraisal system to adopt. In analyzing job effective on employee performance an most established it objectives to identified the incentives for motivating employee and to triangulate the relationship that exist between motivation and employee performance. The method of data collection in this study are both from primary and secondary source which will be tabulated in simple percentage table analyses and interpreted. The major finding for this study indicates that employee provided with specific and difficult goals tend to perform at high level and others and employee who receives feedbacks perform better than who do not.

Conclusively, the conclusion deduced from this study shows that employee are motivated more by financial incentives than the array of welfare schemes and incentives that are non financial, though it bring a lot of relief to them.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Incentive programs to foster and reward employee performance make sense in the theory and carry an intrinsic appeal. Most people agree that the programs work in varying degrees if the criteria are objective, and the employees can influence the factor on which the reward is based. The evaluation is objective, and there is certainty that the incentive will come as promised. Therefore, process and programs of compensation must be established and operated with great care. In Chad Basin Development Authority, where incentive programs remain in a relatively minor part of the total human resources management scheme, their development is even more complex.

The challenges to the success of employee incentive programs and process in the Chad Basin Authority environment tend to come from all sides. They come from the civil service tradition and applicable provisions of civil service law and regulation, which theoretically protect employees from being treated differently. The challenges may come from unions, which must be assured that performance based compensation does not threaten principles of equity. The staff of Chad Basin Authority and the elected officials who represent them may take a din view of incentives feeling that they cannot be honestly defended because public service lacks the quality that warrants this kind of reward.

Despite the difficulties and the financial strain, the organization tries to improve its human resource development through incentives with real impact. The value of employee programs, are evident in several dimensions. At face value is the simple reward to individuals or groups for having accomplished something that moves the organization towards its goals. At another level, the feel that the organization really cares about how they do, as well as separating out the truly extraordinary effort and result from the run-of-the mills, is likely to release even greater creativity and commitment in the future. The incentives are a bridge that buys the employee into the organization's goal by connecting the goals with personal success.

The concept of linking employee compensation or recognition to specific accomplishments has long been of interest to employers, including those in the Chad Basin Development Authority. For the purpose of this study, incentive programs are considered to be those that provide a one time payment or recognition for particular job accomplishment.

The structure of an incentive generally includes; definition of the accomplishment to be recognized; the population eligible for recognition; the period of time over which performance will be rewarded; provisions for measuring and evaluating an accomplishment. The public service has a tradition of not differentiating among employees, which is not entirely compatible with incentive programs' insistence on singling out superior performance within the realm of public sector employment. Nevertheless, Chad Basin Development Authority offers some

further challenges. They include data collection, selecting measures that are both objective and within employees' control, and acceptability within the collective bargaining context that is within the norms of the organization.

A number of changes have taken place in recent years that tend to create an environment more hospitable to incentive. The demographic and values of the workforce are much more diverse, governments have been under increasing pressure to demonstrate efficiencies, the Chad Basin Development Authority mission is changing in response to changes in work and committee patterns, and advanced technologies are being brought to the organization which open new opportunity to account for the work.

1.2 STATEMENT OF THE PROBLEM

The Chad basin Development Authority has been confronted with the problem of how to improve employee motivation and performance that will ensure efficiency and effectiveness. The management of the organization has attempted to introduce various incentives, new equipment technology, and job design. The problem stim from whether job incentives are the only motivator for performances.

The problems to investigate are hereby presented in the form of questions, which the study will seek to find answers to.

i. What is the most important incentive for work?

ii. Does the incentive system of an organization contribute in attracting and retaining employees?

iii. To what extent do the incentives motivate employees?

iv. To what extent is the performance of the organization related to its incentive system?

v. In what ways can the incentive system be enhanced to make it more relevant to the need of the employee?

The above question formed the problem of the study, and the answers to the questions would be based on empirical evidence.

1.3 SIGNIFICANCE OF THE STUDY

The study derived its importance primarily from the desire to improve the standard of living of the worker. It is an established fact that employee performance is the sine quo non to the success of any organization therefore, the study dwell extensively on employee incentives for higher performance. In the process, it highlighted the critical motivational incentives required by employees for improve performance.

The study will be imperative to line managers, supervisors as its highlight factors such as good working environment, good supervision, freedom of initiative and creativity among others as incentives criteria. The research can serve as a vehicle for learning and further research works.

1.4 OBJECTIVES OF THE STUDY

The efficiency and effectiveness of any organization depends on the performance of its employees and their level of satisfaction at work, which might subsequently determine their input. Therefore, to give the study more meaning the following objectives are to be achieved viz:

(i) To identify the incentives for motivating employees

(ii) To triangulate the relationship that exists between motivation and employees performance

(iii) To determine whether there are defects or gaps in the incentives and if, so how they might be remedied so as to improve performances in the future.

1.5 RESEARCH HYPOTHESIS

Ho: Job incentive does not have a positive effect on employee's performance.

1.6 SCOPE OF THE STUDY

The study will cover and diagonise the impact job incentives on employee in Chad Basin Development Authority. The study will also examine how incentive programs operate in the Chad Basin Development Authority, the attitude of various participants in the incentive programs, how incentive programs fit into management strategies, and why an organization may decide not to engage in incentive programs.

1.7 LIMITATION OF THE STUDY

All effort made to achieve enough information to analyse the problem in focus, certain restrictions are encountered which limit the amount of data employed. Time was a major constraint to the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter presents an-in-depth review of a wide range of literature on employee incentive in enhancing job performance. Materials consulted includes published and unpublished research materials from seminar and conference papers, journals, and Internet.

2.1 BACKGROUND AND STRUCTURE OF CHAD BASIN DEVELOPMENT

Following the devastating droughts of 1972 – 73 the then military government established River Basin Authorities covering the entire country and charged them with the responsibility of harnessing and developing the nations vast water resources potential to increase food production through irrigation which would also provide gainful employment to rural farming particularly during the dry season.

The Chad Basin Development Authorities (CBDA) is one of the eleven (11) River Basin Development Authorities established under Decree 25 of 1976 (recently increased to 12 authorities). It was divided into Upper Benue River Basin Development Authority and Hadeja-Jamaare River Basin and Rural Development Authority in August 1984. The two basin authorities were again merged in 1986 to form the present Upper Benue River basin Development Authority.

The authority covers the whole of Borno State Yobe and down to Lake of Chad Republic. From the date of its establishment or inauguration the authority has open up Several large dams water supply and irrigation Scheme for Fadama irrigation and dry season farming within its areas of operation. In addition to these authority also commenced the development of hydro electrification power energy so as to enhance the socio-economic transformation of the rural and semi-urban communities.

Since inception, the enabling decree establishing the CBDA has been reviewed over six times. This coupled with the changing government of the time with varying policies further complicated the function of CBDA. At one stage, the authorities either through act of Commission or Inadvertently got themselves entangled in direct agricultural production such as poultry, crops cultivation etc to the detriment of their primordial function of water resources development.

However, with recent governments policy on partial commercialization of the authority's function and operations activities of all CBDA's have now been restricted towards water resources development authority under Decree No. 25 of 15th June 1976 established the following CBDAs:

(i) The Sokoto Rima River Basin Development Authority.

(ii) The Hadeja-Jamare River Basin Development Authority.

(iii) The Chad Basin Development Authority.

(iv) The Lower Benue River Basin Development Authority.

(v) The Cross River Basin Development Authority.

(vi) The Anambra – Imo River Basin Development Authority.

(vii) The Niger River Basin Development Authority.

(viii) The Ogun-Oshun River Basin Development Authority.

(ix) The Benin River Basin Development Authority.

2.2 OVERVIEW OF EMPLOYEE INCENTIVE IN CHAD BASIN

According to Scott et, al (1989), incentives are techniques by which employers carry out their end of the employment contract--that is, compensating employees for their efforts. In its most generic form, the incentive payment is any compensation that has been designed to recognize some specific accomplishment on the employee's part. In general, it is hoped that the prospect of the incentive payment will inspire the desired performance; in fact, employers sometimes refer to the kind of behavior they are trying to "incent." While the terminology may be suspect, it usefully conveys a key concept in our examination of Incentives in Chad basin.

They further maintain that it is not a great deal of uniformity in incentives, or in incentive programs in general. The notion covers a multitude of practices. A number of characteristics, while not universal, are certainly and can be identified as:

(i) the incentive itself is usually something tangible; most frequently, money. Programs dealing exclusively in intangible rewards or recognition are a legitimate subset of incentives, and are addressed in this synthesis. For the most part, however, the incentives discussed here are paid in cash. Employers can sometimes get added value from gifts and vouchers, which are either

donated or sold to the employer at a discount, or which can be used to buy discounted merchandise or services.

(ii) Incentives can be a one-time payment or recognition. This is one of the features that distinguishes incentives from other forms of compensation-the incentive must be earned anew in each incentive cycle. Although some experts consider merit pay increases-salary increments earned on performance and added to the permanent base salary to be incentive programs.

(iii) Incentives are linked to specific achievements, which are recognized as extraordinary. This is another key element of the differences between incentives and other elements of compensation. Where many forms of compensation are paid to employees who simply show up and do the things the job requires, incentives tend to be results-oriented. In Chad basin, for example, incentives may be attached to the accomplishment of a certain percentage reduction in complaints over a designated time period. The incentive can be seen as a motivator of performance "above and beyond." It is not meant to be awarded for maintaining the status quo.

(iv) The accomplishment to be rewarded can be that of an individual or of a workgroup. Because the incentive is triggered by the achievement of a goal, it has the flexibility to be incorporated into group efforts, a feature of particular value, where individual effort is difficult to isolate.

(v) The accomplishment to be rewarded is meant to be important to the overall success of the organization. It follows logically that an organization cannot afford to pay incentives for the accomplishment of a goal that has little real impact on the organization as a whole. The effort is to use the incentive to encourage behaviors that will make an important change for the better in the organization.

2.2.1 COMMON ELEMENTS OF INCENTIVE PROGRAMS

Swanson (1992), said that the basic incentive often is part of a larger incentive program, which sets the rules and defines the terms for a specific workplace. The basic elements of an incentive program can be thought of as a beginning, middle, and an end. More specifically, they include:

i. Management support. Management literature continually stresses the importance of demonstrated senior management support for key agency initiatives. Employees need to understand that the organization's leadership is firmly committed to its incentive programs.

ii. Definition of the accomplishment to be rewarded. The accomplishment must be defined as precisely and objectively as possible. For example, saying that incentives will be paid for "clean boreholes" is not a clear enough goal to support an incentive program that is likely to change any behaviors. The definition must describe what constitutes a clean borehole. The definition requires sufficient clarity about what success will look like and feel like and

maybe even smell like that the people who perform the work and the people who make judgments about it will agree. Likewise, if an incentive program differentiates between levels of performance that warrant varying rewards, the lines of demarcation between the levels must be clearly defined.

iii. Definition of the period over which performance will be rewarded, and of the measures and methods that will be used to assess them. A clear understanding of what will be measured to determine success, how long the success must be sustained, who will measure and how are essential for fair implementation of an incentive program. For some incentive programs the measures are clear; for instance, attendance-based programs often have as their goal to reduce days off. But with other programs-the clean boreholes program mentioned earlier, for instance--the problem can be much more complicated. Equally important to the success of the program is an assignment of responsibility for doing the counting and accounting that is judged by all concerned to be fair.

iv. Provision for a comparison between measured results and incentive criteria. The program needs to establish at its inception that will make the comparison, how it will be made, and what level of incentive will be awarded. In some cases it is unclear who owns the data or the responsibility for its analysis. This can snag a program at a particularly critical point if it is not addressed in advance.

v. Eligibility to participate. Decisions must be made as to who can qualify for an award. The critical element is equity among the employee pool.

vi. Assurance that the incentives will in fact be awarded. Public agencies are particularly vulnerable to rapid changes in circumstances, requiring care in making commitments of future payments of indeterminate size. An employee who works hard to achieve an incentive payment can be greatly demoralized when a budget cut occurs.

vii. Evaluation of program costs and benefits, adjustments as appropriate, and initiation of a new cycle. As with all cyclic programs, a starting mechanism for the next round must be built in; a thorough evaluation of the last program cycle is obviously important.

2.2.2 DIFFERENCES BETWEEN INCENTIVES IN THE PUBLIC AND PRIVATE SECTORS

According to Barnum (1987), incentives have been common in the private sector longer than in public employment. Only recently has use of this type of compensation become widespread in government enterprise. There are several reasons for this. Markham (1989), also agreed that one of the most important reasons is that the mission of government agencies is much more complex than that of many private enterprises. In the private sector, profitability is the bottom line; in government, the bottom line is much more elusive. It usually consists of a number of service objectives, which may include some very subjective elements. This element of complexity in the mission makes for some difficulties in defining the kinds of performance and accomplishment that should be rewarded with incentives, and in

determining how much incentive compensation would be appropriate. Perhaps because of the nature of the government mission, public personnel systems have a long tradition of valuing equity over other criteria in determining the distribution of rewards to its employees. The assumption seems to have been that there should not or would not be significant differences in the levels of contribution of individual employees, and that the greater threat was unfairness in the distribution of the rewards of employment. So, public employment systems tend to distribute pay increments on the basis of longevity or, at best, on the basis of general performance assessments rather than on individual contribution. This tradition has proven difficult to overcome, despite the fact that certain government enterprises being prime among them have a strong private sector lineage, and very different traditions.

For these reasons, incentives have had a hard time taking root in public employment. They also account for the fact that, where the systems are in place, they tend to reward the more objective aspects of performance; in safety and attendance is examples. There is one further aspect of organisation employment incentives that bears mention, the differences between organizations that produce products and those that produce services must be considered. While private businesses produce both, government

Functions generally result in services. While many of the performance principles are the same, to some extent incentives tied to services require different types of performance goals and criteria as well as methods of measurement.

2.3 ESTABLISHING INCENTIVE PROGRAMS

2.3.1 ELEMENTS OF PROGRAM DESIGN

A well-designed incentive program rewards measurable changes in behavior that contribute to clearly defined goals. The challenge in developing such a program lies in determining what rewards are effective agents of change, what behaviors can be changed, and the costs and benefits of eliciting change.

Employee Involvement

Barnum (1989), further maintained that, it is important to be reminded that organizations should involve employees in incentive program design, there are several arguments for bringing staff into the process early. If employees don't think a program is attractive, then it really is not attractive. The value here is truly in the eyes of the beholder, and the value is likely to be greater if it is to some extent the beholder's own creation. So, the employer can improve the chances that the particular design of the program will be appealing (and therefore motivating) to employees by asking up front what they like. The best cues to choosing the particular forms and formulae by which incentives are distributed may come from the employees themselves, who, in addition to being experts on what kinds of incentives they would find motivating, are also experts on the work itself.

Goal Setting

According to Markham and Scott (1989), setting the goals sounds easy enough, but it requires a balance between desired behavioral changes and measurable performance improvements. A useful starting point for this balancing act is to note that, although the goal-setting process is important, it need not be elaborate. The caution is particularly relevant to an organization that wants to integrate the incentive program with a larger strategic planning process. It is important not to let the planning get so intricate that there's no time or energy left for execution.

The goal-setting process could be something as simple as one productive meeting among a few key players to identify desired results of the program. Preferably someone would frame the issues before hand, keep the discussion focused and tethered to the Organization's climate. The objectives of the incentive program should also mesh with the objectives of other management priorities and programs, or at least not work in opposition to them. The minimum requirement is to define the goal of the program so that it will be possible later on to tell if it is delivering according to expectations.

The minimalist approach to setting incentive program goals is but one among the available options. An organization involved in setting some long-term strategies to bring about significant changes in the operation might want to include the incentive program in that larger effort The incentive program can be seen--and sold--as part of the implementation phase of the strategic plan. This should enhance acceptance and understanding of the incentive program, which in turn works to enhance participation and commitment and the chances of success.

Swanson (1992), reports that, the goal-setting phase can be a useful time to think expansively about the incentive program. Managers know intuitively that in the course of ironing out the details of the program they are very likely to have to scale it back. But if the thinking starts out too limited, there's no place for compromise that doesn't cut the heart out of the program. In the final analysis, appropriate goals are attainable, are worth Paying for, and can be measured at reasonable cost and effort.

Development of Measures

Maekham and Scott (1989), Swanson (1992), believed that, measurement problems surpass all others in importance. First and foremost, the measurements must be valid and reliable. Whatever is measured must be easily and inexpensively measured.

These problems can be addressed with technology, but it has a high price tag. It is certainly not possible to install electronic measuring devices in most systems just to support an incentive program So the measurements for the program have got to be practical. The measures also must be credible, meaning above all that either management or program participants can’t tamper them with. At least in part because incentive programs are not a traditional part of transit culture, but also because human nature seems to run to a certain degree of suspicion, everyone who has a stake in incentive programs will want assurances that there's no way to work the system. If employees doubt the measurements, they will not be motivated by the promise of the incentive; if the public or the funding bodies suspect that the money can be paid out

without the product being delivered, they will end the program; if managers question the results, they will end up double-checking to the point that the program becomes more trouble than it is worth. There is no option but for the measurement system to be tested before it begins.

In addition, Clark, et al (1983), contributed to this major performance measurement issues to the fact that, there are also measurement considerations that bear simply on the intellectual soundness of the incentive program. It's very important to keep cause and effect straight in deciding what measurements to use. It is equally essential that the behavior being measured be within the program participant's sphere of influence.

One final note in the area of setting up incentive program measurements is to beware of potential reverse effects. If, for example, a good incentive is offered based on the operations of each separate maintenance facility for increasing miles between road calls, garages might make excuses not to pick up a disabled bus from another garage because they don't want to be saddled with the bad statistic. Of course, one option for solving this kind of problem is to regulate it away. But the more intractable problem may be the creation of a rivalry where the goal was to develop teamwork. It pays to test probable incentive scenarios before the program is put into place so that reverse effects can be anticipated and eliminated.

Establishing the Incentive

One issue is whether to give money or something else to employees who satisfy incentive criteria. While cash is certainly the easy answer, the assumption that this is what employees want most may not be warranted. The payment of incentives paid in time off may add more to the motivating effect of the program than would cash. Another circumstance where non-cash awards might be a good fit is where the actual amounts of the awards are small. (Scot, et' al, 1989). In this situation, selecting a "prize" in the form of a coffeemaker or a clock radio, for instance, may offer a higher element of satisfaction than taking home a few extra. Deciding what form the awards should take is a perfect issue to put in the hands of participants in the design phase of the program.

The cost of the awards is an issue for which the managers must assume responsibility. The incentive program must demonstrably cost less than the value it turns back to the operation. It is also imperative that the money will be available to pay out before the program goes into operation. Even if the amounts of money that would go to any one individual are small, the fact remains that an incentive program is a "deal" between management and the employees-the employees make an extra effort in return for an extra reward. Management cannot fail to deliver under any circumstances. It is important to know where at least the current year's incentive money will come from-no matter what else happens. (Clark, et al, 1983).

The relationship between the incentive payments and base compensation can become a complicated one Traditional incentive theory is that incentives are paid

over and above a competitive base wage, which is usually the product of collective bargaining.

An organization that is prepared to pay out substantial amounts in incentive payments would like to offset some of that cost by holding the line on base pay. This is particularly true in times when money is extremely tight.

There are actually several ways to look at the tradeoffs. Probably the most useful advice is to choose a premise for the incentive program, and follow a strategy that is consistent with it. Some programs are based on the premise that a portion of the "profit" from improved performance will be returned to the people who produced it in the form of incentive payments. This kind of program can be kept fairly separate from collective bargaining and base pay questions. By contrast, some agencies may want to use incentive payments to rearrange the distribution of compensation; to see that the people who make the most money are the best performers, not the most senior, for instance. This is a very different approach, and much more difficult to implement, because it almost inevitably enters the collective bargaining arena. In either event, it is clear that strategies for putting the program into place will depend on the philosophy pursued.

Connecting Performance to Payout

Beyond the basic outline of the incentive program, Swanson (1992), reports that it is necessary to fine tune the operation. These decisions will often require compromise between an ideal situation and what is practical. For example, a program

to reward groups of employees to foster teamwork may falter when changes in the composition of the workgroups require instead recognition of individual results based on work orders, for instance, in the maintenance area. The important thing is to understand the ideal and be realistic about what is possible. Likewise, the timing of awards must be considered. Frequent awards keep attention focused on the program and have the virtue of timely gratification. On the other hand, annual awards may be more impressive in size, and may also be useful for emphasizing the organization's budgeting and planning cycles.

In the views of Clark, et al (1983), when the program details are in place, it is vital to follow through. There should be no changes in the rules once the program has been initiated. The rules should be sufficiently clear at the outset that there are no surprises about program operation when it comes time to evaluate and pay. Evaluation of results against goals should be done on time, and payouts should likewise follow-or not-in accordance with the rules. Obviously the payments should be made if they were earned; but it is equally important that no payments should be made that are not earned, even at the risk of diffusing a high level of expectation and enthusiasm. Ceremonies, publicity, receptions, even an awards dinner, can all boost the impact of the incentive program by giving it some intangible values along with the material ones.

2.3.2 INTEGRATING THE INCENTIVE PROGRAM WITH OTHER PERFORMANCE ASSESSMENT AND MANAGEMENT SYSTEM

According to Markham (1989), reports that operational issues must be considered when fitting an incentive program into a larger body of planning and evaluation, budgeting and accounting, team building and other cycles that govern the organization. For example, it should generally be the case that the people who are drawing good incentive payments are the same people who get good overall performance evaluations. If otherwise marginal employees are the stars of the incentive program, there's likely to be design flaw somewhere that's sending mixed signals. It is also helpful to coordinate the time period for the incentive program to coincide with related activities. Similarly, it pays to define program measures in the same terms as measurements already taken for other reasons.

2.3.3 EVALUATION

A basic component of the program design should be the evaluation piece that ideally comes at the close of each major cycle. The purpose of the evaluation is to determine the value of the program, if it is cost effective, and, perhaps most importantly, if it is still preferable to other things that might be accomplished with a similar resource investment. At the most basic level, consider whether the incentive program has inspired the organizational achievements hoped for. It is important to know the relationship between the program and the goal.

Program goals should be expected to change over time. Not only does the accomplishment of some goals call for new challenges, but organizations' priorities and circumstances also change, and the incentive program should continue to respond

to current directions. Finally, it is important to recognize that an incentive program will never really be completed-there will always be room for improvement, and it will frequently be time for a change.

2.4 MANAGEMENT AND MEASUREMENT: LINKING ORGANIZATION CHARACTERISTICS TO EMPLOYEE ATTITUDE AND BEHAVIOUR

2.4.1 ORGANIZATIONAL CULTURE

Barnley (1986), defined organizational culture as the set of shared assumptions and beliefs about an organization and its function in the marketplace[2] or "the ways of thinking, behaving, and believing that members of a social unit have in common"[3]. As such, culture has been commonly treated as a set of recognitions shared by members of a social unit.

According to Heskett, et al (1994), an organization's culture is thought to play a key role in strategy formulation, firm performance, and competitive advantage. Culture may also have indirect effects on performance in benefiting other aspects of an organization. Also Delany and Huselid (1996) have found that organizational culture is linked to service quality and employee performance, both of which have been identified as fundamental links leading to consumer and financial success indicators.

The current study utilizes Cooke and Rousseau's (1988) cultural model, which identifies four different cultural types found in organizations: Cooperative, Competitive, Passive, and Aggressive. We will address each type in turn.

Cooperative Culture:- Members of organizations with cooperative cultures are encouraged to set goals, take initiative, and work together to attain personal and organization objectives. Cooperative styles imply a high valuation on individuals and are expected to be associated with greater decision authority and greater confidence that the distributed authority will not be abused. Cooperative norms encourage behaviors such as goal attainment, enjoying one's work, and maintaining one's personal integrity and standards.

Competitive Culture:- In organizations with competitive cultural norms, members are typically rewarded for taking charge and being in control. In such organizations, winning is often highly valued and members are rewarded for out-performing each other. Such an approach has been used effectively in designing sales force incentives and other compensation schemes. A competitive culture encourages decisiveness, rewards achievement, and creates an environment of high expectations. On the other hand, an overly competitive culture can inhibit effectiveness by reducing cooperation and promoting unrealistic standards of performance.

Passive Culture:- In organizations where a passive culture dominates, conflicts are avoided and members feel as if they must agree with, gain the approval of, and be liked by others. Such organizations tend to be conservative, traditional, and

bureaucratically controlled, where members are expected to follow the rules and make a good impression. This type of work environment can limit organizational effectiveness by minimizing constructive expression of ideas and opinions, suppressing innovation, and stifling flexibility.

Aggressive Culture:- Aggressive norms minimize influence at lower levels by emphasizing adherence to directives and authority. Aggressive norms promote such behaviors as procrastination, inflexibly following rules and procedures, waiting for direction from superiors before acting, and could also cause service quality to become confused with winning power and pointing out the flaws of others.

2.4.2 **ORGANIZATIONAL CLIMATE**

According to Klein, et al (1995), organizational climate reflects the way that organizations operationalized their culture in daily routines and behaviors[5]. Organizational climate represents workers perception of their objective work situation, including the characteristics of the organization they work for and the nature of their relationships with other people while doing their job.

Issues regarding communication, supervisory interactions, and job design are key drivers, the climate within an organization. Communication within the organization is critical to disseminate information and create an environment where

employees feel valued. In addition, employees' perceptions of supervisory behavior have considerable impact on their work attitudes. Effective job design and empowerment enable employees to act on behalf of the customer, improve decision-makings, and increase autonomy, all of which should lead to greater job satisfaction.

2.4.3 **HUMAN RESOURCE SYSTEMS**

Schneider (2003), identified key managerial systems in previous research which include selection, development, performance management, and compensation systems[6]. In drawing prospective employees to fit the organization's strategies, successful managers select hires based on those traits. Training and development further enhances the development of those skills and the acquisition of new, trainable skills. Human resource initiatives aimed at providing employees with the necessary skills and tools to deliver customer value cannot be viewed as costs, but rather must be regarded as investments with high and measurable returns. Previous theory also states that one of the primary keys to developing a strong organization lies in the way employees are compensated and rewarded. For example, when compensation systems are keyed to market driven indicators, appropriate behavior is reinforced.

2.4.4 **MARKET CHARACTERISTICS**

Reichheld (1996), reports that it stands to reason that certain market characteristics may influence employee attitudes, as well as customer and financial outcomes. In particular, an organization's size (in terms of number of employees), the size of the market in which the organization operates, and the competitive environment, are all factors that can potentially impact the concepts under study.

2.4.5 **MARKET OUTCOMES**

Desphande and Webster (1989), also report that higher levels of customer satisfaction have been found to lead to higher levels of customer retention and loyalty[7], and products and services that provide high satisfaction have a higher proportion of repeat business and higher gross margins, in addition to reduced acquisition costs and increased long term revenues. It is for these reasons that studying customer satisfaction as an outcome measure of an organization's internal activities is justified.

In addition to customer satisfaction, another customer response that is of distinct interest is frequency of purchase and use in the product category. It is typically hypothesized that those customers who use more of your product or service

are more likely to continue to do so in the future. Improvements in customer usage should then result in improved financial performance.

2.5 STATIC MODELS: THE CHOICE OF METHOD OF PAY

This section outlines the key theoretical issues concerning how different methods of pay provide incentives for employees to act in the firm's interest and why particular methods of pay may be more suitable for different firms and jobs.

2.5.1 THEORETICAL ISSUES

The basis of performance-related pay schemes is that they are a response to some failure of information – for example, asymmetric information on workers' abilities or on their effort. This section reviews some of the issues involved in designing incentive schemes to deal with these issues.

(i) **Sorting:-** Suppose potential employees are heterogeneous in ability in an unobserved way. Compensation by piece rates may be used as a screening mechanism to encourage only the most able to apply. Under piece rate compensation more able workers are presented with higher expected earnings from the employment relationship than would be earned in a salaried firm in a competitive labour market. This sorting mechanism therefore implies that the average ability of the workforce would then be expected to be higher in firms paying piece rates. Lazear (1986) develops a model along these lines

explaining the choice between salaries and piece rates as driven by the trade-off between the costs of a performance measurement system and the benefits such a system incurs with regard to improved sorting of workers.

(ii) **Incentives versus insurance:-** The aspect of the choice between variable pay and straight salary that has received most attention in the literature is the view paying PRP induces employees to work harder. On the other hand, one reason why firms may avoid high powered incentive pay contracts is that they transfer a lot of risk onto workers. The classical principal agent moral hazard model suggests that the use of PRP is driven by this trade-off between providing incentives and providing insurance to risk averse workers. The following model formulates the optimal performance bonus when effort monitoring does not occur at all and output produced is a noisy measure of effort. The model depicts an agent who exerts an effort *(a)* at a cost *c(a)* such that $c¢ > 0$ and $c¢¢ > 0$. This effort translates into output *(y)* through the stochastic production function, $y = a+e$, where e is a normally distributed noise term with mean zero and variance s^2. The principal owns the output but contracts to share it with the agent by paying her a wage contingent on her output: $w = w(y)$. The full incentive contract is $w = y - F$, where F is the fee charged to the agent for use of the firm's assets. This contract perfectly internalises the firm's objective but transfers all the risk associated with the stochastic production technology onto the agent. We assume that the agent is risk averse and hence, because her output is uncertain, she desires insurance

against the possibility of a bad outcome. The full insurance contract is $w = s$, where s is a flat salary and hence the wage is not contingent upon output; this, however, provides no incentive to exert effort. The optimal contract is therefore determined by the trade-off between providing insurance and inducing effort. The model characterises the optimal coefficient on output, b^*, in the linear pay-off function $w = s + by$. The solution to the model predicts that the incentive component of pay is smaller for more risk-averse agents and those where the marginal disutility of effort increases at a faster rate. A further result is that the incentive component ought also to be smaller for larger variance in the noise term of the production function.

In his recent survey, Gibbons (1998) argues that the incentive/insurance trade-off is now much less central to theoretical endeavour in this field.

(iii) **Measurement Costs:-** Lazear (1986) presents a general model which abstracts from risk and, instead, focuses upon the relative costs of observing output *(y)* and effort *(a)*. Effort costs the agent *c(a)*, as above. Suppose that a competitive firm can observe output at cost q_1 and can observe some minimum effort level *(a)* at cost q_2. This minimum effort level is enforced as a condition of contract. Suppose further that $q_1 > q_2$ and $y = a$. If the firm adopted a piece rate *p(y)* paying $y - q_1$, this induces effort of $a^* = argmax_a [y - c(a)]$, where a^* is defined by $c\,¢(a^*) = 1$. If the firm adopts a salary scheme with exogenous minimum effort a , the worker will simply exert effort level equal to a and will be paid $a - q_2$.

This generates two main predictions. Piece rates are more likely the lower is the cost of observing output relative to observing effort and the higher is the extra effort that the piece rate scheme induces. These two results are highly intuitive. Because the use of PRP is hypothesised to be driven by the relative cost of monitoring effort and measuring output, a further prediction is that the likelihood of PRP is negatively correlated with the proportion of the workforce who are supervisors or managers.

Where more resources are diverted towards supervising workers' efforts, PRP is less required as a motivational mechanism. It is the correlation with measurement costs that has been one of the main focuses for empirical predictions concerning associations between firm characteristics and method of pay. Perhaps the most commonly cited measurable indicator of measurement costs in the literature is the size of the workplace. The number of employees is predicted to have a positive influence on the likelihood of PRP since larger firms can spread the fixed cost of measuring output over more employees. On the other hand, the cost of monitoring effort is assumed to be at least as large, if not larger, in establishments with more employees. A second prediction along these lines is that greater occupational dispersion within an establishment makes PRP less likely. If the firm has to pay a fixed cost of a PRP system per occupation, more occupations simply means fewer workers per occupation, making it less likely.

(iv) **Multi-Tasking:-** There are now many examples of incentive pay schemes that are deemed to be failures, because the outcome for the organisation is not what it intended. Kerr's (1975) article famously entitled "On the folly of rewarding A while hoping for B" contains many examples, as does Baker, Gibbons and Murphy (1994). Typical cases may include employees aiming to hit quantity targets regardless of quality or failing to co-operate with other employees. Perverse incentive effects generally arise when a job requires workers to perform several tasks but only some are measured and rewarded.

Unsurprisingly, in such circumstances, the worker will concentrate his efforts on the rewarded tasks to the detriment of the overall organisational objectives. Baker (1992) and Holmstrom and Milgrom (1991) both emphasise the distinction between output and the agent's measured performance. An agent's output is, in practice, often extremely difficult to verify even when the production technology directly maps effort into output. In Baker's model, the output of a worker *(y)* of concern to the firm is the total contribution she makes to firm value; however the verifiable output measure *(p)* may include noise. Agents bias their effort *(a)* towards those actions that increase *p* away from those directed towards *y*. A good performance measure is one where there is a high correlation between dp/da and dy/da. The higher is this correlation, the more efficient it is to tie pay to this measured performance. Holmstrom and Milgrom (1991) introduce a multi-tasking model, which explains why incentive pay is often not appropriate even when accurate

performance measures are available. A similar structure to the standard agency model is used. The output is again given by the production technology: $y = a + e$; however, a is here a vector of efforts and ε, the noise term, is normally distributed with mean 0 and variance-covariance matrix S. The cost of effort $c(a)$ over the full set of tasks is assumed to be strictly convex. This model allows an analysis of the effects of different degrees of measurability of the agent's tasks and different cross cost elasticity's of effort on the optimal incentive pay scheme. In general, it is shown that if the principal wishes the agent to allocate effort towards a task that is not easily measurable then incentives on the measurable tasks must be weakened[1]. When the agent has an outside task option, optimal incentives are also weaker the more that effort is substitutable between outside and inside tasks. Holmstrom and Milgrom (1991), further describe how the subset of tasks performed within an individual job and the method of pay for that job, are jointly determined. It is predicted that subsets of tasks will be grouped around the costs of measuring and rewarding performance. Some workers will perform a set of easy to measure tasks and will be paid based on measured performance. Others will perform a set of difficult to measure tasks and will receive a fixed wage.

There are two empirical predictions generating from this theory. First, we should observe examples of firms getting what they pay for, not what they intended with badly designed incentive schemes. Secondly, establishments should be less likely to operate a PRP scheme for jobs that involve many,

complex or difficult-to-measure tasks. Much of this sounds appropriate to the public sector. In the public sector, the real value of output is typically difficult to measure. Multi-tasking theory shows that it is inappropriate to introduce PRP in such circumstances. For example, if teachers were to be rewarded on the basis of some measurable outcome such as exam results, they may be expected to bias their efforts away from other important activities comprising children's overall education. In the NHS, an established political priority for many years has been the reduction of waiting times. Concentrating managerial effort in hospitals towards achieving this goal may have biased resources away from other goals, such as caring for those most in need of treatment. The complexity of a job has a direct relation to the desirability or otherwise of objectively measured PRP.

(v) **Subjective Performance Evaluation:-** An alternative way of providing incentives when there are complex jobs with many tasks is through *merit pay*. This form of variable pay is based on subjective assessment and hence allows a more holistic appraisal of an employee's performance whilst retaining the incentive owing to the link between pay and performance. Merit pay, however, is not itself free from problems. Since an essential feature of subjective evaluation is that it cannot be verified by a third party, the assessor may have an incentive to distort the performance rating she gives ex-post for her own private gain.

When the assessor is not the residual claimant, she has an incentive to distort the ratings in order to further her own benefit at the expense of the firm. For example, a worker may divert his efforts towards currying favour with his supervisor if he expects this to result in a better evaluation. Alternatively, the supervisor may be known to be reluctant to give harsh appraisals or truly separate out the good performers from the bad in order to enjoy a quieter life. In this case, the employee's incentives are weakened. In general, wherever the supervisor's incentives are not sufficiently aligned with the organisation's, the incentives of the employees will be distorted or weakened.

When the assessor is the residual claimant, she has an incentive to downgrade the ratings she gives in order to pay out less compensation. Knowing this, the employee's incentives are again weakened. Bull (1987) presents a formal model showing how this problem may be at least partially overcome in repeated settings between worker and assessor. If a firm promises an employee a bonus if it observes that output is high yet then reneges on that promise, future incentives facing the worker will be weakened.

When the cost of these weakened incentives is high and the worker's discount rate sufficiently low, the firm has an incentive to truthfully reveal its assessment of the worker's output. The incentive for the firm to renege also depends, however, on the size of the bonus in question. The larger the bonus, the more the firm gains by reneging. Baker, Gibbons and Murphy (1994)

present a model combining both relational (subjective) and objective performance related components of pay. Pure objective contracts are assumed to lead to biases induced by imperfect performance measures whilst relational contracts are susceptible to the opportunity for the firm to renege. Employing both types of assessment is shown to allow the firm to do better than operating either in isolation. The subjective evaluation reduces the bias inherent in the objective measure whilst the objective measure reduces the size of the subjectively assessed bonus that could be saved by reneging. The employee thus faces stronger incentives as a result of the combined methods of pay.

(vi) **Multiple Principals:-** A key development in agency theory with particular relevance to the public sector is the influence of *multiple-principals* on the optimal incentivisation of the compensation contract. Public agencies often do not have a single objective (e.g. profit) that characterises their mission. Instead, as Dixit (1997) notes 'they are answerable to several different constituencies with different objectives. In technical terms they are "common agencies" with several "principals".

Dixit (1997) extends Holmstrom and Milgrom's (1991) bilateral multi-tasking model to the case where several principals contract with a single agent over a range of tasks. The agent's decision rule is to choose the optimal effort level to exert on each task according to his private costs and benefits given the full set of contracts. When the principals collude to provide a single contract to the agent, the same result is found as in the Holmstrom-Milgrom model.

When the principals cannot collude however, each principal sets a reward schedule that is privately optimal given each of the other principal's reward schedules and the agent's optimal decision rule. But the lack of collusion leads to a negative externality weakening incentives relative to the collusive case. The implication of this work is that providing incentives for a government agent to act in alignment with the social optimum is more costly when his reward depends on satisfying several non-collusive principals.

(vii) **Group Incentive Schemes:-** Most jobs require co-operation with colleagues at some level. The benefits of working as a team over individual production are often extremely large and it may be difficult to isolate and reward the output of an individual in such production settings. These externalities clearly influence the nature of the optimal incentive scheme. Standard economic theory tells us, however, that group based incentive schemes including profit sharing and team bonuses may have little effect on individual performance because of the incentive for each worker to "free ride" on his colleagues' efforts. The larger is the size of the group, the more incentive there is to free ride. The fact that many establishments do operate group PRP schemes, however, suggests that they may provide a significant incentive for employees (Drago and Heywood, 1995).

Kandel and Lazear (1992) investigate some alternative ways in which the free riding problem may be resolved in actual team production settings by means of peer pressure. Peer pressure translates into incentives by punishing

workers who deviate from what is expected of them by guilt and/or shame. When team workers are able to monitor each other's effort more easily than a third party, the firm may offer a group PRP contracts, which induces team members to apply peer pressure or which induces feelings of guilt when workers put in too little effort. Kandel and Lazear hypothesis, that profit sharing creates empathy towards those who receive the residual profit. Workers more readily empathize, with other workers than with faceless shareholders. Further, the more empathy there is towards the joint beneficiaries of one's effort, the greater is worker motivation.

2.6 MONETARY INCENTIVES AND MOTIVATION

Early research suggested that when extrinsic rewards such as monetary incentives were linked to performance on interesting and appealing tasks, intrinsic motivation *decreased*. The reason for this effect was that when workers were rewarded for doing work they already enjoyed, they observed themselves accepting a reward and inferred that they must be working for the reward rather than for intrinsic enjoyment of the task. Extrinsic rewards thus dampened intrinsic interest (Deci, Lepper, et al. 1981). This finding received a great deal of attention, but subsequent research, however, provided limited support. One review of 24 relevant studies found that while 14 reported a negative impact of extrinsic rewards on intrinsic motivation, 10 reported no such impact (Boon & Cummings, 1986). It is now clear that extrinsic

rewards can impair *or* enhance intrinsic motivation, depending upon how the rewards are constructed and construed. Harackiewicz, Manderlink, and Sansone (1998) explain that rewards have three aspects: evaluation, performance feedback, and reward value. Each aspect can have a different impact on intrinsic motivation. The evaluation aspect promotes feelings of external control and thus reduces intrinsic motivation. The feedback aspect promotes feelings internal control and thus enhances intrinsic motivation. The reward value aspect – the incentive as a symbolic cue of achievement – makes competence salient and thus enhances intrinsic motivation. In a series of experiments, Harackiewicz(1998) showed that introducing contingent rewards can either enhance, inhibit, or have no effect on intrinsic motivation, depending upon which of the three aspects is made most salient. Other researchers have obtained similar results (Enzle and Ross,2000).

2.7 **THE DYSFUNCTIONAL EFFECTS OF INCENTIVES**

In an ideal world, incentives lead to enhanced motivation, effort, and performance. In the real world, however, incentives can have dysfunctional effects. The dysfunctional effect that has received the most study is the worker's lament, "It's not fair!" When rewards are contingent on performance, workers are finely attuned to issues of fairness, and a distribution of rewards that is perceived as even slightly unfair can lead to significant problems (Greenberg 1982)**.**

Researchers have tried to understand when workers are likely to perceive their rewards as unfair, and how they are likely to react. A useful model for understanding these issues is Stacy Adams' equity theory, which has been supported and refined through decades of research. Adams' theory, simply put, is this: To assess whether I am being rewarded fairly, I compare myself to others. I compare not only the rewards I receive (known as "outcomes" in equity theory) but also my inputs, and the ratio of my rewards to my inputs. Inputs include such things as effort, talent, and tenure. If my ratio is smaller than yours, I perceive the distribution of rewards as unfair. I will try to redress this injustice by changing the elements of our two ratios to make them equal. Research has indicated that the most common approach to equalizing the ratios is decreasing my inputs – that is, reducing my effort (Campbell & Pritchard, 1976). When I try to affix blame for my unjust situation, I am a likely to blame external factor, such as my supervisor, the organization, or the incentive system, rather than myself (Taylor & Pierce). Not surprisingly then, when workers feel relatively under compensated they are more likely to engage in theft, sabotage, politicking, and turnover (Summers & Hendrix, 1991; Martin 1994; Greenberg, 1996).

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter is saddled with the aim of stating the manner in which the researcher is conducted. It is perhaps the crux of this study because it is the background against which the findings and conclusions evaluate. Abbarry (1986) agrees with the fact tat it is the research conceptual framework on which the whole research is based. This research is dependent on human behaviour, which is not subjected to scientific determination and control.

Therefore, the chapter will highlight procedures involved in the research exercise as well as general methods and processes of data collection. Again, the chapter will highlight the sampling techniques and subject s used for the study through observations, interviews and research questionnaire methods.

3.2 RESEARCH DESIGN

The research design is a framework or plan that is used as a guide in collecting and analyzing data for the study. It allows the researcher draw inferences concerning the variables under investigation.

Paul et al (1992) defines research design as " the specification of methods and procedures for acquiring the information needed to structure or solve the problems. It is overall operational pattern or framework of the project that stipulates what information is to be collected from which sources, and what procedure".

The objective of this study stated earlier is to critically analyze and evaluate the effectiveness of information technology for improved customer satisfaction in the banking industry in Nigeria. Therefore, to achieve this task the survey design will be used.

3.3 SOURCES OF DATA

Data's could be derived from secondary sources which includes: Books, journals, achieves, encyclopedias, libraries, magazines, internet etc.

On the other hand data could be generated through the primary sources such as observations field study, questionnaire etc. for the purpose of this research both sources shall be used.

3.3.1 DATA COLLECTION

Data from the source may be expressly collected for a specific purpose. Such data collected are unknown as primary data. The collection of facts and figures relating to the population in the census provides primary data. The main advantages of obtaining data are that the exact information wanted or required is obtained directly.

For the purpose of this study, the major source is primary data to be used is observation, questionnaire and interview, which will be directed to the staff of Chad Basin Development Authority. This will be carried out with the aim of clarifying information to be gathered through the secondary sources of data collection.

3.3.2 SECONDARY SOURCES OF DATA COLLECTION

Most of the times, data collected for some other purpose frequently for administrative reasons, may be used, especially as it relates to qualifying or putting into right perspective of the primary data collected; such data are known as secondary data.

This study will also make use of secondary sources for gathering relevant information. It has the following advantages:-

(i) Secondary sources are usually time saving.

(ii) Verification of findings obtained from primary research is possible.

(iii) It is cost effective.

3.4 INSTRUMENTS OF DATA COLLECTION

For the purpose of this study, instruments for collecting data are observation, questionnaire and interview.

3.4.1 OBSERVATION

Observation is a method of getting first hand information about the world around us. This could involve conducting experiments, sometimes, the researcher witness or experiences events or phenomenon at first visiting and watching the subjects the research is interested in.

Observation could be direct or indirect observation, the researcher witness or experiences events or phenomenon at first hand- this could be controlled (e.g. Laboratory experiment), or uncontrollable as in a field experiment. The limitation of this instrument is that the method is only more appropriate when studying relatively small groups as no researcher can engage in direct observation of large groups such as nations, or a large metropolitan city.

Under the in direct observation, the observer does not actually perceive the given social phenomenon but rather depends upon persons who directly observed or experienced this to construct them for him. Indirect observation is perhaps the most popular data gathering procedure in social science. The prime reason is the impossibility of researcher to observe directly certain kinds of behaviour.

3.4.2 **QUESTIONNAIRE METHOD**

The questionnaire is probably the most used method of data collection. It is a device for obtaining answers to research questions from a sample of respondents by using a form, which the respondents fill themselves. In the questionnaire, questions are presented with exactly the same wording and in the same order to all respondents. The aim is to ensure that all respondents reply to the same question and of enable the research to have the same information from a large number of respondents. Questionnaire may be delivered directly or through post (mail questionnaire) to the respondents. It may be open-ended or close-ended.

Open-ended questionnaire are designed to permit a free response from the respondents. Close-ended questionnaire is one in which the subjects are limited to stated alternatives which may be yes or no. a combination of the open and close ended questionnaire is used in this study.

3.4.3 **INTERVIEW METHOD**

This is a survey method of research involving a person seeking the information called the interviewer and another giving information called the interviewee or respondent. Interviews as data collection method or technique are meetings in which the investigator direct questions at the subject and records the obtained responded. These meetings are often face-to-face interactions, although they can as well take place on the phone. When questionnaire is used to conduct interview, it is called an interview schedule.

There are two basic types of interview; the structured and the unstructured interviews. The structured interviews have its primary function. The standardization of the interview process, by means of questionnaire schedule. The unstructured interview does not imply lacking in structure. Unlike the structure interviews, the structured interviewed assumes a variety of firms, which offer a considerable freedom on the questioning procedures. Here, an interviewer areas of interest must be identified and the interviewee has the freedom of framing and reframing questions. Both types of interviews have their pitfalls and strong points in usage.

3.5 **POPULATION OF THE STUDY**

The population or the universe is an entire group of people, object or event, all having at least one characteristics in common which will identify each unit as being a member of a particularly group. In research terms, population refers to the entire group(s) of individuals or events to which generalizations are made.

Part et al (1992), are of the opinion that specification of a population involves identifying which element (in terms of kind) are included, as well as where and when. The where and when presents dimension that are designed to define the population more precisely in terms of its extent and time. The population of this study comprises of the junior and senior staff of Chad Basin Development Authority.

3.6 **SAMPLE SIZE**

Sampling is a process of selecting a sufficient numbers of element from the population so that by studying the sample, and understanding the properties or the characteristics of the sample subjects, we will be able to generalize the properties or characteristics of the population elements (Young, 1995). In general sample size simply answers the question how many people should be survey?

The sample size for this study is drawn from the total subjects, 30 members of staff (Senior and Junior).

3.7 METHOD OF DATA ANALYSIS

Method of data analysis defines the statistical approach to be used in analyzing the data. In the analysis of this research data collected both from secondary and primary sources will be tabulated in simple percentage tables, analyzed and interpreted.

3.7.1 JUSTIFICATION FOR SAMPLE AND ANALYSIS TECHNIQUE

The researcher made a dimension of the total population into strata in order to have a close representation of the entire population. Sample are selected from each stratum randomly, i.e. all the people (subjects) in the stratum has equal chance of being observed and interviewed because of no member of the population had more opportunity of being selected than the other. Stratification method was used purposely because it has been distinctly relevant to the study being carried out. Responses from the subjects are then tabulated and scored on available 100%, since this is a quantitative research work.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

In this chapter, we shall present and analyze the data collected from survey questionnaire administered to the employees of Chad Basin Development Authority. The analysis will be based on the hypothesis earlier stated in the study.

4.2 DATA PRESENTATION AND ANALYSIS

According to Asika (2004), data analysis is the breaking down and ordering of the quantitative information (data) gathered through research or some other means of data collection. Therefore, the study administered forty (40) questionnaires whereby thirty (30) were duly treated and returned.

Table 4.1:Length of Service with the Organization

Options	No. of Respondents	Percentage (%)
Less than One Year	-	-
Less than Five Years	2	7
Less than Ten Years	10	33
Over ten Years	18	60
Total	30	100

Source: Questionnaire, 2006.

Table 4.1 shows that, 2 respondents 7% have served the organization for less five years, 10 respondents representing 33% are those with less than 10 years

experience. While a large proportion of the respondents representing 60% of the sample size served the organization for over ten years.

The category of employees who have worked for over ten years is the largest followed by those that served for less than ten years. Those spent less than five years are the third in that order while none of the respondents is less than one year in the organization. This suggests a very good measure of stability as the lowest percentage fall within 0 – 5 years range. This means that there is very low labour turnover, and further suggest that the incentive employed here have gone far in motivating the employee to retain their services with the organization. Though of course, there could be other reasons as well subsequently.

Table 4.2: Personnel Position in the organization.

Options	No. of Respondents	Percentage (%)
Manager	3	10
Superior	8	27
Clerical Officer	14	46
Other Unspecified	5	17
Total	30	100

Source: Questionnaire, 2006.

From question 2, 3 respondents representing 10% are managers, 8 respondents representing 27% are supervisors, while 14 respondents representing 46% are clerical staff and others unspecified are the remaining 5 respondents representing 17% the sample size.

Table 4.3: The Organization Employ Prospective Employee to fit the Organization's Strategies

Options	No. of Respondents	Percentage (%)
Yes	27	90
No	3	10
Total	30	100

Source: Questionnaire, 2006.

From the table above, 27 respondents representing 90% of the sample size affirmed that the organization employ in other to fit it strategies. That is true and it complies with the views of Goldstein et al (2002), that strategy allows an organization to position itself effectively within its environment to reach its maximum potential, while constantly monitoring that environment for changes that can affect it so as to make changes in its strategic plan accordingly. Nevertheless, 3 respondents representing 10% of the sample size had a contrary opinion as to the way and manner the organization employ organization.

Table 4.4: Incentives affect your Performance in the organization

Options	No. of Respondents	Percentage (%)
Affect Performance	30	100
Not Affect Performance	-	-
Total	30	100

Source: Questionnaire, 2006.

From the table above, the whole respondents representing 100% of the sample size attested that incentives affect their performance in the organization. This is because incentive itself is usually something tangible most frequently, money and other intangible rewards or recognition which comprises subset of incentive.

Table 4.5: The organization financial and non-financial need through are equitable Reward System

Options	No. of Respondents	Percentage (%)
Agreed	25	83
Disagreed	5	17
Total	30	100

Source: Questionnaire, 2006.

From the table 4.5, 25 respondents representing 83% of the sample size were optimistic about the organization meeting their financial and non-financial needs equitably or a system of reward equals their efforts. While 5 respondents representing 17%, were of contrary opinion, that their financial and non-financial needs are not net equitably or not been reward accordingly.

Table 4.6: Incentive payments an any compensation that has been designed to recognize some specific accomplishment on the employee's part.

Options	No. of Respondents	Percentage (%)
Agreed	27	90
Disagreed	3	10
Total	30	100

Source: Questionnaire, 2006.

The table above shows that, the 27 respondents representing 90% of the sample size agreed that compensation for some recognizes accomplishment by an employee could come in any form because the notion covers a multitude of practices. While 3 respondents representing 10% disagree and asserted that incentive can be a one – time payment or recognition. Therefore, incentive must be earned a new in each incentive cycle.

Table 4.7: Extrinsic rewards such as monetary incentives were linked to performance on interesting and appealing task, intrinsic motivation decreased.

Options	No. of Respondents	Percentage (%)
Yes	16	53
No	14	47
Total	30	100

Source: Questionnaire, 2006.

From the table 4.7, it shows that 16 respondents representing 53% of the sample size agreed that when extrinsic reward especially monetary incentives were linked to performance those who are intrinsically motivated decreased their output because they felt it is already what they enjoy doing in the organization. This is also proven further by the views of Deci, Lepper, et al (1998) that when workers were rewarded for doing work they already enjoyed, they observed themselves accepting a reward and inferred that they must be working the reward rather than the intrinsic enjoyment of the task. While 14 of the respondents representing 47% reported a negative impact of extrinsic reward on intrinsic motivation.

Table 4.8: The incentive program rewards measures change the behaviour of the organization

Options	No. of Respondents	Percentage (%)
Agreed	24	80
Disagreed	6	20
Total	30	100

Source: Questionnaire, 2006.

The above table indicated that, 24 respondents representing 80% of the sample attested to the fact that, incentive scheme when effectively implemented and measured have a positive change in behaviours of employees by asking up from what they like. That the best cues of choosing the particular forms and formulae by which incentive are distributed may come from the employees themselves, who, in addition to being experts on what kinds of incentives they would find motivating, are also experts on the work itself. Also 6 respondents representing 20% did not share the view of incentive program rewards but the nature of the job itself.

Table 4.9: The differences between incentives in the public sector and private sectors

Options	No. of Respondents	Percentage (%)
Agreed	30	100
Disagreed	-	-
Total	30	100

Source: Questionnaire, 2006.

From the table 4.9 above, the whole 30 respondents representing 100% of the sample size asserted that, there are differences between incentive in the public sector and private sectors. Barnum (1987) also highlighted further that incentive have been common in the private sector longer than in the public employment. Markham (1989), also agreed that most importantly the mission of government agencies is much more complex than that of many private enterprise. That in the private sector, profitability is the bottom line, in government, the bottom line is much more elusive. It usually consists of a number of service objectives, which may include some very subjective elements.

Table 4.10: The organization has a design incentive program

Options	No. of Respondents	Percentage (%)
Yes	8	27
No	22	73
Total	30	100

Source: Questionnaire, 2006.

From the above table, it shows that 8 respondents representing 27% attested that the organization have a design incentive program. While a large proportion of

respondents representing 73% of the sample size disagreed with the assertion. In the views of Swanson (1992) he said “incentive program sets the rules and defines the terms for specific workplace”. This implies that, the Chad basin Development Authority that does not have a designed incentive program in place might be exposed to the dysfunctional effects of incentives, where workers lament, “It is not fair”. This is because a large number of respondents in table 4.10, attested that the organization does not have a design incentive scheme which they believe dictates the pace and sets the rules in the work place.

Table 4.11: The organization focuses on safety programs in the work environment

Options	No. of Respondents	Percentage (%)
Effective	17	57
Ineffective	13	43
Total	30	100

Source: Questionnaire, 2006.

From the table 4.11, a total number of 17 respondents representing 57% of the sample size confirmed that the organization designed program on safety and healthy work environment. While 43% of the respondents believe that the organization have not done enough in regards to safety programs, because there are direct causes of accidents stem from unplanned releases of energy and hazardous material. From the analysis above and the open-ended question thrown for comments and suggestion it was gathered that monetary compensations are performance based so that wages should reflect productivity differences and should not depend too much on the

employee's tenure with the organization. Mitchell, Katzell and Thompson (1992), in Vroom's model highlights the fact that, in order for an incentive program to have a strong impact on worker motivation and effort, the workers must believe that effort will lead to performance, that performance will lead to rewards, and that the rewards will be desirable.

4.3 **FINDINGS**

On the course of carrying out this study some interesting findings were noted which contribute immensely towards analyzing job incentive on employee performance viz:

(i) Employees provided with specific and difficult goals tend to perform at higher level than others.

(ii) Employees who receive feedback perform better than those who do not.

(iii) Employees do respond to incentive, in sophisticated ways that may or may not be to the benefit of the organization as a whole. The design of the scheme is hence extremely important.

(iv) Other aspects of organization design such as promotion systems and hierarchical reward structures also provide incentive although there is less evidence on this.

4.4 TESTING OF HYPOTHESIS

As earlier, stated the hypothesis of the research:

Ho: job incentive does not have a positive effect on employee's performance.

The decision whether to accept the working hypothesis and reject the null hypothesis or to accept the null hypothesis and reject the working hypothesis based on the simple percentage used in analyzing the data gathered from the staff of Chad Basin Development Authority through the survey questionnaires administered.

It's was gathered on the course of the study that incentive affect employee performance in the organization; due to fact that a large proportion of respondents attested that incentives affect their performance in the organization. This is because incentive itself is usually something tangible most frequently, money and other intangible rewards or recognition which comprises subset of incentive. This is also proven further by the Deci, Lepper, et al (1998) that when worker were rewarded for doing work they already enjoyed, they observed themselves accepting a reward and inferred that they must be working the reward rather than the intrinsic enjoyment of the task. To further proof the hypothesis it was gathered also that, employees provided with specific and difficult goals tend to perform at higher level than others and employees who receive feedback perform better than those who do not. This also aligned with the above work of Mitchell and Thompson (1992), in Vroom's model highlights the fact that, in order for an incentive program to have a strong impact on worker motivation and effort, the workers must believe that effort will lead to

performance, that performance will lead to rewards, and that the rewards will be desirable.

Per ultimately, we conclude by accepting the alternate hypothesis that job incentive has a positive effect on employee's performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

This study carried out an empirical analysis of job incentives on employee performance in Chad Basin Development Authority whereby the concept of incentive and its impact on motivating employees was considered. It was found to be important as it proffer solutions to the problems of employee motivation in the organization.

A review of relevant literature was conducted where some elements of incentive programs were considered more specifically, management support, definition of the accomplishment to be rewarded, definition of the period over which will be rewarded and of the measures and method that will be used to assess them.

The research also gathered through questionnaires administered that, in an ideal world, incentive lead to enhanced motivation, effort, and performance. In a real world however, incentives can have dysfunctional effects. That is when rewards are contingent on performance, workers are finally attuned to issues of fairness, and a distribution of rewards that is perceived as even slightly unfair can lead to significant problems.

5.2 CONCLUSION

A major boost of performance can be achieved with an uncommensurate increase in incentives. However, a very positive relationship between incentives and job satisfaction was found to be of paramount importance in the Chad Basin Development Authority. Although the majority of the employees expressed their dissatisfaction with the job, it was only marginal and not commensurate to the level of incentives available.

It is very obvious from the findings that employees are motivated more by the financial incentives than the array of welfare schemes and incentives that are largely non-financial, though it brings a lot of relief to them. The fact remains that no amount of money is too much for the employees. This is because our system is based on the values and behavioural patterns of the developed market economics and our socio-culture makes employee to be responsible for the welfare of a lot people from his extended family.

A very disturbing finding of this study is that employee monthly pay package does not meet their needs. This is the bane of most pay systems in Nigeria if not all especially their regard for the reality of living standards as determined by process of goods and services. Indeed employee motivation may not be high if they are left out in the open by the organization to look for alternative means of satisfying their needs.

Employee's level of performance was found to be reasonably high. This also begets the traditionally known positive relationships that exist between incentives, motivation and performance. It seems more likely however from all information

available, to the good functional organizational structure and management of Chad Basin.

Finally, the organization should note that increased motivation produces anxiety that can be functional for solving problems up to a point, beyond that level it becomes a hindrance to performance. Over motivated workers may feel so pre-occupied with a limited set of valued outcomes or goals that they over look the importance of other human behaviours in the organization.

5.3 **RECOMMENDATIONS**

Every organization that seeks to achieve its purposes should view seriously the importance which job incentives have especially their positive impact on employee motivation and consequently their performance. Low level of motivation could be devastating to the organization. Therefore the researcher recommend to the CBDA that:

(i) There is an urgent need for total review of the entire incentive to make them more relevant to the present day realities of the economy. Indeed the practice of deliberately keeping public sector employees always a step behind their counter parts at the private sector in terms of remuneration should be stopped. Due to the variation in the exigencies of the tasks of various organizations in the public sector, incentive schemes should be decentralized and every organization should be given much freedom to determine what incentives to provide for its employees in accordance with the nature of the job.

(ii) The input of employees is always necessary in preparing incentives if they are to be relevant to their needs. This should be done by the organization while trying to keep it in balance not only with available resources but also without necessary attempting to solve all imagined needs of employees which are sometimes endless and insatiable. This participation by employees alone has proved to be a high motivator. The most meaningful incentive system that is motivational in outlook is that in which incentives are tied to performance. Employees should be rewarded more on performance than on any other factor. Equating employees simply on the motion of similar functions is erroneous. Performance is more important in jobs that require special abilities and talents. Employees can be motivated by the mere knowledge that they are rewarded based on their abilities. Obviously this does give them a lot of job satisfaction especially because it gives them the chance to fulfill their high order need of self-actualization.

(iii) For incentives schemes to remain motivational they should be reviewed periodically as regular as the changes in the economy. The instability in the economy very often cancels any positive effect derived from increased incentives. Thus, there is need to provide incentives relative to the state of the economy at any particular time.

(iv) The provision of incentives by management should be given preference to the direct financial benefits. This is because of the preference expressed by the employees for such. This is not surprising or unreasonable as the nature of the

responsibility of working people in our society foes beyond what the organizational welfare schemes can provide. Furthermore, receiving financial benefits has been known to come with more psychological induced satisfaction.

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APPENDIX

Department of Business Administration,
Faculty of Administration,
Ahmadu Bello University,
Zaria.

Dear Sir,

LETTER OF INTRODUCTION

I am a student in the above named institution pursing a master's degree in Business Administration (MBA). As part of the requirements for the fulfillment of the award of the degree, I am required to submit a project to the institution. My interest is to carry out an empirical analysis of job incentives on employee performance. Which I, have chosen Chad Basin Authority Development to study.

I shall therefore appreciate, if you would be kind enough to assist in this effort. The questionnaires answers will be treated confidentially.

Thanks for your co 'operation.

Yours Sincerely,

Gadzama Steven Madu.

QUESTIONNAIRE

1. How long have you served this organization?

   (a) Less than One Year

   (b) Less than Five Years

   (c) Less than Ten Years

   (d) Over Ten Years

2. What is your position in the organization?

   (a) Manager

   (b) Supervisor

   (c) Clerical officer

   (d) Others unspecified

3. Do you think the organization employ prospective employees to fit the organisation's strategies?

   (a) Yes [ ] b. No [ ]

4. Does incentives affect your performance in the organization?

   (a) Yes [ ] b. No [ ]

5. Does the organization meet your financial and non-financial needs through an equitable reward system?

   (a) Yes [ ] b. No [ ]

6. Incentive payment is any compensation that has been designed to recognize some specific accomplishment on the employee's part. Do you agree?

   (a) Yes [ ] (b) No [ ]

7. When extrinsic rewards such as monetary incentives were linked to performance on interesting and appealing task, intrinsic motivation decreased. Do you agree?

   (a) Yes [ ] (b) No [ ]

8. Does incentive program rewards measures change your behaviour in the organization?

   (a) Yes [ ] (b) No [ ]

9. Are there differences between incentives in the public sector and private sectors?

   (a) Yes [ ] (b) No [ ]

10. Does the organization have a design incentive program?

    (a) Yes [ ] (b) No [ ]

11. Does the organization focuses on safety programs in the work environment, considering the nature of your work?

    (a) Yes [ ] (b) No [ ]

12. Any comment or suggestion?

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