LINKING MOTIVATION, CULTURE, AND PROFITABILITY: A QUANTITATIVE AND QUALITATIVE SNAPSHOT OF THE EFFECTIVENESS OF INCENTIVE PROGRAM METRICS IN THE INDUSTRIAL WORKPLACE

By

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BACKGROUND AND INTRODUCTION

Manufacturers in North America are struggling with developing and maintaining a positive culture in the midst of a fast changing business environment. Challenges that face manufacturers today include many external economic pressures including offshore competition, rising Canadian dollar, raw material price increases, and higher energy costs. Change implementation in areas of lean manufacturing, legislative compliance, new quality systems (ISO, TS) have changed the day to day tasks of “front line” production people and management. Manufacturers today are struggling with getting people to care about quality, work productively to remain competitive, and creating a desire to contribute in a positive way to the organization so the business continues to be successful. Labour supply and the social context of the workplace culture offers challenges of its own. The aging workforce and the demographic shift are seeing the baby boomers soon retiring and fewer young people choosing careers in manufacturing. The need to attract, retain and motivate employees has become just as important as supply chain management.

Many organizations have implemented “incentive programs” to attract, retain, and motivate employees. These programs have pre-determined measurable criteria that are designed to potentially generate a reward for employees while impacting profitability. The intent of these programs is also to create a positive culture (defined below) so the behaviors linked to profitability are self-sustaining. These initiatives vary significantly between industries.
**Research Question:** What elements of employee incentive program metrics increase employee motivation and contribute to a positive culture in successful manufacturing operations?

In order to understand incentive programs in the context of the research it is first necessary to define some key operational definitions.

**OPERATIONAL DEFINITIONS**

**Incentive Programs**

Incentive programs (Henderson, 1997) are initiatives by an employer to reinforce employee behaviors that lead to improved profitability. Incentive programs are designed to focus on those behaviors that have the greatest impact on profitability and follow the behavior closely to reinforce them. Some examples of the criteria that are used to stimulate specific employee behaviors that can impact profitability include: attendance, length of service, employee referrals, process improvement suggestion plans, accident frequency, productivity, product quality, and customer on-time delivery. These commonly known themes across all impact profitability, and the desired behaviors related to these themes are identified, communicated, and reinforced with monetary and non-monetary rewards.

**Metrics**

Metrics is a term used in accounting in manufacturing to describe measurable criteria (linked to costs) within the operation that can impact profitability (i.e. quality, scrap, on time delivery, etc). These metrics are tracked and monitored. Performance on these metrics will dictate whether there is the “pay-out” or issuing of the reward. This is based on the achievement against performance
threshold or the “set target” for each metric that generates a set amount of profit in order to pay for the reward.

**Motivation**

For the purposes of this research, motivation will be examined according to the following motivational theories (Schermerhorn, 1992):

- **Content Theory**: Motivation is based on personal human needs (physiological and psychological) that “activate tensions that influence attitudes and behavior in the workplace.” According to content theory, employers are challenged to create an environment that is responsive to the needs of its employees. Some examples of content theories as they relate to motivation include Maslow’s Hierarchy of Needs, Alderfer’s ERG Theory, McLellend’s Acquired Needs Theory, and Herzberg’s Two-Factor Theory.

- **Process Theory**: According to the process theories of motivation, it is the cognitive thought processes in people’s minds that influence behavior as it relates to motivation. The two main process theories that have such implications include equity theory and expectancy theory. Equity theory, as the word implies, is based on social comparison and perception of equality and fairness in the workplace: individual inputs and rewards compared with other individual’s inputs and rewards. Expectancy theory is based on the anticipation of various outcomes from effort exerted on the job (Henderson 1997).
Success

Since manufacturing is a for-profit business (with shareholders and investors), quantitative success is ultimately measured by profitability. If a business is not profitable, it will cease to exist. Companies with successful incentive programs should also be turning a profit since the measurable behaviours that impact the criteria that drive profitability are reinforced (quality, production, safety, attendance, etc). Therefore, for the purpose of this inquiry, profitable companies with current incentive programs in place are the subjects of the research.

Quantitative and Qualitative Assumptions

As mentioned above, quantitative success in business is ultimately defined by ability to sustain a profit otherwise the business would cease to exist. While qualitatively there may be some mixed responses regarding the incentive programs by the participants, an incentive program will be assumed to be effective from a quantitative standpoint if the company is in a profitable state. Reference to the quantitative success of the program will be made during the research phase within the over-all description of the program at the beginning of each interview summary.

Success of the program from a qualitative standpoint will be examined through the individual’s responses to questions regarding general motivation, understanding of the incentive program, and perception of a positive culture in the organization.
Positive Culture

Culture is defined as a learned collection of shared and inter-related activities, values, beliefs, and behaviors between members of a group of people (Schermerhorn, 1992). In a "positive" culture these activities are done so in the context of respectful relationships between hourly workers and management. It is postulated that incentive programs are an example of “inter-related activities and behaviors” and are a reflection of “shared values and beliefs.” For example, company “A” may have a set of corporate values supporting a safe workplace for its employees. Health & safety initiatives and procedures are very costly to implement for employers for the welfare of their workers. However, they are also a common component of incentive programs because accidents in the workplace also impact profitability. As such, if an incentive program is aligned with common values shared between management and employees, incentive programs should contribute to a culture of mutual respect. The degree of positive culture, as it relates to a climate of mutual respect in the context of inter-related activities, values, and beliefs, then, is one indicator that could be indicative of the impact of an incentive program.
Part 2
LITERATURE REVIEW

This review will inform the inquiry of the complexity of motivation in people. In doing so, it will refer to the inter-disciplinary dichotomy (viewing business management and managing people as separate disciplinary realms) between managing a business from quantifiable terms and managing people from a qualitative approach that challenges organizations to create a positive culture and develop effective incentive programs. This will be achieved through a reference to business theory, and motivational theories breaking down to extrinsic and intrinsic, content and process theories, and how they may impact individuals and organizations. It will expose the limitations to prescribing to any one theory exclusively and identify those theories and sources that have the most application to address the research question: What elements of employee incentive program metrics increase employee motivation and contribute to a positive culture in successful manufacturing operations?

In order to understand how the incentive programs are working in the manufacturing firm’s sampled in this study, it is necessary to refer to how they are developed. Incentive programs or “pay for performance” initiatives have been in place in various industries for decades. Starting with the economic restructuring of the Canadian economy in the late 1980’s and early 1990’s, organizations realized that competitiveness was going to hinge on changing the “I’m owed it” to an “I earned it” mentality in the workplace (Henderson, 1997). A strategy to implement this change in attitude was to reduce the fixed part of compensation packages and increase the variable parts consisting of short and
long-term incentives linked to the desired behaviours that impact profitability. In the case of this study, the challenge for manufacturers is to first identify those elements of their business (measured by metrics) that impact profit, then identify target threshold levels of these metrics (goals) that generate profit over expenses. The intent is then to identify employee behaviours and actions that can impact these metric goals (Imberman, 1998). Some examples include accident prevention and product quality. A goal may be in one manufacturing firm to have zero workplace injuries, and the dollar savings attached to zero injuries is transferred to the payout of the incentive program: the goal being to reinforce safe work behaviours as they impact profitability. Health & Safety experience (lost time injuries) then becomes a metric. With product quality, the goal may be to have a 5% scrap level of production, and when that goal is reached, it generates a certain dollar amount profit which is transferred to the incentive payout. Product quality, then, may also become a metric that is measured and tracked.

Behind these metrics are “Generally Accepted Accounting Principles” that (Meigs, 1995) apply to calculating profitability. Net income is defined as “an increase in the owner’s equity resulting from the profitable operation of the business.” The calculations used are in fact a quantitative deductive analysis: revenues minus expenses = profit = increase in equity. They are based on pure numbers generated by the business operations. Accountants must review financial statements for specific time periods and determine when revenue has exceeded expenses, and more importantly how, within the variable costs of the operations. Some of those variable costs are in fact those same metrics (as per examples above) that can also impact profit, such as scrap, accidents,
production output, absenteeism, etc. The company then identifies those behaviors that will impact those metrics, and choose some type of reward to reinforce the desired behaviours, and motivate the employees to continue the desired behaviour to improve profitability.

Having established the profit generating metrics and behaviours required, the next challenge is to address the issue of reward, which points to the complexity of the human element: motivation.

As described earlier in this paper, there are two main categories of motivation theories that apply to the workplace: content (human needs) and process (based on thought process and perception) theories.

The following table illustrates the various content and process theories of motivation. Although not all of these theories will be discussed in this review, the literature examined addresses some of the theories and their application to motivation in the workplace. When considering these, Henderson (1997) cautions: “No one model actually or completely describes why people behave the way they do, however, within each model is a seed that assists in explaining and promoting understanding of human behaviour.”

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Hurdy (1992) points out the distinction between intrinsic and extrinsic motivation when it comes to pay for performance initiatives. Specifically, when pay is directly related to task performance, “Intrinsic interest in the task itself decreases. When pay becomes the primary goal, a person's interest becomes focused on the payment rather than the performance of the task itself.” Hurdy offers a look at the “inside” of motivation, and asks such questions as: Why do people do volunteer work, raise funds for charities, or coach minor sports? The answer: behaviour that is intrinsically motivated becomes self-rewarding. Personal preferences of intrinsic motivators are based on the type of person being motivated: their individual traits and their needs.

Hurdy offers a combination of content theory with a management assessment instrument on personality traits to look closer at intrinsic motivators. Psychologist David McClelland’s Mode for success theory proposed that there are three relevant needs in work situations that differentiate people according to what motivates them: need for affiliation, need for achievement, and need for power.
Hurdy cites research conducted on Acumen International’s management assessment instrument measuring 12 different traits that show the majority of people can be classified into one of three general motivational orientations: people/security orientation, satisfaction orientation, task/security orientation. This research combined with McClelland’s theories resulted in the following matrix to predict motivating intrinsic activities for a type of person based on the orientation they match:

1. Task preferences—what types of tasks a person most prefers.
2. Project preferences—what the person prefers in projects.
3. Favored role—the person’s most favored way of interacting with co-workers (role).
4. Wants from others—what the person wants from co-workers.
5. Skill focus—what skills the person most prefers to use.

Hurdy’s claim is that once you know a person’s orientation as per above and you meet these needs, they will be motivated at work. Although substantial in theory, the utility of the above five items to stimulate intrinsic motivational needs of every person in a 500+ employee manufacturing facility would be a daunting detailed task for any management team to implement. However, in order to have people in the right positions to maximize their potential contribution to the organization, Hurdy’s points remain an important set of considerations for companies maximize the potential of their people. To address the research question, there is no arguing that intrinsic elements have a part to play. The question is how do you incorporate them into incentive programs? Is it possible?

Kohn (2002) criticizes the whole idea of incentive programs because he views them as extrinsic in nature and sees incentive programs as being synonymous with “…that outdated ideology known as behaviorism…The reality is that rewards
cannot work, at least in any significant way, because of the problems that are
inherent to the whole idea of extrinsic motivation.” Kohn argues that there have
been no long term studies to prove the effectiveness of incentive programs, and
that studies on their counter-productivity would be worthwhile ventures.

The complexity, however, (as illustrated by Hurdy and McLelland) of people’s
needs, wants, desires, and personality traits makes any such broad stoke
dangerous if any understanding is to be gained on motivating people in the
workplace, and the role incentive programs may play.

Content theories of motivation pointing to individual needs can be less complex
when one considers Maslow’s Hierarchy of Needs when applied to the
workplace. Tuel (2000) offers examples of how the workplace can meet
individual needs at the various stages:

1. Physiological Needs: A pay cheque to provide housing and food
2. Safety Needs: A safe work environment where there is no threat of injury
3. Belonging (Social) Needs: A peer group and camaraderie, part of a team
4. Self –Esteem Needs: Satisfaction and pride from completion of tasks and a
job well done
5. Self Actualization: In the work context, one has mastered a trade or vocation
to the point of total satisfaction and fulfillment from the job

Safety needs and belonging (social) needs could be impacted by the company
through an investment in creating a “safety culture” and the establishment of
work teams and social committees. Self-esteem and self actualization are,
however, shaped by needs and traits of the motivational orientation and
disposition of the individual, as previously described by Hurdy. While intrinsic
motivation is important on the individual level, incentive programs can only focus
on those elements that an employer can influence en-masse.
Grimes (2004) describes another content theory with respect to motivation: Herzberg’s Two-Factor Theory. This theory states that there are “dissatisfiers” (hygiene factors related to the context of the work) and satisfiers (motivators based on the actual work itself). Grimes describes hygiene factors as being synonymous with basic (animal) needs, such as “salary, supervision, working conditions, and interpersonal relations” and motivators/satisfiers (human needs) consistent with “work, recognition, responsibility, and advancement.” According to Herzberg, unsatisfied hygiene factors can be de-motivating, and satisfied ones do not have a motivating impact beyond the basic (animal) needs. Examples cited of hygiene factors include:

- Long hours vs. shorter work week
- Low wages vs. good wages
- Poor Communication between staff and management vs. good communication
- Few fringe benefits vs. good benefits package
- Unpleasant/unsafe working conditions vs. good working conditions

Herzberg may view incentive programs as a hygiene factor when considered as a fringe benefit. However, one could also argue that if one ties non-monetary reward such as recognition, increased responsibility, and advancement in an incentive program, it could be a motivator/satisfier (depending on the individual).

This informs this inquiry that when applying Herzberg's ideas to incentive programs, one must consider the more non-monetary rewards and recognition in order for the program to impact beyond basic (animal) needs. Incentive programs then, depending on the reward, could be viewed as either a hygiene (extrinsic) or motivational (intrinsic) factor according to Herzberg. While the link between the non-monetary incentive and intrinsic motivators appears to be close (i.e.
recognition for someone who is intrinsically motivated by recognition) it is not possible to view it as such *carte blanche* according Herzberg, since non-monetary incentives could also be viewed in the extrinsic realm.

**Process theories** on the other hand focus on the cognitive processes behind motivation. Vroom’s expectancy theory (DeJonge, 2004) starts with an employee’s individual personality, knowledge, skills, experience, and abilities that impact performance. The theory purports that people have individual goals and can be motivated if they believe:

1. There is a positive correlation between efforts and performance
2. Favourable performance will result in a desired reward
3. The reward will satisfy an important need
4. The desire to satisfy the need is strong enough to make the effort worthwhile

Vroom’s expectancy theory is based on three beliefs:

1. Valence: How much the individual values certain outcomes from their effort, both extrinsic (money) and intrinsic (recognition)
2. Expectancy: The level of task performance expected as a result of effort
3. Instrumentality: The likelihood that the effort put forth on task performance will produce the expected outcomes

DeJonge describes Vroom’s theory:

> “An employee’s beliefs about expectancy, instrumentality, and valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoid pain. This force can be calculated via the following formula:

\[
\text{Motivation} = \text{Valence} \times \text{Expectancy} \times \text{Instrumentality}
\]

This formula can be used to indicate and predict such things as job satisfaction, occupational choice, the likelihood of staying in a job, and the effort one might expend at work.”
It is also interesting to note that while Vroom’s is a process theory, it still has grounding in personal needs, and that individuals are motivated to meet their needs to the degree that “The desire to satisfy the need is strong enough to make the effort worthwhile”. Also notable is that valence includes both the intrinsic and extrinsic motivators together while content theories keep them distinct i.e. Herzberg hygiene (extrinsic) vs. motivators (intrinsic). Vroom’s main point is that every individual is different, and some may place higher value on extrinsic or intrinsic outcomes than others. What also distinguishes his theory from content theory is the interaction between expectancy and instrumentality, and the thought processes that these imply on the part of the individual. While Herzberg classifies certain outcomes as applicable to certain needs (hygiene or motivational), Vroom allows the individual to establish the value of the outcome (valence) against the probability that their efforts will achieve it (Is it worth the effort?).

The importance of valence regarding incentive programs appears to be central to their success, that is, an individual must place value on the rewards (outcomes) the incentive program offers. These outcomes are extrinsic in nature. Since most incentive program rewards are monetary in nature, it would appear there could be more utility in applying Vroom’s theory to incentive programs because it involves the perception of value of the reward on the part of the employee. The role of valence will be re-visited again in the study’s research discussion and conclusions.

Because the concept of Vroom’s valence is not only about monetary incentives, the importance of non-monetary tangible incentives must also be considered.
Jeffrey (2004) identifies four psychological processes that directly affect the perceived value of the reward (evaluability and separability) and those that increase the value of earning the reward (justifiability and social reinforcement), because the awards are earned rather than purchased. Evaluability involves the “affective reaction” to the incentive that can influence the perceived value of the reward. According to Jeffrey, “The participant’s affective reaction to the award substitutes for its predicted utility. Non-cash Incentives have evaluability, meaning they:

- Capitalize on affective reactions to the award
- Increase the utility value of the award and its significance

This “affective reaction” relates to Vroom’s concept of valence: how much value one puts on the reward. As one thinks about a new barbecue, for example, images of a thick sizzling steak or garlic shrimp kebabs and afternoon barbecues with friends can impact the value one may have on a new barbecue as a reward. Jeffrey describes separability as an exercise of “mental accounting” where people mentally group items of like value together, for example cash income. Jeffrey argues that a cash incentive gets lumped into over-all employment income and as a bonus for extra effort does not distinguish itself from over-all employment earnings. Jeffrey describes: “Non-cash incentives are usually consumed less frequently; they are separated into smaller, more specific mental accounts (e.g., Travel, Entertainment), etc. In these cases, the award has separability — it is not aggregated with other compensation. “Non-cash incentives have separability, meaning individuals:

- Separate the award from other compensation
- Make the award unique, the performance stand out
Jeffery links justifiability with cognitive dissonance theory (Griffon, 1997), in that if someone works very hard for a reward, they will justify that the award was worth the effort. Justifiability also views non-cash rewards as items they would not otherwise warrant purchasing, for example, the fancy gas barbecue. Perhaps the person’s current barbecue is adequate, but does not have all the “extras”. Although they would not justify a cash purchase of a new barbecue, it is appealing as something they could earn through extra effort: “Hard work thus becomes an attractive way to acquire something that was not justifiable otherwise. Earning the non-cash incentive carries more value than earning the market value of the incentive in cash.” According to Jeffrey, non-cash incentives:

- Allow the participant to justify the consumption of the award
- Motivate the participant to achieve and be awarded with something more difficult to obtain through purchase.”

Lastly, Jeffrey views social reinforcement from co-workers and peers resulting from good performance as increasing value of non-monetary incentives. Sharing information on cash earned is less socially acceptable than talking about a new barbecue. Jeffrey also refers to “trophy value” of non-cash rewards. Every time the person cooks on the new barbecue or has guests that see it, they are reminded of the good work performance. It remains a visible link to the company that provided it, whereas a purchase made by cash has less direct connection to the performance and the company. “Non-cash incentives offer social reinforcement, meaning they:

- Increase the value of non-cash incentives through trophy value
- Acknowledge the link between the award and the company
Missing from Jeffrey’s analysis is the reference to the intrinsic reward. While Herzberg refers to added responsibility or advancement as motivators (intrinsic), Jeffery’s reference to social reinforcement is viewed as the tangible (extrinsic) reward (trophy value).

While identifying intrinsic motivation as an important element in workplace performance, the intrinsic link to incentive programs remains obscured. Hurdy states that intrinsically motivated behaviour is self-rewarding. While Vroom groups intrinsic and extrinsic motivation together, the literature appears to be placing the whole concept of incentive programs in the extrinsic realm. If an incentive reward is viewed as an external reward, not an internal one, then companies are challenged to create intrinsically motivated behaviours that are linked to profit generating activities using incentive programs.

Kohn (1987) argues that creating this link is impossible, and that intrinsically motivated behaviours will actually diminish if they begin to be rewarded extrinsically. But in the same article Kohn also cites:

Kenneth McGraw, associate professor of psychology at the University of Mississippi, cautions that this does not mean behaviorism itself has been invalidated. "The basic principles of reinforcement and rewards certainly work, but in a restricted context" -- restricted, that is, to tasks that are not especially interesting.

Does this imply that in a manufacturing environment repetitive tasks that do not involve much intrinsic reward can in fact be extrinsically motivated?

One sample study “Incentives, Motivation and Workplace Performance: Research & Best Practices” (Clark, 2004) summarized that if selected,
implemented, and monitored correctly, incentive programs, with awards in the form of money or tangible awards,—increased performance by an average of 22 percent, and team incentives can increase performance by as much as 44 percent, longer term programs out perform shorter term programs by 30 percent. However, 98 percent of survey participants complained about the program’s implementation.

The fact that 98% of the survey complained about the program’s implementation points to the issue of diversity in individual intrinsic motivation as explained earlier by Hurdy and argued by Kohn. It appears that incentive programs, no matter how well implemented and structured, are not going to motivate everyone all of the time.

For the purpose of this research, incentive programs will be viewed as extrinsic motivators (monetary and non-monetary). This assertion, however, will prove to be challenged by the responses by one of the companies studied and will be examined in the research phase. As such it remains important to bear in mind all aspects of motivational theory when considering incentive programs. Content theories with a reference to employee needs and process theories based on the cognitive processes of the individual both have a part to play in human behaviour that can be impacted by incentive programs. While intrinsic and extrinsic rewards can both be considered to be individualized, extrinsic rewards are something a company can attempt to control and offer to the masses through an incentive program. The variety of motivational theories reminds us again that there is not one single view of motivation that can be applied to all situations with respect to incentive programs and human behaviour.
As we move to the research phase of this study, it is important to relate the literature review back to the original inquiry of this research: **What elements of employee incentive program metrics increase employee motivation and contribute to a positive culture in successful manufacturing operations?**

Employee incentive program metrics are measurements of those activities within the manufacturing operation that are impacted by employees and also impact profit. Employee motivation is dependent on the individuals’ traits, likes, dislikes, and preferences. It is also dependent on the degree to which their personal needs are met in the workplace from a content perspective and their perception of how work meets their needs from a process/valance (is it worth the effort?) perspective. By engaging employees in activities with a common goal and purpose, the creation of a positive culture could be a likely outcome through incentive programs. The challenge of initiating a program to the masses that would be potentially motivating to all now appears to be a highly challenging task that is facing companies today.

**Part 3: Research Phase**

The research phase began with an invitation to the 600 Ontario manufacturing companies listed in the Excellence in Manufacturing Consortium database. These companies were all contacted by letters of invitation and information (See Appendix 2, 3) to indicate their interest to be possibly selected to participate in a study on incentive programs in the industrial workplace. Organizations who meet each of the following criteria were asked to submit their names as possible participants:

1. Have existing incentive programs in place
1. Are currently in a profitable state
2. Considered to have a positive organizational culture

Individuals in the organizations who were identified to participate in the research interview activities included:

- The company’s designated person who was identified by the company Sr. management contact as the person responsible for managing the financial aspect of the incentive program. In some cases this was the controller or chief financial officer, or a manager involved in production.
- The Sr. management representative was to provide the researcher with an employee list of middle management and hourly employees. The researcher randomly selected one middle management and one hourly production employee to participate in interviews from this list. This process was conducted with the five participating companies.

Eleven manufacturing companies in Ontario responded to the invitation from which five were randomly selected by the researcher.

Each participating company has been given a letter for the company name (i.e. Company “A”). The results of the interviews with the three people for each organization are described below for each company. The questions asked of each person can be found in Appendix 4.

This summary will describe the various incentive program metrics in place in the sample organizations. This will include a brief summary of the subjects interviewed and findings from the interviews from a quantitative and qualitative perspective according to the quantitative and qualitative assumptions as per page 6 in the literature review.

**Company A**

Company A is a manufacturer in Ontario with approximately 140 employees. The president of the company met with the researcher as the senior financial representative. This company is not unionized.
This company has a very simple incentive program based on net company profit before taxes. It is a quarterly pay-out to all employees (managers and hourly) employees of an undisclosed fixed percentage of net company profit with adjustments made for attendance. Historically, the two main business owners decided that if the company was profitable and sustainable, this profit would be shared with employees. Due to this sector of manufacturing with a heavy labour component, the manufacturer wanted to secure customers with lower costs up front (requiring lower costs including wages to produce the product), with the profit sharing as an addition to the compensation for employees.

An employee’s absenteeism results in a 10% deduction of their portion of the profit sharing for each day absent, and their portion goes back into the profit sharing pool for the rest of the employees. Attendance is assumed to impact productivity, due to issues of having in-experienced people as temporary replacements. However, no official accounting calculation was made to arrive at the 10% per day deduction for attendance. This amount was selected randomly.

No other metrics exist for this incentive program. However, it was noted that the areas that impact the profit sharing are reinforced informally by the owners, managers, and lead hands. Some examples of this include that the owner does believe that the profit sharing works from a quantifiable perspective because that they continue to be profitable, and they receive positive feedback from employees on the program. Further to this, the behaviors that drive the profit sharing that are informally reinforced through communication are scrap, waste, quality, and safe working behaviours. They are educated through regular
communication meetings how their work habits impact the product and the profitability of the company. These, however, are not broken down into individual metrics and tracked as such, like other programs that exist. Interviews for company A took place in a vacant office space in the administration area of the building. The following is a summary of the interviews in reference to the three sections of the interview form referring to general motivation, incentive program understanding, and positive culture.

Company “A” Management Employee Interview

General Motivation
This individual is a supervisor on the manufacturing floor. This person looks forward to coming to work every day, and enjoys their job, and the high level of trust and communication that exists between employees. This person states that job satisfaction comes from the feeling of accomplishment of completing their tasks, and interacting with co-workers. This response challenges the earlier assertion that the employee’s studied can only be externally motivated by the incentive programs.

Incentive Program
This person is aware of the incentive program, and has received quarterly cash payouts as a result of it. What motivates this person about the incentive program is the reward for producing the most products with the highest quality. This person feels motivated by the program and tries to motivate others. This person is happy with the program and would not change it.

Positive Culture
This person does not participate on any teams or committees, as they state they do not have the time. This person feels like they a part of a team and that there is a “family” atmosphere, and views co-workers as brothers and sisters. This person feels that management cares about their issues and concerns, as when there are issues they listen and follow-up. This person describes the overall relationships between management and hourly as harmonious, as they state they all get along through constant dialogue.

**Company “A” Hourly Employee Interview**

**General Motivation**

This person states they look forward to coming to work everyday. Sometimes they enjoy their work, other times not depending on the task. However, this person states they are generally happy and satisfied in their work. They state they feel satisfied with a feeling of accomplishment at the end of their working day. They described that sometimes their tasks are difficult (moving product from one hopper to another), but like their job just the same.

**Incentive Program**

This person is aware of the incentive program in place and has received “profit cheques”. This person is very pleased with it, and states it is the first company this person has worked for where they have received extra money from such a program it. This person feels motivated by the incentive program, however states that sometimes the quarterly reward payout is given to the employees one to three weeks after the date it was supposed to have been issued. As such this is an example of an employee complaint of a program’s implementation.
Positive Culture

This person does not participate on any teams or committees, because they stated that they do not have the time. This person states that they feel that they contribute to a team of individuals that communicate well, and work hard together to achieve common goals. This person states that they believe that most managers care about their concerns by being available to listen to employees concerns and act on them. However, this person also feels that there are some that do not. This person feels generally over-all that relationships are harmonious with management, and that there is not much friction evident between management and employees that would indicate otherwise.

It is interesting to note that despite the simplicity of this program and the lack of formal metrics, it appears to be working from a quantifiable perspective since the company continues to be profitable. From a qualitative perspective the program appears to be motivating those employees interviewed. The fact that one employee interviewed stated that it is sometimes paid late is could imply that the reinforcement aspect of the program is most effective when it is paid on time on a predictable basis. However, Fall (1998, et. al, as quoted in Wieten, et. al, 2007) states that “intermittent reinforcement makes a response more resistant to extinction than continuous reinforcement.” This implies that even when the payout is issued late, it would still reinforce the behaviours intended according to intermittent reinforcement effect theory. Nevertheless, because the incentive pay is late being issued on occasion, it does not necessarily mean it is intermittent reinforcement taking place.
Company B

Company B is a company with approximately 50 employees, and is non-union. The researcher met with the facility Operations Manager who also performs the duties of Sr Financial representative for the purposes of this study. Company B has three different incentive programs entitled: Operating Income, Gross Earnings, and Parts Sales. The intention is to have all employees on some kind of incentive program where their job function is directly linked to the business activities that impact the incentive. Employees can only be on one of these programs. Monthly staff meetings are the forum for which the progress of the company on these programs are reviewed and communicated with the entire staff group.

The Operating Income program is for salary and management employees. The incentive is up to an annual maximum of 20% of the participant’s annual base salary. This program pays the participant a quarterly cash payout based upon a combination of the company’s operating profit performance as a percentage of the current quarterly budgeted expenses, adjusted by the individual’s job performance.

Actual operating profit dollars at the end of the quarter are compared to the pre-determined budgeted amount, which is based on historical performance and projected growth. When the company meets 100% of the pre-determined budgeted amount, the money available provides the program with the cash pool from which the incentive is issued, and the individual award adjustment factor determines how much the employee receives of their potential portion.
For every percentage point over the budgeted plan, the incentive payment is increased by one and one quarter percentage point. For every percentage point below the pre-determined budgeted amount, the incentive payment pool will be reduced by ten percentage points until zero is reached, which would result in no cash pool from which to issue the incentive payout.

Individual performance is rated as an “adjustment factor” that determines the amount of the possible incentive they receive. Individual performance is rated by management and is assessed on a bi-annual basis as per the employee appraisal template and action plan examples in appendix 1. Figure 1 demonstrates how the incentive adjustment factor corresponds with the level of employee performance.

<table>
<thead>
<tr>
<th>Definition</th>
<th>Award Adjustment Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unacceptable performance.</td>
<td>No Bonus</td>
</tr>
<tr>
<td>Immediate corrective action is</td>
<td>.250</td>
</tr>
<tr>
<td>required if the individual is to</td>
<td></td>
</tr>
<tr>
<td>remain in the assignment.</td>
<td>.500</td>
</tr>
<tr>
<td>Inadequate performance – rapid</td>
<td>.625</td>
</tr>
<tr>
<td>improvement essential.</td>
<td>750</td>
</tr>
<tr>
<td>Performance is less than is</td>
<td>.875</td>
</tr>
<tr>
<td>required of the position and</td>
<td>1.00</td>
</tr>
<tr>
<td>shows need of improvement –</td>
<td>1.125</td>
</tr>
<tr>
<td>marginal performance.</td>
<td>1.250</td>
</tr>
<tr>
<td>Performance meets the standard</td>
<td>1.375</td>
</tr>
<tr>
<td>requirements of the position</td>
<td>1.500</td>
</tr>
<tr>
<td>and reflects good progress</td>
<td>1.750</td>
</tr>
<tr>
<td>towards achieving principal</td>
<td>2.000</td>
</tr>
<tr>
<td>objectives.</td>
<td></td>
</tr>
<tr>
<td>Performance noticeably exceeds</td>
<td></td>
</tr>
<tr>
<td>the requirements of the position</td>
<td></td>
</tr>
<tr>
<td>and expectations of the</td>
<td></td>
</tr>
<tr>
<td>supervisor.</td>
<td></td>
</tr>
<tr>
<td>Performance far exceeds the</td>
<td></td>
</tr>
<tr>
<td>requirements of the position</td>
<td></td>
</tr>
<tr>
<td>and expectations of the</td>
<td></td>
</tr>
<tr>
<td>supervisor.</td>
<td></td>
</tr>
<tr>
<td>Outstanding performance of</td>
<td></td>
</tr>
<tr>
<td>unusual proportion.</td>
<td></td>
</tr>
</tbody>
</table>

The award adjustment factor represents the amount of the available dollars to the individual that they are entitled to from the pool. The award adjustment factor of 2.0 represents 100% of the employee’s available portion.
The level of performance is determined through a performance management process following a Performance Appraisal template that then leads to an Action Plan mutually agreed to by the employee, based on employee skills that are determined to be current competencies, and those skills that are determined to be developmental (See Appendix 1). The level of performance that dictates the award adjustment factor is determined by the achievement of goals and objectives identified in the employee’s individual action plan.

This program has been in place for 7 years.

The **Gross Earnings** program is for hourly employees and those employees involved in manufacturing the product (production and engineering). It was designed this way so those people building and designing the machinery can have a direct impact on results. These employees can earn an extra 5% of their gross earnings for actual hours worked in the given quarter (total of 20% over the year). This is only paid if the company achieves 100% of the pre-described gross earnings target. These actual target numbers are communicated openly to employees and reviewed at their monthly staff meetings.

Monthly communications meetings with all employees are facilitated by the operations manager, where they communicate current company performance results and identify opportunities where employees may have the opportunity to impact performance. For example, if labour hours are beginning to go over the pre-determined budget for production, or if there has been product quality issues communicated back from the customer, employees can determine any corrective action to put into place to correct the trend that is emerging before the end of the quarter that dictates the gross earnings for the quarter. While not identified as
specific metrics individually, factors that impact company gross earnings include quality, labour hours, on time delivery, workplace injuries, etc, which are all factors that can be impacted by the behaviours and employee performance on the job. These are communicated and reviewed on an ongoing basis by production team leaders, and at the monthly staff communication meetings described above. This program has been in place for 3 years.

The Parts Sales program applies to one person who sells aftermarket parts for the machinery that the company produces. This person makes a commission on parts that they sell in addition to their salary on all sales. Figure 2 demonstrates how the award is calculated on amount of sales measured against the aftermarket budgeted sales projection, which is calculated as the consolidated performance factor (CPF). In this example below, it demonstrates how the amount of sales commission increases with the amount of parts sold, ranging from under $75,000 giving no commission to sales of $275,000 and over providing $12.00 for every $1000 sold (over 5%). The calculated payout reward in this quarterly example is $5410.14.
Figure 2:

**Aftermarket Incentive Program Example**

*Based on Actual Orders Recorded.*

<table>
<thead>
<tr>
<th></th>
<th>Parts</th>
<th>R&amp;C</th>
<th>R&amp;C (2X)**</th>
<th>Chg. Parts</th>
<th>Service</th>
<th>Service (2X)**</th>
<th>Total (2X)</th>
<th>IBC*</th>
<th>Award</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aftermarket Budget:</strong></td>
<td>$1,437,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Actual Orders:</strong></td>
<td>$1,066,158</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consol. Performance Factor (CPF):</strong></td>
<td><strong>74.19%</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Parts</th>
<th>R&amp;C</th>
<th>R&amp;C (2X)**</th>
<th>Chg. Parts</th>
<th>Service</th>
<th>Service (2X)**</th>
<th>Total (2X)</th>
<th>IBC*</th>
<th>Award</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$275,000 or More</strong></td>
<td>$12 per $1,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$200,000-$274,999</td>
<td>$10 per $1,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>89,511</td>
<td>56,700</td>
<td>56,700</td>
<td>16,750</td>
<td>16,750</td>
<td>236,411</td>
<td>2,364,11</td>
<td>1,754.01</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>100,620</td>
<td>26,931</td>
<td>26,931</td>
<td>44,836</td>
<td>17,085</td>
<td>233,488</td>
<td>2,334.88</td>
<td>1,732.33</td>
<td></td>
</tr>
<tr>
<td><strong>$150,000-$199,999</strong></td>
<td><strong>$9 per $1,000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>63,782</td>
<td>7,595</td>
<td>7,595</td>
<td>42,166</td>
<td>1,304</td>
<td>123,746</td>
<td>989.97</td>
<td>734.49</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>126,745</td>
<td>1,645</td>
<td>1,645</td>
<td>0</td>
<td>0</td>
<td>130,035</td>
<td>1,040.28</td>
<td>771.82</td>
<td></td>
</tr>
<tr>
<td><strong>$100,000-$149,999</strong></td>
<td><strong>$8 per $1,000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E</td>
<td>76,443</td>
<td>-705</td>
<td>-705</td>
<td>32,549</td>
<td>-13,598</td>
<td>-13,598</td>
<td>80,386</td>
<td>562.71</td>
<td>417.49</td>
</tr>
<tr>
<td><strong>$75,000-$99,999</strong></td>
<td><strong>$7 per $1,000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under $75,000</td>
<td><strong>$0 per $1,000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>71,596</td>
<td>1,333</td>
<td>1,333</td>
<td>0</td>
<td>-2,919</td>
<td>-2,919</td>
<td>68,424</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>TOTAL:</td>
<td>528,697</td>
<td>93,499</td>
<td>93,499</td>
<td>119,551</td>
<td>18,622</td>
<td>18,622</td>
<td>872,490</td>
<td>7,291.94</td>
<td>5,410.14</td>
</tr>
</tbody>
</table>
From a quantifiable accounting perspective the operating income, gross earnings, and parts sales performance appear effective since their operating budgets and profitability continues to remain on target. The subject interviewed commented, however, that it is questionable that if they took the program away whether it would impact employee performance. What this implies is that although the program is well integrated into the business activities of the company, this interview subject was of the opinion that they are not totally convinced that from a qualitative perspective the program is really effective. They view it as a “nice to have”, but they view people in the company (themselves included) as being highly motivated by the interesting nature of the business, the products they sell, and the customers they deal with.

Company B Management Employee Interview

General Motivation

This person looks forward to coming to work everyday. This person feels there is a positive, friendly team environment. They enjoy the close relationships they have developed with co-workers through consistent communication and an established level of trust that has developed over time. This person enjoys their work and the variety of work every day. This person has a feeling of satisfaction with their work from overcoming challenges and accomplishing complex tasks with timelines. They feel they contribute positively to the company and find it rewarding helping others in as part of the job.

Incentive Program
This person is aware of the incentive program and participates in the Operating Income program. This person has received quarterly payout rewards through the program. This person is motivated by the monetary reward of the program, and feels good when targets are met as a result of their work efforts to generate the incentive payout. This person would change the incentive program to one incentive program throughout the whole company. They feel this would create a common goal, and prevent people from competing against each other and create a better team atmosphere. For example, the different programs have created situations where employees who are one program may focus on different activities to drive the incentive. Such as: the operating income program focuses on quality, but the gross earnings incentive relates to over-all income. There could be a situation where the individual on the gross earnings program simply wants the product to go to the customer and get it paid for and on the books, whereas, however, if it returns for re-work, it impacts the operating income program.

**Positive Culture**

This person has participated on extra-curricular teams and committees and does participate in social events. This person feels that there is a sense of common purpose between workers, combined with close bond of trust that resembles a “family” atmosphere. They feel that management does have a genuine concern about the welfare of their employees, and they demonstrate this by being flexible to accommodate employees should situations in their personal lives require the
employer to be flexible (child-care drop-off times, illness, Dr Apts., etc). This person states that they always get a thank-you for a job well done. They feel that management-employee relations are harmonious, as they take the time to communicate and listen well to resolve conflict when it occurs.

**Company B Hourly Employee Interview**

**General Motivation**

This person is a manufacturing assembler on the shop floor. They are required to follow engineering blueprints and assemble complex machinery, managing raw material supply from the stock room and staging steps in the process to final job completion. They are required to do this while meeting deadlines and final delivery dates to the customer. This person looks forward to coming to work everyday and enjoys the assembly work. This person enjoys the challenges everyday, and states they are happy and satisfied in their work. This person enjoys the satisfaction of completing a complex job on time and right the first time.

**Incentive Program**

This person is aware of the incentive program in their workplace, and they participate in the gross earnings program. This is the program that was designed so those people building and designing the machinery can have a direct impact on results by working efficiently, safely, and meeting delivery schedules. Employees can earn an extra 5% of their gross earnings for actual hours worked in the given quarter (total of 20% over the year). This is only paid if the company
achieves 100% of the pre-described gross earnings target. These actual target numbers are communicated openly to employees and reviewed at their monthly staff meetings.

This person has received the rewards through the program. This person states that they are not sure exactly how it is determined, but is made aware when they “made budget” with production. “Making budget” refers to completing the job with in the allocated expenses of labour and parts for the given product and time period, which in turn qualifies for the budgeted incentive.

While working, this person does not really think about the incentive program or feel motivated by it. They go about their job pre-occupied with the job itself, and does not consider the incentive program while working. They are happy to receive the bonus cheque when it happens, but the program does not necessarily motivate them itself. This point will be explored further in the analysis portion of the paper. This person would change the incentive from % of earnings to a flat rate for all. They feel this would be more equal since some people have a higher level of earnings than others and as such receive a higher bonus since it is based on percent of earnings

**Positive Culture**

This manufacturing assembler participates on a safety committee. They feel that they are a member of a strong team that works well and communicates effectively together to resolve issues and challenges with their work as they arise. They feel management cares about issues and concerns to a certain
degree, however feels management could deliver for financial resources to support the changes they want to see on the floor (for example, lean manufacturing methods that require some capital investment to initiate). This person feels the relationship between management and employees as harmonious for the most part, with a few exceptions that create some tension at times created by what appears to be personality conflicts between certain employees and certain management personnel.

One interesting aspect of this company’s programs is while they attempt to provide three different incentive programs to reinforce the desired behaviors in the different aspects of the business that can drive profit, both subjects interviewed stated that they would prefer one over-all program. Despite this, the programs appear to be successful from a quantifiable perspective since the company continues to be profitable and continues to achieve the pre-determined budgets that are set to maintain profitability of the company as well as sustain the incentive program. For example, gross earnings after expenses continue to meet the pre-determined levels to sustain profitability and the incentive program, and operating income levels continue to meet the pre-determined levels to sustain profitability and the incentive program.

Although both employees reflect a positive culture, this company is subjectively attempting to reward engagement in the business as best they can. This is possibly a weakness in the program since both subjects feel the program should change, and two of the subjects do not consider the program as a motivator.
itself. As such, from a qualitative perspective, this program has some opportunities to be more effective since there is no total “buy-in” from the employees in perceiving the program to be a motivator in their behaviour. The employee’s suggestions of creating one program for all may be a place to start improving the incentive program.

**Company C**

Company C is a manufacturer with approximately 320 employees and is non-union. This company has an incentive program that pays out a quarterly monetary reward based on the company performance on pre-described criteria (metrics) that impact profit. This manufacturer is unique in the type of products they make and the variables in place that impact their profitability.

This company creates a base pool of $200,000 used annually for the purpose of the quarterly incentive payout, and each metric is weighted in value of achievement adding up to 100% of the possible $200,000 that is shared between the employees. A % target is set for each weighted metric which determines the monetary payout depending on performance (see numbered items below).

The subject interviewed for this study is the Quality Manager of the facility and oversees the program, and was the best resource for the purpose of this study. This person was not aware of the logic behind the $200,000 number and states that it appears to be arbitrary and historic in nature (have used that number over the past three years). This pay-out is for all production employees. There is a separate management incentive payout called Managers 10% Bonus Program for business unit leaders.
The program is designed to combine the company’s core functions into one measurement while also being able to analyze the measurement of specific data. Targets are set that can drive profit and are increased incrementally by quarter to stimulate improvement. Each of the metrics below contributes a weighing factor towards a total of 100% of the total possible payout. The metrics are as follows:

1. **Throughput**: total labour hours per pound of product. This target is set based on previous year’s throughput levels. Weighing factor 15.
2. **On time delivery**: % of on time delivery to customer. The first quarter target starts where the previous year left off, and increases by quarter (i.e. Q1: 90%, Q2: 92%, Q3: 94%, etc). Weighing factor 10.
3. **Absenteeism**: Assumption of cost of absenteeism but not formally calculated. Target is 2%. Weighing factor 10.
4. **Safety**: # of recordable incidents per 200000 labour hours. Cost of safety is not formally broken down to drive incentive, but quarterly targets progress: Q1: 18, Q2: 16, Q3: 14, etc. Weighing factor 15.
5. **Parts per million returns**: total pounds of product rejected vs. total pounds shipped. Target set based on previous years returns. Weighing factor 10.
6. **First Pass Yield**: Successful batches of product mixed vs. product batches on hold. Weighing factor 10.
7. **Cost of Scrap**: Total scrap cost vs. pounds of product shipped. Target set by previous year’s scrap levels divided by 2, divided by budgeted pounds shipped for upcoming year. This target is reviewed and revised by technical team. For example, one target is to decrease % of scrap from .15% from previous year (<15%). Weighing factor 10.
8. **Re-work**: (Re-work is product that is produced, but must be modified to meet customer specifications) % of re-work vs. produced product target set. Weighing factor 10.

An example is that one quarter total possible pay-out is $50,000 ($200,000 annual pot divided by 4). The above metrics are given a percentage based on achievement of the weighing factor that then calculates the pay-out. For example, consider the Workplace Organization metric above. If the workplace organization target (5S program audit score) is 100%, and they only achieve 80%
of the target, then only 80% of that weighing factor can be applied to the total incentive payout. In this case, the metric weighing factor is 10. That means for this metric (workplace organization) only 8 of the weighing factor of 10 is applied toward the total possible pay out, in combination to the weighing factors achieved with the other metrics. The total payout is then divided among the hourly employees.

The Managers 10% program is a bonus of up to 10% of base salary paid annually. 5% is based on achieving financial objectives of the manager's department based on past performance combined with planned improvements and current market conditions. The other 5% is based on a year end ratio of total number of personal objectives set and objectives achieved. This is not linked to the incentive program for hourly employees.

From a quantifiable perspective, these programs appear to be successful since the company remains very profitable over expenses, and costs related to the metrics continue to decline annually.

Company C Hourly Employee Interview

General Motivation

This employee looks forward to coming to work every day. They describe their job as active and busy, and they feel productive. They like having their level of responsibility on their job and this person states that they are happy and satisfied in their work. They attribute their satisfaction to largely due to the team
atmosphere that exists: open communication between him and co-workers, and a sense of being with a group that works together toward a common goal to do their best.

**Incentive Program**

This person is aware of the incentive program in the workplace, and has received rewards through the program. They understand that they received the reward for meeting goals, and were proud to talk about their own perfect attendance. The aspect that motivates them about the program is that “it pushes you to always find ways to improve and do your job better.” However, they only feel somewhat motivated by the program, as they state they are committed to the job itself and they would be just as committed if there were no program. They state sometimes the program is confusing and hard to understand, and that the over-all results are not consistent with the efforts put forth. They would change the nature of the program to put more emphasis on attendance as there are still many who are chronically absent, and have the improvement goals change every year vs. every quarter. This person expressed frustration from improvement goals increasing every quarter as they feel that one works hard to meet an objective, and as soon it is met, there is a new objective the following quarter that is even higher, and this cycle continues. This person does not feel that the incentive program reinforces their efforts enough to continue pushing to higher goals every quarter.

**Positive Culture**
This person does not participate on any extra-curricular company teams or committees but would if requested to do so. They feel that they are part of a close group of people working toward a common goal to make the company successful, and in doing so they state they themselves are successful. This person states that everyone is always willing to help each other. They feel that management only cares about issues and concerns with employees if the issue is important to management as well. He does describe the relationship between management and hourly employees as harmonious, and they treat people fair. This person feels that management is too lenient at times with many employees who have chronic absenteeism, and their progressive discipline policy should be able to “get rid of those more quickly that are not committed to work.”

**Company C Management Employee**

**General Motivation**

This management employee looks forward to coming into work every day and enjoys the challenges that come with managing one of the business units in the company. They state that they enjoy their work, and like the ownership and responsibility to get things done. They state they are very happy and satisfied with their work. This person is new to the position, and is highly motivated to succeed in their new role.

**Incentive Program**

This person is aware of the management 10% program in place, but has not yet received a reward from this program as they are new to the position and it is an
annual pay-out at year-end. What motivates them most about the program is that because they manage their own department, they can directly affect their own department’s results that can impact the potential 5% of the 10% payout that is based on achieving financial objectives of the department. What they dislike is the annual aspect of the pay-out, and feels it should be quarterly. They are unsure if the program makes much difference in his motivation, as they are highly motivated because they are new to the position. But this person also states that the program it does make you strive harder for results. This person feels that the full 10% program should be weighted on what they can control directly in their department vs. other objectives that may change or may be un-attainable due to conditions beyond their control. (For example, a performance objective might be to complete set modules of computer training, but might not be completed due to illness or need to be on other production related tasks).

Positive Culture
This person does not participate on any extra-curricular committees or teams, as they say they do not have the time. They do consider themselves to be a part of a team, and considers themselves to be the coach of the team. They feel that upper management cares about issues and concerns better than in the past, and that there have been changes in upper management over the recent years for the better. Communication has improved from upper management, and input is now solicited from all management levels in the strategic management of the business. These are elements that were not in place to the same degree as the past. They view the level of harmony between hourly and management however
as still needing improvement, and the level of harmony between upper management and middle management as better, while with some improvement opportunities apparent, is optimistic with the momentum that has recently begun.

It is interesting to note that the $200,000 “pot” is an arbitrary number that has not increased over the past three years despite the fact that costs related to the metrics continue to decline. For example, if the profit margins get wider with decreasing costs, the employer has an opportunity to increase the incentive “pot”. This company has not done so in the past three years.

On the other hand, both employees interviewed feel that they would be just as motivated to work if there were no incentive program at all. Both feel that an equal quarterly payout for all employees would be more rewarding. A higher emphasis on individual attendance was suggested along with weighing emphasis on certain metrics more strategically per employee. There was some resentment apparent from one employee that attendance was not enforced strictly enough, and individual employees were not personally held accountable enough for their own personal behaviour that they can control (i.e. absenteeism) that can subsequently impact the incentive pay-out.

Culturally, the hourly employees note that management employees are better than in the past, but opportunities remain for improvement. This was described as the management team having gone through changes and subsequent improvements culturally are still in development. Employees are now informed more frequently about company performance and the nature of the business in
the marketplace than in the past. Management is more accessible and
employees are involved in changes that are made in areas of their production.
From a qualitative perspective, it is apparent that this program is experiencing
some challenges in becoming a key motivator for their employees and
contributing to a positive culture, since both employees interviewed are motivated
regardless of the program. Both employees interviewed appeared motivated by
the jobs they perform in of themselves.

**Company D**

Company D is a manufacturer with approximately 120 employees, and is non-
union. This company is a custom manufacturer with many different processes
producing wide variety of products at any given time. This company has a
“reward structure” in place for all employees that is paid equally among all
employees on a quarterly basis. It is based on four main measures with weighted
values adding up to 100% of a total projected payout of $133,200. The projected
payout total payout of $133,200 is an arbitrary number “ball parked” to be
sustainable based on historical profit margins.

The predetermined targets for each measure are the levels of performance of
those key activities that are required for sustainability of the incentive program.
Performance is based on that of the company as a whole, and the payout is
divided between the employees. Some of these target areas include one or
several levels criteria of performance per metric (see below).

The maximum payout per employee per quarter is equal to $752.54 (2.09% of a
$36,000 annual base wage). The areas of measurement are as follows:
Productivity- 20%

Productivity is divided into two separate measures that have a sliding scale of payout depending on performance:

1. **Attendance** - Target: 99.51% Attendance  
Projected payout: $13,320.00  
(10% of $133,320)

   **Criteria for payout:**  
   Rate of 99.51-100% = 10%  
   Rate of 99.01-99.50% = 7.5%  
   Rate 98.5-99% = 5%  
   Rate 98.5% = 0%

2. **Set up time Reduction** - (Set up time is the length of time it takes to change the set-up of machinery for different product runs)  
   **Target:** Average 20 minutes per set up for month  
   Projected payout: $13,320.00 (10%)

   **Criteria for payout:**  
   Average set-up less than 20 minutes for month = 10%  
   Average set-up between 21-24 minutes for month = 7.5%  
   Average set-up between 25-29 minutes for month = 5%  
   Average set-up more than 30 minutes for month = 0%

Cost- 35%

Cost is divided into three measures that have a sliding scale of payout depending on performance:

1. **Equipment Downtime** - Target: Total Average daily downtime 24hrs or less  
   (total across all production machinery knowing that there are always machines down at any given time due to frequent product change-over)  
   Actual Projected payout: $13,320.00 (10% of $133,320)

   **Criteria for payout:**  
   Average daily downtime for month less than 24hrs = 10%  
   Average daily downtime for month 24.1-28 hours = 7.5%  
   Average daily downtime for month 28.1-32 hours = 5%  
   Average daily downtime for month 32.1-36 hours = 2.5%  
   Average daily downtime for month over 36 hours = 0%

2. **Tooling** - (Tooling refers to consumable fixtures in machinery that wear out as product is produced)  
   **Target:** Monthly tooling cost 2.7% of sales or less  
   Projected payout: $19,980 (15% of $133,320)
Criteria for payout:
Monthly tooling 2.7% of sales or less = 15%
Monthly tooling 2.71- 2.9% of sales or less = 10%
Monthly tooling 2.91- 3.15% of sales or less = 7.5%
Monthly tooling 3.16- 3.5% of sales or less = 5%
Monthly tooling exceed 3.5% of sales = 0%

3. Monthly Shop Supplies- Target: Monthly Shop Supplies 1.8% of sales or less. Projected payout $13,320 (10%)

Criteria for payout:
Monthly shop supplies 1.8% of sales or less: 10%
Monthly shop supplies 1.81- 2.0% of sales: 7.5%
Monthly shop supplies 2.01- 2.2% of sales: 5%
Monthly shop supplies 1.81- 2.0% of sales: 7.5%
Monthly tooling exceeds 2.4% of sales: 0%

Quality 30%

Quality is divided into three measures that have a sliding scale of payout depending on performance. The level of quality is measured by the customer based on conformity to specifications of customer drawings. The customer feedback is then sent back to the company regarding the level of conformance to quality specifications.

1. Quality Parts Per Million (PPM): Target: Monthly PPM of 8,000 or less. Projected payout: $19,980 (15%)

Criteria for payout:
Monthly PPM less than 8,000 = 15%
Monthly PPM 8,001- 10,000 = 10%
Monthly PPM 10,001 - 11,500 = 5%
Monthly PPM 11,501 - 13,000 = 2.5%
Monthly PPM exceeds 13,001 = 0%

2. Cost of Scrap: Target: average daily cost of scrap for month less than $300.00 per day. Projected payout $19,980 (15%)

Criteria for payout:
Average Daily Cost of Scrap less than $300.00 = 15%
Average Daily Cost of Scrap $301 - $400 = 10%
Average Daily Cost of Scrap $ 401- $500 = 5%
Average Daily Cost of Scrap $ 501 - $600 = 2.5%
Average Daily Cost of Scrap exceeds $601 = 0%
Safety 15%

**Lost time injuries- Target: No lost time injuries**
Projected payout: $19,980

**Criteria for payout: Accident free for month = 15%**

From a quantifiable perspective this program appears to be effective since the company continues to be profitable, and the metrics are linked to financial performance and sales. Costs linked to lost time injuries, tooling, shop supplies, and product quality have continued to decline since the programs inception over the past three years.

**Company D Management Employee Interview**

**General Motivation**

The person interviewed looks forward to coming to work everyday, as they stated that each day presents a new set of challenges that leads to job satisfaction. This person stated that they enjoy their work, and the autonomy that is granted to perform their duties. Challenges are viewed as “fun” because they make the day interesting with something new to learn every day.

**Incentive Program**

This person is aware of the incentive program in place, and has received rewards through the program. The aspect of the incentive program that they feel motivates employees is that it is paid equally and everyone can impact the company’s performance on the metrics through their job performance. This person, however, describes themselves as highly motivated and does not
personally necessarily feel motivated by the incentive program in of itself, and states they are just as motivated to work if there were no program in place. They stated, however, that it is a "nice to have". A suggestion to improve the program would be clearer rules for accountability to the metrics for key people, and that there is no clear perception of individual responsibility to the metrics. For example, this person describes that there are no consequences or outcomes for individuals who have a very high impact on a metric that does not perform as well as it could, and this poor performance can impact the whole group.

Positive Culture

This person does participate on teams and committees in the workplace because their management position dictates this activity. They consider themselves to be a part of a family atmosphere at work where there is a sense of trust and open communication. They state that there is a lot of reference to the value of family in the foundation of the company’s core values. This person feels that upper management cares about issues and concerns for the most part to a degree, but lacks understanding in many areas of aspects of critical job components of supporting management positions. This person describes the relationships between management and hourly employees as harmonious, and refers to the fact that there is a positive culture, which is they state helped by having an open door policy and a very flat organizational structure where the president of the company is accessible to all employees at all times to deal with issues and communicate important information.
Company D Hourly Employee Interview

General Motivation

This person looks forward to coming into work every day, and refers to the variety of new challenges each day that motivates them. This person has a very complex job that they find very rewarding due to the accomplishments they achieve. This person states that they enjoy their work and is happy and satisfied for this very reason.

Incentive Program

This person is aware of the incentive program in place, and has received rewards through this program. This person states that they are motivated by the challenge to improve everyday to reduce scrap and downtime on machinery. They, however, feel motivated to come to work for the work itself and do not view that reward program as a single motivator. Other motivators are the sense of accomplishment with a job well done, and having a level of responsibility and contribution toward the success of the department. They state that they are paid to come to work to do a job. The incentive program is an added bonus, but not a motivator in of itself. The one aspect of the program that they would change is the average attendance metric. They feel that this should be managed individually and not a group average, so the people that have absenteeism are penalized, not the entire group. This is an important element since the concept of individual accountability to the metrics was also mentioned by the other interview subject.
Positive Culture

This person does not participate on any extra-curricular company committees or teams, as they state they do not have the time. This person feels that they are a part of a cooperative group of people working together for a common goal, and views the company president as a “friend”. This person states that some management members care for their issues and concerns while others do not. They describe relationships between management and employees to be harmonious for the most part however it is not for some whom they feel like to “cause problems.”

Both employees interviewed do not view the incentive program as a central motivator, and one suggests that absenteeism be managed individually, not as a collective measure of the group. Both employees feel there are some opportunities for upper management to improve employee relations, and neither employee views the incentive program to be a central motivator for them with their work. From a qualitative perspective, this program does not appear to be motivating the employees interviewed and directly impacting a positive culture.

Company E

Company E is a manufacturer with approximately 200 employees and is unionized. This company has developed an incentive program called the Alternate Compensation Plan (ACP), and is written in the collective agreement as part of the over-all compensation plan and is paid out to hourly and non-
management salaried employees only. The individual interviewed for this study is the financial controller for the facility. This program has five metrics that are measured to provide a quarterly payout up to a maximum of 15% of gross wages over the course of the year. The metrics are:

**Quality Parts per Labour Hour** (QPPLH)
**Customer Parts Per Million** (CPPM) - referring to quality parts delivered to customer
**CPPM 3 month average**
**Absenteeism**
**Lost Time Injuries**

The program was first designed to pay for itself by determining a measure that drives profitability and a percentage can be allocated to the incentive payout.

The percent of payout to employees is 30% of over-all savings.

Quality Parts per Labour Hour is the main contributing aspect to the program where by a baseline measure is established where QPPLH allows the ACP to pay for itself. It is actually a measure of productivity where the hours required to produce the product that is charged to the customer is measured against the actual wages consumed to produce that product. The target is variable based on product mix that is measured every day. The hourly savings are then calculated to a dollar amount which is then translated to a % payout to the employees.

Figure 2 shows the QPPLH payout formula based on an average wage of $19.96 per hour. Each row represents a different product mix and the number of Quality Parts per Labour Hour labour hour requirements. The QPPLH column shows the targets ranging from 11.0 to 15.0. The column showing the wages required to
produce those quality parts per labour hour generates a dollar savings, dollar savings by the hour, accumulated savings, and amount of savings allocated to the ACP payout (30% of savings).

It shows the number of quality parts per labour hour

It should be noted that the variable product mix and labour required is constantly changing, and expected margins for profit vary per product.
Figure 2: Company E QPPLH Calculation

ACP Payout Formula
2007

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The % payout for this metric is added to the % payout driven by the other following metrics:

**Customer Parts Per Million (CPPM)**

This metric is simply the number of parts delivered to the customer that do not meet customer specification. While errors in quality do happen, this measure is driven by costs calculated into possible quality issues, with a % payout driven by a pre-determined target. The maximum payout to the incentive program by CPPM is 1% per quarter. CPPM is measured by month and by 3 month rolling average. The actual calculations used in this metric to determine the threshold of CPPM that drives the payout were not shared with the researcher.

**Absenteeism**

The group target of 2% or less absenteeism is chosen based on company history to be a desirable collective target for the employees. Absences that impact this metric are those that do not include holidays or approved time off. This metric will pay .5% toward the incentive in the quarter. The target of 2% and the payout of .5% are assumed to be a desirable and achievable goal and an accurate measure of payout based on trends and history.

**Lost Time Injuries**

The target of zero lost time injuries will drive a .5% payout to the incentive. If there are no lost time accidents in the quarter, the payout is doubled to 1%. The payout % is an arbitrary number set by the company president and VP of finance?

**Quarterly Payout**

In a given quarter, the % payout per metric adds up to a total % payout of gross wages to employees. If one metric does not perform well in the quarter, it impacts the total percent payout. For example, Figure 3 demonstrates a quarterly payout where the rejection of a very large order to a customer impacted the potential CPPM portion of the payout:

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<td><strong>Total payout:</strong></td>
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It should be noted that the target of 22.5 for the CPPM metrics was determined based on historical performance and is deemed by production managers to be very attainable, and has been achieved in previous quarters.

This incentive program has been in place for 7 years, and appears to be effective from a quantitative perspective since the company remains profitable, and one of the main metrics (QPPLH) is directly linked to costs and profit and facilitates sustainability of the program. While there is a maximum total yearly payout of 15% of gross wage, there is no maximum cap on the QPPLH metric as it remains variable and driven by the product mix, whereas there are maximums on the other four measures. It should be noted that communication of all aspects of the ACP is facilitated by a large scoreboard in the employee cafeteria, where it is very visible to employees as it is updated on a monthly basis so employees can see the progress through the quarter. This is also combined with quarterly communications meetings with the plant manager and the entire staff.

Company E Management Employee Interview (Salaried Administration supporting management who participates in the ACP)

General Motivation

This employee states that they look forward to coming to work everyday, that they enjoy the people they work with and the challenging aspects of their job. They are a long term employee who is highly committed to their work and the company.

Incentive Program
This person is aware of the incentive program in place, has received rewards through the program, and understands how. They are satisfied over-all with the program; however feel that non-management salaried employees (administration) absenteeism should be included in the ACP as they felt this group would be more motivated to improve their own absenteeism if they were held more accountable. They feel motivated by the program, as they state the extra money is a big help to them. The one complaint about the ACP is that salaried employees cannot really impact the metrics since they are not directly involved in the production of the product and their absenteeism is not included. This person added that ACP is a big part of their culture and it is always one of the main topics when renewing the union collective agreement as it is valued by the employees as an important part of the over-all compensation package.

**Positive Culture**

This person is involved in most of the committees in the company as part of their job function. They feel that they are a part of a team and there is a sense of family at work. This person states that management cares about their issues and concerns, and describes the relationships between management and hourly employees as very harmonious.

**Company E Hourly Employee Interview**

**General Motivation**

This person states that they look forward to coming to work everyday, that they enjoy their job. They state that they enjoy checking and ensuring quality product
as it adds to their sense of accomplishment. This person views themselves as a perfectionist, and enjoys the challenges that the job presents.

**Incentive Program**

This person is aware of the incentive program in their workplace, has received rewards through the program and understands how. This person states that the ACP is not a single motivator for them, as they are motivated by the points mentioned above. However they do appreciate the bonus when they receive it. This person however, states that they do not feel directly motivated by the program, and would feel just as motivated to work if there were no program in place. This person does not have any suggestions to change the incentive program.

**Positive Culture**

This person does participate on teams and committees at work. They consider themselves to be a part of a team and family at work. They feel that management cares about their issues and concerns. They describe the relationships between management and hourly employees as harmonious for the most part, but states there are always some employees that have difficulty dealing with management, and this is a very small minority.
Company A is one company with no formal metrics in place, but their reward system is based on profit sharing, and those behaviors necessary to support profit generating activities are reinforced through ongoing communication with employees. The individuals interviewed in company A both stated they were motivated to work, and happy with the incentive plan despite the fact that it was occasionally paid late. As pointed out earlier, intermittent reinforcement effect plays a role in this case. It is interesting to note that while there are no formal metrics in place, the behaviors identified as key for employees to focus on are things like scrap, quality, absenteeism, and safe working behaviors to avoid workplace injuries: many of the same things that have been formalized into measured metrics in other sample companies. This is interesting because despite whether the metric or behaviors are formalized or not, the identified business practices, procedures, and employee behaviours that impact profitability appear to be fairly generic. Qualitatively, company A appears to have a program that fits well with its current culture given the level of positive feedback from the employees interviewed regarding their level of motivation, their understanding of the program, and their perception of positive management-employee relations.

Company B’s example is very different from company A, yet with some similarities. Company B has three different programs, and links individual employee performance to an individual’s payout. This adds a potential subjective element to the process, unless the performance appraisal for salaried employees
is based on an effective non-biased and fair performance appraisal process. While the intent to link employee performance to payout is a sincere attempt toward making the program fair to all employees (rewarding those who perform well) it is a time consuming and difficult exercise to conduct in a fair and non-subjective manner (Schermerhorn, et.al. 1992). The other similarity with Company A is that there are no formal metrics established, yet behaviours linking to the key business performance activities (quality, safety, etc.) are very similar and communicated through regular meetings and through ongoing dialogue with management.

One significant observation with company B is that the company representative themselves questioned whether if performance would change if they took the program away. They view it as a “nice to have”, but they view people in the company (themselves included) as being highly motivated by the nature of their work in of itself. Another of the employees interviewed supported this assertion. It is plausible, however, that one’s perception of the nature of their work could be enhanced by virtue of the discussions surrounding the initiation and implementation of the incentive programs, and could be an intervening variable between the incentive program and employee motivation. That said, however, this is an emerging theme among most of these programs in this study with the exception of company A: regardless of the sophistication of the incentive program, they are not successful in motivating the employees interviewed.

One other emerging theme with company B as mentioned earlier is that two of the employees suggested changing from three different programs to one over-all
program. As such, from a qualitative perspective, this program has some opportunities to be more effective since there is no total “buy-in” from the employees in perceiving the program to be a motivator in their behaviour. The employee’s suggestions of creating one program for all may be a place to start.

Company C has one of the most complex incentive programs from the study samples because it has many different metrics that have been researched, measured, and established. Because of the formal metrics established it is ironic, then, that there is an arbitrary “pot” amount set as a pool for the incentive based on historical data. The irony is rooted in the fact that while formal performance metrics have been measured and established, the same level of detail in formalizing and establishing the “pot” from which to distribute the incentive based on the metric’s performance has not been applied. This point is further reinforced by the fact that the “pot” has not been increased in the past three years despite continued profit margins. An opportunity appears to exist for open communication and transparency with this aspect of the program that may contribute to increasing trust and harmony between management and employees if the “pot” is more quantitatively established and updated, communicated, and in all likelihood, increased. Since much time and effort has already been invested in the establishment of the metrics and the incentive program on the part of the employer with sincere intentions of improving profitability and rewarding the employees for performance, making these changes may improve the program from the employee’s perspective. The employee’s perception of the program’s fairness, equity, and relevance to their every day activities then, appears to be
playing an intervening factor between the program metrics, and employee motivation.

The purpose of the metrics in the case of company C appears to be first developed to aggregate the company’s core functions into one measurement while also able to view specific data in the various functions (metrics) to assist management in setting company objectives and monitor progress. The fact that these metrics are also the basis for rewards for performance as an incentive program after the fact, could be where the connection between performance metrics and motivation is being missed when considering the feedback from the employees interviewed. That is: could the opportunity exist for incentive programs to be derived from activities that are not related to employee/company performance? Business logic dictates that the company must continue to be profitable to exist, and any incentive program that involves a monetary reward must be sustainable by the business financially. Perhaps it is time to briefly consider the non-monetary rewards as discussed in the literature review. It is notable that this study did not draw out comparison of non-monetary rewards between the companies. In doing so, perhaps the possible links between company performance and employee motivation could be further exposed since the rewards are more symbolic in nature in the case of non-monetary rewards rather than of a dollar value as a result of company performance.

As pointed out earlier, from a qualitative perspective, it is apparent that the program in company C is experiencing some challenges in becoming a key motivator for their employees and contributing to a positive culture, since both employees interviewed do not consider it as a central motivator, and are
motivated regardless of the program. Both employees interviewed stated they were motivated by the jobs they perform in of themselves. Also, management-employee relations appear to be improving from a previous state described by the individuals as being un-harmonious in the past. It is difficult, however, to draw any causative link between improvements of workplace culture and the use of the incentive program metrics, since both employees stated that they were not overly motivated by the program. Increased communication with upper management can be viewed as possibly being more of a contributor toward positive culture in this case, as was mentioned by one of those interviewed. What the data is telling us at this time, however, is that this program does not appear to be effective in terms of being the genesis of positive culture from a qualitative standpoint. That said, the metrics can be viewed as a communication tool in of themselves, even though their intent is to monitor company and employee performance. By communicating company performance, this can lead to the creation of a common goal and provide a forum for management and employees to talk about the work that needs to be done and how it is to be performed, which is central to workplace culture (see Introduction, Operational definitions, pg 7.).

Company D has four overall metric categories with sub-measures within each metric focusing on the key activities determined to drive profit. Similar to company C, company D also has a projected payout that is an arbitrary number “ball parked” to be sustainable based on historical profit margins. They have not made any efforts to change or update this number in recent years. Culturally speaking, the management person interviewed feels there is a lack of
understanding on the part of upper management of the many aspects of critical job components of supporting management positions to upper management. As such, qualitatively, the program does not appear to serve as a direct contributor to a positive culture from this person’s perspective.

To understand what is at work with these programs, one can ask at this juncture if there are other intervening variables between the metric and employee motivation. As pointed out with company C, employee perception appears to be playing an intervening factor between the program metrics, and employee motivation. The literature review (Page 9) points to process theories of motivation (employee perception) and intrinsic motivators that are based on the type of person being motivated: their individual traits and their needs. What is necessary for the company to perform well may not be the same as what motivates the person at the individual level to perform well. This could be one intervening factor in these employee samples: the focus is on factors related to company performance and how the employee impacts them, rather than on the things that actually motivate the employees. Making this more complex is that what motivates one employee may not motivate others.

Other intervening factors can be found in the case of company A: ongoing consistent communication with employees and coaching and mentoring on important behaviours. It appears that what is done in an incentive program is not as important as how it is done (communicated, supported, and consistently implemented).

Similar to company C, both company D employees interviewed do not view the incentive program as a central motivator, and one person interviewed suggests
that absenteeism be managed individually, not as a collective measure of the group. Both employees feel there are some opportunities for upper management to improve employee relations, and neither employee views the incentive program to be a central motivator for them with their work.

In the example of company E, a program with formal established metrics, one main point that stands out is that the salaried admin employee feels motivated by the incentive program and views it as an important part of their collective agreement, and the hourly employee does not. Both employees state they are motivated for their jobs and state there is a positive culture with management.

From a qualitative standpoint based on the employees interviewed, the motivational aspect of their incentive program is inconsistent since for one it is a motivator and for the other it is not. However, it must be remembered that these two people have different paradigms: the salary admin person works for the HR department and is in constant dealings with the union and as such may be mandated to support the program. Also, the salaried admin person is not involved in direct production of the product which involves performing the actual activities that the incentive program is based on. These aspects may be other contributing factors toward their different responses.

Qualitatively speaking, one immediate observation is that in four of the five companies surveyed there are employees that report that they are not motivated by the incentive program. Company A, with the simplest incentive program in place, had both respondents stating that they were positively motivated by the program. One can postulate from this that when considering the five companies examined the level of complexity and formalization of the incentive program
metrics does not necessarily impact the self reported level of motivation in employees toward the program.

Those individuals that stated they were not necessarily motivated by the program referred to such common themes like being motivated by the sense of accomplishment with completion of challenging tasks, a job well done, satisfaction in contribution toward the success of the department/company, high level of trust and communication that exists between employees, and positive interaction with coworkers.

The literature review points out that in order to understand the complexities of motivation in the workplace it is necessary to have an eclectic understanding of the theories of motivation. Content and process theories of motivation appear to play an equal part with individuals participating in incentive programs.

Content theories (Maslow, Herzberg) refer to personal human needs. A number of the individuals interviewed indicated that their personal needs are being met at the workplace by not only having a job to support themselves and their families, but also satisfied by trust, communication, interaction with co-workers, etc. (as above).

Process theories of motivation (Vroom, Festinger, Adams) are rooted in thought process and perception of equity. Companies B, C, D, and E all had respondents suggesting changes to the programs (i.e. B: change to one over-all program, C: payout frequency and weighted % factors, D: more accountability to metrics of key job functions, E: inclusion of absenteeism for salaried employees). It is apparent that these suggestions to change the programs are a result of the
employee’s perception of equity and fairness in how the program is managed and structured.

However, if the above changes were in fact made to the programs in their respective companies, would they then become motivated by the program? The results of any changes to the program would have to be measured up against those key elements (as mentioned above) that those interviewed disclosed as being motivating factors: sense of accomplishment with completion of challenging tasks, feeling of a job well done, satisfaction in contribution toward the success of the department/company, high level of trust and communication that exists between employees, and positive interaction with coworkers.

What role do the programs sampled play in fostering a positive culture? Considering company A, where those interviewed spoke positively of the program, they had a positive perception of the workplace culture. Those interviewed in company B had suggestions to change the program but shared their perception of positive management-employee relations for the most part. Companies C and D where those interviewed had suggestions to change the program and were not motivated by it, also shared a perception of challenges in creating and sustaining positive management/employee relations. Those interviewed in company E perceived positive relations, but also had suggestions to change the program, and one was not motivated by it.

From these observations, it is possible that the incentive programs don’t necessarily directly impact positive management-employee relations given the
data provided by those interviewed. Examples of open communication (company A and C) understanding and appreciation of tasks and responsibilities (company D) and flexibility and appreciation of worker’s needs (company B) may be other contributing factors toward positive management-employee relations in addition to, the existence of and particular structure of, an incentive program. However, as mentioned earlier, it is possible by virtue of the creation and maintenance of the incentive program that it produces a commonly held belief that management and employees are working together for a common goal despite any of the other factors regarding the programs delivery.

Another intervening factor can be the changing nature of work itself. Casey (as quoted in Boud and Garrick, 2003) points out that there is a continuum in the spectrum of workplace transformation, where “advanced automation and flexible manufacturing technologies have integrated and fragmented tasks, and therefore no longer restrict the worker to one highly specialized routine task.” Some companies have moved far along this evolution, some have just begun. But the issue lies in the concept of “change” in the workplace, and how well workers are able to adjust to that change. Motivation, then, for many workers today, could lie in how well change is managed and supported vs. rewards based on performance on metrics. The quality of the work being performed as another possible intervening factor between incentive programs and motivation is supported by the fact that the employees in company B and D were motivated by the nature of the work itself. This is also supported by Lowe (2000) who refers to the job design of today’s
workplace as instilling more desire on the part of employees to have involvement in decision making that impacts their work, job security, training support, and feedback on performance, and job recognition, and advancement opportunities. Work situations where these may be lacking can intervene on the effectiveness of motivation despite any incentive program in place. As we begin to develop conclusions to the study, it will be helpful to continue to be grounded to themes that emerged in the literature review, and come back to the research question: **What elements of employee incentive program metrics increase employee motivation and contribute to a positive culture in successful manufacturing operations?**

Responses to this question that occur after this preliminary analysis will be addressed in the study’s conclusions.

**Part 5
Conclusions**

At the outset of this inquiry it was the objective of the researcher to find out “what ticks” behind incentive program metrics that motivates employees and contributes to a positive culture. The research question points to “what elements” of employee incentive program metrics increase motivation and contribute to a positive culture.

From the companies sampled, there does not appear to be any particular element of a metric that connects more to motivating employees than others. While some companies have painstakingly established metrics to measure company performance and linked potential employee performance toward those
metrics to provide a payout, none of the employees in those companies with formal metrics felt motivated by the programs. Furthermore, Company A, who had no formal metrics but used a profit sharing format, is the only company that whose people indicated being motivated by the program.

With the exception of Company A, this research demonstrates that regardless of the level of sophistication, incentive programs are not reported by employees as motivating their work. Employee perception of the incentive program in how it relates to equity and relevance to their tasks appears to be a major intervening factor between the metrics/incentive program and motivation. Other possible intervening factors include the nature and quality of the work itself.

Formalized or not, then, the identified business practices, procedures, and employee behaviours that impact profitability have been found to be fairly generic across companies. This indicates that it is not the metrics in of themselves that can be motivators or impact a positive culture. In fact, four out of the five companies’ employees interviewed had suggestions to change aspects the incentive program. This possibly points to the structure, delivery, communication, and transparency of aspects of an incentive program as having more impact on motivation and positive culture than the metrics and the program itself. This notion is certainly supported by process motivational theories as previously discussed. It is the perceptions on the part of the employee that can have a large impact on whether the incentive program is a source of motivation or not.
Given the fact that qualitatively in most of the observations (with the exception of Company A) that the incentive programs are not effective, one must ask: what do these programs actually affect?
It is noted that metrics and incentive programs can produce a commonly held belief that management and employees are working together for a common goal. Having a common goal however, as the employees reported, does not necessarily directly motivate them (company A accepted).
It has been established in this inquiry that quantitative success of the incentive programs is indicated by profitability of the company. One could surmise that profit is one area that these programs could affect. However, the question that remains unanswered is whether these companies would be profitable regardless of the programs in place. Arguably on both sides, the debate could continue “for” or “against” incentive programs.

It must be noted that this paper is a very small sample of companies, programs, and individuals, and was intended to be a “snapshot” quantitatively and qualitatively. A more lengthy study may provide greater insights into the particular dynamics of organizations and their incentive programs through larger company and interview samples (only 3 people were interviewed per company, in 5 companies). Since incentive programs continue to become more popular across all industries in business, and the complexity of human behaviour continues to challenge all who must work with, manage, and motivate people, further study of such programs and their implementation is needed to gain a better understanding of their utility and benefits in the workplace.
Appendices

Appendix 1........................................................................................................Pg. 72
Company B Employee Appraisal template and Action Plan Example (Salaried Employee)

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Company Invitation

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Project Information and Company/Individual Consent Form

Appendix 4........................................................................................................Pg. 80
Interview Questions
**EMPLOYEE PERFORMANCE APPRAISAL**  
(Salaried Employees)

Name: ___________________________________________ Title: ____________________

Review Period: From _____________ To ___________________  
Reviewed By: __________________

**DEFINITIONS:**

**ENTRY:** Employee is quite inexperienced and will require development and experience in this position.  
**DEVELOPMENTAL:** Need for further development or experience at the job.  
**FULLY COMPETENT:** Performance is what is expected of a fully qualified and experienced person in the position.  
**COMMENDABLE:** Employee exceeds position requirements even on some of the most difficult and complex parts of the job.  
**OUTSTANDING:** Performance in almost all ways is significantly above a level that would be acceptable.

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>EVALUATION CRITERIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Quality</td>
<td>The extent to which an employee's work is accurate, thorough and neat.</td>
</tr>
<tr>
<td>Productivity</td>
<td>The extent to which an employee produces a reasonable volume of work efficiently in a specified period of time.</td>
</tr>
<tr>
<td>Job Knowledge</td>
<td>The extent to which an employee possesses the practical/technical knowledge required on the job.</td>
</tr>
<tr>
<td>Reliability</td>
<td>The extent to which an employee can be relied upon regarding task completion and follow-up.</td>
</tr>
<tr>
<td>Independence</td>
<td>The extent to which an employee performs work with little or no supervision.</td>
</tr>
<tr>
<td>Creativity</td>
<td>The extent to which an employee proposes ideas, finds new and better ways of doing things.</td>
</tr>
<tr>
<td>Initiative</td>
<td>The extent to which an employee seeks out new assignments and assumes additional duties when necessary.</td>
</tr>
<tr>
<td>Adherence to Policy</td>
<td>The extent to which an employee follows safety and conduct rules, other regulations and adheres to company policies.</td>
</tr>
<tr>
<td>Interpersonal Relationships</td>
<td>The extent to which an employee is willing and demonstrates the ability to cooperate, work and communicate with co-workers, supervisors, subordinates and/or outside contacts.</td>
</tr>
<tr>
<td>Attendance</td>
<td>How is the employee’s punctuality, observance of prescribed work break/meal periods and overall attendance record?</td>
</tr>
<tr>
<td>Judgment</td>
<td>The extent to which an employee demonstrates proper judgment and decision making skills when necessary.</td>
</tr>
<tr>
<td>Overall Appraisal</td>
<td>What is your opinion of the employee’s overall, general performance? Did the employee complete the goals established during last year’s Review and what was the employee’s overall performance on these goals?</td>
</tr>
</tbody>
</table>
### ACTION PLAN FOR FACTORS RATED "FULLY COMPETENT" OR "COMMENDABLE"

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>TARGET DATE</th>
<th>6 MONTH REVIEW (Complete / Incomplete)</th>
<th>REVISED TARGET DATE</th>
<th>12 MONTH REVIEW (Developmental, Fully Competent, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Renew the engineering design authorities for CDN produced product line to maintain standards.</td>
<td>30/09/2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Schedule an installation report review process at the end of each quarter (by 15th of month following) to provide feedback to Engineering and Production; document actions required as a result of this process.</td>
<td>1st meeting by July 15th</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Participate in a leadership course &quot;Coaching for Higher Performance&quot;; provide a report on the benefits of the course and full detail on at least 2 initiatives you will enact upon, as a result of taking the course.</td>
<td>Per availability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Implement a process to ensure that the service wages are paid accordingly (ie proper rate for the service performed)</td>
<td>30/06/2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Ensure the &quot;pre-start&quot; requirements are fully implemented into our engineering parameters</td>
<td>30/09/2006</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### ACTION PLAN FOR FACTORS RATED "DEVELOPMENTAL"

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>TARGET DATE</th>
<th>6 MONTH REVIEW (Complete / Incomplete)</th>
<th>REVISED TARGET DATE</th>
<th>12 MONTH REVIEW (Developmental, Fully Competent, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Determine training needs of some of your direct reports to be able to delegate to (ie MIS / P&amp;A); review actions that can be taken to minimize support required for the shop (ie firmware listings, product training, etc.)</td>
<td>30/08/2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Compile list of activities to draw from that can be utilized in down period for the engineering and service group.</td>
<td>30/06/2006</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

EMPLOYEE’S COMMENTS ON OVERALL EVALUATION:

__________________________________________________________________________

EMPLOYEE’S SIGNATURE _____________________________ DATE ________________

(Your signature indicates that this evaluation was reviewed with you.)

SUPERVISOR / MANAGER’S SIGNATURE _____________________________ DATE ________________
INVITATION TO PARTICIPATE IN INCENTIVE PROGRAM STUDY

Dear EMC Members:

EMC is excited to offer members the opportunity to participate in a study to identify successful metrics of incentive programs that impact motivation and positive culture in their organizations. The results of this study can help refine and improve your current incentive program, and also provide guidelines for companies wishing to start one.

EMC Field Service Advisor, Mike Baker, is currently completing a Master of Arts degree in Integrated Studies from Athabasca University. His final project is a study of successful incentive programs and their link to profitability, motivation, and positive culture. All information collected from participants in the study will remain confidential. Should you agree to participate, your company would be required to:

1. Provide a 30-minute interview opportunity with your senior financial representative.
2. Provide an outline of metrics used in your incentive program, and examples of calculations that demonstrate profitability.
3. Provide 30-minute interview opportunities with one management and one hourly employee.

If you are a company that:

1. Has an existing incentive program in place
2. Are in a profitable state
3. Consider your company to have a positive organizational culture

Please consider participating in this study!

If you would like to participate in this project, or would like more information, please contact:

Mike Baker
Toll Free: 1-866-323-4362 ext. 231
Phone: (519) 376-0470
Fax: (519) 376-6092
Appendix 3: Project Information and Company Consent Form

Research Project:
“LINKING MOTIVATION, CULTURE, AND PROFITABILITY: 
A Quantitative and Qualitative Snapshot of the 
Effectiveness of Incentive Program Metrics in the Industrial Workplace”

Thank-you for agreeing to participate in this research!

The proposed research will investigate the influence that elements of employee incentive program metrics have on employee motivation and on organizational culture in successful manufacturing operations. It will attempt to answer the question:

What elements of employee incentive program metrics increase employee motivation and contribute to a positive culture in successful manufacturing operations?

The results of this study can help refine and improve your current incentive program, and also provide guidelines for companies wishing to start one.

As an EMC member agreeing to participate in this study, all information collected will remain confidential. Your company would be required to:

1. Provide interview opportunity with senior financial representative.
2. Provide outline of metrics used in your incentive program, and examples of calculations that demonstrate profitability.
3. Provide interview opportunities with one management and one hourly employee.

Your senior financial representative will be asked to provide the examples of metrics they have chosen for their incentive program, and to explain how they link that metric to profitability. Essentially, the study will try to understand why your current metrics were chosen over others. These examples will be compiled to provide a “snap-shot” of common metrics used to create the link to profitability between the subject companies in a final report.

Two other individuals, one from management and one hourly production employee will be interviewed. They will be randomly selected and interviewed to answer questions related to:

1. Do employees (management and hourly) feel motivated at work?
2. What do they see as the relationship between feeling motivated at work and incentive programs?
3. What aspects of the incentive program motivate them?
4. How would you describe the nature of the relationship between hourly employees and management?

To proceed with your company’s participation, please read the Information and Consent form below, and sign to confirm your consent to participate in this project.
EMC is excited to offer members the opportunity to participate in a study to identify successful metrics of incentive programs that impact motivation and positive culture in their organizations. The results of this study can help refine and improve your current incentive program, and also provide guidelines for companies wishing to start one.

EMC Field Service Advisor, Mike Baker, is currently completing a Master of Arts degree in Integrated Studies from Athabasca University. His final thesis project, entitled “Linking Motivation, Culture and Profitability: A quantitative and qualitative snapshot of the effectiveness of Incentive Program Metrics in the Industrial Workplace” is a study of successful incentive programs and their link to profitability, motivation, and positive culture.

Following is information from the researcher, Mike Baker, which is explicitly presented to each participant before they sign a consent form.

You are being invited to take part in this research study. This letter will provide you with information about the study and will outline the risks and benefits of such a study to you personally. I will make myself available to respond to your questions. If you agree to take part, you will be asked to sign a consent form. This process is known as ‘informed consent’. It acknowledges that your participation is voluntary. It also makes a commitment to you that your participation, or lack thereof, will have no influence on your employment status.

As a graduate student of Athabasca University engaging in research, I am obligated to abide by the guiding ethical principles of the Athabasca University Policy for Research Involving Humans and the Tri-Council Policy Statement on Ethical Conduct for Research Involving Humans. Copies of these statements will be supplied to you upon request. The proposal for this research was subjected to the mandatory review and approval of the Athabasca University Research Ethics Board.

While I am employed by the manufacturing consortium, I am undertaking this study as the primary researcher and graduate student. As a researcher, I commit to you, the participant, that I will take steps to protect you from foreseeable harm. To the best of my knowledge, you will be engaging in activities that will have no greater risk of harm than you would experience in everyday life. There will be no deceptive practices employed during the course of this study, nor will the information provided be used for purposes other than what has expressly been explained.

In the data gathering and analysis of this proposed research project, I will be the only person with direct access to the data. I will discuss the details of this study with my
academic supervisor, but will only discuss aggregate findings with members of the manufacturing community. In this way anonymity of the individual respondents will be maintained and confidentiality of data will be protected. Any discussions of the summarized data will not result in revelation of individual identities.

There is no intention to use this study as a means to justify discontinuation of the incentive programs, but rather as a tool to improve program value and impact to the various organizations. You may request a verbal briefing of the findings of the study, at the end of the process (estimated to be Sept 2007) by contacting the principal researcher, Mike Baker at 519-378-5618. Upon completion, the existence of the research will be listed in an abstract posted online at the Athabasca University Library's Digital Thesis and Project Room; and the final research paper will be publicly available.

As a participant, you will not gain any personal benefit from taking part in this study, although it is hoped that the study will reveal ways of understanding incentive program metrics across manufacturing companies. A commitment to participate in this research project does not obligate you to further future requests for information. There will be no costs to you personally, other than your time. You will not receive compensation for participating in this study.

For this study, data will be collected using two main methods: quantitative metrics analysis and semi-structured audio tape-recorded interviews. The research will be conducted in a place that is mutually agreed upon by you and me. As your participation in this research study is voluntary, you can elect to withdraw from your involvement at any time. The information you provide will be used for the research purposes only. Should issues arise that may result in study direction changes, you will be informed and you may choose at that time to withdraw, no questions asked. You also have the right to refuse to answer certain questions, no questions asked.

All information collected will be treated confidentially. Your data will not contain information that identifies you. Your name will not be identified in any reports or publications of this study. Only aggregate data will be reported. All records will be stored in a locked file cabinet accessible only to the researcher, and will be destroyed at the end of the project (approximately August 30, 2007). Anything you say to the researcher, during and following the research project, will not be shared as having originated from you.

As an EMC member agreeing to participate in this study, your company would be required to:

1. Provide a 30-minute interview opportunity with a senior financial representative.
2. Provide an outline of metrics used in your incentive program, and examples of calculations that demonstrate profitability.
3. Provide 30-minute interview opportunities with one management and one hourly employee, who will be selected randomly by the researcher.

You may voice concerns regarding the conduct of the researcher or the direction of the research directly to the academic supervisor, Dr. P. Rasmussen at 250-247-7169.
If you would like to participate in this project, or would like more information, please contact:
Mike Baker, Sr Field Service Advisor
P.O. Box 396, Owen Sound, ON N4K 5P7
Toll Free: 1-866-323-4362 ext. 231
Fax: 519-376-6092
Email: mbaker@emccanada.org
If you agree to participate in the study, please sign and return the following consent form by fax, mail, in person, or email scanned signed version to the researcher’s contact information above.

CONSENT FORM: COMPANY
Re: Incentive Program Study

By my signature below, I hereby provide consent on behalf of the company known as ________________________________________, of ____________________________
(Print name of company) (Print town/city)

To participate in the incentive program study entitled “Linking Motivation, Culture and Profitability: A quantitative and qualitative snapshot of the effectiveness of Incentive Program Metrics in the Industrial Workplace” which was outlined in a previously received written invitation from Michael Baker, MAIS student with Athabasca University.

- I understand that the company’s participation will require:
  1. Providing a 30-minute interview opportunity with a senior financial representative.
  2. Providing an outline of metrics used in our incentive program, and examples of calculations that demonstrate profitability.
  3. Providing 30-minute interview opportunities with one management and one hourly employee, to be selected randomly by the researcher.

- I understand that all data collected will be kept confidential, and will be reported in aggregate or summary form only, with no identification of sources. Tapes and transcripts will be securely stored until final destruction by shredding (approximately August 30, 2007).

- I understand that participation is entirely voluntary, and that I have the right to withdraw the above-named company from this study at any time; and I also acknowledge that the researcher has the right to terminate the participation of the company in this study at anytime. An example of circumstances where the researcher may terminate a company’s participation in the research could be
where the company was in fact in a profitable state, or the company did not
have an actual incentive program in place. Should either party wish to terminate
participation, there will be no negative consequences, and any data collected up to
the point of termination will not be included in the study.

__________________________________

__________________________________

Name of company official (print) Position title (print)

__________________________________

__________________________________

Signature of company official Date

Researcher Signature: ________________________________
Appendix 4: Interview Questions

INCENTIVE PROGRAM STUDY

Interview Questions: Senior Financial Representative

1. Please provide and describe a list of the metrics you use for your incentive program.

2. How do you determine these metrics to impact profitability? Please provide the calculations or justification used to measure/support this.

3. How long has this program been in place? Is it working from a quantifiable accounting perspective?

INCENTIVE PROGRAM STUDY

Interview Questions: Hourly and Management Employees

Section A (General Motivation):

1. Do you look forward to coming to work everyday? What makes you look forward/not look forward to come to work every day?

2. Do you enjoy your work? What do you like/dislike about the work you do?

3. Do you consider yourself a happy/satisfied with your work? Why or why not?

Section B (Incentive Program)
1. Are you aware of the incentive program in your workplace?

2. Have you received any rewards through the incentive program? Why or why not?

3. What aspect of the incentive program motivates you the most? The least? Why?

4. In general, do you feel motivated by the incentive program?

5. If you could change any aspect of the incentive program, what would you change?

Section C (Positive Culture)

1. Do you participate on any teams or committees in your workplace? Why or why not?

2. Do you consider yourself to be a part of a “team” or “family” at work? What contributes/doesn’t contribute to that feeling?

3. Do you perceive that management/superiors care about your issues and concerns at work? How do they demonstrate/not demonstrate this?

4. Would you describe the relationships between management and hourly employees as harmonious or non-harmonious? Why?
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