Vroom’s Expectancy Theory and its Application in Management of Incentives Scheme in Adamawa Plastic Company, Yola, Nigeria

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ABSTRACT
Incentive can be a very important tool for motivation in organizations because it stimulates interest or zeal in the employee for better performance. But the problems is how these incentives should be implemented and managed in an organization to guarantee that both the objectives of the employees and that of the organization were tremendously meet up. The objective of this study is to investigate the application of Vroom’s expectancy theory in the management of incentives scheme in Adamawa Plastic Company, Yola. The survey research approach was used for the study. The population of the study was made up of one hundred (100) workers. The sample sizes consist of thirty (30) staff conveniently selected. Structured questionnaire design on five point Likert scale with options ranging from strongly disagrees (1) to strongly agree (5) was used for the study. The result signifies that Adamawa Plastic Company implement incentives plan; they also employed both financial and non financial incentives schemes in motivating their employees. Based on the findings the study recommends that while making decisions on incentives schemes, management should engage the service or contributions of employees’ i.e. participative decision making. Employees should have the clear understanding of the relationship between their efforts and reward to avoid conflicts.

KEYWORDS: Expectancy, Incentives, Instrumentality, Valence and Yola

INTRODUCTION
An incentive is an act or promise for greater achievement. It has also called as a stimulus to greater action. Incentives are something that offered in addition to salary. It means additional compensation or benefit to an employee in recognition of achievement for better work. Incentives stimulate interest or zeal in the employee for better performance. It is natural thing that nobody acts without a purpose behind. Thus, a hope for a reward is a powerful incentive to motivate employees.

Besides monetary incentives, some other stimuli can driver a person to better. This will includes job satisfaction, job security, job promotion, and pride for achievement. Thus, incentives rely can sometimes work to accomplish the goals and objectives of a company. For companies to improve their performance, employees compensation and reward must be given due consideration. In a well-established companies be it small, medium or large, management must understand the behaviour of employees and design suitable motivation strategy to stimulate them to the desired goals and objectives of the companies.

In order to facilitate the process of incentives, companies heavily rely on various motivation theories as classified into two categories: (a) the content theories and (b) the process theories. The content theories explain the intrinsic factors within an individual or the work environment that induces, energizes, directs, sustains, and suppresses behaviours of the individual or group of individuals (Rodr, 2012). These content theories includes: (a) Abraham Maslow’s Hierarchy of Need Theory; (b) McGregor’s Theory X and Y; (c) McCelland Achievement Motivation Theory; and (d) Alderfer’s Three Level Hierarchy of Needs (ERG). The process theories on the other hand explain extrinsic factors. These theories includes (a) Adam Stancy’s Equity Theory; (b) Victor Vroom’s Expectancy Theory; (c) B. F. Skinner’s Reinforcement Theory; (d) Edwin Locke’s Goal Theory; and Kelly’s Attribution Theory.

The bone of argument in this study is to investigate how these incentives should be implemented and managed in an organization to guarantee that both the objectives of the employees and that of the organization were extremely meet up.

Generally, the objective of this study is to investigate the application of Vroom’s expectancy theory in the management of incentives scheme in Adamawa Plastic Company, Yola Adamawa State to ensure that both the goals and objectives of the company and its employees were extremely organized. However, the specific objectives are to:
A. Investigate how the management of incentives satisfies individual needs and achieve the goals and objectives of Adamawa Plastic Company, Yola; and

B. Analyze how implementation of incentives scheme motivates employees and increase performance of Adamawa Plastic Company, Yola.

With regard to the objectives of the study stated above, the following hypotheses were formulated in a null form:

H0: The management of incentives does not significantly satisfy individual needs and achieve the goals and objectives of Adamawa Plastic Company, Yola.

H0: The implementation of incentives scheme does not significantly motivate employees and increase performance of Adamawa Plastic Company, Yola.

Conceptual Clarifications

Incentive Management

Incentive management is the process of offering benefits to employees who achieve specific goals. A common form of this management technique is offering bonuses to commission-based employees. An error with incentive management is that it may only be limited to employees who directly influence the firm’s performance. This creates an inequality among employees, and other employees may not work as hard if no incentives exist. To rectify the inequality found with incentive management, firms can create specific goals for each employee or department.

Company should create an incentives program with measurable goals. Common standards for incentive management should include a definition of the targeted performance, how to measure the incentive, performance of employees achieving the incentive, and a definition of the specific return on investment expected. This leaves little doubt as to whether a department or employee actually achieved the goal. Companies should work with department managers to properly institute the incentives program and get all employees on board with the new system.

Other options may also be included in the incentive management program. The company can create different groups of employees, including best in class, average performers, and underperforming employees. The company should evaluate employees privately and file a review in each employee’s permanent file, not to share publicly. This process serves two purposes. Department managers may receive an incentive for the number of best in class workers, and a worker moving from a lower group to a higher group may receive a bonus.

The main goal for incentive management is to improve all of the company’s operations. The program should reach all areas with some level of incentive. Even a small bonus given to nonrevenue-generating employee positions can help improve business operations. The company can also promote its culture and teamwork by including all workers in the incentive program. Removing nonperforming employees may also be easier as the individual has a record of not achieving the company’s goals (http://www.wisegeek.com/what-is-incentive-management.htm)

Financial and Non-Financial Incentives

A successful incentives plan must focus on achieving company goals by driving the right behaviour in employees.

The term incentive means an inducement that rouses or stimulates one to action in a desired direction. An incentive has a motivational power a large number of incentives the modern companies use to motivate their employees may be broadly grouped into: (i) Financial Incentives and (ii) Non-Financial Incentives.

Financial incentives are an important motivator. Common uses of money as incentives are in the form of wages and salaries, bonus, retirement benefits and medical reimbursement. The theory behind incentive compensation is money motivates employees to perform well (Kort & Baumgarten, 2013). Management needs to increase these financial incentives making wages and salaries competitive between various companies to attract and hold force. Finance plays a significant role in satisfying physiological and security/social needs. As finance recognized as a basis of status respect and power, it also helps satisfy the social needs of the people. Thus, finance is a very important instrument for incentives. In order to highlight the significance impact of financial incentives, Abimbola, (2001) use McGregor’s theory to affirm manager has need to apply threats of withdrawal of financial incentives to compel nonchalant workers to perform. Generally, workers are attracted to jobs with higher remuneration. On the other hand, non-financial incentives, according to Chand (nd), Man is a wanting animal. Once money satisfies physiological and security needs, it ceases to be a motivating forces. Then higher needs for status and recognition and ego in the society emerge. Thus, non-financial incentives are based on the recognition that people respond to a variety of inducements that carry no monetary benefits. Non-financial incentives according to Chand (nd) are as follows: (i) Appreciation of work done; (ii) Competition among at individual and group levels; (iii) Group incentives; (iv) Knowledge of the result that lead to employee satisfaction; (vi) Worker’s participation in management; (vi) Opportunity growth as man is an ambitious creature, this means they need to grow in their career, (vii) Suggestion system, and (viii) Job Enrichment. In the glow of the above, the management has the duty and responsibility to decide the appropriate mix up of financial and non-financial incentives that will persuade employees to work together most enthusiastically for the achievement of the goals and objectives of the company.

Reasons Incentives Plans Fail

The reasons incentives plans (additional compensation paid to personnel as a bonus for the successful achievement of specific individual and corporate objectives) fail are common among company and include the following according to Kort and Baumgarten (2013):

A. Best Practices do not exist: if the company lack a well defined best practices in the field or does not drive financial performance through strategic planning, implementing incentive plan alone will change little. The bottom line is employees may work harder, but their hard work may not be significantly impact profitability. Example of best practices that can significantly impact an company performance include: a zero-injury workplace, pre-job planning, short-interval planning, daily crew planning, a bid-selection process, an estimate review process, change-order process, people development, and negotiated work.

B. Costs are miscoded and Resources are hoarded: There are many different tricks of the trade that field
managers can use to make one project look good at the expense of another. Plans that pay bonuses based on the success of individual projects but do not set up any consequences for project losses promote a “me first” mentality at the cost of other projects. Field managers may fight over the best people and equipment, hoarding them without regard to any other projects in the company.

C. Performance is measured by Profitability Alone: The common measurement of success is net income reported on a financial statement. However, it is not always the most complete measurement. Profits are meaningless if a business cannot collect receivables and runs out of cash. The worst case is the firm that must borrow money to pay bonuses. If the company is truly profitable, then cash should be available. Many bonus plans in other industries are not driven by profits, but free cash flow. Free cash flow is the cash generated from business operations less the acquisition costs of new capital assets such as equipment, trucks and cars (regardless if they are financed or paid for with cash). A company that consumes most of its cash flow by acquiring new equipment will have little, none or negative free cash flow, but may be very profitable because the cost of new fixed assets is allocated over several years on a financial statement. Other issues such as safety, customer service, quality, and developing subordinates are essential to the long-term profitability of the company and often are included as measures of success and performance.

D. Poor Communication with Employees: Poor communication about the plan demoralizes personnel. Management must communicate directly to each participant in the plan. Such things amount of the bonus targeted for the employee with the understanding that, it will be paid only if both employee and the company meet all their objectives, company goals and objectives that must be achieved before the bonus is paid, and the individual objectives that they may achieve personally in their position. Must employees base their perspective on how the company is performing by how hard they personally are working? Therefore, management is responsible for communicating company performance throughout the year, hence employee expectation for bonus align with reality.

E. The Best People May Work on the Worst Jobs: In a project-based “beat-the-budget” incentive plan, the best people may suffer if they are placed on the toughest jobs. Sometimes the best job a field manager can do for his company is to save it from losing a considerable amount of money due to earlier estimating errors or unforeseen problems. In a project-based incentive plan, this ends up affecting the compensation of the best people because they spend the majority of time on jobs with little or no chance to beat the estimate unless some allowance is made.

F. The Incentive Plan Itself Causes Division: There is always some tension between estimating and operations. However, with some incentive compensation programs, when an estimator leaves something out of the estimate, it affects the project team’s compensation, adding to the tension. Additionally, if field managers are moved on and off jobs, issues about how to split bonuses arise because everyone will not agree on who really contributed to the project’s success.

G. The Company has a Poor Employees' Performance Evaluation Process: the employees’ performance evaluation process is a painful exercise in many companies. First, supervisors must write a short summary of a subordinate’s performance on subjective issue that often includes; job knowledge, problem solving, professionalism, motivation, and interaction with others. These criteria are subjective and rather meaningless in driving the right behaviour in employees. The evaluation process should be in with the incentives compensation plan. The metrics identified for each position should be meaningful. Evaluations are of little value unless they are simple to create and provide periodic feedback, to the employees at least on a quarterly basis.

H. The Plan is Ineffective at Driving the Right Behaviours: if the best practices are well defined but employees do not follow them consistently, it is the same as having no processes at all. The ultimate goals of every company are profitability and providing an adequate return on investment to shareholders. Unless the company has a market niche or perform negotiated work that provides extraordinary profitability, the company’s best chance of success comes when its people work safely, work efficiently by using best practices; produce quality work satisfy customers, motivate subordinates, and communicate well with others.

I. The Plan Promotes Divisional vs. Corporate Behaviour: Plans that primarily provide bonuses for division vs. company-wide performance can promote "me first" behaviour. The company’s success comes secondary to an individual’s own financial success. Unless these plans, senior managers may go to extremes to promote their division at the expense of the whole company. Then the firm suffers. An exception is the bonus paid to foremen who save labour hours on a project. Labour hours are the main variable a foreman can control and are the best measurement of field productivity.

J. The Strategy for the Company is not Developed: One of the biggest failures of incentives compensation programs is they often do not take into account all the key drivers that will make the company successful. The best incentive plan promote behaviours that are consistent with the company’s strategic goal is to be involved in the local community, portion of the bonus should be tied to an employee’s individual involvement in board, associations and other community event. Without purposeful linkage to the company’s strategy, incentive plans risk-promoting behaviours that are contradictory to the stated strategy.

Vroom's Expectancy Motivation Theory
While Maslow and Herzberg look at the correlation between internal needs and the resulting effort expended to fulfill them, Vroom's expectancy theory separates effort (which arises from motivation), performance, and outcomes.
Vroom’s expectancy theory assumes that behaviour results from cognisance choices among alternatives whose purpose is to maximize pleasure and to minimize pain. This theory further explains that performance, motivation, and effort are within an individual’s motivation and variables such as valence, instrumentality, and expectancy verifies this. In other words, the theory stated that effort, performance, and motivation are linked in a person’s motivation. Vroom realized that an employee’s performance is based on individuals’ factors such as personality, skills, knowledge, experience, and abilities (Wagner & Hollenburg, 2007). The higher the effort in work relates to the higher the performance (Badubi, 2017).

The theory suggests that although individuals may have different sets of goals, they can be motivated if they believe that: (i) there is a positive correlation between efforts and performance; (ii) favourable performance will result in a desirable reward; (iii) the reward will satisfy an important need; and (iv) the desire to satisfy the reward is strong enough to make the effort worthwhile. He uses the variables Expectancy, Instrumentality and Valence to account for this as discussed below:

A. Expectancy: This is the belief that increased effort will lead to increased performance i.e. if employee work harder then things will be better. This is affected by such things as: (i) having the right resources available (e.g. raw materials, time); (ii) having the right skills to do the job; and (iii) having the necessary support to get the job done (e.g. supervisor support, or correct information on the job).

B. Instrumentality: This is the belief that if employee perform well that a valued outcome will be received. This degree to which a first level outcome will lead to the second level outcome i.e. if employees do a good job, there is something in it for him or her. This is affected by such things as: (i) Clear understanding of the relationship between performance and outcomes; (ii) trust in the people who will take the decisions on who gets what outcome; (iii) and transparency of the process that decides who gets what outcome.

C. Valence: This is importance that the individual places upon the expected outcome. For the valence to be positive, the person must prefer attaining the outcome to not attaining it. For example, if someone is mainly motivated by money, he or she might not value offers of additional time off.

Onwuchekwa (1994) is of the opinion that the value expectancy theory is principally based on the philosophy that you can use what someone values and what he is sure to get from you if he does what is expected of him to motivate such person.

These three factors interact together to create a motivational force for an employee to work towards pleasure and avoid pain. The formula for this force is:

Valence of outcome X Expectancy act will be result in outcome (Instrumentality) = Motivation Force (Vroom, 1964).

First Order Outcome: This is the behaviour that results directly from the effort an employee expends on the job.

Second Order Outcome: This is anything good or bad that results from a first-order outcome.

The three elements are important behind choosing one element over another because they are clearly defined: effort-performance expectancy (E>P expectancy) and performance-outcome expectancy (P>O expectancy).

E>P expectancy: our assessment of the probability that our efforts will lead to the required performance level.

P>O expectancy: our assessment of the probability that our successful performance will lead to certain outcomes.

At first glance expectancy theory would seem most applicable to a traditional-attitude work situation where how motivated the employee is depends on whether they want the reward on offer for doing a good job and whether they believe more effort will lead to that reward.

However, it could equally apply to any situation where someone does something because they expect a certain outcome (instrumentality). Thus, Vroom’s expectancy theory of motivation is not about self-interest in rewards but about the associations people make towards expected outcomes and the contribution they feel they can make towards those outcomes (http://www.yourcoach.be/en/employee-motivation-theories/vroom-expectancy-motivation-theory.php).

**Research Methodology**

The survey research design was used to gather required information for the study from respondents. The population of this study was made up of one hundred (100) workers of Adamawa Plastic Company Yola. The simple random sampling technique was adopted to give the respondent
equal opportunity of becoming part of the sample. The sample sizes consist of thirty (30) workers. The study employed both primary and secondary sources of data. The instrument for data collection of this study was structured questionnaire design on a five point Likert scale with options ranging from strongly disagree to strongly agree. Each option was assigned a scale as 1=Strongly Disagree (SD), 2=Disagree (D), 3=Neutral (N), 4=Agree (A) and 5=Strongly Agree (SA). The Cronbach’s alpha scores of the instrument is 0.75. For the sake of this work, data collected will be analyzed, summarized, and interpreted accordingly with the aid of descriptive statistical techniques such frequency distribution and percentage analysis. Also t-test was employed to test the hypothesis for the study.

Data Presentation and Analysis

<table>
<thead>
<tr>
<th>Items</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee consultation before incentive implementation is necessary</td>
<td>30%</td>
<td>23.3%</td>
<td>13.3%</td>
<td>23.3%</td>
<td>10%</td>
</tr>
<tr>
<td>Provision of conducive working environment enhances employee performance</td>
<td>33.3%</td>
<td>26.7%</td>
<td>20%</td>
<td>16.7%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Incentives plan attract new employees and retain existing once</td>
<td>26.7%</td>
<td>33.3%</td>
<td>6.7%</td>
<td>20%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Incentives at times does not always have the desired effect on performance</td>
<td>36.7%</td>
<td>30%</td>
<td>13.3%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Incentives schemes increases productivity and morale of the employees</td>
<td>40%</td>
<td>16.7%</td>
<td>13.3%</td>
<td>20%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Survey, 2019

Table 1 shows that 9(30%) and 7(23.3%) of the respondents indicate their agreement that employee consultation before incentives implementation is necessary, while 7(23.3%) and 3(10%) of them indicate their disagreement toward the statement. The table also that 10(33.3%) of the respondents indicate that provision of conducive working environment enhances employee performance 8(26.7%) of the respondents agreed, while 5(16.7%) of the respondents indicate their disagreement with regarding the statement. Similarly, the table indicate that 10(33.3%) of the respondent agreed that incentives plan attract new employees and retain existing once, 8 (26.7%) of them strongly agreed while 6(20%) and 4(13.3%) of the respondents indicate their disagreement regarding the statement. In the similar, the table show that 11(36.7%) of the respondents strongly agreed that incentives at times does not always have the desired effects on performance, 9(30%) of them agreed with the statement while, 3(10%) of the respondents disagreed with the statement. Finally, the table indicate that 12(40%) of the respondent strongly agreed that incentives schemes increases productivity and morale of the employees, 5 (16.7%) of the respondents agreed, while 6(20%) and 3(10%) indicate their disagreement regarding the statement.

<table>
<thead>
<tr>
<th>Items</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>My organization manage any incentive plan</td>
<td>33.3%</td>
<td>16.7%</td>
<td>6.7%</td>
<td>23.3%</td>
<td>20%</td>
</tr>
<tr>
<td>Management employed both financial and non financial incentives</td>
<td>26.7%</td>
<td>26.7%</td>
<td>10%</td>
<td>23.3%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Am satisfied with the process of managing existing incentives</td>
<td>36.7%</td>
<td>30%</td>
<td>16.7%</td>
<td>10%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Management of incentives help institutions to achieve its objectives</td>
<td>40%</td>
<td>23.3%</td>
<td>3.3%</td>
<td>13.3%</td>
<td>20%</td>
</tr>
<tr>
<td>Employees achieve their objectives through incentive management</td>
<td>43.3%</td>
<td>16.7%</td>
<td>20%</td>
<td>13.3%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Motivational strategies is the best way to accomplish organization objectives</td>
<td>43.3%</td>
<td>16.7%</td>
<td>13.3%</td>
<td>16.7%</td>
<td>10%</td>
</tr>
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</table>

Sources: Survey, 2019

From table 2 it indicate that 10(33.3%) of the respondents strongly agreed that Adamawa Plastic Company implement any incentives plan, 5(16.7%) agreed with the statements, 7(23.3%) disagreed, 6(20%) strongly disagreed with the statement. These suggest that the management of the Company implement incentives to the employees’ base of the respondent indicate strongly agreed. The table also shows that the management of the Company employed both financial and non financial incentives as indicated by the respondent with 8(26.7%) both strongly agreed and agreed, while 7(23.3%) and 4(13.3%) of the respondents Disagreed and strongly Disagreed respectively with the statement. In similar vein, the table shows majority of the respondents are satisfied with the process of managing existing incentives in the company as indicated by 11(36.7%) and 9(30%) strongly agreed and agreed respectively, while only 5(16.7%), 3(10%), 2(6.7%) are of the opinion that they are not satisfied with the process of managing the existing incentives. Also, the table, indicate that 12(40%) of the respondents strongly agreed that management of incentives help the company achieve its objectives and goals, 7(23.3%) of the respondents agreed to the statement, while 6(20%) and 4(13.3%) strongly disagreed and disagreed with the statement. Similarly, the table shows that 13(43.3%) of the respondents strongly that employees achieve their objectives through incentives management, 5(16.7%) of the respondents agreed, while 2(6.7%) and 4(13.3%) of the respondents indicates their disagreement regarding the statement. Finally, the table depict that 13(43.3%) of the respondents strongly agreed that motivational strategies is the best way to accomplish organizational goals and objectives, 5(16.7%) of the respondents agreed while 5(16.7%) and 3(10%) of the respondents indicate their disagreement toward the statement.
Test of Hypotheses

<table>
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<th>Table 3: One-Sample Test</th>
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<td><strong>t</strong></td>
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<td>------------------</td>
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<tr>
<td>Hypothesis One</td>
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<tr>
<td>Hypothesis Two</td>
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</tbody>
</table>

Source: Researcher’s Computation, 2019

Table 3: indicate the t-test result of the hypothesis one indicates a significance outcome at t=11.88<P=0.5 (5%) level of significance. This indicates that the null hypothesis is rejected and accepted the alternative hypothesis. Hence, the management of incentives satisfy individual needs and achieves the goals and objectives of Adamawa Plastic Company. Also, table 4 indicate the the t-test results of the hypothesis Two indicate a significance outcome at t=15.290<P=0.5(5%) level of significance. This shows that null hypothesis rejected and the alternate hypothesis is accepted. Therefore, the implementations of incentives scheme motivate employees and increase performance Adamawa Plastic Company.

Discussion of the Findings

Based on the analysis above the following findings were discovered: The Adamawa Plastic Company implement incentives plan; They employed both financial and non-fiscal incentives schemes in motivating their employees; The employees of this company are satisfied with the process adopted in managing incentives; and Good management of incentives helps organization to achieve its goals and objectives; motivational strategies help in the provision of conducive working environment enhances employee performance. This finding is similar with the findings of Onuorah and Okeke (2013) where they ascertain that moral and productivity of employee increases as a result of proper incentive management in organization.

Conclusion and Recommendations

Incentives are very important tools for motivating employees in organizations. It helps an organization in reaching its strategic goals and objectives. In implementing incentives schemes care must be taken to create tactical plans with Specific, Measureable, Accurately, Realistic and Timely (SMART) objectives. It is also very important for organization. To implement incentives schemes with the clear understanding of employees in order to see the relationship between their efforts and rewards.

With regards to the findings indicated above, the following recommendations were made:

A. While making decisions on incentives schemes, management should engage the service or contributions of employees’ i.e. participative decision making.

B. Employees should have the clear understanding of the relationship between their efforts and reward to avoid conflicts.

C. Bias and favouritisms should be avoided as it results to counter production in an organization

D. Employees should be motivated based on their performance.

REFERENCES


