

Performance-Based Pay as a Motivational Tool for Achieving Organizational Performance: An Exploratory Case Study

Abstract

The issue of employees' performance in furtherance of organizational objectives has occupied management attention for long. Differences in levels of performance have been attributed to differences in skills and abilities on the one hand, and to different theories of money on the other. This study examined the issue of Performance-based pay as a motivational tool for achieving organizational performance, using the situation in a manufacturing company in Ghana as a case study. The main objective of the study was to assess the impact of Performance-related pay on the motivation of employees and, subsequently, on the achievement of organizational goals. In all, one hundred and fifty respondents took part in the survey. The sample comprised 20 managerial staff and 60 non-managerial staff. The main research instrument was the questionnaire. A two-way ANOVA table was used to test the main hypotheses. The result of the study revealed that the effect of performance-based pay on employee performance is minimal; and the motivational effect of merit pay is often blunted by biased performance appraisal. The main limitation of the study is that it could not cover all manufacturing companies within the target population, due to time and financial constraints. In this respect, the interpretation of the results of the study should not be over-generalized.

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