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Impact of Performance Incentives on Desire for Money and Materialism

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Abstract: *This study indicates that the performance incentives increase individuals' desire for money and inculcate materialism in individuals' exposure to them. Sales agents from different companies were taken as a sample, where half of the agents were getting fixed pay and half were getting Performance-based pay. The required data was collected through survey questionnaires. Two scales, i.e., material values scale and desire for money, were used to collect the data. Analysis was done applying linear regression analysis. The results showed that the desire for money and materialism increases in individuals through the administration of performance incentives. Next, the two groups of sales agents were compared, which showed a greater desire for money and materialism in performance-based sales persons as compared to individuals who were getting fixed pay.*

Key Words: Performance Incentives, Desire for Money, Materialism

Introduction

Organizations use incentives based on performance for their employees in order to motivate them and increase their productivity. Performance incentives are rewards which are given to employees based on their level of performance ([Cameron, Banko, & Piecrce, 2005](#)). For example, how many statistics questions were correctly answered by an individual or the number of plots sold etc.? It means that a reward given to the employee is based on his performance rather than merely taking part in that activity. The principal alternative of performance-based incentives is fixed pay which an individual gets at the end of the month irrespective of their performance. All they have to do is to take part in a certain activity ([Byron, Kris, Khazanachi, Shalini, 2012](#)). For example, employees get salaries at the end of the month, which are fixed and do not increase every month or on the basis of performance.

The main logic behind using performance incentives is that when a person gets a reward linked

to their performance, they are inclined to do better on the task because that reward becomes a driving force for their actions. However, there are studies such as one conducted by [Angrist and Oreopolous \(2009\)](#) to find out whether giving rewards to children on the bases of their performance increases their performance or not. Moreover, there was another study carried out by [Lazear \(2000\)](#) that compared employees' work productivity as a result of performance contingent pays and hourly wages, which showed that the rewards given in the form of money have varying effects and the average effect is almost zero ([lin, L., & Huang, Y 2014](#)). Moreover, according to Cognitive evaluation theory ([Deci and Ryan, 1985](#)), intrinsic and extrinsic rewards do not have improving effects ([Deci, 2001](#)), and they can manipulate an Individual's perception of competence. People in an incentives system would lose a sense of autonomy, power and capability.

Many studies indicated that there are elements which moderate the impact of rewards and due to which it does not always give positive results ([Bonner](#)

[and Sprinkle, 2002](#)). Still, very little is being understood about the factors which manipulate and affect the efficiency of the performance contingent rewards. Therefore, it's very important to identify the factors which are hindering the productivity of such incentives.

One of the potential factors, for example, is a desire for money which increases in individuals who are receiving performance-based rewards in the form of money ([Hur and Nordgren, 2016](#)). They acclaimed that due to the flexible nature of the performance reward system, individuals who are doing the task are usually being reminded of the reward object (sold another plot which means extra money or checks) that they will gain after achieving the certain goal on a task ([Markman and Worthy, 2006](#)), which means that rewards/incentives are salient in performance-based incentive system than other reward systems because every decision they made directly affects the reward gain. Research has shown that in a performance contingent reward system, an individual's attention is diverted and focused on the reward to such an extent that it can potentially decrease the cognitive abilities of an individual, which can further affect one's productivity on a certain task. These studies are also consistent with highly approved findings that one's desire to get rewards increases with greater exposure to reward cues ([Colagjuri, 2013](#); [Suri, 2015](#)).

According to elaborated intrusion theory ([Kavanagh, Andrade, 2005](#)), attention and intrusive thoughts about rewards are two processes which play an important role in cultivating and maintaining one's desire for those incentives. They further explained that dramatic thinking and intrusive thoughts about the incentives are the result of an increased level of attention towards those rewards or incentives. For example, seeing advertisements for a burger frequently will divert an individual's attention to have and eat that burger. In addition, due to the flexibility of its nature, performance-based incentives can shape individuals' desire for the reward object, for instance, money ([Devoe, 2013](#)). This assumption also suggested that even though the basic of getting a reward (money) is fixed, that is, through salary, the difference in the way through which they achieve those rewards can shape an employee's desire for that reward, and it affects their perception of valuing that reward, as in the case of money the value they give

to money is greater when achieved through the performance-based system than money achieved through a fixed payment system. These studies are consistent with the past studies that discuss how an individual's responsibility for certain objects is established and maintained through further reinforcement ([Lasaleta et al., 2014](#)).

The outcomes related to our daily life are of great importance regarding these rewards. As the value of the rewards is mainly based on the way, one achieves those rewards. This will become crucial in our day-to-day decision-making like giving money, spending money, gambling, and saving money ([Abuvia A, 2008](#)).

As suggested, the performance incentive can affect the desire for money. It can further cultivate materialistic attitudes in individuals. According to [Hur and Nordgren \(2016\)](#), the more an employee gives importance to money, the more he will indulge in greater demands on pay dispersions. In a study on desired income and materialism, the amount of money which is satisfactory for the employees was greater in materialistic employees than those employees less in materialism ([Richins, 2004](#)). It suggests that the greater the desire for money, the greater will be materialism in the individuals.

Thus, with the passage of time, employees' attitudes will become more materialistic and instrumental for the gain of rewards, especially if it's in the form of money. Organizations have a huge effect on the value people give to money. They create such situations where gaining money is very crucial. A principal difference between other rewards and monetary rewards is that money does not have limits like other tangible things. It has no end, and one can achieve more and more. so it can be speculated that materialism is deeply inculcated in the organizational environments. Moreover, organizations, through their incentive systems, create individuals with more materialistic attitudes. This fact is also of concern if the results of the previous studies are taken into account about the effects of materialism on the motivation and productivity level of employees. For example, a study by [Clement \(2007\)](#) suggests that job performance is negatively associated with materialism. [Ronnel B \(2017\)](#) Suggested that materialism is associated with a greater level of A-motivation (no motivation).

Materialistic people mostly struggle with their work life and are not happy at all regarding their work life because of their greater concern for financial gains (Deckop & Giacalone, 2010). It is also observed that individuals with greater materialistic attitudes are usually unable to meet their work-life requirements (Engelberg, 2006). People who are materialistic have very different approaches regarding work life. They usually see work life as instrumental for their financial gains, which itself has a negative connotation for work. Moreover, their intrusive thinking regarding financial gains can hinder their cognitive capability, thus resulting in less productivity for the organization. Work is only important for the fact that it provides them with buying power of materialistic goods. Otherwise, they lack the intrinsic motivation for the work and do not care for overall outcomes. Thus, according to Belk (1989), a materialistic attitude is greatly linked with work-related attitudes.

Therefore, the present article focuses on the unintentional outcomes of the performance incentive systems, which can impact the overall productivity of an organization.

Hypothesis

1. Performance-based incentive system will increase materialism and desire for money.
2. A comparison of fixed-pay employees and performance-based incentive employees will further prove the first hypotheses.

Methodology

Sample

Different companies from Peshawar were targeted in order to collect the desired data. For this purpose, 200 sales agents were taken from the male population, and 200 were taken from the female population, which makes a total of 400. Out of 200,

100 sales agents were from the performance incentives system, and 100 were from the fixed payment system. Companies included Agency 21, jubilee insurance, Dawood takaful and hyper mall Peshawar. All the participant

Sampling

Convenient sampling was chosen to collect the required data. Therefore, data were collected from the nearest possible and available sales agents in Peshawar.

Scales

Different scales were used to collect the data, which included the material values scale (Richins, 2014). It is a revised form of Richin earlier material values scales, which originally comprised 18 items. The shorter version of this scale consists of 9 items which were used in the present study. The reliability of the scale was checked in a pilot study for the current population.

Another scale used was the desire for money scale by Hur and Nordgren (2016). It is comprised of 15 items where some of the items are used as spare items in order to reduce the chances of corrupt responses.

Procedure

Data was collected through a survey from both types of employees, i.e., sales agents who were getting fixed pay and sales agents who were getting performance-based pay. They have further divided into male and female populations also. Guidelines were given to the employees regarding filling out questionnaires, and respondents were made assured about the confidentiality of the given data. The filled questionnaires were handed over by sales agents afterwards.

Results

Table 1. Table 1 shows the impact of performance incentives on the desire for money in employees through linear regression analysis

Predictors	B	S. E	β	t	p	R ²
Constant	49.083	4.518		10.865	.000	
Desire for money	.068	.068	.085	1.003	.318	.10

Table 2. Table 2 shows the impact of performance incentives on materialism in employees through linear regression analysis

Predictors	B	S. E	β	t	p	R ²
Constant	67.831	5.384		12.597	.000	
Materialism	.411	.081	.397	5.088	.000	.15

Table 3. Table 3 shows the t-values, standard deviation and mean values of both variables for two systems: performance incentive system and fixed pay system (N=400)

Variables	Performance Incentives		Fixed Pay System		t (t98)	P	95%CI	
	M	SD	M	SD			LL	UL
Desire for money	59.57	14.053	58.21	14.19	.958	.000	-1.42	4.142
Materialism	29.71	8.510	26.71	7.710	3.686	.000	1.399	4.595

Discussion

Organizations nowadays are using different methods to enhance the productivity and motivational level of their employees. A performance-based reward is one of the strategies used by organizations to increase employee productivity. Therefore, the present study aimed at the potential effects of performance incentives which can ultimately undermine productivity. Increased desire for money and materialism were two factors which were considered to be the unintentional effects of performance incentives. Results of the current study found that desire for money and materialism are affected by performance incentives, and it accounts for 10% variability in the said variables. This finding is in line with previous research by [Hur and Nordgren \(2016\)](#), which shows that rewards contingent on performance impact employees' desire for money in a positive way. Moreover, the current study also agreed with the notion that the nature of performance-based rewards is flexible ([Muehlbacher, 2008](#)), so in the case of money, the more one get the more he/she will desire for. Another study also suggested that most of the organizations give importance to monetary gains ([Bates, 2003](#)) in a way that ultimately cultivate materialistic attitudes in their employees, where individuals see work life as instrumental to gain financial gains ([Kasser, 2006](#)).

The two groups were also compared on the basis of two variables i.e., desire for money and materialism in order to eradicate other potential explanations of the observed variability in the dependent variables (desire for money and materialism) due to impact of independent variable

(performance incentives and fixed pays). Mean, standard deviation and t- test values were compared for the two groups. The fixed pay group was used as a control group in this study. The analysis results showed that employees who were working in fixed [ay system were less in materialism and desire for money and employees who were indulged in a performance incentives system were greater in desire for money and materialism. Hence proved and justified the assumption that performance contingent incentives increase an individuals desire for money and can cultivate materialistic in them.

Conclusion

Thus, it is concluded that some of the strategies which are used by organizations to increase their productivity cannot always be productive because there are certain factors which need to be taken into account before implementing any strategy. For example, due to the undermining effects of materialism and increased desire for money, an individual's productivity may decrease in spite of getting performance-based incentives. This means that a technique that is aimed to be influential in increasing an organization's productivity and employee motivation can play a reverse role in decreasing overall productivity due to certain moderating factors. These factors not only having negative effects for individuals work life but also for personal life. These are certain negative traits which can be cultivated in the employees unintentionally through the use of such incentives system. Therefore, these factors need to be focused of attention in organizational planning so that to reduce

its varying effects. The findings of the current study could also provide the possible explanation for why using performance incentives has varied effects, despite the fact that it apparently has positive effects on the employees ([Bonner and Sprinkle, 2002](#)). Therefore, on the basis of current study findings, it can be said that organizations should focus on such unintentional effects of certain strategies used by them and work on overcoming such factors in order to make these tactics more influential and productive.

Limitations and Suggestions

There are some limitations regarding this study first of all this study was conducted on small number of samples. The selected sample was having less variability because of the non-availability of

resources, future research should target on large population and should select diverse groups of samples from different companies. Moreover, the Scales used in this study were foreigner further research should use locally developed scales in order to get more reliable results. The scale should be consisted of culturally appropriate questions in order

to get more valid and reliable results. The Urdu version of scale should be designed and applied in future studies. Moreover, this study was a survey-based research, where a survey questionnaire was used to collect the data, where there were chances of mis interpretations therefore it is suggested that future research should carry out experiments on the employees in a control environment in order to get more insight into the subject matter.

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