THE INTRICATES OF FINANCIAL AND NON FINANCIAL INCENTIVES AS A TOOL FOR MOTIVATING EMPLOYEE TOWARDS ACHIEVING ORGANISATIONAL GOAL IN THE NIGERIA CONTEXT

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Abstract
The dynamism and complexity of human factors of organisation constitute a great barrier to effective integration and retention among other functions of human resource management. Because of the complexity of human needs, identifying what could actually meet their needs constitute a herculean task. There is that general agreement that incentives (financial and non financial) constitute a strong driving force that could induce (motivate) a worker to act in a desired manner; but the complexity of these incentives has also led to its misapplication. The paper examines some of the intricacies of financial and non financial incentives on motivation, performance and achieving organizational goal as a whole. It was discovered that human needs apart from being complex and conflicting, varies over time. Because of this, incentives also will vary in terms of their impact on motivation. Also, identifying the right type of incentives which is preferable for the worker makes it more difficult. Finally, inability of identifying the unforeseen or unintended consequences of incentives could render them of no effect. Therefore, a proper knowledge of the intricacies of financial incentives is the beginning of wisdom for enhancing performance and achieving organizational goal. Finally, a mix of both financial and non financial incentives is desirable.

Keywords: Employee, incentive, organisation, motivation, productivity

Introduction
It is obvious that human resource constitutes the most important factor in any organisation. For all other factors of production to function effectively, it has to be pivoted by the human factors. Therefore, managing human resources requires the creation and maintenance of an environment conducive for the performance of individuals working groups to achieve organizational objectives or goals
However, apart from the organizational objectives, the individuals involved also have their needs and objectives that are very important to them. Thus, management must ensure that the needs and objectives of workers and that of the organization are reconciled. As asserted by Frank (1974). Human resources management (HRM) is a series of activities in which the job, the individual and the organisation all interact as each develops and changes. It was on this note that Onah (2003) argues that getting the right caliber of people by the
process of recruitment to meet the organizations need is not just enough; conditions have to be created which would make them to stay on the job, and cope with the job. This however might be a very difficult task without understanding what motivates people. Koontz et al (1980) opined that the necessity of building the entire motivating factors into organizational roles, the staffing of these roles and process of directing and leading people must be built on the knowledge of motivation. The implication of the above statement is that the entire functions of human resources management are hinged in motivation. Therefore, the identification of needs and rewards is a pre condition for achieving sustained motivation and consequently increased productivity. It is through this linkage of performance and reward that an individual achieves individual motivation (Nwachukwu, 1988). The reward comes through various compensation or remuneration given to employees for their services to the organisation. To Fajana (2002) employee remuneration is not just about pay i.e. wages and salaries. It also includes non pay or monetary in controls.

According to Fajana (2006), one of the most important and complex issue in human resources management is undoubtedly how to reward or compensate employees. Employee receives in return for his labor, i.e. basic pay and other numerous financial and non financial rewards, which in turn determine how he will live in the society. Thus, it could be adduced from the above discussion that employees’ compensation is an economic, social and cultural factor. It affects economic, social and cultural life of individual as a worker. Thus, the misplacement or misapplication of compensation, whether in financial or non financial terms, would not only affect the individual worker and the organisation, but the society as a whole. Thus, the emphasis on one above the other might not be appropriate to the needs of the worker. But the problem is how and when would a manager knows or understands the right mix of incentives that would induce workers whether as individual or as a group? This paper therefore examines the intricacies of incentives with a view to understanding what type of incentives, when and how to apply them to motivate the workers for greater performance.

**Conceptual issue**

Incentives could be define as any factor (financial and non financial) that provides a motive for a particular course of action, or counts as a reason for preferring choice to the alternative. Thus incentives whether in financial or non financial terms could best provide a reason for particular behavior of a worker. It is in this vein, that Buchan et al (2001) defines incentives as one particular form of payment that is intended to achieve some specific changes in behavior.

Incentive schemes are extra payments made to workers in order to motivate them into higher productivity (Fajana 2004). He further explained that incentive scheme may seek to reward workers as individual or group. These rewards might also be directly or indirectly related to production, may be in the short or long term. This implies that incentive may be targeted at an individual or group of people base on certain factor i.e. recognition of contributions, achievement, performance etc. Furthermore, these appreciations or recognitions might be in short or long term basis. Inke and Ingo (2006) sees incentives as an available means applied with the intention to influence the willingness of employees to exert and maintain efforts towards attaining organizational goal.

Therefore, from these definitions incentives could be seen as induced factors that motivate a worker for higher productivity towards achieving organizational objectives.
Typology of incentives
Generally, incentives are majorly in two forms i.e. financial and non financial incentives. Financial incentive implies transfer of monetary values or equipment, such as wage increases, allowances, performance-related bonuses or housing. Adams and Hicks (2003) also include basic salary, allowances schemes i.e. health insurance premium, housing allowances as financial incentives. Obviously, in practice, it may be difficult to differentiate the basic salary packages and additional financial incentives. Buchan et al (2000) categories financial incentives into three, this includes pay, other direct financial benefits and indirect financial benefits. The other direct benefits include, pensions, illness/health/accident/life insurance, clothing/accommodation allowances and travel allowances. The direct financial benefits are subsidized meals/clothing/accommodation, subsidized transport and childcare subsidy/crièche provision.

Non financial incentives are by contrast those incentives that involve no direct transfer of monetary values or equivalents to an individual or group. This include, for example, granting unpaid holidays, taken awards of recreational facilities as well as recognition and supervision. Similarly, Inke and Ingo (2006) define non incentives as those incentives that are in the short term involve no monetary values to or from an individual or group. They see non financial incentives as comprising human related quality management tools, i.e. supervision, feedback, staff appraisals, staff satisfaction survey, clear leadership and guidelines, clear organizational objectives and missions, and staff participation mechanism, (including staff meetings) adequate training, as well as self assessment.

Intricacies of Incentives Scheme
Incentives whether financial or non-financial constitute a vital mechanism for motivating employees to put in their best to achieve organization’s objectives. An understanding of the intricacies of these incentives by substantive managers is inevitable. Some of the intricacies include;

Lack of perfect knowledge of human behavior: Although economic analysis and theory have tried to explain what constitute incentive structure. But incentive structures are notoriously more trickily than they might appear to people who set them up. Human beings are both finite and creative; and that means they the people offering incentives are unable to predict all the ways that people will respond to them. Thus, imperfect knowledge and unintended consequences could often make incentives much more complex than people offering them originally expected. It could also lead either to unexpected windfall or to disaster produced by unintentional consequences. For example, decision makers in profit oriented firm oftentimes decide what incentives they will offer to employees and managers in order to encourage them to act in ways that could lead to greater success of the firm. But in most cases, many corporate policies especially
of the “extreme incentives” aimed at encouraging productivity have, in some cases led to a spectacular failure as a result of unlimited consequences. Some banks as a result of competition came out with extreme incentives scheme to attract and keep the best hands fell into a great problem as a result of the reforms in the banking sector through the government policy of recapitalization, which they never envisage. As a result, most of the banks could not meet up with the criteria some of them have to merge with other banks, while those that could not secure a partner got liquidated.

Similarly, throughout the 1990s and 2000, many corporations have sought to increase individual incentives by increasing the sizes of bonuses (to the point where they exceed salaries, sometimes by a factor as high as 10%) for staff performance, while also laying off large proportion of their workforce, hoping to cultivate fair-related gains. The most extreme version of this is “force ranking”, a scheme by which workers are annually ranked and a set proportion (between 10% and 15%, usually) are automatically fired. The results of these programs are mix, but in extreme cases, they are usually negative.

The difference in employee compensation as applied in the public and the private sector constitute another intricate of incentives. Employee compensation in the private sector is largely performance based-rather time-based, as applied in the public sector. In the private sector, incentives are tied to set performance, and job evaluation, wage survey, performance appraisal are professionally done. They are devoid of sentiments, God-fatherism and other emotional and patronizing practices of the public sector. However, job security in the public sector still attracts more people to it, despite the higher remunerations offered in the private sector. This is also an indication that financial incentives are not enough to motivate employee towards greater performance and retention as generally believed.

There are also empirical evidences that even with an adequate salary, workers may not be motivated. More money does not automatically imply higher motivation. On the other hand, even without an adequate salary, and under poor working conditions, there are highly motivated and performing employees. For example, Stilwell (2001) shows by reference to Zimbabwe, that health workers based in remote areas, despite lack of financial incentives and hard working conditions, frequently exhibited a high level of motivation to perform well. She traces this motivation to good leadership and supportive management, among other factors. Her findings proved that certain non financial incentives can have a beneficial effect on motivation, even under adverse conditions of insufficient pay and equipment, understaffing etc

However, the reverse is the case among health workers in Nigeria. A study carried out by Labara (2006) shows that the high level of labour turnover and migration among professional health workers in Nigeria can be attributed to the low remuneration received by health workers in Nigeria as compared to their counterpart in other countries.

In Nigeria, some form of incentives i.e. free housing and subsidized transport are provided for teachers working in the rural areas. This is with a view to motivating them to work in the rural areas. Most of them are also motivated because of the available opportunity to improve their career through further studies.

The importance of money as a major tool for monitoring workers towards increased performance cannot be over-emphasized. Koontz (1980) rightly stated that: “it is fashionable for writers to say that money is no longer a stronger motivator. It is sure, it is not the only motivating force, but it has been and will continue to be an important one”.

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Thus, it could be said that monetary incentives is a powerful motivator and other incentives might not be functional without it. In Nigeria, whether in the public and the private sector, financial incentives still constitutes a forceful drive for making workers to act in a desired manner. The rush by many Nigerian youth in the 80’s and 90’s to work in the banking sector is not because of anything, but because of the high monetary reward available to workers in the bank, despite the stress and job insecurity inherent in them. Even in the public sector, monetary benefit is still a very powerful force for motivation. Although the recent monetization of workers fringe benefits by the federal government was aimed at curbing financial waste in the public service, it has been discovered that this incentive has also become a strong motivating factor for Nigerian public servants. Also, the various lobbying and do-or-die affairs postures to the issue of workers promotion, especially in the public sector, is not because, the individual worker promoted is willing to take more responsibilities, but because of the monetary benefit, that goes with the promotion. This has been the experienced in the Nigerian public sector.

Gold (2004) examines the intricacies of financial incentives from three contexts. First, all payments system provide financial incentives to those receiving payments. Therefore, any system that involves people involves some form of incentives that is derived from an aspect of human behavior. To him, the issue is not whether financial incentives should be removed, but how to anticipate their effects and to identify which types of incentives may be preferable or unacceptable.

Secondly, the effects of financial incentives cannot be diverged from the context of their application. Most incentives have both positive and negative features and their relative strength depends on many factors.

Thirdly, Gold emphasizes that financial incentives are complex because they are governed and defined at many levels through various contracts. The complexity of these contracts and the many levels at which they exist create considerable risk for over simplification or misunderstanding of the incentives for individual worker.

Onasanya, (2005) asserted that for incentive scheme to be effective, it has to be based on some requirements. This includes a consensus between both parties (i.e. employers and employees) on the scheme introduced. Thus, both the management and labour union must give express agreement to the scheme. Also, the scheme introduce must be geared towards higher productivity and that of the workers achievement in relation to the job contents. Furthermore, mode of measurement should be one of the preliminary agreements to be reached before the commencement of any bonus scheme. The obvious implication of these requirements make incentive scheme to be more complex.

The complexity and conflicting nature of human being motives constitute another intricacy of incentives scheme. According to koontz (1980:481), it takes only a moment through to realize that at any given time, an individual’s motives may be quite complex and often conflicting. A worker might be motivated by economic goods and services, or self-esteem, status or a feeling of accomplishment. Each of this motivator is also complex and conflicting for example, a worker whose drive is to buy, or build a house might be faced with the problem of choice. Finally, it is worth noting Schein’s (1980) complex model theory in which he argued that because human needs vary across a life-span and from person to person, incentives will vary in their impact on motivation depending on the person upon the stage of life-at which they are offered. And those universal approaches to motivating the individual do not recognize the complexity of people. For this reason, measurement of workers motivation is important to develop appropriate feedback.
mechanism of human resource management. The problem however, is that, while measures of responses to individual determinants may be reasonably similar in both developed and developing countries, the latter group of countries will require customized measure of responses to organizational factors, taking into account cultural incentives and environmental constraints.

**Conclusion**

The effects of incentives (both financial and non financial) on workers motivation and organizational performance make it an important aspect of organization dynamics. It constitutes an important managerial tool for human resources development. As earlier said, an incentive is any factor (financial or non financial) that provides a motive for a particular course of action, or counts as a reason for preferring one choice to the other. Since human beings are purposeful creatures, the study of incentive structure is central to the study of all economic activities both in terms of individual decision making and the larger institutional structure. Therefore, an understanding of how organizations respond to incentives is incomplete without parallel insight on how incentives affect performance within an organization.

Therefore, managers need to understand the complexity and conflicting nature of incentives, their types, and when and how to apply them. Although, financial incentives were considered more important in terms of its effects on workers motivation and performance, especially in developing countries, like Nigeria. There is also that agreement that financial incentive cannot be effective without non-financial incentives. Therefore, it is pertinent that a mix of financial and non-financial incentive is desirable.

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