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**Pay for Performance**

<b>Source</b>	<b>Type of Review</b>	<b>Nature of Study</b>	<b>Type of Monetary Reward</b>	<b>Behavioral Outcomes</b>	<b>Overall Results/ Findings/Conclusions</b>
Promise and Peril in Implementing Pay-for-Performance: A Report on Thirteen Natural Experiments, <a href="#">Michael Beer</a> , <a href="#">Mark D Cannon</a> , <a href="#">James N Baron</a> <a href="#">Patrick R Dailey</a>	13 pay-for-performance experiments	Inner-company; blend of interviews, productivity examination, and employee surveys	Pay for achieving team goals was added to base pay; skill-based pay systems; cash bonuses; stock bonuses and additions.	Mixed feelings from both management and employees	While there were positive and negative findings for all experiments, most did not become permanent due to budget concerns, pressure on employees, and desired results not achieved.
Arthur, J. B., & Aiman-Smith, L. (2001). Gainsharing and organizational learning: An analysis of employee suggestions over time. <i>Academy of Management Journal</i> , 44, 737-754	Analyzation of employee suggestions over 4 years	Analyze gainsharing as an organizational learning system	N/A. The study was geared towards the volume of employee suggestions over a period of time.	Changes were consistent	Overall, changes in content submitted by employees having to do with "first order learning" initially climbed then dropped as "second order learning" rose. The employees responded positively to the learning system and therefore were more efficient and their suggestions were more goal oriented.
Bloom, M. (1999). The performance effects of pay dispersion on individuals and organizations. <i>Academy of Management Journal</i> , 42, 25-40	Study of employee performance	Testing the relationship of pay dispersion and performance	Employees are rewarded based on performance reviews.	Positive relationship; Hypothesis 1a is correct.	More compressed pay dispersion is positively related to employee performance.

<p>Bonner, S. E., &amp; Sprinkle, G. B. (2002). The effects of monetary incentives on effort and task performance: Theories, evidence, and a framework for research. <i>Accounting, Organizations and Society</i>, 27, 303-345</p>	<p>Review of theories and evidence regarding performance paired with monetary incentives</p>	<p>Analysis was conducted using evidence based on person, task, environmental, and incentive scheme variables</p>	<p>Employees were given monetary incentives in conjunction with their level of effort and overall performance.</p>	<p>Variety of monetary-based variables had a significant effect on employee performance</p>	<p>Organizations which give their employees assigned goals paired with monetary rewards have a higher rate of positive performance advancements.</p>
<p>Graham, M. E., &amp; Welbourne, T. M. (1999). Gain sharing and women's and men's relative pay satisfaction. <i>Journal of Organizational Behavior</i>, 20, 1027-1043</p>	<p>Study of gender differences as related to pay satisfaction</p>	<p>Studied both men and women in two companies</p>	<p>Variables were measured before and after gain sharing bonus programs were put into place</p>	<p>The results were interchanged before and after the programs</p>	<p>Women had a higher pay satisfaction before gain sharing was introduced, Men had a more positive satisfaction after the programs.</p>
<p>Shaw, J. D., Gupta, N., &amp; Delery, J. E. (2002). Pay dispersion and work force performance: Moderating effects of incentives and interdependence. <i>Strategic Management Journal</i>, 23, 491-512</p>	<p>Analysis of theoretical perspectives</p>	<p>The study of the theoretical perspectives of individual motivation, institutional theory, organizational justice, and neoclassical economics</p>	<p>N/A; There was no actual experimentation conducted.</p>	<p>Results were supportive of the predictions made</p>	<p>The outcome of this study found that pay dispersion associated with higher levels of workforce performance work, while the compression of pay is desirable if the work is independently based.</p>

Stajkovic, A. D., & Luthans, F. (2001). Differential effects of incentive motivators on work performance. <i>Academy of Management Journal</i> , 44, 580-590	Field experiment in the operating division of a large company (approx 7,000 employees)	A field experiment was conducted to compare performance effects against the O.B. model	One group was compensated based on their increased performance. The other three groups operated under the 5 step O.B. model	The O.B. model groups had more positive performance increases than the group with just increased pay.	Money intervention based on the OB model was more effective than just the pay increase. Therefore, a change in the overall behavior of an organization can be more valuable than just monetary incentives.
\ <a href="#">Latham, Gary P., Huber, Vandra L.</a> <a href="#">Journal of Organizational Behavior Management</a> . New York: 1992. Vol.12, Iss. 1; pg. 125, 25 pgs	Research of various pay for performance systems	The review of the effectiveness of individual and group pay for performance systems	Various systems were tested on organizational groups based on performance and monetary incentives	Reinforcement based on certain variables showed increased value	Situational factors must be identified and controlled to make the pay for performance method the most effective.
<a href="#">Eunmi Chang, Juhee Hahn.</a> <a href="#">Personnel Review</a> . Farnborough: 2006. Vol.35, Iss. 4; pg. 397	Multi-company analysis in Korea	Studies measured any increase in distributive justice (fairness)	Data was collected from 28 companies and 656 employees	Positive reaction from employees in certain situations.	Pay-for-performance enhances employees' perception of distributive justice only when there is a commitment performance appraisal practice.

### **Journal Articles Researched:**

Promise and Peril in Implementing Pay-for-Performance: A Report on Thirteen Natural Experiments, [Michael Beer](#) , [Mark D Cannon](#) , [James N Baron](#) [Patrick R Dailey](#)

Arthur, J. B., & Aiman-Smith, L. (2001). Gainsharing and organizational learning: An analysis of employee suggestions over time. *Academy of Management Journal*, 44, 737-754.

Bloom, M. (1999). The performance effects of pay dispersion on individuals and organizations. *Academy of Management Journal*, 42, 25-40.

Bonner, S. E., & Sprinkle, G. B. (2002). The effects of monetary incentives on effort and task performance: Theories, evidence, and a framework for research. *Accounting, Organizations and Society*, 27, 303-345.

Graham, M. E., & Welbourne, T. M. (1999). Gain sharing and women's and men's relative pay satisfaction. *Journal of Organizational Behavior*, 20, 1027-1043.

Shaw, J. D., Gupta, N., & Delery, J. E. (2002). Pay dispersion and work force performance: Moderating effects of incentives and interdependence. *Strategic Management Journal*, 23, 491-512.

Stajkovic, A. D., & Luthans, F. (2001). Differential effects of incentive motivators on work performance. *Academy of Management Journal*, 44, 580-590.

[Latham, Gary P.](#), [Huber, Vandra L.](#). [Journal of Organizational Behavior Management](#). New York: 1992. Vol.12, Iss. 1; pg. 125, 25 pgs

Does pay-for-performance enhance perceived distributive justice for collectivistic employees? [Eunmi Chang](#), [Juhee Hahn](#). [Personnel Review](#). Farnborough: 2006. Vol.35, Iss. 4; pg. 397

### **Summary of Findings:**

Overall research as well as personal experience shows us that monetary incentives can be an effective way to increase performance in organizations. However, as expressed in the table above, there are many different variables that can weigh heavily on the effectiveness of these pay for performance programs.

First of all, as many managers and organizational leaders have found, not all organizations can afford to have these programs permanently in place. Because pay for performance is effective, it can cost an organization generous amounts of money. In this case, although there is increased performance, it costs the company more, and the variables are somewhat balanced out and the increase is minimal. If a company puts a system in place and then takes it away, employee moral will lower and therefore performance can decrease. If this happens, some believe that it would have been more cost efficient to not have put the system in place at all. So it can be a very unsteady process and great care and analyzation needs to take place.

Men and women also respond to pay for performance incentives differently. As shown in the *Journal of Organizational Behavior*, women had a higher rate of satisfaction before the systems were put in place but men were more satisfied after the systems. It can be thought that when faced with monetary incentives, men are more likely to step to the plate in order to get the biggest payout. In this study, women showed that monetary incentives are not guaranteed to drive up increased performance. This can definitely vary from company to company, however it

can be shown that because of the more emotional nature of women, the conditions and nature of the organization's behavior may be more beneficial to increase their performance.

The way an organization is built and run can play a huge role in how effective their employees are. A company needs to be adaptable to boost employee morale. Paired with monetary incentives, increased performance is guaranteed. If employees are happy, they will be more comfortable and want to see their organization succeed. Monetary incentives can help "stir things up" and give employees a goal to work towards. However, organizations need to research all variables involved and make sure to pick a pay for performance system that is most suitable for their own practices.