

**After Expensing Employee Stock Bonus,
A Study on the Relationships among Different Incentive Systems, Job Satis-
faction, Organizational Commitment,
and Work Performance
-An Example of R&D Staffs of a High-Tech Company in Taiwan**

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Abstract

Employee stock bonus is a popular business strategy in Taiwan. In the past, when the amount of employee bonus is confirmed for a company, the shares are counted by par value. It is a large reward because the market value is far above par value. Also, businesses only have to record minus of retained earnings rather than salaries expense. However, since January 1st, 2008, employee bonus needed to be expensed and stock bonus need to be record by market value. Therefore, expensing employee bonus would affect the employee bonus program.

Since the employee bonus would be affected after expensing employee bonus, other reward programs would be alternative. The reward programs are such as cash, stock bonus.

This study presents two branch factories of a high-tech company which is with two reward programs. One is cash bonus, the other is stock bonus. By Questionnaire, this study investigates the impact on R&D staffs' performance of different incentive systems (reward programs). In other words, will different incentive systems (cash bonus and tock bonus) affect R&D staffs' job satisfaction, organization commitment, and work performance? The result was provided to company for incentive system adjustment, and contribute to recruit and retain talent.

Keywords: Human Resources, Incentive System, Job Satisfaction, Organizational Commitment, Work Performance, R&D Staff.

Introduction

Bonus system is seen to create a miracle in Taiwan technology industry and convergence of scientific and technological personnel weapon. There is a place for Taiwan 3C industry in world. However, last August, most electronic industry changes their dividend policy due to regulations. In operators' view, company need to reduce the impact of dividend policy for R&D staff and to maintain the competitiveness and operation performance, as well as the maintenance of stockholders. There is a challenge. Hence R&D staff are expected to pay at the psychological shrunk that a company letting dividend adjustment results. Whether R&D staffs accept it or not, dividend adjustment policy can influence their behaviors. Therefore, this research focuses on incentive systems (dividend adjustment policy) perception and its influence.

This study explores that two incentive systems (stock bonus and cash bonus) make difference on job satisfaction, organizational commitment and job performance of R&D staffs. The results can provide incentive systems adjustment for talent recruitment, human capital competition.

Literature review

The literature review begins by discussing theories of motivation. Next, issues of job satisfaction, organizational commitment and work performance.

Motivation theories

The so-called "incentive", the original intent is to promote in Latin language *Movere*. Maslow viewed human have five basic needs of bottom-up as follows: physiological needs, need for safety, social needs, need for respect and

demand for self-realization. Herzberg thinks there is dual factor theory (also known as incentive-health theory). Hygiene factor is not direct to working. If working situation is not good, workers feel unsatisfied. However, not bad working situation is gone, workers do not feel satisfied. Hygiene factors are as salary. Motivation factor is direct to working. Workers are satisfied about some working situations. But, some working situations are gone, workers are not satisfied. Motivation factors as self-fulfillment. Vroom suggests people are driven by the strength for particular behavior. The strength is positively related with expectations and evaluation. Locke states that workers are satisfied or not, it is determined by the gap of his actually obtained and want to obtain. If his actually obtained is smaller than want to obtain, workers are not satisfied. The gap is larger, workers are not more satisfied (cited by Lin, 2001).

Job satisfaction

Job satisfaction is a comprehensive job evaluation. Job satisfaction is affected by staff role, incentive systems, work environment and management systems. (Arnett, Laverie, and McLane, 2002). In 1935, job satisfaction was popularized by Hoppock. Hoppock discovered job satisfaction is psychological and physiological satisfied needs for working environment. Job satisfaction is subjective response for working environment (Huang, 2003). Weiss, Dawis, England and Lofquist (1967) satisfied scale for Minnesota job satisfaction questionnaire mini version. There are 20 items to scale job satisfaction, including the intrinsic satisfaction (the work self), external satisfaction (to meet organizational system) and overall satisfaction (intrinsic and external satisfaction).

Organizational commitment

Organizational commitment is the expression of subjective feeling and emotional responses. Organizational commitment as early as 1960s, Whyte popularized in the book "organizational man". Whyte described organizational man not only work for organization, but also belong to organization (Hsieh, 1996). Becker (1960) first used "commitment" in organization research. Organizational commitment is valued by research of organization management and public/private sectors. Organizational commitment is widely used in various areas. Therefore organizational commitment is an attitude to impact employees (Steers, 1977). Mowday, Porter and Steers (1982) developed a architecture of concepts. Attitude of commitment affect attitude of behavior and vice versa. Thus attitude affect behavior and behavior strength attitude. Organizational commitment undertake as individuals working for organization over time.

Work performance

Work performance evaluation is also known as performance evaluation and staff assessment. In motivation theories, work performance is explained as "an employee to complete a job" (Gray and Smeltzer, 1993). In organizational behavior, work performance refers to the efficiency, effectiveness and efficacy. Wu (1986) views that performance assessment is a control function. Performance assessment is one of controlling program. Therefore performance assessment needs to match with control functions. Blumberg and Pringle (1982) states work performance factors are potential factors, willing factors and opportunities. Potential factors are such as ability, age and education level. Willing factors are as motivation, job satisfaction and work situation. Opportunities are such as work condition, leadership and time. Blumberg and Pringle views personal factors of employees and job satisfaction can affect work performance.

Hypothesis development

A number of motivation theories have pointed out that motivation can influence job satisfaction. Wallace (1999) thought that incentive factors of teachers such as responsibility, work itself, work safety and promotion are significantly related with job satisfaction. Maki (2001) contended motivations of engineers are positively influenced job satisfaction. For example, engineers own high achievement motivation, work challenge and sense of belonging, they will have high job satisfaction. The hypothesis is reiterated as follows:

Hypothesis 1. Incentive system perception positively influence on job satisfaction.

In the relationship between job satisfaction and organizational commitment, there is a significant relation (Mathieu & Zajac, 1990; Meyer & Allen, 1997). According to Lok and Crawford (2001) research on 251 nurses at hospital,

which found job satisfaction is positively related to organizational commitment ($r = 0.44$), and job satisfaction has a significant effect on organizational commitment ($\beta = 0.19$). Therefore, the hypothesis is formed:

Hypothesis 2. Job satisfaction has a positive effect on organizational commitment.

Researchers have been exploring the relationship between organizational commitment and work performance (Johnston, 1986; Dale, 1990). Johnston (1986) investigated “sales environment model of organizational commitment”. He found organizational commitment is highly complex and is an important factor in the impact of performance. Based on Dale (1990) research, instructional leadership, organizational commitment, personal drive and motivation can explain the variation of the principles’ performance of 61.4 percent. Thus, we concluded the following hypothesis.

Hypothesis 3. Organizational performance is positively affected by organizational commitment.

Method

Research design

This study is to investigate relationships among incentive system perception, job satisfaction, and organizational commitment and work performance for R&D staffs in a high-tech company.

In our review of the literature, this study concluded that:

Hypothesis 1: incentive system perception has a positive effect on job satisfaction.

Hypothesis 2: job satisfaction has a positive impact on organizational commitment.

Hypothesis 3: organizational commitment influence work performance positively.

And make a comparison of two different incentive system perception (stock dividend and cash dividend) influence on its behaviors.

Measures

Since the goal of this research is to analyze the relationships among incentive system perception, job satisfaction and work performance. This study uses SPSS 12.0 software.

Incentive system perception. In order to assess incentive system perception, this study is based on Vroom (1964) dimensions of expectation theory, which is importance and possibility to get. Importance refers to the importance of incentive systems for individuals; content of possibility to get is individuals consider the available possibility of incentive system. And on the basis of Milkovich and Newman (2002), the study considered incentive system perception is three dimensions: pay rise, benefit and job related reward.

Job satisfaction. Based on Weiss et al. (1967) scale of Minnesota inventory and modify by Lee (2004) scale. Three dimensions are intrinsic satisfaction, external satisfaction and overall satisfaction.

Organizational commitment According to scale of Yang (1982), organizational commitment is measured of personal identify and organization involvement. Dimensions are value commitment, retention commitment and effort commitment.

Work performance Work performance inventory is based Chen (2002) which cited Lodahl and Kejner (1965) definitions. The inventory was used by Hsu (2005), regarded as a reliable scale. There are three dimensions: job effectiveness, attendance and job involvement.

Results

Sample

The target population of this research is R&D staffs of A factory and B factory. Two factories of one company are two incentive systems. A factory is stock bonus; B factory is cash bonus. Valid questionnaires of A factory is 64; 56 for B factory.

Reliability and validity of scale

Because of the scales are based on past research and development, there is a content validity. Factor analysis results showed that the dimensions of factor are relevance with good explanations. On reliability analysis, Cronbach’s coefficient are between 0.7-1.0. Therefore all inter-item has a high reliability and consistency.

Multiple regression results

For R&D staffs in A factory, multiple regression analysis was performed using simultaneous entry for the independent variables. The results, based on the full regression, indicate that with three predictors, importance benefit, possibility to get benefit and possibility to get job related reward, were significantly related to job satisfaction, adjusted R2 = 0.499, F = 9.553, p = 0.000 < 0.01. Table 1 reports that approximately 50 percent of the variance of job satisfaction can be explained by the combination of the six predictors (importance pay rise, importance benefit, importance job related reward, possibility to get pay rise, possibility to get benefit, possibility to get job related reward). Therefore hypothesis 1: incentive system perception has a positive effect on job satisfaction. There is part establishment.

Possibility to get benefit is negatively affected job satisfaction. Since benefit options are included concert and movie tickets, subsidies for travel, marriage and funeral, there is not possible to get for R&D staffs. Therefore possibility to get benefit is not positively influence job satisfaction.

Table 1. Regression analysis for variables predicting job satisfaction

Model	Standardized coefficients Beta	Sig.		Standardized coefficients Beta	Sig.
Importance pay rise	-0.209	.082	Possibility to get pay	-0.081	.514
Importance benefit	0.525	.000**	Possibility to get pay rise	-0.226	.048*
Importance job related reward	-0.018	.864	Possibility to get job related reward	0.604	.000**
Adjust R2	0.499				
F	9.553				
p	.000**				

Note: *correlation significant at 0.05 level; **correlation significant at 0.01 level

For R&D staffs in A Factory, job satisfaction is a positive influenced organizational commitment. The standardized coefficients Beta is 0.699. Therefore hypothesis 2 is established. And organizational commitment has significant effect on work performance. Hence hypothesis 3 is established.

Table 2. Regression analysis for job satisfaction predicting organizational commitment; regression analysis for organizational commitment predicting work performance

Model	Standardized coefficients Beta	Sig.	Model	Standardized coefficients Beta	Sig.
Job satisfaction	.699	.000**	Organizational commitment	.444	.000**
Adjust R ²	0.480		Adjust R ²	0.184	
F	59.258		F	15.241	
p	0.000**		p	0.000**	

Note: **correlation significant at 0.01 level

For R&D staffs in B factory, incentive system perception is not positively influenced job satisfaction. Therefore hypothesis 1 is not established.

Table 3. Regression analysis for variables predicting job satisfaction

Model	Standardized coefficients Beta	Sig.		Standardized coefficients Beta	Sig.
Importance pay rise	0.015	.918	Possibility to get pay rise	0.073	.629
Importance benefit	-0.007	.970	Possibility to get benefit	0.179	.298
Importance job related reward	0.127	.467	Possibility to get job related reward	0.328	.072
Adjust R2	0.205				
<i>F</i>	3.368				
<i>p</i>	.007**				

Note: **correlation significant at 0.01 level

For R&D staffs in B factory, job satisfaction positive significantly impacted organizational commitment. Hypothesis 2 is established. Also organizational commitment has a positive effect on work performance, therefore hypothesis 3 is established.

Table 4. Regression analysis for job satisfaction predicting organizational commitment; regression analysis for organizational commitment predicting work performance

Model	Standardized coefficients Beta	Sig.	Model	Standardized coefficients Beta	Sig.
Job satisfaction	.637	.000**	Organizational commitment	.304	.023*
Adjust R ²	0.394		Adjust R ²	0.076	
<i>F</i>	36.800		<i>F</i>	5.494	
<i>p</i>	0.000**		<i>p</i>	0.023*	

Note: *correlation significant at 0.05 level; **correlation significant at 0.01 level

Conclusions

The research questions of this study addressed the relationships among incentive system perception, job satisfaction and work performance.

Incentive system is stock bonus for R&D staffs in A factory. The results showed importance benefit, possibility to get benefit and job related reward are high, there is job satisfaction. Incentive system perception does not affect job satisfaction for R&D staffs in B factory (cash bonus). In addition, job satisfaction can predict organizational commitment and organizational commitment has effect on work performance for R&D staffs in A factory and B factory. Therefore R&D staffs are satisfied with job, he has a high organizational commitment and good work performance.

For stock bonus R&D staffs, incentive system perception would affect their job satisfaction. Incentive system is included team insurance, free regular physical examination, employee restaurant and snack for working overtime. And job related reward such as good work environment and promotion institution, there is positive effect on job satisfaction. Hence there is organizational commitment and R&D staffs would performance well. For cash bonus R&D staffs, incentive system perception does not affect job satisfaction. There is a suggestion for incentive systems to modify. Therefore R&D staffs are satisfied with job and have organizational commitment and good work performance. Different bonus and dividend policy could affect incentive system perception for R&D staffs. The management needs to take account for bonus and dividend policy, R&D staffs have high motivations to work.

The most significant limitation of the study is associated with case study. While this study presented and test models in which this study assumed a causal flow from incentive system perception to job satisfaction to organizational com-

mitment to work performance, there is not concluded to other companies and industries. In addition, it is possible to identify potential research areas for the future development of this study. It would be interesting to analyze the influence that other variables, such as leadership and corporate strategy. Since each organizational factor is strongly inter-linked, the relationship establishment of incentive system incentive can be influenced by human resource and talent recruit and management.

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