A Study of the Effect of Incentive System on Job Performance- Locus of Control as a Moderator

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ABSTRACT

Tourism industry is regarded as the star in the 21st century, the reasons are not only creating the opportunities for employment, but also earning foreign exchange with significant benefits. Moreover, tourism industry plays an important role on the local economical society development.

According to Tourism Bureau with the statistical data, all the employees of the tourist hotels in Taipei city, the New Taipei city, Taichung city and Kaohsiung city excess nearly fifty percent of employees of the hospitality industry in Taiwan. Therefore, this study will focus on the employees in the tourist hotels (including international tourist hotels and general hotels in the four biggest city in Taiwan. There are 300 questionnaires will be conducted. Amos will be an analytical tool. SEM explains the causal relationship among variables to verify the hypothesis.

The purpose of this study is to propose and test an integrative model of job performance by conceptualizing that job performance is influenced by job satisfaction and incentive system. The results indicate that incentive system have an indirect relationship on job satisfaction, and prove that job satisfaction is a mediator and locus of control is a moderator in the research framework.

Keywords: tourism hotel industry · job performance · incentive system · job satisfaction · locus of control

INTRODUCTION

Background

Tourism industry is regarded as the star in the 21st century, the reasons are not only creating the opportunities for employment, but also earning foreign exchange with significant benefits. Moreover, tourism industry plays an important role on the local economical society development.

To this end, the Executive Yuan, Taiwan sets the fifth sub-projects of the "Challenge 2008 - National Development Plan" to be "Doubling Tourist Arrivals Plan". To this reason, the quality requirements of the hotels will be one of the key issues in the future tourism industry. Service quality is the successful key concept, it will depend on the ability to provide highly steady service quality and satisfying customers’ experience. Therefore, the behavior of employees can be regarded as the ultimate key for the job performance.

According to the statistics of Tourism indicated Bureau on February 2013 (see Table 1), the number of tourist hotels are very significant growth trend in past 13 years under the tourism policy of the government and the global tourism and leisure tourism policy fueled by the tide, Furthermore, the existing applications for tourist hotels have eight preparing establishment hotels have 43, the amount of investment is expected to NT 82,788,600,000.
By the above official statistics, the future of Taiwan tourist hotel industry will create more job opportunities. Due to the hospitality industry is a high labor-intensive industry and flourishing in nowadays, these reasons make the demand for more staffs in doubled. In particular, tourist hotels provide the caterings, accommodations, recreational facilities and other multi-functions, they create employment opportunities beyond imagination.

But the operating characteristics of the hospitality industry are long working hours, many requirements and regulations, the mention above, they enable employees prone to burnout, and even lead to resignation, increased manpower shortages year by year. Therefore, it is a worth pondering issue that how to improve job performance by the employees' job satisfaction in the tourist hotels by effective incentive system.

Research Objective

According to Public Agenda Forum (1995), conducted for the workforce study in the United States, shows that 75% of the employees admit that they work could be more efficient than they are at present, their performance is not satisfactory because they are not subject to "motivate”.

This study will focus on the hotel industry employees to explore that incentive system is able to increase higher employee job satisfaction, thereby creating job performance improvement.

Based on the above motivation, this study expected to achieve the following four objectives:
1) to explore the opinion of the tourist hotel industry employees on incentive system .
2) to explore the relationship among incentive systems, job satisfaction and job performance.
3) to prove if job satisfaction is the mediator variable.
4) to prove if locus of control is the moderator between motivation and job satisfaction.

LITERATURE REVIEW

Definition of tourist hotel

Tourist hotels definition: refers to "international tourist hotels" and "General tourist hotels."( 8 October 1999 the Ministry of Communications and the Ministry of Interior of Taiwan issue provisions).

Incentive theory

Traditionally job satisfaction is relatively satisfied with the results of the work, there are only two results that are satisfaction and un-satisfaction. Herzberg (1959) proposed “Motivation-Hygiene Theory”, also known as “Two Factors Theory.” By the point of view, shaping satisfied employees has to make use of appropriate incentive mechanism .It will reach the efficient performance.

Incentive system

Incentive system is able to stimulate employee motivation a way, from a business point of view, the company in order to achieve organizational goals or improve employee productivity by adopting various methods can be called the incentive system. In order to clearly define incentive system, the following refers to different view of the scholars:
a) Robbins (2001), incentive system was paid into the intrinsic rewards and extrinsic rewards. Intrinsic rewards including participation in decision-making, job autonomy, greater responsibility and personal growth. Extrinsic rewards can be divided into two: (1) the financial rewards (eg, bonus, bonus, etc.). (2) the non-financial rewards (such as: welfare, holidays, etc.).
b) Urbanski (1986), incentive system was divided into four categories, namely, money-based incentive system, travel system, the system of four prizes and commendations system.
c) Johnston, Boles & Hair (1987), for the most detailed classification of incentive systems, sales incentive system was divided into thirteen categories. namely: a recognition system, three individual performance bonus system, travel system, commission system, payroll system, promotion system, education and training system, goal management, specify the quota system, business people meeting, announced results system, department (or group) performance bonus system. 
d) Abrant & Smythe (1989), the clerk of the incentive system was divided into two categories, one is a monetary remuneration (eg: commissions, bonuses, profit sharing and other cash compensation); the other is non-cash compensation (such as: prizes, travel awards and sales contests). e) Churchill (1990), reward system was divided into two categories: one is the "financial rewards"; the other is "non-financial rewards". f) Greenberg & Liebman (1997), by meeting the needs of different levels, the clerk of the incentive system will be divided into three categories: (1) the substance-based compensation (2) the social-Based compensation. (3) the activity-based compensation.

In this study, the point of view of Robbins (2001) was adapted. as the basis for incentive system dimensions. which are the intrinsic and extrinsic rewards.

Job satisfaction
Hoppock (1935) first proposed the concept of job satisfaction, then an enthusiastic response by the majority of scholars, then job satisfaction refers to an individual's emotional attitude on the job or orientation, subsequent researchers then this concept based on the development of different discourse, and can be divided into the following three categories:
1) the comprehensive definition: the concept of job satisfaction will make a general explanation, without involving job satisfaction-oriented, the causes and processes. If Kalleberg (1977) that the job satisfaction as a single concept, the worker can work in various configurations to meet the surface to be balanced and satisfied, form an satisfaction. 2) the reference architecture says: job satisfaction is a personal reference architecture for the job based on their characteristics to explain the results obtained, therefore, whether a particular work situation affect job satisfaction, quality of work also involves a comparison, the comparison with others, personal ability and past experience many other factors. 3) the definition of expectation: the degree of job satisfaction as a personal work environment in the actual remuneration paid for and expected to be obtained depending on the pay gap, the gap is smaller, the higher the level of satisfaction ; Conversely, the lower the level of satisfaction.

This research will adopt the viewpoint of Kalleberg (1977) that job satisfaction as a single concept, the worker will be able to work in different configurations to meet and do not meet face to be balanced, does not involve job satisfaction-oriented, with the reasons for the formation process of the formation of job satisfaction is the feeling satisfied.

Job performance
In general, in empirical studies, performance studies often because research object dimensions differ, mainly due to the industrial organizational goals, organizational structure is different, they adopt
different performance objectives. Therefore, performance refers to the organization of a program of action to achieve their goals, and how far to reach a specific target level for a measure.

George (1990) claimed that the performance evaluation of service enterprises in addition to concrete outcomes - service performance, but should also include assessment of the performance-related behavior. Newman & Maylor (2002) measure of job performance indicators will be divided into behavioral performance (employee attendance and retention rates, work or service quality) and service performance (customer satisfaction and re-visit rate). Lings (2004) compilation of relevant literature, the job performance measurement indicators are divided into behavioral performance (employee retention, employee motivation and morale, employee satisfaction, organizational commitment, work or service quality) and service performance (customer satisfaction, financial performance). Borman et al. (1993) proposed job performance is divided into two categories: task performance and contextual performance.

The research will take the point of Borman et al. (1993), task performance and contextual performance are two variables as measurement indicators for job performance.

**Locus of control**

Allport (1937) personality is a dynamic organization within a person's mental physiological system, which determines the person to adapt to their unique environments. Personality and is not caused by a single trait, but posed by a variety of qualities, these qualities collectively referred to as personality traits. David (1989) can be determined with an enduring personality traits and commonalities and differences between the individual and others tendencies.

Many of the personality traits theory, "locus of control" theory (Rotter, 1996) : "The internal control trait means employees believe awards are subject to the results of their actions or property caused by themselves, they can control. "Externals control trait" believed reward is controlled by other external forces, such as other people, fate and opportunities, individuals cannot grasp. Majority of people in the population is between the two characteristics. Extreme internal or external control is relative. (Wu et al., 1980).

**Incentive system, Locus of control, job satisfaction and job performance related research**

**Incentive system and job satisfaction related research**

Tzeng (2002), explore the incentive system and the relationship between job satisfaction, and the results are positively correlated. That is, the implementation of incentive systems, job satisfaction has a positive enhancement of the role. Therefore, formulating hypothesis 1.

**H1:** Incentive system and Job satisfaction have a significant positive correlation.

**Job satisfaction and job performance related research**

On job satisfaction and job performance studies, many scholars empirical results show positive impact on job satisfaction, job performance, scholars empirical results show positive impact on job satisfaction, job performance or job satisfaction and job performance interact each other. Babin & Boles (1996) for the U.S. restaurant staff survey found that a significant positive impact on job performance job satisfaction. Hochwarter et al. (1999) for the U.S. hotel industry staff survey found that job satisfaction and job performance significantly affect each other. Allred (2001) for U.S. banks and credit unit staff conducted a questionnaire survey and found a significant positive impact on job satisfaction, job performance. Newman & Maylor (2002) for the UK hospital nurse conducted a questionnaire survey and found a significant positive impact on job satisfaction, job performance. Ming-jie (2004) showed that job
satisfaction and job performance was a significant positive correlation. In other words, employees' work satisfaction 'is higher, then his " job performance is better .Therefore, formating hypothesis2 and hypothesis3.

**H2:** Incentive system has directly impact on Job performance. Job satisfaction is the mediator role.

**H3:** Job satisfaction has positive impact on Job performance. Job satisfaction is higher; then the job performance is better.

**Incentive system, locus of control, job satisfaction and job performance related research**

Locus of control correlated with job satisfaction, the more likely internal qualities, their job satisfaction is higher, such as: Wu Bingen (1986) has pointed out that the higher the degree of satisfaction of the internal control trait; Mitchell, Smyser & Weed (1975), pointed out that the job satisfaction of the internal control trait is higher than those external control trait persons; maybe the reasons is the internal control trait consider as they can dominate by themselves ,and control the outcome of the work and related factors, therefore, they are will involve more effort, the job satisfaction is higher.

The internals have more confidence for themselves' abilities, and prefer participatory management. Thus, the job performance is better than the external control traits. For the internals, the success of the event is due to themselves, and adequately control the execution of the work. Therefore, the internals also have more ambitious achievement expectations for effort - Performance - reward. (Spector, 1982)

**H4:** Locus of control is the moderator role between Incentive system and Job satisfaction.

**METHODOLOGY**

**Samples**

According to Tourism Bureau with the statistical data, all the employees of the tourist hotels in Taipei city, the New Taipei city, Taichung city and Kaohsiung city exceed nearly fifty percent of employees of the hospitality industry in Taiwan. Therefore, this study will focus on the employees in the tourist hotels (including international tourist hotels and general hotels) in the four biggest city in Taiwan. There are 300 questionnaires will be conducted.

**Statistical Method**

AMOS will be an analytical tool. SEM analysis explains the causal relationship among variables to verify the hypothesis.

That is to say, to explore the relationship among the reward system, the different personality traits, job satisfaction and job performance. Moreover, to prove whether the job satisfaction will be the mediator and locus of control is the moderator role between incentive system and job satisfaction in the research framework.
Research framework

Hypotheses

This study proposes the following assumptions:

H1: Incentive system and Job Satisfaction has a significant positive correlation.

H2: Incentive system has directly impact on Job performance.

H3: Job satisfaction has positive effect on Job performance. Job satisfaction is higher, then the job performance is better.

H4: Locus of control is the moderator role between Incentive system and Job satisfaction.

RESULT

Data collection

Three hundred questionnaires were initially distributed and 272 usable data were obtained. (Table 2)

Table 2: Demographic characteristics and response of the sample n=272

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>89</td>
<td>33</td>
</tr>
<tr>
<td>Female</td>
<td>183</td>
<td>67</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20–30</td>
<td>155</td>
<td>57</td>
</tr>
<tr>
<td>31–40</td>
<td>73</td>
<td>27</td>
</tr>
<tr>
<td>41–50</td>
<td>41</td>
<td>15</td>
</tr>
<tr>
<td>50above</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High school graduate</td>
<td>98</td>
<td>36</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>166</td>
<td>61</td>
</tr>
<tr>
<td>Master’s degree (above)</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Level of position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>basic</td>
<td>171</td>
<td>63</td>
</tr>
<tr>
<td>mid</td>
<td>92</td>
<td>34</td>
</tr>
<tr>
<td>high</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Locus of control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>internals</td>
<td>147</td>
<td>54</td>
</tr>
<tr>
<td>externals</td>
<td>125</td>
<td>46</td>
</tr>
</tbody>
</table>
Reliability & Construct validity.

Instrument reliability was tested using Cronbach’s a technique and all values ranged from 0.60 to 0.89 for the Incentive system Q items, 0.88–0.92 for Job Satisfaction and for job performance, providing internal consistency.

Factor loadings for Incentive system and, Job Satisfaction and job performance were in the 0.62–1.00 range, 0.30–0.62 range and 0.55–0.80, respectively, providing construct validity.

RESULTS

Structural model fit

The hypothesized model is tested employing structural equation modeling using AMOS. The overall fit of the model is acceptable (χ² = 60.20, df=22 (p-value = 0.0000), GFI = 0.93, AGFI = 0.91, NFI = 0.90, CFI=0.91, RMSEA = 0.057, RMR = 0.063). This model intrinsic good fit, and the fit indicators have approached or reached the standard. On the whole, the structural model fit is good.

In this study, structural equation model path coefficients and statistical significance, as shown in Table 3.

All the hypothesized paths are supported except H2 (i.e., incentive system -> job performance).

Table 3: Standardized estimates of the hypothesized paths

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>path</th>
<th>coefficient</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Incentive system -&gt; job Satisfaction</td>
<td>0.67</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>Incentive system -&gt; Job performance</td>
<td>-0.28 (p=0.634)</td>
<td>Rejected</td>
</tr>
<tr>
<td>H3</td>
<td>Job Satisfaction -&gt; Job performance</td>
<td>0.71</td>
<td>Supported</td>
</tr>
</tbody>
</table>

*p<0.05

Table 4 Standardized estimates of paths Model I _ internal / Model II _ external

<table>
<thead>
<tr>
<th>Model I _ internal</th>
<th>H1 Incentive system -&gt; job Satisfaction</th>
<th>0.65</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H2 Incentive system -&gt; Job performance</td>
<td>-0.26 (p=0.2587)</td>
<td>(-0.26)+065×0.85 = 0.2925</td>
</tr>
<tr>
<td></td>
<td>H3 Job Satisfaction -&gt; Job performance</td>
<td>0.85</td>
<td></td>
</tr>
<tr>
<td>Model II _ external</td>
<td>H1 Incentive system -&gt; job Satisfaction</td>
<td>0.60</td>
<td>(-0.32)+0.60×0.72 = 0.112</td>
</tr>
<tr>
<td></td>
<td>H2 Incentive system -&gt; Job performance</td>
<td>-0.32 (p=0.662)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>H3 Job Satisfaction -&gt; Job performance</td>
<td>0.72</td>
<td></td>
</tr>
</tbody>
</table>

*p<0.05

Fig 2: Summary of results in the mediator model
As shown in Table 3, 4, 5 and Fig. 2, incentive system has a positive impact on job satisfaction, supporting H1. The positive significantly effect of job-satisfaction is found on job performance, supporting H3. Incentive system did not have significantly impact on job performance, opposing the initial assumption, H2. And incentive system has impact on job performance through job satisfaction, because incentive system did not have significantly impact (p=0.634) and negative coefficients (-0.28) on job performance. Therefore, the study can prove that job satisfaction is the mediator role.

To examine the hypothesis 4: whether locus of control is a moderator or not in the research model, as shown in Table 4. p=0.393 (p<0.05). and Fig 3. It represents that locus of control is the moderator role, supporting H4.

As shown total Effect column in Table 4, we can find the total effect of the internals (0.2925) is higher than the externals’ (0.112). The reason may be the internals believe the relationship between rewards and performance, thus they work by more involvement. And they have higher job satisfaction. The results indicate that incentive system have an indirect relationship on job performance, job satisfaction is the mediator role. And locus of control is the moderator variable between incentives and job satisfaction.

That is to say, to explore the relationship among the incentive system, job satisfaction and job performance. Moreover, the study would prove that job satisfaction is a mediator and locus of control is a moderator in the research framework.

### Table 4: Assuming model Default model to be correct:

<table>
<thead>
<tr>
<th>Model</th>
<th>DF</th>
<th>CMIN</th>
<th>P</th>
<th>NFI Delta-1</th>
<th>IFI Delta-2</th>
<th>RFI rho-1</th>
<th>TLI rho2</th>
</tr>
</thead>
<tbody>
<tr>
<td>moderator</td>
<td>1</td>
<td>4.2466</td>
<td>.0393</td>
<td>.0094</td>
<td>.0098</td>
<td>.0061</td>
<td>.0067</td>
</tr>
</tbody>
</table>

As shown total Effect column in Table 4, we can find the total effect of the internals (0.2925) is higher than the externals’ (0.112). The reason may be the internals believe the relationship between rewards and performance, thus they work by more involvement. And they have higher job satisfaction. The results indicate that incentive system have an indirect relationship on job performance, job satisfaction is the mediator role. And locus of control is the moderator variable between incentives and job satisfaction.

That is to say, to explore the relationship among the incentive system, job satisfaction and job performance. Moreover, the study would prove that job satisfaction is a mediator and locus of control is a moderator in the research framework.
Theoretical and managerial implications

From a theoretical perspective, the contribution of this study is the integrative model of job performance development process by incorporating the incentive system, job satisfaction. And locus of control will moderate between incentive system and job satisfaction.

From a managerial perspective, this study suggests it is wise to take advantage of different set of incentives system to generate the best work group performance. After all, not every employee has the same demands/needs in the organization.

It is worth noting that job performance is based on both job satisfaction and incentive system. Job performance results from job satisfaction that is effected from incentive system and locus of control.

Limitations and suggestions for future studies

As funding for research and time constraints, it could not comprehensive for all tourist hotels in Taiwan to do research. Thus, the sample may not be representative of a comprehensive analysis of information.

This study focuses on aspects of incentive to explore, it can be also explored from the other direction is likely to have an impact on job performance in the future, ex, job characteristics etc.

REFERENCES


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