

# Employee promotion-based incentive scheme on telecommunication industry case study of Chinese

Wang Zihui\* and Sasithorn Suwandee

Kasem Bundit University, Bangkok, 10510 Thailand

## Abstract

This paper describes promotion-based incentive within Herzberg's motivation- Hygiene theory. The overall objective of this study is analyze promotion-base incentive work in telecommunications industry, in order to verify if promotion works as an incentive method. From the perspective of employee hierarchical levels, whether it is distinguish between different employee level groups. The present study has investigated 206 employees who work on Chinese telecommunication companies in China by using self- administered questionnaire. The result of this study indicate that employee promotion affective in telecommunications industry; employees' age, income, work department, working age and position level are 5 elements to decision employees level; it is also found that employee promotion have positive relationship with employee motivation, job performance and employee retention, especially entry/junior level employee with 20-30 years who work 2-5 years with middle income 25000-35000 THB level are main group who interested in promotion. This paper affirms that promotion adopt match with other incentive methods will be better than use single way.

**Keywords:** promotion, incentive, job performance, Chinese telecommunication companies, employee level.

**Article history:** Received 26 January 2017, Accepted 15 June 2018

## 1. Introduction

This study focuses on the exploration of promotion-based incentive system combination employees' perspective in globalization economic environment. This paper found statistically significant relationship among employees' promotion, motivation, job performance, and employee retention.

Jensen & Murphy (1988) [1], an economic expert, forecast that promotion-based incentives will be replaced by other forms of rewards, and the available evidence on trends in bonuses, restructurings, because the sharp reduction in growth for much of the American economy in the 1980s. But, most organizations continue to rely on promotions to provide incentives, and it is very difficult to find the dominance of promotion-based incentive systems compare with other incentive systems. This paper focus affirm how promotion incentive employees in telecommunication industry.

Shapiro (2004) [2] affirms employee motivation plays a center role in management. Motivation as an important part of the performance equation at all levels, while researchers take motivation as a fundamental content for building a useful theory in the development of effective management practice. "Performance is what the organization hires one to do, and do well" [3]. Thus, verify promotion incentive impact on some factors which can motivate employees, it is very efficiency for employee

retention. Furthermore, it has very positive impact for job performance.

There are a lot of researches to investigate the view of what motivates people to do their best work. More than 60 years since the first survey, employees' responses on same ten factors have changed. The motivational value placed on each factor may vary by employee demographic situation, such as employee level, income, occupation and gender [4]. In this study focus on employees' perspective on promotion; compare different level employees' response. Verify whether promotion can effectively motivate employees, enabling them to achieve better performance.

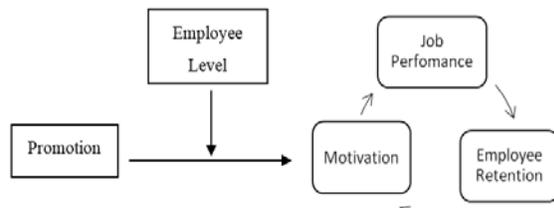
## 2. Objective

### 2.1 Study Objectives

The objective of this study is to find out the relationship between promotion and employees' motivation, performance and retention in telecommunication industry in China. More specific objectives are to find out:

- 1) To explore employee's perspective of promotion.
- 2) To analyze the impact of promotion-based incentive system on employee motivation
- 3) To analyze the impact of promotion-based incentive system in telecommunication companies by different employee levels.

\* Corresponding author; e-mail: 1091745253@qq.com



**Figure 1** Conceptual framework

## 2.2 Literature Review

*Victor Vroom's Expectancy* Robbins. (2013) [5] focused on the personal efforts can bring a chain reaction depends on our expectation of a given outcome and its attractiveness. In more practical terms, employers will be motivated employees put more effort on their work if they believe that effort can lead to a good performance evaluation; and a good performance evaluation will lead to organizational rewards such as bonuses, or promotion; and that the rewards will satisfy the employees' personal goals [5]. Expectancy theory's three relationships can make questions to ask employees, employees need to answer in the affirmative if their motivation is to be maximized [5].

*Herzberg's Two-Factor Theory* Robbins & Judge (2013) [5]. The study of Herzberg came up with the conclusion that employees are influenced by two factors; the motivators and hygiene factors. Motivators create job satisfactions; include achievement, recognition, autonomy and other intrinsic aspects when they are fulfilled. On the other hand the hygiene factors which will enhance dissatisfaction when they are not fulfilled [5]. This study uses two factor theories to analyze promotion. Promotion is defined as giving higher position to the employee, which carries more responsibilities and higher status. So we need consider both motivators (all of items) and hygiene factors (such as status, relationships with peers, supervisor, and salary) two aspects when analyze promotion

*Promotion-based Incentive* [1]. Promotion has two important and distinct purposes in organizations. First, different people have different skills and abilities, jobs differ in the demands they place on individuals, and promotions are a way to match individuals to the jobs for achieve best suited. A second role of promotions is to provide incentives for employees who expectancy and value the pay and improve value the pay and reputation with a higher rank in the organization [1].

The economic expert predicts that promotion-based incentives will be replaced by other forms of rewards. But, now it is also worth to controversy why most organizations continue to rely on promotions to provide incentives. This prediction is puzzling because promotion-based incentive schemes appear to have disadvantages more than advantages relative to other incentive

schemes [1]. However promotion still use as an incentive for many companies. In this study, we will focuses on employee perspective for employee promotion.

*Incentive System and Employee Motivation*. A study 'Relationship between rewards and employee's motivation' examine the employee's motivation of an organization with the rewards given to them [6]. The results from this study reveal that there is a significant and positive relationship between extrinsic rewards and employee motivation. On the other hand, intrinsic rewards impact on employee motivation weaker than extrinsic rewards.

*Employee Retention and Incentive Role*. Scott [7] studied retention key talent and the rewards role, he affirms that the reasons for employee quit are diversified, but usually they choose leave due to rewards-related reasons rather than work-related issues. From above conclusion, rewards effect on employee retention. This paper focus on empirical the relationship between promotion-based incentive and employee retention.

*Incentive and Performance*. Atambo, W. N. [8] investigates the relationship between incentive and performance. The term incentives are something that intends to arouse or appeals someone to greater effort for their work and get the objectives what are organization prescriptive.

According to a study as cited in Hicks and Adams [9] in 2003 "understanding health worker incentives in post conflict setting" affirm that incentives are aimed at achieving a specific change in behavior as organization request. Similarly, another study as cited in Franco et al. [10] in 2002 "Health sector reform and public sector health worker motivation: a conceptual framework" identified incentives as a means applied by the employer so as to influence employees' willingness to utilize and maintain effort towards reaching organization goals. Incentive systems are not applicable in anywhere and anytime, but incentive systems can enhance individual effort or performance where the conditions and the scheme designed are right [11]. A balanced incentive program introduced in an organization is likely to motivate employees and as a result lead to improved performance.

According to above analysis, it is easy to find the hypotheses to support research.

*Hypothesis 1:* Promotion-based incentive has a positive effect on employee motivation.

*Hypothesis 2:* The relationship between promotion-based incentive and employee motivation affected by employee level.

*Hypothesis 3:* Motivation of employees and company performance has a positive relationship.

*Hypothesis 4:* Provide promotion-based incentive and employee retention has a positive relationship.

**Table 1** Source table for analysis mean and factor on each variable

Variables	No. of measurement Items	KMO and Bartlett's Test	Value Mean
Promotion	4 items	0.666	3.085
Motivation (Hygiene)	5 items	0.899	3.609
Motivation (Motivator)	4 items		3.759
Employee Retention	8 items	0.769	3.214
Contextual Performance	10 items	0.927	3.856
Task Performance	6 items		3.998

Note: "KMO" is the result of Factor analysis; the number is closer to 1, the item better to support variable analysis.

### 3. Methods

This study uses three Chinese telecommunication companies as sample, because telecommunication industry is a high technological and new pattern industry. All of three companies are big companies and, employee hierarchical system is more complex than small and middle enterprises. Employee level defined by gender, age, income, education, department, working age which means the time of employees working in origination, and position managerial level seven aspects.

*Sampling* Using APP named "Questionnaire Star" to get random sampling, 235 questionnaires were distributed among the employees of three selected Telecommunication companies working in China. 206 questionnaires were returned, so the response rate was 87.6%. The survey was conducted in two phases, in first phase the self-administered questionnaires were distributed among 30 respondents to test questionnaire work or not. In second phase the revised questionnaires were collected from all participants after a reasonable time, a reminder was also given to respondents to ensure maximum response.

*Research Design* The questionnaire applied in this investigation has totally 44 questions. Self-Administered questionnaire has been developed for data collection. Self-administered questionnaire was divided into two parts; one containing 7 socio-demographic questions and the second part containing 37 questions related to variables that are incentive actions, employee motivation, and employee retention and job performance.

*Data Collection and Procedure* There has three dependent variables, one independent variable and seven moderator elements to measure questionnaires. All of these variables in this study have been measured on 5 point Likert scale (1 for Strongly Disagree and 5 for Strongly Agree). Seven moderator elements are gender, age, income, education, department, working age, and position level.

*Dependent variable* The instrument to measure employee's motivation has been adopted from Tremblay et al. [12]. The revised instrument contains 9 items

addressing various aspect of employee motivation. This 9 items separate into two groups, 5 items describe hygiene factors, 4 items description motivators. (1) For the income it provides me. (2) Allows me to earn money. (3) This work provides me with security. (4) I want to be very good at this work and other related five items.

The second dependent variable in this study is employee retention. The instrument contained 8 items; it is separated into two groups, 4 items for career opportunities within organization from Chin-Yao Tseng [13], (2010). (1) I believe my career aspirations can be achieved at this organization. (2) My boss takes a supportive role in my career development. (3) I have opportunities for career advancement at this organization. (4) My Job provides too little opportunities to my career development. The rest 4 items focus on intention to stay organization. These items are adopted from Kyndt et al. [14], (2009). (5) I'm planning on working for another company within a period of three years. (6) If I wanted to do another job or function, I would look first at the possibilities within this company. (7) If I receive an attractive job offer from another company, I would take the job. (8) I see a future for myself within this company.

Last dependent variable in this study is job performance. The instrument contained 16 items; this scale is adopted from Goodman & Svyantek [15], 1999 and revised by Khan, Bin, Yusoff, & Ali [16], 2014. These 16 items separated into two groups, 6 items for task performance, such as "Achieve the objectives of the jobs". "Meet criteria for performance" and so on. And 10 items for contextual performance, such as "Help other employees with their work when they have been absent".

*Independent variable* This study examines the dynamic influence of promotion on employee motivation, employee retention and job performance, therefore the independent variable in this study is Promotion. The instrument to measure employee's perceptions towards promotion of corporation was taken from Watson, A. M., et al. [17]. The scale contains 4 items and incorporates description employee perspective for promotion in their organization.

**Table 2:** Source table for one way ANOVA on demography information

Items	P	Conclusion
Gender	.220	> 0.05 Not-Significant
Age	.000	< 0.05 Significant
Education	.118	> 0.05 Not-Significant
Income	.000	> 0.05 Significant
Department	.046	> 0.05 Significant
Working Age	.000	> 0.05 Significant
Position Level	.000	> 0.05 Significant

Note: “P” less than 0.05, means the analysis is significant; “P” equal or more than 0.05, means the analysis is not-significant

(1). Too little chance for promotion. (2) Have a fair chance of being promoted. (3). Faster for promotion compare with other places. (4.) Satisfied with my chances for promotion.

#### 4. Result and discussion

The research methodology used for this study is based on quantitative analysis. There have 206 valid questionnaires to analyze. The data has been separated into three parts to analysis. First part focus on each item of variables, use compare mean and factor analysis method to support analysis. Second part is correlation among demographic information and promotion--the topic of this study; use one way ANOVA analysis method to support analysis. The last part is find relationship among variables; we use regression and multiple regression analysis methods to support testing hypotheses. In this study, the analysis statistically significant is the level of 95%.

Factor analysis shows a significant effect for each item of variables. Value mean of promotion is  $3.085 > 3$ , respondents take a positive attitude for their promotion system, KMO of promotion is  $0.666 > 0.5$ , the items of promotion supported to be a variable to analyze in current study. Value mean of hygiene motivation is  $3.609 > 3$ , and value mean of motivator is  $3.759 > 3$ , respondents take a positive attitude for employee motivation, KMO of motivation is  $0.899 > 0.5$ , the items of motivation supported to analyze in current study. Value mean of employee retention is  $3.214 > 3$ , respondents take a positive attitude for employee retention, KMO of employee retention is  $0.769 > 0.5$ , the items of employee retention supported to analyze in current study. Value mean of contextual performance is  $3.856 > 3$ , and value mean of task performance is  $3.998 > 3$ , respondents take a positive attitude for job performance, KMO of job performance is  $0.927 > 0.5$ , the items of job performance supported to analyze in current study. Both four variables are supported to analyze through their constitute items.

The result of one way ANOVA shows a significant effect for demography information which is moderator to

support analysis on this study. Demography information is the elements to definition employee level.  $P_{(\text{gender})} = 0.220$ ,  $P_{(\text{gender})} > 0.05$ , it is not-significant, gender is not moderator to affect relationship between promotion and employee motivation.  $P_{(\text{age})} = 0.000$ ,  $P_{(\text{age})} < 0.05$ , it is significant; age is moderator to affect relationship between promotion and employee motivation.  $P_{(\text{education})} = 0.118$ ,  $P_{(\text{education})} > 0.05$ , it is not-significant, education is not moderator to affect relationship between promotion and employee motivation.  $P_{(\text{income})} = 0.000$ ,  $P_{(\text{income})} < 0.05$ , it is significant, income is moderator to affect relationship between promotion and employee motivation.  $P_{(\text{department})} = 0.046$ ,  $P_{(\text{department})} < 0.05$ , it is significant, department is moderator to affect relationship between promotion and employee motivation.  $P_{(\text{working age})} = 0.000$ ,  $P_{(\text{working age})} < 0.05$ , it is significant; working age is moderator to affect relationship between promotion and employee motivation.  $P_{(\text{position level})} = 0.000$ ,  $P_{(\text{position level})} < 0.05$ , it is significant; position level is moderator to affect relationship between promotion and employee motivation.

Above all shows age, income level, department, working age, and position level five elements can be moderators to impact the relationship between promotion and employee motivation.

Regression analysis shows a significant and positive relationship between each variable. Hypothesis 1,  $P_{(\text{Hy1})} = 0.000$ ,  $P_{(\text{Hy1})} < 0.05$ , it is significant, Standardized Coefficients is 0.607, it is positive, employee promotion and employee motivation is significant and positive relationship. Hypothesis 2,  $P_{(\text{Hy2})} = 0.000$ ,  $P_{(\text{Hy2})} < 0.05$ , it is significant, Standardized Coefficients of age is 0.587, Standardized Coefficients of income is 0.555, Standardized Coefficients of department is 0.607, Standardized Coefficients of working age is 0.595, Standardized Coefficients of position level is 0.603, all of these are positive, age, income level, department, working age and position level five elements have positive impact on the relationship between promotion and employee motivation. Hypothesis 3,  $P_{(\text{Hy3})} = 0.000$ ,  $P_{(\text{Hy3})} < 0.05$ , it is significant, Standardized Coefficients

**Table 3:** Summary of hypotheses and outcomes

Model	Standardized Coefficients	P	Conclusion
Hypothesis 1: Promotion has a positive effect on employee motivation.	.607	.000	Supported
Hypothesis 2: The relationship between promotion and employee motivation affected by employee level.			
Moderator: Age	.587	.000	Supported
Moderator: Income	.555	.000	Supported
Moderator: Department	.607	.000	Supported
Moderator: Working age	.595	.000	Supported
Moderator: Position Level	.603	.000	Supported
Hypothesis 3: Motivation of employees and job performance has a positive relationship.	.651	.000	Supported
Hypothesis 4: Provide promotion-based incentive and employee retention has a positive relationship.	.685	.000	Supported

Note: “P” less than 0.05, means the analysis is significant; standardized coefficients more than 0, means has a positive relationship between two variables, the number close to 1, means has a strong relationship.

is 0.651, it is positive, employee motivation and job performance is significant and positive relationship. Hypothesis 4,  $P_{(Hy4)} = 0.000$ ,  $P_{(Hy4)} < 0.05$ , it is significant, Standardized Coefficients is 0.685, it is positive, employee promotion and employee r is significant and positive relationship.

As table 3 shows all of hypotheses can be verified in our study. Promotion impact on employee motivation, job performance and employee retention have positive relationships. And promotion impacted by moderators what emphasize personal status, age, income; department, working time and position level.

## 5. Conclusions

This study done for empirical test on promotion-based incentive scheme for Chinese telecommunication industry, it had been mostly verified with primary data that had been collected by questionnaire. It's can help telecommunication companies to make incentive model more applicative employees. We use Herzberg's two factor theory and Victor Vroom's expectation theory to verify how promotion incentive works in an organization. We found that promotion has positive relationship with employee motivation, coefficients of hygiene factors more than motivators. It's different with previous study result “Intrinsic rewards impact on employee motivation weaker than extrinsic rewards” [6].

According to random sampling research method it's can be affirmed that Hypothesis 1 is supported; promotion-based incentive and employee motivation has a positive relationship. A study reveals that there is a significant and positive relationship between extrinsic rewards and

employee motivation [6]. Hypothesis 2 is supported, the relationship between employee promotion-based incentive and employee motivation affected by employee level. The motivational value placed on each factor may vary by employee demographic situation such as employee level [4]. Hypothesis 3 is supported; employee motivation and job performance has a positive relationship. The incentives are something that intends to arouse someone to greater effort for their work and get the objectives [8]. Hypothesis 4 is supported; employee promotion-based incentive and employee retention has a positive relationship. Scott [17] mention that usually employees choose quit due to rewards-related reasons rather than work-related issues.

This paper verified promotion worked in telecommunication industries due to promotion have significant and positive with employee motivation, job performance and employee retention. Employee level is a moderator to affect the relationship between promotion and motivation. Position level, age, working age, income and department are five significant elements as moderators to affect relationship. Entry/Junior level, work on 2-5 years, 20-30 years with income 25000-35000THB are main group who interested in promotion to incentive them.

According to result we found, there are some recommendations to their managers. First, in this study, we focus on large telecommunication companies, most respondents agree that they have too little chance to promotion; the managers should consider to offer more promotion chance to employees.

Then, as we survey that most people prefer to receive an attractive job offer from other companies, it shows

that we need try to improve job design and benefit for employees to retain them.

Finally, in this study, performance was proved that affected by intrinsic motivation (motivators), Courage to do difficult tasks is the highest factor effect on motivation. And get fair chance for promotion is the highest factor effect on promotion. Managers need provide fair promotion chance to employees. The study also proved that promotion and performance has a positive relationship directly but not very strong as relationship between motivation and job performance. As above show, if we just use promotion as an incentive mode not easy to get high performance due not motivated employee very well. So promotion adopt match with other incentive methods will be better than use single way.

### Reference

- [1] George PB, Michael CJ, Kevin JM. Compensation and Incentives: Practice vs. Theory. **The Journal of Finance**, 1998; **43**(3): 593-616.
- [2] Debra LS. Introduction to Special Topic Forum: **The Future of Work Motivation Theory**. 2004; **29**(3): 379-387.
- [3] Campbell JP, Glaser MB, Oswald FL. **The substantive nature of job performance variability**. in Murphy KR (ed.), *Individual Differences and Behavior in Organizations*. San Francisco: Jossey-Bass; 2008.
- [4] Carolyn W. **What motivates employees according to over 40 years of motivation surveys?**. University of Tennessee at Chattanooga, Tennessee, USA; 1997.
- [5] Robbins SP, Judge TA. **Organizational Behavior**. 15<sup>th</sup> ed.; 2013.
- [6] Hafiza NS, Shah SS, Jamsheed H, Zaman K. **Relationship between rewards and employee's motivation in the non-profit organizations of Pakistan**.
- [7] Scott D. Retention of key talent and the role of rewards. **WorldatWork Journal**. 2012.
- [8] Atambo WN, Kabare K, Munene C, Mayogi EN. The role of employee incentives on performance: a survey of public hospitals in Kenya. *Global Business and Economics Research Journal Global Business and Economics Research Journal Atambo et Al.* **Global Business and Economics Research Journal**, 2013; **2**(212): 2302 - 4593.
- [9] Witter S, Sok S, Samai M, Kiwanuka S, Mutasa C. **Project 2 – Incentives Understanding health worker incentives in post conflict settings**.
- [10] Franco LM, Bennett S, Kanfer R. Health sector reform and public sector health worker motivation: a conceptual framework. **Social Science & Medicine**. 1982;**54**(8):1255–66.
- [11] Manjunath VS, Rajesh CN. Competency Based Compensation System- As a Strategic Human Resource Technique. **International Journal of Manpower**, 2012; **38**(7): 780-810.
- [12] Tremblay MA, Blanchard CM, Taylor S, Pelletier LG, Villeneuve M. **Work Extrinsic and Intrinsic Motivation Scale: Its Value for Organizational Psychology Research**.
- [13] Chin YT. **Retention of software employees in the IT industry in Taiwan**, DBA thesis, Lismore, Southern Cross University, NSW;2010.
- [14] Kyndt E, Dochy F, Michielsens M. Employee Retention: Organizational and Personal Perspectives. **Vocations and Learning**. 2009;**2**(3):195-215.
- [15] Goodman, Svyantek. Person–Organization Fit and Contextual Performance: Do Shared Values Matter, **J. Voc Behavior**, 1999; **55**(2), 254-275
- [16] Khan A, Bin R, Yusoff M, Ali. Assessing Reliability and Validity of Job Performance Scale among University Teachers. **Basic. Appl. Sci. Res**, 2014;**4**(1), 35 - 41.
- [17] Watson AM, Thompson LF, Meade. **Measurement Invariance of the Job Satisfaction Survey Across Work Contexts**; 2007.