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**The Role of Variable Pay Systems and their Effects on Employee Motivation in Saudi
Arabian Companies**

**A Thesis Submitted in Fulfilment of the Requirement for the Degree of Doctor of
Philosophy**

Durham University

Business School

PhD Management

Abdulmajeed Alqahtani

2021

ABSTRACT

Human Resources Management (HRM) practices have been evolving across the globe, and in the face of fierce competition for skills and talent, HRM has been looking at ways to attract and retain motivated employees within firms. Variable Pay Systems (VPS) has come a long way from when it was first introduced by HRM managers and has now become central to how majority of organisations are compensating their workforce for services rendered. The dynamics of VPS has taken centre stage as to how firms are being run and its after-effect on the diversity, productivity, and motivation of employees. For scholars and practitioners alike, performance and motivation remain central to a firm's success which is why VPS has gained momentum in the literature and attracts significant scholarly interest. When it comes to VPS though, most studies are based in western context which has generated theoretical domains and knowledge for scholars. Against such a backdrop, the current study takes the lead and puts together a mixed method study. This study is contextualised in Saudi Arabia (SA) which is at the cusp of transforming its economy through diversifying its operational activities. Despite a flurry of economic revolution and transformation, the country remains ignored in the literature. It offers unique opportunities for scholars especially due to its religious, cultural, and human resources elements. Utilising all of this, this thesis sets out to explore the dynamics of a diverse workforce in SA firms wherein VPS plays an important role in determining the organisational performance and productivity. Multiple data collection methods have been employed to develop a holistic view of the phenomenon under consideration and develop a comprehensive view of VPS in some of the firms determining the overall productivity of the country. The research delivers through its systematic research design and contributions in the form of theoretical framework. Quantitatively, surveys have been used to identify key indicators around the research objectives. Semi-structured interviews have contributed to qualitative investigative approach and have helped build a framework grounded in data. Both sets of findings point to multiple strands determining VPS understanding and adoption amongst SA firms. Cultural and religious notions, which are deeply embedded in the country's corporate environment, are key determinants and when considering VPS, and these notions impact employee motivation, decision-making and organisational performance. The work overall is an important step towards highlighting VPS in a non-familiar context and, considering the contributions, can open up avenues for further research at both organisation (macro) and individual (micro) level.

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DECLARATION

I hereby declare that the content of this thesis is my own unless otherwise stated in the text. To the best of my knowledge, this thesis has not been previously used for a degree in this or other university.

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DEDICATION

To my parents, my wife and my daughter.

CHAPTER ONE: INTRODUCAION

The very first chapter gives an overview of this thesis. The chapter is divided into subsections which briefly discuss the research background, context, theoretical standpoint, research objectives and thesis structure.

1.1 Research Background

Firms prioritise attracting, engaging, and retaining a motivated workforce. Such a motivated workforce has many advantages for firms and is beneficial in many ways. It has shown that it can, for example, increase creativity and problem solving behaviour, and therefore is often central to organisational flexibility and can increase performance (Jyoti & Rani, 2017; Cox & Blake, 1991; Subeliani & Tsogas, 2005). Human Resources Management scholars (HRM) have examined the role of motivation in firms (Shantz *et al.*, 2018; Ariss *et al.*, 2013; Cooke & Xiao, 2014; Kooij *et al.*, 2010). Besides satisfaction and motivation, HRM scholars have also explored firm-employee relationship for which compensation is a key element. In addition to the employment relationships, compensation is integral to motivation and satisfaction in workplaces (Morrell & Abston, 2018). Scholars have identified compensation to be the ‘single largest operating cost’ for most firms (Balkin & Gomez-Mejia, 1990; Jenkins *et al.*, 1998; Stajkovic & Luthans, 2001). For firms, there are various choices in terms of compensation, but broad conceptualisation incorporates three main elements – a) salaries/wages (a common form of direct payment for performing a routine assigned task, b) incentive payments (including bonus – payment for employees in order to achieve higher level of performance), and c) benefits, including a combination of legally mandated costs such as insurance, loans, education/training opportunities, childcare costs, etc. (Načinović *et al.*, 2018).

Research in areas of compensation management and HRM have illustrated a wider awareness and differences across countries (Bloom & Milkovich, 1998). It is noted that compensation practices have a strong correlation to work values, in addition to macro-environmental phenomena and national culture determining variation in compensation policies and strategies for firms (Gomez-Mejia & Welbourne, 1991; Townsend *et al.*, 1990; Schuler & Rogovski, 1998; Lukaszewski *et al.*, 2008). Scholars have identified cultural affiliations which they believe influence wage and other forms of compensation (Townsend, Scott and Markham, 1990). Deep seated cultural values in work environments are driven through individual perception. Employee satisfaction or motivation derived from specific compensation and HRM policies in such cases is achieved if compensation policies in question aligns to those cultural values (Lam *et al.*, 2002). Any disconnect or mismatch between the cultural characteristics and compensation policies/strategies results in disruption of factors such as attracting the right employees, public image, employee morale, labour relation issues and operational cost (Gomez-Mejia & Welbourne, 1991).

In the light of culture and recent debate around globalisation, firms are competing and moving towards a noticeable trend, converging their rewards strategies which are mostly inspired by American firms and their compensation practices (Poutsma *et al.*, 2005; Kressler, 2003). In Europe, the United Kingdom was first observed to have adopted such compensation strategies. Such a trend was soon adopted by firms in eastern and southern Europe (Chizema *et al.*, 2006; Grenness, 2011). To some scholars (such as Antonio *et al.*, 2000; Kagan, 2007) the globalisation-led adoption of reward strategies has been presented as “Americanisation” or “Anglo-Saxonisation” in the literature (Poutsma *et al.*, 2005). Despite such a widely adopted compensation or reward strategy, scholars argue that practices which yield results in one country do not guarantee success in other countries (Gomez-Mejia & Palich, 1997). The

stream of research has gained traction in recent years, but ideas around exported forms of compensation strategies in different national settings outside of the United States of America and Europe remains scant. The lack of attention around compensation strategies in different countries remains at the heart of this thesis as it attempts to uncover new dynamics in relation to VPS in Saudi Arabia (SA), a country which is on the cusp of paradigm shifts regarding sectoral changes and economic growth.

1.2 Research Context and Theoretical Standpoints

SA as a nation is currently facing stiff competitive challenges as well as serious long term-economic backlogs, dating back almost two decades. The country has been reeling from a heaving budget and ever-growing trade deficit. With a population of 34.2 million as reported in 2019, the country is represented by both Saudis (21.1 million) and non-Saudis (13.1 million). This essentially shapes the dynamics of workforce in SA as looks to diversify and shed off its dependency on oil-sector revenue.

Table 1.1: SA - Key Indicators and Labour Market (56th Annual Report, 2020 – SA Monetary Authority)

Key Indicators	Population Type	Population and Labour Force 2019		Total
		Male	Female	
Population	Saudis	10,743,66	10,359,532	Total Population = 34,218,169
	Non-Saudis	8,995,290	4,119,581	
Unemployment Rate	Saudis	4.9	30.8	Total Unemployment Rate = 5.7%
	Non-Saudis	0.3	1.3	
Government	Saudis	728,299	498,401	Total Government

Sector Employees	Non-Saudis	24,767	22,295	Sector Employees = 1,273,763
Private Sector Employees	Saudis	1,141,653	556,511	Total Private Sector Employees = 8,234,233
	Non-Saudis	6,303,539	232,530	

The structure of SA job market in the face of it all is changing rapidly and there has been huge push due to Saudization. The SA economy experienced growth in 2019 due to support from the non-oil sector. There were economic and financial reform packages introduced by the government aimed towards aspirations of Saudi Vision 2030 which was represented in policymakers and scholars observing resilience in domestic economy. Heavy expenditure combined with increasing domestic efficiency and a diversifying production base has resulted in the private sector being recognised by the government as an efficient partner toward economic growth and progress. As per the objectives of the research, organisations representing eight sectors have therefore been studied. These sectors are: a) banking; b) basic food and investment sector; c) chemical industrial and manufacturing; d) cybersecurity; e) energy; f) electricity and water; g) mining; and h) telecom.

Like their counterparts around the world, SA organisations continue to look for optimum strategies in order achieve a competitive edge in the market and enable their respective firms to gain a performance foothold in the market (Ramlall *et al.*, 2011). Scholars have articulated development and changes in Human Resources (HR) practices in order to achieve such organisational objectives (Downes *et al.*, 2000; Ramlall & Owens, 2005; Loayza & Palacios, 1997). Changes in global economy have also been noted to have a strong impact on nature and structure of labour markets. It allows for organisations to analyse the effectiveness of HR practices in respect to compensation strategies. Understanding the effectiveness of compensation policies in firms is vital as it offers an opportunity to fully understand how firms achieve competitive edge in the market. According to Lawler (2000):

Pay is a promising and largely untapped source of competitive advantage, because it can reinforce behaviors that best serve a company's business strategy and thereby improve performance and profitability (Ramlall et al., 2011;60)

Scholarly interest in HRM practices allows for firms to design compensation philosophies and strategies in order to maximise employee motivation engaged in behaviour aligned to organisational strategies (Milliman *et al.*, 1995). Despite their role in a firm's compensation strategies and their direct contribution to firm performance, contextual conditions moderating the efficacy of compensation practices have largely been overlooked in the research stream. As firms continue to internationalise their operations through international markets or qualified labour from international markets, attempts to do so are generally motivated by the desire to utilise assets and gain access to lower costs (Kim *et al.*, 1993; Mitchell *et al.*, 1995). This is where HR management capabilities come into play, which allow for firms to retain, motivate and use human capital in firms (Coff, 1997; Kamoche, 1996). In that realm, when examining national or regional models of compensation, national borders underline contextual features and must be taken into consideration when developing compensation systems that align with organizational, national and regional strategies (Bloom and Milkovich, 1999). According to Hofstede (1980; 89), the citizens of a country share a national character and compensation systems due to social (and economic) norms which reinforce cultural values (Rowland, 1979). Firms are mostly able to develop their respective social norms which then reflects in their compensation practices and system overall. Firms must design their compensation policies aligned to firm's culture as well as attract, motivate, and retain employees who fit with the organization. Countries such as SA are experiencing a process of structural reforms with the aim to be on a path to superior economic performance.

This is largely achieved through pay systems as these are believed to have high impact and visibility (Lawler, 1990). An effective compensation strategy has direct impact on organisational competitiveness, higher degree of profitability, productivity, and employee motivation. Scholars agree that a well-designed compensation system can help attract skilful applicants, retain efficient employees, and achieve workforce stability (Jones, 2017). Amongst the many which firms can choose, VPS or schemes have attracted considerable scholarly interest within HRM practices. It is distinguished from traditional time-based or service-related pay schemes. Employee performance is at the heart of such compensation schemes and firms can apply this at individual, team level or at whole of organisation level (Arrowsmith & Marginson, 2010). Employee incentivisation is linked to localised schemes whereas VPS applied at organisation-level has broader objectives and is often associated with recruitment, retention and employee ‘reward’ or ‘engagement’. In general, there are three types of VPS – 1) Incentive-based schemes and bonuses, 2) Merit-based pay and 3) Organisational arrangements including profit and equity-share schemes. According to scholars, VPS represents a form of managerial response toward indeterminacy in the employee-employer relationship as well as employee motivation (Stroh *et al.*, 1996). The employee contract does not specify performance of labour under all conditions and eventualities which also means that employers have a degree of freedom over the exercise of their labour and productivity. VPS in recent times has been utilised through a combination of schemes in order to incentivise and rewards employees (Bryson & Freeman, 2008). Incentivisation or rewarding employees in the context of this research ties it all down to employee motivation. The importance of employee motivation and influencing the behaviour of workforce is linked to the success or failure of an organisation (Kim, 2006). According to Helliege *et al.*, (1992; p. 204), motivation can be seen as the “force acting on or within a person that causes the person to behave in a specific, goal-directed manner”. There are other

conceptualisations of motivation in the domain of HRM such as Reece and Brandt (2006; p. 149) who refer to motivation as the “reason why people do the things they do, and in a work setting, motivation is what makes people want to work”. Daft and Marcic (2016; p. 444) define motivation as “forces as intrinsic or extrinsic to an individual that contributes to enthusiasm and persistence in order to pursue a certain course of action”. Evidently these conceptualisations of motivation indicate that workplace motivation is linked to a) individual behaviour, and b) causes of individual behaviour. For managers, it is a requirement they must first understand, discover individual differences, and needs which would then prompt them to develop proper models for motivating their employees. The process must include mapping different aligned to common organisational objectives (Kim, 2006). Managers as such are guided by multiple motivational factors and there is the need to consider diverse motivational models in or to fully understand the needs of their employees. Along these lines there have been multiple employee motivational factors that have been identified and studied over the decades, effectively allowing firms to enhance managers’ understanding of employee motivation. The table (1.2) below depicts motivational programs which have been divided into two categories – intrinsic (self-satisfaction) and extrinsic (externally rewarded). The programs have also been linked to some of the theories which have been used to study such programs in firms.

Table 1.2: Motivation Concepts and its Theoretical Applications (Adapted from Robbins, 2005)

<i>Type of Reward</i>	<i>Programs</i>	<i>Common Examples</i>	<i>Theoretical Derivates</i>
Intrinsic – Self Satisfaction	Employee Recognition	Certificate of Appreciation; Recognition	Reinforcement Theory
	Employee	Participative	Existence, Relatedness and

	Involvement	management, Quality Circles, Employee Stock ownership	Growth Theory (ERG)
	Job Redesign and Scheduling	Job sharing, rotation, enlargement, & enrichment, Flextime, Telecommuting	Two-Factor Theory
Extrinsic – Rewards given by Others	Variable Pay (VP)	Piece-rate pay Plans; gain sharing and profit sharing plans; bonuses	Expectancy Theory
	Skill-Based Pay	Skill, competence, Knowledge-based pay	Existence, Relatedness and Growth Theory (ERG)
	Flexible Benefits	Modular plans, core-plus plans, flexible spending plans	Expectancy Theory

As far as intrinsic rewards are concerned, they are employee recognition programs encouraging a specific employee behaviour for firms to maintain such attitude and behaviour throughout the organisation (Luthans, 2000). Employee involvement programs help increase employees' participation contributing towards organisational decision-making and commitment to success (Leana *et al.*, 1992). On the other hand, job-redesign programs are aimed at reorganising jobs and responsibilities for employees not to feel repetitive or bored in

their respective jobs (Slocum, 1981; Wall, 2017). Such programs allow for employee a greater degree of discretion over their work hours and schedules (Daniels *et al.*, 2017). VPS constitutes extrinsic rewards which, as discussed earlier, differ from other compensation strategies as part of which employee's pay is based on some organizational/individual measure of performance (Nigusie & Getachew, 2019). Both extrinsic and intrinsic reward types have been linked to various theories. For example, employee recognition programs have been explicated through reinforcement theory, which ascertains that rewarding a behaviour with recognition is likely to encourage repetition. ERG theory has been aligned to employee involvement to stimulate the achievement needs. Enrichment of jobs has been linked to Herzberg's two-factor theory through notion of achievement, responsibility and growth in roles for employees. As for extrinsic reward programs, scholars have shown how VPS remains compatible with expectancy theory especially because employees sense a strong relationship between performance and rewards, especially when the motivation is maximised (Bates, 1979; Kuvaas *et al.*, 2018).

1.3 Research Gap and Objectives

When considering an organisational context, especially in developed countries, there has been a huge uptake of VP since the 1980s. Although this increase in the use of VP has been observed all around the globe, there has been a strong emphasis on employee financial participation schemes such as share ownership scheme or profit sharing spanning the firm (Robinson & Wilson, 2006; Poutsma & Nijs, 2003). In European countries such as France, profit-sharing has been mandatory for firms with more than 50 employees (Pendleton *et al.*, 2001). UK and countries outside the European Union such as USA, Australia and Canada have witnessed the growth of individual incentive schemes (Blundell, 2000). Managerial strategy on compensation has also been heavily influenced by the literature from HRM

(Boxall & Purcell, 2008). For strategic HRM, pay flexibility is considered an integral constituent (Analoui, 2017; Lawler, 2008). Managers use different schemes in order to achieve different objectives (Gerhart *et al.*, 2003). Just building on domains of organisational psychology, economy, IR and HRM, scholars have identified multiple rationales for firm to adopt VPS in their respective organisation. Some of these are a) reward for stakeholders, b) performance management, c) productivity, d) cost control and e) industrial relations.

These factors as above are amongst the many which scholars from different discipline have been working with in order to understand the dynamics of VPS in developed countries. In that regard there have been various types of VPS which have been identified as depicted in the Figure below:

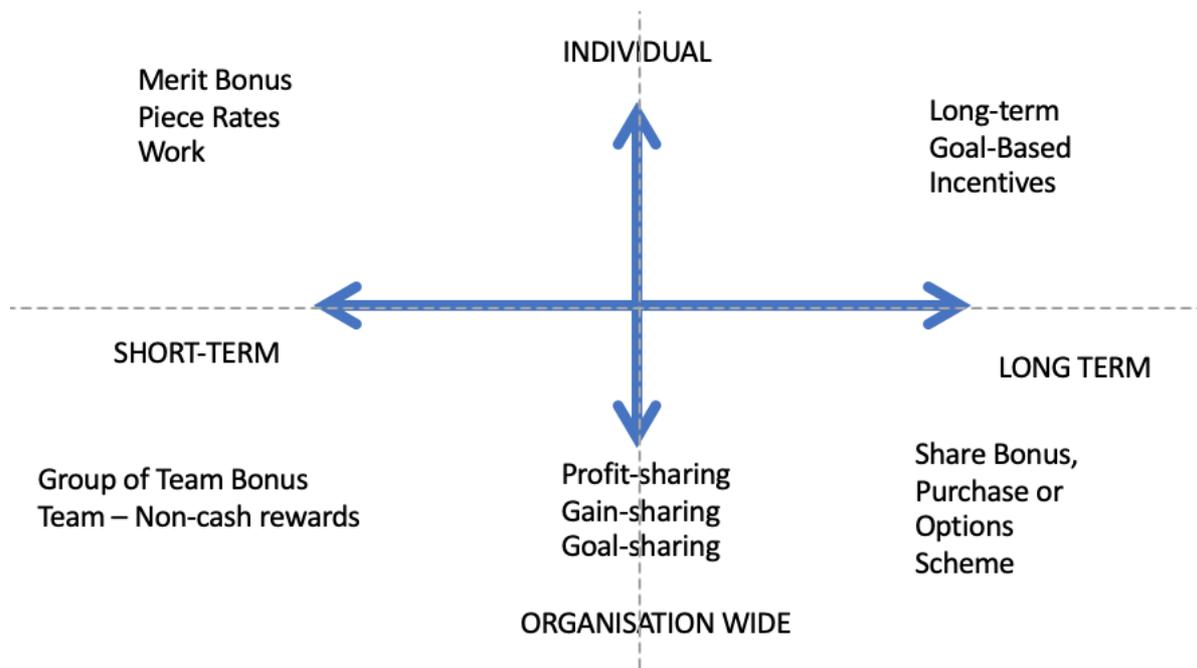


Figure 1.1: Types of VP (Adapted from Perkins and White, 2020)

Recent empirical studies on VPS have identified different issues that explain the complexity of the topic, such as motivational effects, risk preferences, workplace absenteeism, the

education of managers, money attitude and others (Chiles *et al.*, 1996; Merriman *et al.*, 2007; Deckop *et al.*, 2004; Pouliakas *et al.*, 2012; Wilson *et al.*, 1991; Waller, 1988). Despite so much being done to cover HRM, it is evident that the contextual factor especially in developing and emerging nations remains under researched (Budhwar *et al.*, 2001; Horwitz *et al.*, 2002; Načinović *et al.*, 2019; Kim *et al.*, 2010). There are all types of empirical studies and, in spite of HRM literature emphasising the importance of remuneration schemes in attracting, retaining and motivating employees, there is a general consensus that these studies are not comprehensive enough to offer greater insight into other types of setting and VPS for the private sector. It is very difficult to find empirical research that investigates the impact of VPS on employees' engagement with work and overall performance. Based on a review of empirical studies, it can be observed that added impetus is required to comprehensively understand the complexity of the topic. This refers to experiences from post-transition economies. Based on a comprehensive review of the literature in relation to this study the statements below represent the aims and objectives of the research.

1. This research is looking to explore the role of VPS in generating stimuli for employees in SA. More specifically, in this thesis it is investigated how VPS plays a role in stimulating employee motivation within the private sector of SA? The research will be investigating the rationales for using VPS and how is it employed to attain individualistic and collective goals?
2. Focussed within the context of SA, the research is primed to investigate the manifestation of VPS within the cross-cultural context of SA. The research is looking to capture employees' perception to VPS especially in relation to work effort, motivation, and performance.
3. This work is also aiming to develop a deeper insight into the merits of VPS which is aimed at both employee and employer relationship. Given the gap in the literature this

work is looking to offer theoretical framework on how employee and employers perceive the merits and demerits of VPS in the SA context.

1.4 Research Design and Framework

To achieve the aims and objectives of the research, the work has been carefully designed to deliver a meaningful outcome. Given the complexity of the work, both quantitative and qualitative approach have been integrated as part of this research.

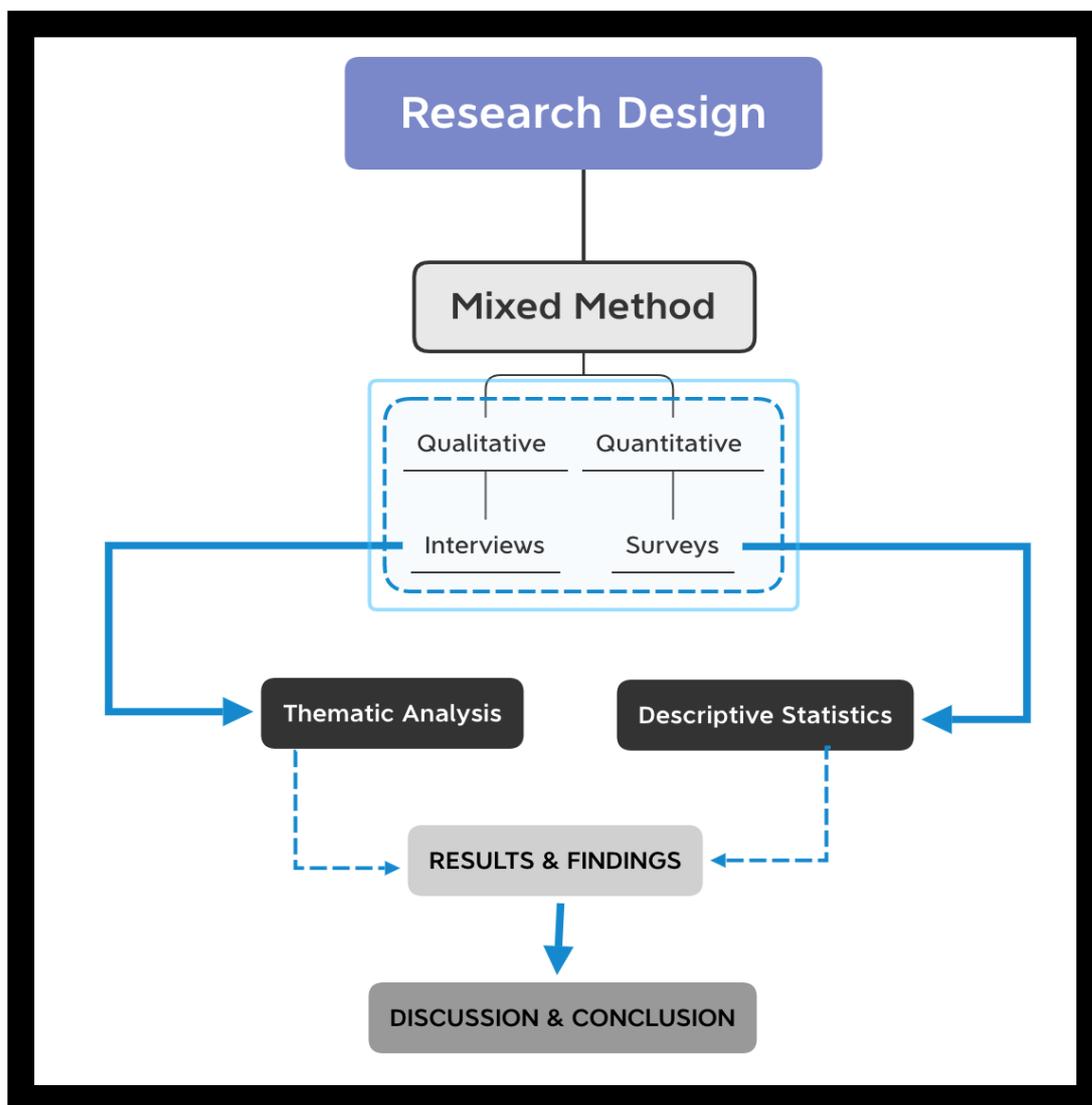


Figure 1.2: Research Design – Exploring VPS in SA

Mixed method was chosen in offering for a range of opinions from various sectors studied including the managers and employees to ensure that the results reflect the actual perception of VPS, its adoption and impact at individual and collective levels through views and perspectives. In order for this work to capture the different views and build a deeper insight into VPS and its effect on employee motivation and performance, the process of data collected included survey design and semi-structured interviews. The survey designed were heavily influenced by another study conducted within the realms of employee perception and strategic compensation (Carter, 2015). The questionnaires borrowed from the study were considered appropriate given its relevance to HRM but more specifically the dimensions covered. On the other hand, semi-structured interviews in this study have also been employed in order to identify specific pattern of data in relevance to the situation and the context (Adams, 2010).

1.5 Thesis Structure

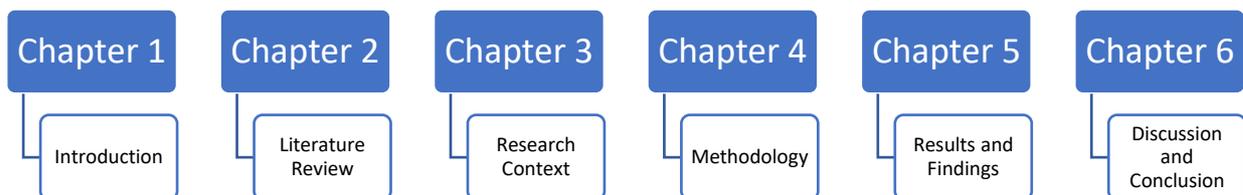


Figure 1.3: Thesis Structure and Chapter Breakdowns

The thesis has been divided into six chapters. As is evident the first chapter of this thesis has laid out the foundation of the thesis and rest of the chapters follow as below.

1.5.1 Chapter Two Literature Review

The second chapter of the thesis offers the theoretical context aligned to the aims and objectives of the research. The chapter has focussed on various elements and has been able to

establish a strong link between two critical elements of the research, i.e., motivation and incentives. The discussion has shed light on theories around motivation and compensation. More specifically, both compensation and motivation have been discussed from both organisational psychology and economic perspectives. These two perspectives have allowed for inclusion of a broad range of theories aligned to both compensation and motivation. From the psychological perspective, theories such as equity, expectancy and goal setting have been critically discussed. On the other hand, mention of economic perspective has allowed for this thesis to fully explicate the importance theories such as agency, efficiency wage, fair wage and tournament. Capturing these two broad literary perspectives have also contributed to setting up a strong basis looking into the dynamics of motivation in workplaces. Following the theoretical attributions from psychology and economic disciplines, the chapter has offered an evolutionary insight into the nature of compensation management leading onto core concepts of pay, compensation and more specifically VPS. Having reflected upon the theoretical dimensions of VPS, it was but paramount to showcase the evolution and objectives of VPS in organisational context thereby underlining its operationalisation for employees' motivation. VPS evaluation, types, and its rationale for adoption in have been critically addressed in this chapter. The theoretical perspectives along with dimensions, types and evaluation of VPS has resulted in establishing the research gap thereby offering three structured research questions in the concluding section of this chapter.

1.5.2 Chapter Three Research Context

Having established broader aims and more specific research questions in the previous chapter, chapter three included discussion around an integral element of the research, i.e., context. The context has been discussed through some of the recent policy-based interventions ushered in by the leaders of the country. These policies are seen elaborate in

terms of vision as well as economic scale but plans of the Kingdom to move away from oil-based revenue is dependent on the success of these policies. Reviewing these interventions, the aim through this chapter has been to highlight the current contextual dynamic of the country and programs such as Saudi Vision 2030 have been discussed in the context of human resourcing needs of the country. The chapter has offered a critical review of HRM practices of the country covering some of them major reforms introduced by the SA government which also sheds light on how things have evolved in the public and private sector of the country. To this, the chapter has reviewed the labour market of the country which fits in well with the aims of this thesis of studying the compensation strategies and motivation of the very same workforce. Political and legal contexts have also been critically reviewed in order to offer a full insight into some of the factors which determines the dynamics of compensation strategies as VPS in SA which comprises of both Saudi and non-Saudi individuals employed in the private sector (as well as public sector). The uniqueness of SA as a country is laid out in the diverse workforce and some of the political and legal structure of the country.

1.5.3 Chapter Four Methodology

Having reviewed the theoretical standpoint of the thesis, chapter four has offered a methodological insight into how the research has been designed and conducted eventually. The chapter has first and foremost clarified the importance of comprehending the research philosophy which has been linked to the notions of philosophical worldview, appropriate research designs and methodologies in general. Epistemological an ontological position has also been debated in order to arrive at the rationale for a mixed method study which was favoured and considered ideal for this thesis. The chapter has detailed the specific research design and data collection techniques adopted for this thesis. Figure 1.2, for example, spells

out the actual plan as to how the mixed method approach adopted in this research was implemented. Both phases of data collection, i.e., surveys and interviews (including their rationales for employing as data collection techniques) have been covered in this chapter along with addressal of key research formalities – ethics approval, consent, confidentiality etc.

1.5.4 Chapter Five Results and Findings

Chapter five gives an insight into the overall analytical approach but more importantly all the results and finding deduced from both data sets. From a researcher perspective, this chapter discusses how quantitative data have been treated and includes the outcome derived from it. The first section of the chapter concerns quantitative analysis which includes both descriptive and statistical inferential analysis. Following on the discussion around quantitative data and analysis, the next section revolves around treatment of qualitative data. The chapter covers insight into grounded theory and its rationale for application to this research project. Linked to grounded theory is the notion of data structure and analytical approach. Data structure is a critical element of this chapter as it has allowed the researcher in this thesis to organise and process the raw data in order to arrive at a meaningful conclusion. Along with the results derived from quantitatively data set, this chapter delivers on qualitative rationale, with approaches and outcomes thereby completing the mixed-method approach as far as the research objectives are concerned.

1.5.5 Chapter Six Discussion and Conclusion

The final chapter of this thesis discusses the research findings in terms of the theory and literature linked to the identified objectives of the research. More importantly, this chapter is an attempt to highlight some of the key contributions of the research. These contributions have been closely aligned to the overall aims and objectives where were initially explicated

through a comprehensive literature review and systematic data collection and analysis. The discussion in this chapter is organised around the research questions which aptly justifies the research outcomes thereby answering them in theoretical terms. From a contribution perspective, the chapter revolves around a theoretical model which have also been linked to the three-research question as mentioned below.

- 1. What are the rationales for using VPS and how it is employed to attain individualistic and collective goals?*
- 2. Shaped by religious and cultural beliefs, how does the differing perception towards VPS shape the work effort, motivation, and performance?*
- 3. Finally, within the context of SA, how do employees perceive the merits and demerits of VPS across different sectors?*

The questions are also supported by respective models ably structured around themes identified from the data set. Each question can be represented by one of the aggregate dimensions (derived from the data set) and its theoretical dimensions have been subsequently reviewed in this chapter. Additionally, the discussion has also focussed on SA culture which is an important determinant of HRM domain. Finally, to conclude the chapter discusses the limitation and identifies the future research directions.

CHAPTER TWO: LITERTURE REVIEW

2.1 Introduction

This chapter has been structured to underpin the theoretical dimensions of this research. Attributed to the domain of HRM, this study is primed to explore the notion of VPS, which is in line with the research aim, presenting an interesting conjecture within the context of SA discussed later in the research context section. This chapter is structured to fully understand the theoretical context and evolution of VPS thereby giving a holistic view of theory and practices in relation to motivation and compensation. The discussion specially focusses on literature across different disciplines in trying to establish VPS and its role/use in management or business as an enabler for organisational motivation and performance.

Managers across organisations strongly believe that motivated and productive employees are central to firm success irrespective of company size, sector or strategy (Ogbonnaya *et al.*, 2017). Despite overwhelming evidence of employees' role in organisational success, the question of 'how' arises when it comes to motivation within the organisational business model (Do *et al.*, 2016). One of the most common approaches to motivating employees is by offering performance-based incentive pay which usually take either of these forms: a) the offer of a bonus based on assessed individual performance or b) the offer of a bonus as organisation-wide incentive which includes profit related payment or share ownership (Ogbonnaya *et al.*, 2017). In that regard, compensation has been considered as a major policy lever instituted by organisations in order to motivate employee attraction, performance and retention (Lawler 1971, 1983). Application of such policies have been evidenced in private sector firms especially in competitive markets, often referred to as pay for performance (PFP)

linked to individual performance as individuals progress to higher level jobs (Fang *et al.*, 2013; Gerhart *et al.*, 2009). Highly creative industries, and as flag bearers, Facebook and Google have pinned their reliance on human capital and therefore place great emphasis on pay resulting in rigorous selection and performance standards. Motivation as such has gained huge traction in workplaces which, as a phenomenon in theory and practice, have been linked to the study of compensation (Litman *et al.*, 2015). In that regard, the works of Frédéric W. Taylor (Locke, 1982) alongside various scholars (Igalens and Roussel, 1999; Baker *et al.*, 1988; Opsahl and Dunnette, 1966; Ghazanfar *et al.*, 2011) throughout the 20th century have led to establishing a dominant paradigm according to which compensation has been well identified as incentive within the context of organisations. The paradigm has been further extended wherein motivation has been studied empirically as an influential factor, but also supported by policies of HRM and public administrations. Such a strong linkage between motivation as a factor and compensation has been further strengthened due to theories and contributions from discipline of management, economics, organisational psychology, critical management studies and sociology. (Fall & Roussel, 2014). Scholars across the discipline agree that making compensation dependent on employee performance facilitates motivated environment all around (Lee & Zenios, 2012; Banker *et al.*, 1996; Hicks, 2012; Grabner, 2014). One of the ways to understand the concept of motivation within these domains requires tracing work from the 1930s to the 1950s for example, wherein studies linked work motivation and individual performance (Tolman, 1938 & 1949; Keller, 1979; Rotter, 1966). Building on those ideas, theoretical and empirical work has burgeoned, shining light on motivational factors that are likely to impact effort and performance at work (Najjar & Fares, 2017; Wilson & Madsen, 2008; Alderfer, 1969 & 1972; Herzberg, 2017).

2.2 Motivation and Incentives – Dominant Views in Literature

Motivation through incentives have been built around disciplines of psychology, economics, critical management and sociology (Fall & Roussel, 2014). Within the organisational psychology, scholars have delved into theories such as equity (Adams, 1963 & 1965), organisational justice (Greenberg, 1990), expectancy (Nadler & Lawler, 1977; Porter & Lawler, 1968) and goal setting (Locke, 1968). On the other hand, within the domain of economics literature, agency theory had largely dominated the studies relating to companies' compensation policies in the 1980s (Jensen & Meckling, 1976). Research along these principles pointed to the efficiency of a compensation system and power of incentives, which furthered other empirical notions such as efficiency wage theory (Solow, 1979), tournament theory (Lazear & Rosen, 1981) and fair wage model (Akerlof & Yellen, 1988).

2.2.1 Theoretical Insights on Motivation and Compensation from Organisational Psychology

Theories from organisational psychology underline the role of performance objectives when associated with compensation (Gerhart & Milkovich, 1990). The narrative emerging out of these theories focus on the rationality of the individual who are assumed to make reasoned choice when activating their efforts, intensity at workplace. According to these theories, individuals are characterised as hedonistic when making choices as they try to maximise the positive effect through adoption of result-oriented behaviours (Kanfer, 1990). Bounded rationality is also central to the choices individuals make (Simon, 1957). From an organisation psychology perspective, Vroom's work (1964) led to what is also referred to as expectancy theory or valence instrumentality-expectation theory. This particular theory has been employed regularly as a theoretical framework in trying to figure out as to how a compensation can be the motivating factor (Igalens & Roussel, 1999; Oliver, 1974). Work

utilising the theory discusses the role of compensation in generating positive effects on workplace motivation. Compensation in that regard is assumed to be a very strong lever for motivation. Decision-making on the part of individuals is influenced by various alternatives and consequences available to them in workplace. Workplace motivation therefore is influenced by various expectancies (Figure 2.1):

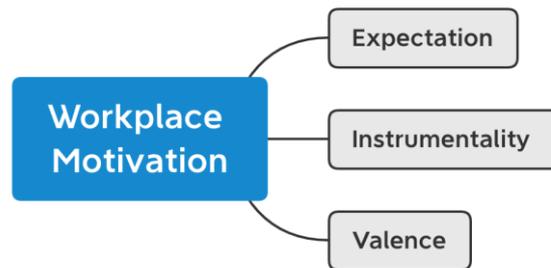


Figure 2.1: Types of expectancies influencing workplace motivation (adapted from Fall and Roussel, 2014)

Those postulating the expectancy theories argue that the above expectancies as highlighted in the Figure have to be fulfilled in order for compensation to incite individuals to add to their effort at workplace (Fall & Roussel, 2014). The very first expectancy relates to providing efforts producing the desired level of performance. The second condition relates to instrumentality according to which the perception of individuals relates to achievement of goals which in turn will generate rewards such as increase in wages or performance bonus. Finally, the third expectancy is linked to valence within which an individual perceives the reward in a positive light and considers it as very desirable (Kominis & Emmanuel, 2007). The motivation process and role of compensation have largely been used by managerial boards and organisations since the 1960s. The theoretical framework concerning expectancy theories has been heavily utilised to train executives, HR and compensation specialists (Milkovich, 1987; Yaminil & McLean, 2001; Issac *et al.*, 2001). To this, the works of Porter and Lawler (1968) and Nadler and Lawler (1977) brought new dimensions as their studies

offered an all-round system for decoding the indicators and consequences of the work motivation process. For example, these studies ideated the feedback loop which linked job satisfaction with work motivation (Fudge & Schlacter, 1999; Mohrman & Lawler, 2011). But overall, if the work conditions are conducive and there are necessary resources available for individuals, increasing effort in most cases would generate the expected performance (Purvis *et al.*, 2015). Based on their own experience at work, individuals look out for extrinsic and intrinsic rewards linked to their performance and within the fairness context, if their performance is judged in alignment, the individuals are assumed to be satisfied by the job experience. Expectancy theory as such postulates that compensation, i.e., wage increase, or bonus, plays both a positive and negative role in strengthening motivation at work which in turn depends on satisfaction or dissatisfaction gained from previous efforts in order to obtain rewards (Fall & Roussel, 2014).

While the arguments linked to expectancy theory provided insights, equity theory from the 1980s onwards further enriched and influenced both compensation management and expectancy theory. (Adams, 1963; Porter & Lawler, 1968). The hypothesis used to argue equity theory is reliant on the notion that each individual evaluates the advantage linked to their job (output) and based on the contributions (input) they make. Using the equity theory framework, individuals are presumed to balance the two types of ratio, i.e., personal and other advantages/contributions (Al-Zawahreh *et al.*, 2012; Ryan, 2016). The theory argues that the motivation of individuals in a workplace is based on comparison of self and others, within (internal equity) or outside (external equity) the organisation. The discrepancy between the two equities serves as a source for psychological tensions for individuals which facilitates behaviour aimed at mitigating both the discrepancy and tension. Comparison of self with others (if resulting in dissatisfaction, i.e., unfairness) leads to tension which individuals aim to reduce by indulging in goal-oriented behaviour, hence the motivation. The

other case remains when individuals are satisfied when comparing the situation with others, individuals strive to maintain the situation, also referred to as psychological equilibrium (Skiba & Rosenberg, 2011). These arguments around equity theory have been adequately utilised to explain compensation management in addition to workplace motivation (Milkovich & Newman, 2008; Morand & Merriman, 2012). Further research using this theory has been put into effect to develop company base-pay scales (internal equity) and salary benchmarking (external equity) for organisations (Buttner & Lowe, 2017). Within the principles of equity theory, compensation is the main dimension when analysing their treatment as fair or unfair in organisation.

It was Greenberg (1987), who proposed the concept of distributive justice to explain the notion of equity when it comes to the level of reward. Scholars working in the domain have also proposed that level of compensation alone does not determine fairness or unfairness. Individuals are mindful of the procedures linked to these outputs especially the decision-making for rewards and compensation (Jasso *et al.*, 2008). Greenberg (1990) relates this to procedural justice which is considered relatively high when decision-making is based on fairness, transparent especially in relation to rewards and recognition (Lemons & Jones, 2001). Other studies brought forward interactional justice which results from the perceived behaviour of middle or top management (Bies, 1986). Interactional justice has also been linked to informational justice which is fulfilled when there is transparent and fair communication approach adopted by the management (Bobocel & Holmvall, 2001). Interpersonal justice has also been mentioned which incorporates the act of manager as they value the dignity of the employees and treating them courteously (Greenberg, 1993). Theoretically, an ideal compensation management should not only include fixing base pay

levels but also governing decisions about wages (Shaw *et al.*, 2003; Skarlicki & Folger, 1997).

Given the scope of this study and research, organisational psychology has provided another vital theory in the form of goal setting theory. This particular theory offers further insights into understanding the effects of compensation on workplace motivation (Locke *et al.*, 1981; Locke & Latham, 1984). This theory postulates that fixing goals for individuals leads to an increase in motivation linked to task performance (Locke & Latham, 2006). Key to understanding this theoretical framework is the goal linked to individuals and personal initiative to achieve them. The framework highlights the individual behaviours and there are five conditions which ought to be fulfilled for motivation and performance to increase.

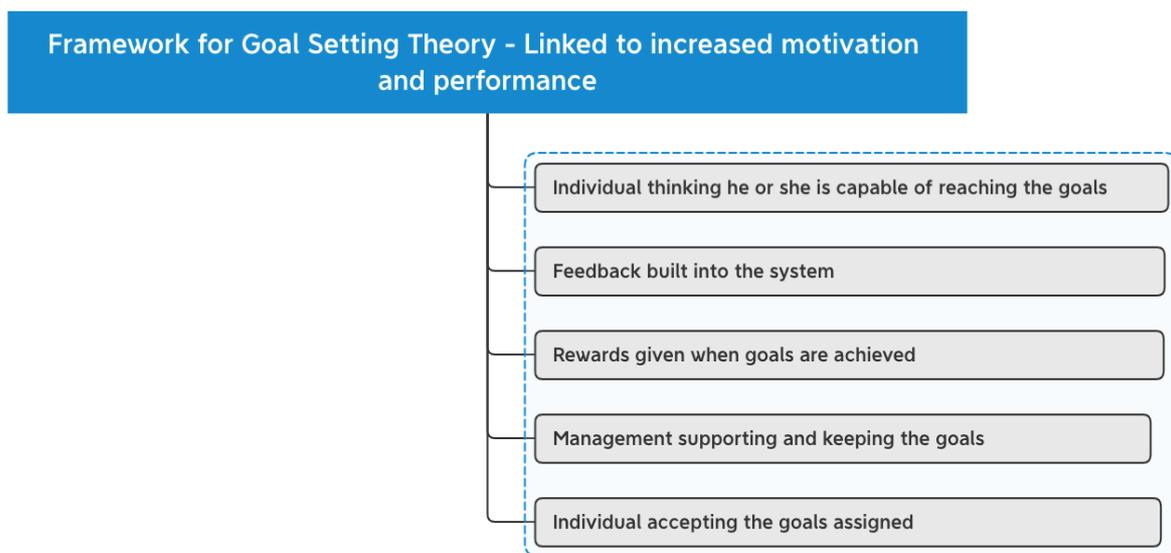


Figure 2.2: Goal Setting Theory - Conditions for increase in motivation and performance

(Adapted from Locke et al., 1981)

From an organisational psychology perspective, however, goal setting theory falls short of illustrating the psychological process linking the goals to motivation (Fall & Roussel, 2014).

Despite the shortfall, goal setting theory, offers three other propositions relating to the

qualities of a motivating goal. For managers it is important when setting a goal to ensure these goals have: a) content; b) intensity and precision and c) are attributable in nature (Lunenberg, 2011). The content part of the goal setting requires managers to offer full set of information in relation to the expected result including the process by which those can be achieved. With intensity and precision, individuals are explicitly made aware of expected level of performance. Finally, with attributes, the goals should be defined with specific characteristics leading to the generation of self-efficacy for individuals. The goals ought to be challenging enough and coherent with an individual's activity and role in an organisation (Fried *et al.*, 2004). Overall, goal setting theory has been linked significantly to monetary rewards (Guthrie & Hollensbeck, 2004; Riedel *et al.*, 1988). Empirical studies have demonstrated the negative effects of compensation which are highlighted by the lack of precision and suitability of goals (Gerhart *et al.*, 2003; Locke *et al.*, 1981). According to Lee *et al.* (1997), if goals are thought to be difficult in nature, it can result in a feeling of unfairness which is then linked to reduced effort and performance. If managers are able to achieve the dilemma of setting difficult yet achievable goals, scholars have argued that individual compensation can be leveraged positively (Riedel *et al.*, 1988). On similar accounts group compensation such as team bonuses can be used effectively only if goals set for employees are difficult, stimulating, and in line with group cohesion (Guthrie & Hollensbe, 2004; Knight *et al.*, 2001).

2.2.2 Theoretical Insights on Motivation and Compensation from Economic Perspective

Given all the contributions of organisational psychology on motivation and compensation, another parallel view began emerging around compensation and motivation in the 1970s (Eisenhardt, 1989). Scholars began to notice the importance of performance contingent pay for company executives in organisations which was initiated by the works of what was and is being referred to as agency theory (Jensen & Meckling, 1976). Agency theory argues for

compensation to be used as an instrument to control employee behaviour in order to align individual and organisational interest (Gomez-Mejia & Balkin, 1992). This theory conceptualises the role of agency as a contract in which the shareholders engage with the agent in order to accomplish the service in their name. The framework of also implies delegating decision-making authority to agents (Jensen & Meckling, 1976). The main premise of agency theory is the divergence between the personal interest and broad organisational interest (Wright *et al.*, 2001). Research utilising agency theory has explored efficiency pay and capacity of rewards to produce effects on employees' behaviors and company performance (Akerlof & Yellen, 1986; Cahuc & Zylberberg, 1996; Lazear & Oyer, 2004; MacDonald & Solow, 1981). Other scholars have utilised agency theory to study relationships between managers and their collaborators especially in relation to efficiency of VPS (Ashton, 1996; Kaplan, 1984). Such work has facilitated the adoption of incentive pay systems to align the interest of employees and organisations. Those looking to further the contribution of agency theory argue that the framework does consider the social context in which the relationship is established. In that regard the work of Gomez-Mejia and Wisman (2007) suggests that social context has little significance when aligning with the motivational interest of employees and controlling parties.

In the same context, a high level of effort from employees is often linked to the objectives of incentive rewards which has been illustrated through Solow's (1979) efficiency wage theory. This particular theory pertains to the effects of wage level employees' effort and productivity. Solow's theory (1979) argued for a positive correlation between levels of wages and level of effort, also referred to as an efficiency relationship (Clark, 1990). Increased compensation or high wages is central to this argument and it predicts that productivity is directly proportional to higher wages or compensation. Such a notion was confirmed by Wadhvani and Wall

(1990) who studied 219 companies based on data gathered between 1972 and 1982 in the United Kingdom. The study underlined a positive correlation with motivation. Giorgiadis (2007) conducted another study in the United Kingdom showcasing that high wages are integral to employee motivation. Raposo and Menezes' (2011) work in a different context confirmed the prediction of Solow's (1979) efficiency wage theory. Moving on from efficiency wage theory, sociology inspired Akerlof (1982) to formulate fair wage model in which the author argued that the employment contract is perceived as an exchange of 'gift/counter-gift' (Davis, 2000). There has been some suggestion in the literature that the fair wage model has been inspired by psychological equity theory (Akerlof & Yellen, 1990). Those arguing for it assume that employees are envious of each other and, in all probability, alter their efforts relative to their wages (Akerlof & Yellen, 1990). Building on this, the 'fair wage hypothesis' was formulated which argued that individuals adjust their efforts in a way to balance the 'fair wage' against the 'received wage' (Hennig-Schmidt *et al.*, 2010). So according to these assumptions, if real wage is lower than the fair wage, there will be a considerable reduction in employee effort in order to maintain the contribution-reward balance. Evidently if the real wage is higher than the fair wage, it adds to the increase in employee's effort levels (Akerlof & Yellen, 1990). Fair wage hypothesis was an improvement on Solow's (1979) fair wage model and there has been scholarly interest supporting the adoption of efficiency wage especially in relation to fairness and effort (Cohn *et al.*, 2015; Fehr, Gächter & Kirchsteiger, 1997; Gneezy & List, 2006). There is a strong consensus in the literature that one of the ways to incite employees and enhance their effort at work is through wage increase. There have been experimental studies confirming theoretical assumptions of Akerlof and Yellen's (1990) fair wage model (Gneezy, 2002; Gneezy & List, 2006;). Such studies concluded that increase in basic pay positively mediated the effect on personal commitment thereby increasing the performance (Gneezy *et al.*, 2006).

Another theory which has been the cornerstone of economic perspective on motivation and compensation was developed by Lazear and Rosen (1981). The theory is referred to as tournament theory which studies the condition of application of an incentive pay system based fully on merit (Zhengtang, 2007). According to Lazear and Rosen (1981), tournament theory argues for an incentive mechanism based on competition among employees and comprises of bonus awards or promotion (in addition to the basic wage) for the most deserving employees. Competition amongst employees is hence used as an instrument of incentive and the guiding principle is that in order to encourage employees to exceed the minimum working conditions, efficiency wage theory does not suffice. Lazear and Rosen (1981) continue to argue that it is critical to motivate everyone in the employee pool to be in competition, vying for the same reward. Making employees compete against each other is an ideal way to stimulate effort within organisations (Sunde, 2003). Building on this theory, it was the work of McLaughlin (1988) who argued that the structure of an ideal compensation plan is dependent on the number of employees on the competition pool. The higher the number of individuals in the competitive pool, the likelihood of an individual obtaining the reward falls considerably, which acts as a facilitator inciting employees to make optimal efforts (Kordana, 1995). Another dimension added by McLaughlin (1988) was the value of reward which he argued should be aligned to the number of competitors. On a similar note, Lazear and Rosen (1981) also argue that small differences between the competitors spurs employees to apply themselves in order to perform optimally and achieve the reward. Therefore, in order to invigorate employee effort and motivation, the guiding principle behind tournament theory is setting up pay systems for performance within which the bonus or promotion (highest reward) are to be linked to the most productive and performance-oriented employee (Connelly *et al.*, 2014). The theory overall legitimises positive relationship between wage dispersion (also referred to as wage individualisation) and

employee effort levels which to some also means that certain employees are rewarded significantly compared to others in an organisation owing to their individual performance (Chen *et al.*, 2011). Both Lazar and Rosen (1981) and MacLaughlin (1988) had their work empirically studied in a variety of contexts (Coupé *et al.*, 2003; Knoeber & Thurman, 1994). Study conducted within the sporting context of golf by (Ehrenberg & Bognanno, 1990) empirically tested the tournament theory in which performance of golfers were compared to the amount of money at stake in the competition and the effort made. Within the Danish corporate context, Eriksson (1999) studied 2600 top managers across 210 Danish firms which concluded a positive relationship between the productivity of companies and employees' salary dispersion, or individualization. Eriksson's work (1999) therefore, indicated that company's economic performance can be enhanced by greater employee dispersion. Employee cooperation has also been noted to be critical and essential for a company's success which is why in certain cases individual achievements do not always lead to positive outcomes for organisations. Wage discrepancies are practiced in organisations where individual cooperation is of lesser importance. Conyon *et al.* (2001) also conducted a study based on 532 top executives across 100 British organisations. This particular study showcased two things: a) critical relationship between executive pay and size of the firm, and b) discrepancies between the pay was positively correlated to the number of participants in the tournaments (Conyon *et al.*, 2001).

2.2.3 Summarising the contributions of both Organisational Psychology and Economic perspectives

Theories from both the domain of literature (organisational psychology and economic theories) have, through different perspectives, highlighted that effort is sensitive to incentive rewards and that these rewards can significantly influence the motivation and performance of employees at work.

Table 2.1: Theories/Framework on Motivation and Compensation (Organisational Psychology and Economic Theories)

Motivation and Compensation			
Theoretical Insights from Organisational Psychology		Theoretical Insights from Economic Theories	
Theories/Framework	Key Scholars/Literature	Theories/Frame work	Key Scholars/Literature
<i>Equity Theory</i>	Adams, 1953, 1965; Skiba and Rosenberg, 2011; Morrand and Merriman, 2012; Bell and Martin, 2012	<i>Agency Theory</i>	Jensen and Meckling, 1976; Pepper and Gore, 2015; Lan and Heracleous, 2010; Cuevas-Rodriguez <i>et al.</i> , 2012
<i>Expectancy Theory</i>	Nadler and Lawler, 1977; Porter and Lawler, 1968; Vroom, 1964; Lloyd and Mertens, 2018; Barba-Sanchez <i>et al.</i> , 2017; Nimri <i>et al.</i> , 2015; Liao <i>et al.</i> , 2011	<i>Efficiency Wage Theory</i>	Solow, 1979; Taylor and Taylor, 2011; Weiss, 2014; Mudor, 2011; Dogrul and Soytaş, 2010; Katz, 1986; Campbell III, 1993
<i>Goal Setting Theory</i>	Locke, 1968, 1975, 1997; Locke and Latham, 1984; Lunenburg, 2011; Loock, Staake and Thiesse, 2013	<i>Fair Wage Model</i>	Akerlof, 1982; 1984; Akerlof and Yellen, 1988; 1990; Chaudhuri and Banerjee, 2010; Collard and De la Croix, 2000; Wadhvani and Wall, 1991
		<i>Tournament Theory</i>	Lazear and Rosen, 1981; DeVaro, 2006; Melton and Zorn, 2000; Chen <i>et al.</i> , 2011; Lee <i>et al.</i> , 2008

Deductions from the two differing theoretical domains also hint at development of motivational framework through incentive due to convergence of differing theoretical propositions. Given the context of this thesis, the reviewed theories from digressing literature, it is safe to assume the organisations across the sector have radically transformed their compensation strategies.

2.2.4 Evolutionary Insights into the nature of Compensation Management

Independent of theoretical controversies and emphasis in academic discussion, compensation strategies in organisations have also been at the centre of discussion for both policymakers and practitioners. The strategies as such have undergone a number of changes in the past. Given the volatile nature of economy in 1900s, there were: unpredictable swings in business cycles, influxes of immigrants, and the driving down of real wages and high turnover especially in low-skilled jobs (Milkovich & Stevens, 1999). Early on there were limited government regulations and, consequently, employees' safety nets such as medical insurance, unemployment compensation, overtime pay etc. did not exist (Moriguchi, 2000). The economic security for employees was closely aligned to the unpredictability of the marketplace and corporate performance (Langlois & Robertson, 1995). Some scholars believed that in the early 1900s, employees took full responsibility of their careers and negotiated the risks of performance-based pay and employment (Markey, 2002). Economic depressions and two world wars ensued, and the United States of America experienced its unemployment levels reach above 30% by 1939 and organisational payrolls were down to 60-80%. In response to these upheavals, government indulged in social legislation and public work programs (Alesina *et al.*, 2004). This brought Unions into the picture as they gained strength and were actively engaged in compensation decision-making. A significant wave swept the compensation practices across the sectors leading to controlled wage increases, inclusion of fringe benefit and use of job evaluation to facilitate pay and promotion decisions

(Gerhart & Milkovich, 1990). Employment contract shifted from individual contract and incentive market-oriented system to a system embedded in regulated bureaucracies. Provision of medical care, pensions, vacation and added job security had become a regular feature of total compensation and reward. Policymakers also witnessed the decline of performance-based incentives during this particular period. Pay rise was commonplace in the early 1940s as Unions took centre stage, as representatives of large trade unions negotiated with corporation giants.

Wars (Korea and Vietnam), business cycles and social legislation all altered compensation in the period from 1950-1975. Compensation decision making was regulated by wage and price controls, and those studying compensation have argued that compensation decisions during this period turned systematic and very predictable (Coz & Dunlop, 1950). Overall, there was a decline in the use of individual incentive plans and benefits percentage doubled up, with some scholars projecting it to hit 50% by the year 1985 (Josko & Noll, 1981; Khorana & Zenner, 1998). Post 1975, a trend began to emerge which included individualised variable pay (VP) based on performance and stiff competition for highly mobile skilled workers (Milkovich & Stevens, 1999). Beyond 1975, compensation included laws such as employment, tax, social welfare, interest rates and international exchange rate (Abowd & Bognanno, 1995). These dimensions had telling effect on pay, its composition and progression in and across the sectors.

2.3 Pay, Compensation and VPS

There are several reasons to believe that the decisions of organisations regarding how to pay are in some sense more strategic and more important to performance outcome than decisions about how much to pay (Gerhart,

Rynes & Rynes, 2003, p. 115)

The quote above underlines an important dimension or dilemma for organisations. Managers within these firms are heavily restricted in pay level decision-making due to market comparison. Studies suggest that organisations differ more in how they pay than how much they pay, and the differences in the type of pay (performance-based vs non-performance-based pay) have a more positive correlation with organisational performance than pay levels. Given the scope of this thesis, it is important to outline the composition of pay before illustrating the significance of VPS.



Figure 2.3: Pay Constituent: Concept of Total Reward (Adapted from Perkins and White, 2009)

When it comes to compensation management, there is a clear distinction between base pay, earnings, total remuneration and total rewards. As part of the remuneration package, *base pay* is the fixed part and is the guaranteed dimension of the contractual pay (hourly basic pay rate expressed as weekly wage or annual salary (Standing, 2017)). *Earnings* comprises base pay and additional payments and often includes dimensions such as bonuses, overtime pay, shift pay etc (Waqas & Saleem, 2014). Finally, total remuneration is an amalgamation of base pay, other earnings and all other benefits such as holidays, sick pay and pensions (Armstrong, 2010). When it comes to the concept of *total rewards*, the notion of financial and non-financial rewards is considered together. These will include basic pay, additional earnings, benefits and non-financial rewards instituted in the organisation (Nazir *et al.*, 2012).

Considering all of the above, it should be noted that there is a difference in how pay structures are designed for executives and low paid workers. Low paid workers have a relatively simpler structure which includes basic hourly rates of pay and very few additions to the basic rate (Metcalf, 1999). According to the Chartered Institute of Personnel Development (CIPD) two main categories of pay system are prevalent: a) person-based and b) performance-based (Casey *et al.*, 1991)

Table 2.2: Categories of Pay System (Adapted from Kessler, 2013)

Person-based Pay System	Performance-based Pay System
Age, Seniority, Experience, Qualification, Competence, Behaviour/Traits, Attitudes, Knowledge, Skills	<p>Individual – Commission, Piecework, Individual Performance-related pay/merit bonus</p> <p>Group – Profit-sharing, Gain-Sharing and Team Bonus</p>

The CIPD Reward Management Survey indicates that employers have mostly adopted a ‘hybrid’ approach to compensation which includes variation both by sector and grade (Rose, 2018). It was Brown (1989) who argued that pay systems are subject to dimensions of time and performance. Such a notion indicates that employees are required to be paid for the time they serve at work as well the quantity or quality of work undertaken. For managers of the corporation, however, the bigger problem is how to value the work in terms of time taken to perform the task. Time-based pay rewards the employee for the attendance at the workplace and these perspectives to pay and reward was linked to industrial revolution and global shift of the work force from agricultural to industrial institutions (Mohrman *et al.*, 1996). Time-based pay is also considered as performance measure and even when employees are being paid as per their performance, the remuneration (dependent on frequency of payments) is still linked in some way to the time spent at work (Gittleman & Pierce, 2015).

Management and business leaders across sectors enjoy a great degree of discretion when choosing appropriate compensation strategies for employees at different levels (Balkin & Gomez-Mejia, 1987; Gerhart & Milkovich, 1990; Gomez-Mejia & Welbourne, 1988). Employers consider the alternatives to paying basic wage by adopting various forms of 'VP'. According to scholars, variable components exist in parallel to base pay and, in the last few decades, there has been an exponential growth in such payment for employees (Arrowsmith & Marginson, 2011; Stroh *et al.*, 1996; Madhani, 2011). The corporate environment across the globe (led largely by American capitalism) has indicated that base pay is drastically losing its share in the overall remuneration package which is largely being restructured to include elements based on specific measures of performance (Schuster & Zingheim, 1992). Such a notion is largely supported by the strategic need and purpose, wherein compensation systems are required to reflect priorities and psychological levers for employers. VPS in such context is generally based at individual, group or organisation level (Perkins & Jones, 2020). The literature has identified implication when it comes to the general shift towards VP for both employees and employers, however. There are consequences of emphasising 'VP' as employees are exposed to more risks (Heery & Salmon, 2000). On the other hand, some argue that 'VP' offers more control to employees over their own reward outcomes (Pearce *et al.*, 1994; Pfeffer, 1998). It should be noted that VPS has always existed for manual workers, and such a system is linked to consequences such as industrial conflict leading onto the loss of management control and employees misusing the system (Gill-McLure & Seifert, 2008; Kang & Yanadori, 2011).

Having reviewed a range of theories about the motivational effects of pay as above, there is consensus amongst scholars that managers are likely to structure their reward philosophy based on the fact that money is the biggest motivating factor (Chiu *et al.*, 2002; Yousaf *et al.*,

2014). Managers across the board continue to develop compensation systems that integrate rewards as central to the structure for employees who achieve specific target and penalties for those who do not (Hannan *et al.*, 2005). When considering employment relationship, incentive pay has long occupied a central role in the discussion. Within the employment relations literature, there are studies on attempts by management to improve productivity through incentive pay that are hindered by employees (Blinder, 2011; Jones *et al.*, 2010). The manufacturing sector, for example, witnessed the growth of shop-floor incentive schemes facilitating the rise of the union shop stewards and recognition of workplace collective bargaining (Clegg, 1976). There were instances early on when the UK government disbanded the use of individual incentives owing to industrial relation considerations. Institutions instead focused on productive agreements seeking collective solutions to employee performance issues (Flanders, 1964). The literature draws out a very clear conclusion that incentives for manual employees has been around for a while, but the use of incentives for non-manual employees is a recent tradition which has grown considerably in the last few decades. This trend is reflected in annual bonuses paid by finance and legal firms in the City (of London) not only impacting the government's average earning index but attracting huge media attention (Veprauskaite & Adams, 2013; Bell & Van Reenen, 2014). In the private sector, incentive pay is now common for non-manual employees (Burgess & Metcalfe, 1999).

2.4 Views on VP in Organisational Context

A payment system designed to induce high level of output and performance has been referred to as an incentive scheme. In recent times, for employees across the board, incentive pay has become a popular mode of reward structure (Bryson *et al.*, 2013). 'Incentive' can be defined as a "cash payment or some other reward that is offered to employees conditional on an improvement in performance" (Heery & Noon, 2008, p. 168). Building on the notion that

incentives induce employee motivation, scholars have identified numerous payment terms and referred to them as VP (Perkins & White, 2020). Mitchell *et al.* (1990) for example defined incentive plans as systems that link pay to individual or small group output comprising of three dimensions – piece rates, elaborate incentives and commissions. Armstrong and Murlis (2007) make an interesting point in relation to incentives and rewards. They posit that incentives are ‘forward looking’ while rewards are ‘backward looking’. Viewing incentives as forward looking ascertains that they are designed to offer a direct effect or, in other words, are based on a specific target. Financial rewards on the other hand are indirect in motivational effect and represent the employee effort instead of being linked to a form of measurable target. Armstrong and Murlis (2007) argue that a bonus is a financial reward as opposed to an incentive, and they base their presumption on differences between expectancy theory (this theory has been reviewed in the section above) and reinforcement theory. While expectancy theory address motivation wherein expectations of reward are assigned in advance, reinforcement theory has a retrospective nature (Kini & Hobson, 2002; Gerhart *et al.*, 1995).

On a practical note, however, both the terms – incentive and rewards - are used interchangeably to represent the same type of payment (Richter *et al.*, 2015; Dilworth, 1991). Individual financial rewards of all types have also been referred to as ‘contingent pay’ (Armstrong & Stephens, 2005). Contingent pay is defined as, “payments related to individual performance, contribution, competence or skill or to team and the organisations” (Armstrong & Murlis, 2007 p. 297). Diverging from this definition of contingent pay, Shields (2007) recommends against classifying skill-based pay systems as performance-related reward because they emphasise rewarding employees’ inputs as opposed to outputs. Such a notion however did not sit well with Brown and Armstrong (1999) who included both skill and competence-based rewards in the concept of ‘pay for contribution’.

According to Perkins and White (2020), the types of rewards as mentioned above can be referred to as VPS. VPS, according to Workplace Employee Relations Survey (WERS), is defined as having three main forms: performance-related pay, profit-related and employee share schemes. Performance-related pay according to WERS is the PBR under the provisions of which pay level is based objectively on the amount of work done or its value. Merit-based system is linked to the subjective assessment of performance by a line manager or supervisor (Kersley *et al.*, 2006) Scholars believe that VP as opposed to base is to be re-earned and should not be integrated with base pay (Armstrong & Murlis, 2007). According to Chartered Institute of Personnel Development (CIPD) VP is defined as,

the practice of paying an amount of pay in addition to or instead of base pay as part of an employee's total remuneration which varies according to criteria (CIPD, 2006, p. 6:24)

According to Milkovich and Newman (2008, p. 629), VP as a term is conceptualised as “pay tied to productivity or some measure that can vary with the firm’s profitability”.

Table 2.3: Dimensions of VP (Adapted from Perkins and White, 2020)

Considerations when designing a VPS	Measuring what - inputs or output?
	Period of performance for payment reward – short term or long term?
	Rewarding an individual performance, team or organisational success?
	Measurement based on single or multiple factor?
	Form of payment, cash company shares or non-financial?

As is evident from the dimensions indicated in the table (2.3) above, when designing a VP, managers look to reward either the work outputs or the inputs by the employee. Given the contextual nature of the workplace, measuring output (concrete products or cash outcomes) is much easier than input which happens to be linked with behaviours and attitudes of the employees (Weakliem & Frenkel, 2006; Rogers & Rogers, 1998). In terms of sectors, financial incentives are associated with occupations and industries where it is a lot easier to spot individual or team performance. On the other hand, VPS set up to measure individual input are linked to sectors where performance measures are less tangible (Burgess & Ratto, 2003).

2.5 Critical Evolution and Objectives of VPS in Organisational Context

When considering the organisational context especially in the developed countries, there has been a huge uptake of VP since the 1980s. Although this increase in the use of VP has been observed all around the globe, there has been a strong emphasis on employee financial participation schemes such as share ownership scheme or profit sharing spanning the firm (Robinson & Wilson, 2006; Poutsma & Nijs, 2003). In European countries such as France, where profit-sharing has been mandatory for firms above a certain size. UK and countries outside the European Union such as USA, Australia and Canada have witnessed the growth of individual incentive schemes (Blundell, 2000).

As early as 2000s, a survey by Lowe *et al.*, (2002) indicated that amongst the 770 north American firms, two third had operationalised plans of VP. Going back a bit more in time, a large-scale survey undertaken by American Productivity Centre had shown that 32% of firms operated on profit sharing schemes, 28% had individual incentives, 14% operated on small group and 13% had integrated gain-sharing schemes (O'Dell & McAdams, 1987). Studies

conducted in Canada and Australia have concluded that majority of the firms have integrated performance pay plan especially for their non-management employees (Long & Shields, 2005). In the UK in 2004, WERS indicated a huge increase since the 1998 in the use of performance-related pay (Kersley *et al.*, 2006). The 2004 WERS survey comprised of three types of VP– performance-related pay, profit-related pay and employee share ownership schemes (Perkins & White, 2020). The firms in that survey indicated that two-fifths were operating on incentive pay schemes, 9% were using standalone merit pay, 23% had payment by results (PBR) and 7% of the firm used both merit-based and PBR schemes (Kersley *et al.*, 2006). Additionally, WERS 2004 indicated that employees in sales and customers services were likely to receive incentive payments while sectors such as caring, leisure and service occupations were less likely to receive incentive payments (Kersley *et al.*, 2006).

According to Office of National Statistics (ONS) research in the UK on earning survey data for the year 1992-2002 has indicated that incentive pay had reduced in line with total pay. Since the year 2002 however, one in seven employees had received some form of incentive pay as compared to one in five way back in 1992 (Grabham, 2003). WERS 2004 survey also highlighted the notion of incentive pay across private (44%) and public sector (19%). Sector-wise, 82% of the firms from finance had incentives in place and overall incentives were a common feature of non-unionised place. In the public sector, incentives have featured very little due to unionisation. The private sector on the other hand has their institutional arrangements relatively robust and, surprisingly, the literature has largely ignored VPS in the private sector (especially banking) where the notion of collective bargaining is well established. The critical view of the literature notes that the role of unions have not been given enough attention, nor there has been sufficient exploration on performance pay in public sector (Bae, 2021; Hendry *et al.*, 2000; Marsden, 2004).

In the review of theories (economic theories) in the section above, it has been made clear that compensation systems are linked to performance and theories such as classic incentives highlight the principal-agent issues of eliciting work effort in line with organisational goal without incurring additional monitoring cost (Arrowsmith *et al.*, 2010). These notions of theoretical paradigm have been applied to executive remuneration which postulates a structure of incentive to mediate the self-discipline amongst the individuals. Such an application of theory has some parallels to motivation theories from organisational psychology (reviewed in the section above), especially the expectancy theory which argues for a connection between effort and performance for rewards as valued by employees (Marsden & French, 1998). Reverting the economic theories, they argue that unions interfere with market systems and as such they are viewed as hindrance to VPS. But the adoption of VPS goes beyond unionisation and is associated with factors such as market concentration, the size of the firm, labour market conditions and ease of performance measurement (Lazear, 2000; Heywood *et al.*, 1997).

Managerial strategy on compensation has also been heavily influenced by the literature from HRM (Boxall & Purcell, 2008). For strategic HRM, pay flexibility is considered an integral constituent (Analoui, 2017; Lawler, 2008). Managers use different and multiple schemes in order to achieve different objectives (Gerhart *et al.*, 2003). Bonuses incentivise cost control in pay while merit pay is used to highlight management responsibilities for communication, goal setting and coaching in the workplace (Lawler, 1987). Employee equity-share schemes represent financial participation which are used as means to illustrate a firm's culture, communication and employee loyalty (Pendleton, 1997). Techniques such as balanced scorecards has allowed for better alignment between individual, group and organisational goals (Nankervis & Compton, 2006). Summing the notions from economics literature, scholars argue that firms use VPS for its productivity and labour market flexibility which in

the future is likely to go up in adoption due to the weakening of trade unions. Insights from Industrial Relations (IR) indicates that VPS have the capacity to weaken trade unions but that this is dependent on the context and type of VPS used. HR literature has linked VPS with strategic form of HRM, which can take a soft or hard form (as discussed later in the research context section of the review).

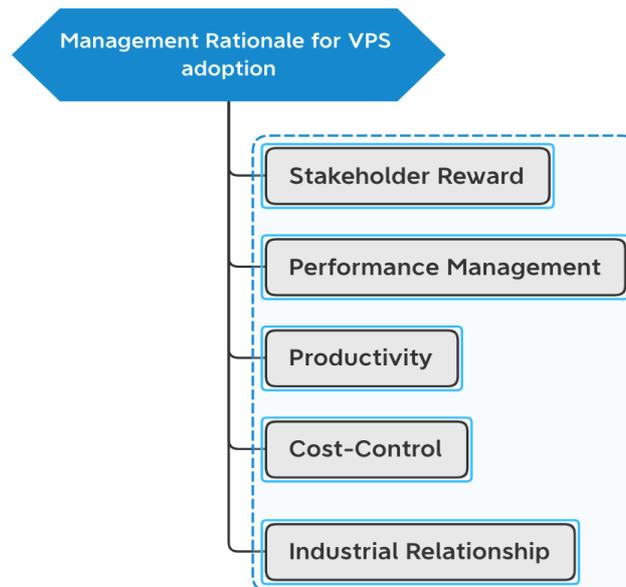


Figure 2.4: Firm or Managerial Rationales for VPS

Based on these domains of organisational psychology, economy, IR and HRM, scholars have argued for various rationales or goal when it comes to adopting the VPS:

- **Reward for Stakeholders:** Linked to company loyalty, firms institute VPS as a demonstration of employees participating in company success and is concerned with motivation (Tyson, 1996). Reward strategies such as profit share have also been used to stagnate fixed pay growth or is used by managers in some other ways in response to rationalisation and intensification of work (Arrowsmith *et al.*, 2010).

- **Performance Management:** VPS utilising such rationale is structured to emphasise business goals wherein managers are required to monitor, coach and develop their employees (Armstrong & Baron, 2005). Managers take up the appraisal process discussing individual employee performance in line with agreed targets, goals and expected behaviours. Performance management schemes are enabled by VPS through its link to the compensation (Lyons & Ben-Ora, 2002; Kuvaas *et al.*, 2020).
- **Productivity:** VPS is closely linked to the desire of the firms to improve upon organisational work and efficiency. Market competition and influence of innovation and rapid technological change has been placing great demands on workforce and their efficient response. Firms therefore seek a flexible and adaptive workforce thereby emphasising retention of skilled employees (Bhattacharyya, 2015). Productivity linked objectives are specific in nature and for firms, these goals are about changing the business needs (Arrowsmith *et al.*, 2010)
- **Cost-Control:** Other than factors of production, labour costs of organisations are more immediately controllable for firms. Irrespective of high profits, commercial pressure forces organisations to closely monitor cost (Storey *et al.*, 1997). VP earnings comprises fixed cost growth, and bonuses are often structured to be largely self-financing (Burke & Terry, 2004).
- **Industrial Relations:** VP are assumed to mitigate the scope of collective bargaining reducing the impact of Unions on compensation (Heery, 2000). VPS in the UK for example has led to the weakening of trade unions by decentralising pay settings to managers. According to employers in general, VPS enables line managers to develop a result-oriented culture (Tosi & Greckhamer, 2004). Trade Unions on the other hand argue that VPS allows distribution of profits thereby enabling management to have a

better command of the workforce and being able to divide workers and increasing work pressures (Arrowsmith *et al.*, 2010).

2.6 Critical Evaluation of Types of VPS

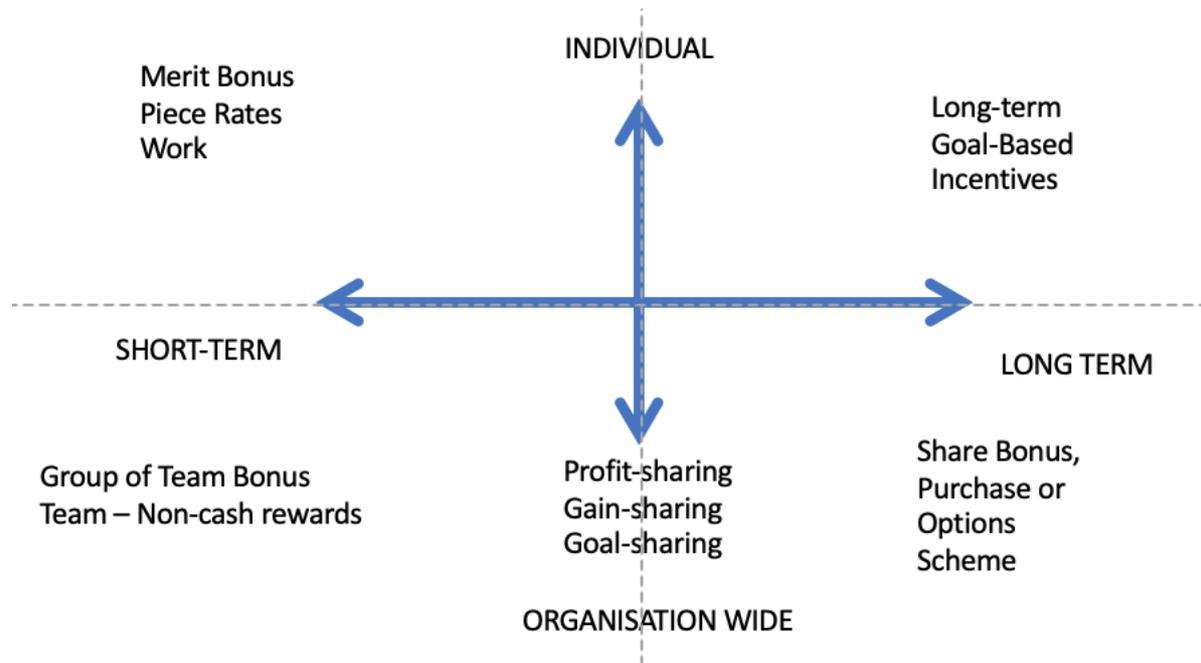


Figure 2.5: Types of VP (Adapted from Perkins and White, 2020)

VP is defined strictly as pay which does not become a permanent part of base pay (Armstrong, 1999). Incentives to exert effort by matching employee and managerial interest can be achieved by VPS. A wide variety of such schemes exists (Heywood & Jirjahn, 2011). There are three main categories of VPS – PBR schemes, performance schemes and financial participation (Suff & Reilly, 2004).

1. **Payment-by-result-schemes (PBR):** According to scholars, PBR is a very traditional productivity incentive often used in manufacturing industry. Motivation is central to these incentives as employees apply more effort but for these incentives to be effective, Armstrong (1999) suggests the following criteria, a) a direct link between

effort and reward, b) value of reward to be in line with the exerted effort, c) autonomy for individuals being able to control the level of effort for the reward and employees being unable to manipulate the system to gain excessive reward. The main types of PBR schemes are piecework, measured day work and work measured schemes (Pendleton & Robinson, 2017). Piecework is a system in which pay is directly linked to the output level. As a compensation system, it is an easy system to operationalise. Piecework is suitable in operation where a large unskilled workforce is utilised and the nature of the work is mostly repetitive (Hongoro & Normand, 2006). Measure day work is another PBR approach that guarantees a specific amount of pay linked to the maintenance of sustained performance in the workplace. Such a system obliges the employees to maintain a sustained output level (Hijzen & Venn, 2011). In recent times, measured day work has been replaced by high day-rate systems with organisation wide bonuses. Within PBR, there is also work-measured schemes based on work measurement techniques of time management to determine standard output levels (McNab & Crawley, 1989).

2. **Performance Schemes:** Most bonus schemes are categorised as performance schemes. Performance schemes are focused on improvements which employees on their part undertake such as improving the product quality, better customer services and in some cases combined with measures of organisational objectives. There are three performance-based arrangements. a) Gainsharing is a multifactor system based on arrangements allowing employees to be a part of financial gains and saving due to improved performance. Such a system identifies how the gains are adequately distributed between the company and its employees (Welbourne *et al.*, 1995). b) Multi-factor scheme is another type of performance scheme which combines two or more factors of performance. These schemes are likely to operate at local level

covering specific jobs. Firms utilise the same multi-factor schemes for different employee groups. c) Team-based Scheme: Such a compensation system is based on the team targets often employed to reinforce collaboration, team working and co-operation (Balkin & Montemayor, 2000). Employers argue for team-based reward in order for peer pressure to induce maximum effort from group members.

3. **Financial Participation:** The initiation of tax incentives had led to the increase in popularity of profit-related pay (PRP) schemes. For example, in the UK, there were more than 14,500 Inland Approved schemes by 1997 alone. Though tax relief was ended by the government by 2000, profit sharing has still remained the most popular way of motivating employees. These schemes are very useful in getting the maximum engagement and retaining staff (Schlechter *et al.*, 2014). Share allocation is also another mechanism used as part of financial participation schemes (Bryson *et al.*, 2013). Such schemes are linked with tax advantages also allowing staff to choose between cash award and equity allocation.

Overall however, individual result-based is the most basic form of VP wherein small organisations use one-off cash sums paid out to employees by managers or owners in-lieu of a job 'well done' (Cox, 2005). Bigger organisations on the other hand adopt a more formalised approach to such payments. An individual bonus allows employees to focus on desired results and behaviours. These aspects of VP however are truly efficient only if the results or behaviour are measured easily (Hollway, 1991). Individual bonus schemes are prevalent in sectors such as production, manufacturing and logistics. In these sectors hard financial targets are easily set and, on the critical side, such schemes encourage competition rather than co-operation according to scholars. (Benabou & Tirole, 2016). In a more professional setting, or in knowledge-based occupations, individual bonus schemes do not fit

in well due to the need to share information. By the 1960s, result-based schemes started to lose popularity due to being viewed to encourage ‘wage drift’ (Perkins & White, 2020; 208).

Individual or ‘straight’ piecework is also one of the most traditional form of incentive which dates back to pre-industrial times. Such form of VP was the core form of payment for craft workers (Alkhatib *et al.*, 2017). Such a mode of payment became widely used in engineering, printing, clothing and shoe manufacturing after the industrial revolution (Davis, 2007). It was Adam Smith who positively referred to pieceworking and linked productivity with this mode of payment (Smith, 1776). Pieceworking is referred to as an ideal form of incentive due to its simplicity and link between output and pay (Hart, 2008). Scholars also believe that it is effective in the notion of ‘self-supervising’ helping in keeping employees busy and managing their time efficiently (Bejero & Theorell, 1992). As for employees themselves, such a system allows them to work out their pay, setting their own pace of work and aligning their aspirations accordingly. It was Taylor in 1911 (Locke, 1982) who cited two major issues with piecework: a) employees under such a scheme developed the tendency to hoard work (restricting their output in the process) and b) employers were often tempted to cut rate if production levels touched a certain limit. Employee relations took a hit under such VPS which had an effect on both employees and employers long-term relationships (Burawoy, 1979).

Another common form of result-based incentive is also referred to as ‘work-measured scheme’. These schemes had replaced the traditional piecework schemes (Shields, 2007). Work measured schemes entailed method of timing jobs and measuring outputs. Often industrial engineers were put on task who conducted studies to observe workers and measure aspects of jobs undertaken by employees (Davis, 1971). A large number of different workers did the same job at different times of the day or night. Effort rating was then devised in order to ascertain standard output. For employers, work-measured incentives created an effective

mechanism to measure employee performance. Such a system is useful for short-cycle, repetitive work with very little changes in the type of employment (Hijzen & Venn, 2011). Managers on the critical side had to undergo rigorous management routine as far supervision was concerned. The key aim there was to deter employees from manipulating schemes. Measured Day Work (MDW) was brought in the pretext to how work-measured schemes encouraged wage-drifts and MDW was adopted by large factories early on in the 1950s and 60s (Gerhart & Bretz Jr, 1994). Such a scheme also involved work study engineers who monitored the level of production and output. For some scholars though this scheme reduced the haggling between supervisors and workers in relation to the rate of job as in previous schemes. MDW however has now been abandoned altogether and replaced by high 'day rate' which is also linked to team and organisation-wide bonuses (Suff & Reilly, 2004).

Alternative to individual result-based incentives is group or team-based reward. Such schemes distribute the reward between the members of the work group (Ramsay *et al.*, 2000). When it comes to team incentives especially for manual workers, they have been existence for a very long time, but they gained popularity in the 1990s. It was during this time that such VPS was being applied for non-manual workers (Wright, 2004). In the UK, civil services were seen actively experimenting with such a compensation strategy (Makinson, 2000). Government departments such as the Benefits Agency, the Inland Revenue and Customs and Excise were made to adopt a variation of these compensation strategies (Makinson, 2000). According to Shields (2007), team-based schemes should be understood as variations of multi-factor business unit gainsharing or goal sharing plans. The key objective behind introducing team-based reward is to motivate behaviours that produces effective team working. According to Thompson (1995), team pay users in teamwork and encourages workgroups to improve on systems and procedures thereby encouraging communication and

focusing on overall wellness of the organisation. On the critical side, teamworking has also thrown some issues such as the notion of ‘free-loader’ for which managers have to undertake careful supervision of the group task (Perkins & White, 2000). According to Armstrong (2000), team-based reward works best if the notion of team is easily defined. If employees prefer to be rewarded individually, it can lead to demotivating work environment, but often integrating appropriate measures of team performance are considered difficult to structure as part of VPS in organisations.

2.7 Operationalising VPS and its link to the Literary Perspectives of Motivation

Although VPS are often found in companies, VPS have fallen victim to much of the same criticism as that associated with many other forms of pay determination, as well as other types of payment systems. According to Green and Heywood (2008), VPS are considered to be subjective since employees are rated using instruments that do not necessarily reflect their actual job competencies. Additionally, according to Gerhart *et al.* (2009), the systems could also lead to mistrust and unnecessary rivalry between employees. They claim that comparing individual performance could be a recipe for chaos and the competitive environment created by VPS could be destructive to the organisation or unit cohesion. Moreover, if adequate financial resources are not allocated to the organisation, employee dissatisfaction could result, thus slowing productivity. Finally, on a note of conclusion, some organisations have failed to implement VPS effectively, which could increase employee demotivation and stress. Moreover, research conducted by Gilboa *et al.* (2008) reported that, when pay and performance are discussed, most employees fail to discuss developmental issues and focus on pay and incentives instead.

VPS are a way of ensuring high performance while trying to motivate hardworking employees. Cloutier *et al.* (2013) note that VPS largely involve recognition and the appreciation of employees' contribution towards the achievement of organisational goals, the quality of work and teamwork. MNC from Europe and North America have gradually introduced VPS, which are increasingly being adopted by host countries' public and private firms. Since the concept of VPS is regarded as broad, different approaches to their measurement have been developed. According to Belfield and Marsden (2003), they are often measured in terms of quantitative and qualitative criteria. In this case, when qualitative criteria are used, the pay is pegged on unquantifiable aspects of performance such as qualifications or attitude (Olsen, 2005). On the other hand, quantitative criteria entail linking pay to quantifiable aspects of performance, such as production or organisational financial performance (Piekkola, 2005). In line with this classification, Barth *et al.* (2008) state that VPS are commonly divided into three categories: PBR, PRP and financial participation schemes. In PBR schemes, there is a direct relationship between performance, pay and output. In PRP, employees are required to work while upholding certain threshold standards without any direct relationship to organisational financial performance or production. Hence, financial participation schemes involve employees having a share of the organisation's profitability or performance (Burke & Hsieh, 2006). In line with the above, McCausland *et al.* (2005) examined whether there were significant differences in job satisfaction between individuals receiving PRP and those on alternative compensation plans. It was found that, while the predicted job satisfaction of workers receiving PRP was lower on average than that of employees on other pay schemes, PRP exerted a positive effect on the mean job satisfaction of (very) highly paid workers. The findings of the paper suggest that using performance pay as an incentive device in the UK could prove to be counterproductive in the long run for certain low-paid occupations, as far as employee job satisfaction is concerned.

While there is evidence that VPS can be a pivotal tool for HRM in promoting higher performance from employees, it has come under intense criticism due to its vulnerability to global financial crunches and meltdowns. In fact, Arrowsmith *et al.* (2010) report that VPS tend to favour high-cadre employees while under-rewarding employees whose actual effort contributes to organisational profitability. In addition, these schemes have been controversial due to their variation. While VPS are often associated with an increase in remuneration levels, it is important to note that variation occurs in two directions. However, Hsieh (2006) and Colling and Terry (2010) observe that most trade unions accept only upward variations. Most employers have advocated downward variations during adverse circumstances, but trade unions have rejected the move. In fact, some countries have laws that limit the power of organisations to reduce VPS. For instance, in the UK, VPS are designed to ensure that individuals do not incur a payment decrease. Similarly, Austrian laws allow for upward variations in collective agreement with no regressing. The link between individual and group VPS and pay satisfaction among Canadian workers was the focus of the study by Cloutier *et al.* (2013). Their results revealed that individual and group VPS acted differently with regard to workers' pay satisfaction. For individual pay plans, workers on VPS wanted to be rewarded, not only for performance, but also for their effort. On the other hand, in group pay plans, receiving pay-outs created pay dissatisfaction. Moreover, Thozhur *et al.* (2006) suggest that individual differences in attitudes to money are a significant variable in explaining the pay satisfaction of people receiving low pay.

Recent empirical studies on VPS have identified different issues that explain the complexity of the topic, such as motivational effects, risk preferences, workplace absenteeism, the education of managers, money attitude and others. Merriman and Deckop (2007) analysed the motivational effects of loss aversion in a heterogeneous sample of respondents subject to VP plans in their organisations within the US. They found that VP framed as a loss was

associated with greater work effort and performance, and less deviant behaviour in the workplace. Another important issue in the context of the implementation of VPS is that of the education of managers. In a study on Italian firms, Damiani and Ricci (2014) examined the role of the education of managers with respect to the adoption of different types of VP bonuses at the individual, team, and establishment levels. Their results suggested that highly educated managers were more likely to use team and individual forms of VPS. In addition, in order to identify the determinants of VP for the subsidiary general manager, Bjorkman and Furu (2000) investigated 110 foreign-owned subsidiaries located in Finland. They found a significant 'nationality effect' on the use of VP. On the other hand, no effect was found with regard to the cultural distance between the home country of the MNC and the location of the foreign subsidiary.

The issue of absenteeism in the workplace has also been examined in the context of variable compensation. In particular, Pouliakas and Theodoropoulos (2012) explored the effect of VPS on workplace absenteeism using two cross-sections of British private sector establishments. Establishments that explicitly linked pay with individual performance were found to have significantly lower absence rates and the effect was stronger for establishments that offered VPS to a greater share of their non-managerial workforce. Moreover, the results revealed that establishments that tied earnings to VPS experienced lower absence rates. Similarly, a study by Dale-Olsen (2012) showed that team organisation and performance pay were negatively related to sickness absence rates and sick days. Emphasis was also put on risk preferences in the context of compensation. A study by Kuhn and Yockey (2003) revealed that people were not generally risk averse in this context, but that risk preferences depended on the nature of the VP plan. In this context, VP was preferred more often when incentives were based on individual rather than collective (team or organisational) performance. Moreover, participants in the study were more optimistic about the likelihood

of receiving incentives as individuals. Additionally, Kurtulus *et al.* (2011) investigated workers' attitudes towards employee ownership, profit sharing and VPS, as well as preferences over VPS in general. The results of their study showed that, on average, workers wanted at least a part of their compensation to be performance related, with stronger preferences for output-contingent pay schemes among workers who had lower levels of risk aversion, greater residual control over the work process and greater trust in co-workers and management. In general, the link between firm size and ownership structure was also explored with regard to VPS.

Barth *et al.* (2008) found that PRP was more prevalent in firms where workers had a high degree of autonomy in how to organise their work. Moreover, it was found to be more widespread in large firms, and positively related to product-market competition and foreign ownership. Similarly, examining VPS and corporate structures in UK firms, Conyon *et al.* (2001) confirmed that large firms were more likely to adopt VPS schemes. Their results showed that this adoption was also linked with significant organisational design change through delayering. Using a representative sample of German establishments, Heywood and Jirjahn (2014) showed that organisations with foreign ownership were more likely to use performance appraisal, profit sharing and employee share ownership than those with domestic ownership. The focus of a piece of research by Wei and Rowley (2009) was PFP in China's non-public sector enterprises. They identified three major factors as reasons for management to apply PFP plans, namely, market practices/best practices, the need to attract and retain good performers, and the need to improve employee performance.

The relationship between VPS and firm performance has also been researched. In particular, Piekkola (2005) analysed the productivity effects of the introduction of a VPS scheme in Finland. The findings revealed that VPS schemes had substantially improved firm performance without creating significant wage pressures. Furthermore, it was shown that

VPS improved both productivity and profitability. In addition, Belfield and Marsden (2003) stated that the relationship between VPS and performance outcomes was qualified by the structure of workplace monitoring environments. Their study also presented evidence that managers had learned about optimum combinations of pay schemes and monitoring the environment through a process of experimentation.

Perhaps the most significant achievement in the relevant body of knowledge is studies related to goal setting for VPS. Goal setting plays a significant role in flexible work environments, where employees' engagement with work is hard to monitor through direct supervision (Marsden, 2003). The literature indicates the significance of the characteristics of goals set (Armstrong & Murlis, 2001; Marsden, 2003; Rose & Manley, 2010), employee participation in setting goals (Marsden, 2003; Rose & Manley, 2010) and instruments utilised for the evaluation of target achievement (Armstrong & Murlis, 2001; Stolovitch *et al.*, 2002) for the successful operation and administration of VPS.

2.8 Contextual Insight into HRM Practices of SA Firms

Over the years, public and private companies have developed various motivational strategies in attempts to encourage employees to achieve more and to ensure loyalty, thereby reducing turnover rates. While studies on employee motivational strategies for private companies are widely available in the context of developed countries, some evidence shows an increased literature in the context of developing countries (Bawa, 2017), hence there are few studies on SA. However, a few studies have reported important findings with a wide range of implications for employment in SA. Some of the employee motivational strategies in SA include, but are not limited to, overtime payments and holidays (Al-Emad & Rahman, 2018). Hence, before employees are recruited, there are several points that managers and employees

need to discuss and agree upon. Although most companies flout the labour laws that require employers to pay overtime on the basis of salary, some pay substantial amounts as overtime to their employees (Ali, 2010). In practice, most companies pay a fixed overtime amount depending on the type of organisation, as prescribed under Article 98 of the Saudi Labour Law (O’Kane, 2013).

During the recruitment stage, the selection process is divided in different stages where the competence and eligibility of a candidate are assessed. Factors considered include the length of service with the previous employer, the set of skills acquired, educational achievement and also the expected level of productivity (Allui & Sahni, 2016). This process is regarded as natural and favoured by mainstream HRM practices as it is viewed as the best way of fulfilling the needs of a company (Castallo *et al.*, 1992; Herman, 1994). Contrary to the conventional HRM practice explained above, there is a tendency to recruit from among those already known to the company. This is a form of nepotism that may later result in favouritism and other undesirable consequences (Mellahi & Wood, 2001; Rutledge *et al.*, 2011). Such practices can obstruct the prospects of achieving corporate goals and are therefore regarded as undesirable. However, companies in SA still use this method of recruitment instead of the conventional methods of advertising. The person to be employed is already known in advance and the vacancy is tailored according to that candidate profile (Fawzi & Almarshed, 2013). Nevertheless, more companies have recently embraced the conventional way of advertising to fill vacant positions. Particularly, they have started to advertise in universities in order to encourage the recruitment of new graduates. This is all with the aim of avoiding involvement in social intermediation, so called *wasta* (discussed later in the chapter).

Aside from *wasta*, another important aspect of HRM practices in SA is the perpetual culture of strong leadership, which discourages employee participation in decision making, including

setting overtime rates. As many overtime rates are substantially higher than daily hourly wages, the demotivating factor is employers' flouting of the law that requires them to consult employees on overtime rates of pay. SA labour laws entitle employees to 21 days of annual leave in the first five years. For individuals working in the private sector, the amount of annual leave given is usually left to the discretion of the employer (Jehanzeb *et al.*, 2012). Employees working for the government are granted a whole month's leave for the Ramadan holiday and they are entitled to full holiday pay during the month (Abuzaid, 2012). This disparity leads to concerns over employee motivation. However, the government's aim to shift its focus to non-oil-based revenues also brings optimism that better employee welfare and remuneration will be achieved, and these are key motivational factors. As stated earlier, the recent instability in the price of oil has compelled the government to embark on ambitious diversification programmes to rid the country of its over-reliance on oil. According to a World Bank report in 2016, the government has embarked on reform and modernisation of the private sector. As such, the government intends to introduce its incentives into the private sector in order to enhance employee wellbeing, boost productivity and motivate workers to become more productive. The changes will benefit employees in the public sector before they can be extended to the private sector (O'Halloran, 2013). In Western companies, the use of VPS has been shown to improve motivation, employee productivity and involvement in the affairs of organisations (Bell & Reneen, 2013). For these reasons, VPS are widely used by MNC to implement reward schemes for employees in the home country and abroad (Bell & Reneen, 2011). Research evidence shows that few companies in the Middle East use VPS to motivate employees and thereby drive business growth (Ali, 2010). Several studies have attempted to generalise motivational factors for employees in private sectors based on meta-analyses of studies from different countries. For instance, Gungor (2011) observes that employee motivation schemes are deeply integrated into the HR cycle and act as powerful

tools for gaining employee commitment and loyalty. Bright (2009) asserts that HR-related management actions and decisions influence workers' motivation to perform as expected and to remain effective in their workplace. The reviewed studies stemmed from multiple theoretical approaches, but the proposed research will be utilising stakeholder theory, in which the main underlying principle is value creation (Freeman, 1984).

In private-sector companies in SA, employee motivators include advancement, recognition, achievement, the possibility of career growth and advancement, and the work itself. Several researchers, including Rahman (2013), Uzonna (2013) and Yousaf *et al.* (2015), observe that employees in the private sector, particularly in profit-oriented companies, have similar motivational factors, but they occur in a different order, as follows: salary and work conditions, the work itself, meeting people every day, freedom and sense of achievement, responsibility, and status. Unlike public sector employees, private-sector employees do not attach much importance to status. However, this research will explore how and to what extent various factors impact employee motivation and engagement with work.

Although the HRM literature emphasises the importance of remuneration schemes in attracting, retaining and motivating employees, empirical studies in this area are, however, not comprehensive. It is very difficult to find empirical research that investigates the impact of VPS on employees' engagement with work and overall performance. Based on a review of empirical studies, it can be observed that added impetus is required to comprehensively understand the complexity of the topic. In particular, this refers to experiences from post-transition economies. Based on the review above, the objectives of this study have been formulated and represented through the following research questions:

1. Given that there is a lack of consensus in the literature on the general effects of VPS as a stimulus for employees, this research is looking to explore the role of VPS in generating stimuli for employees in SA. More specifically, in this thesis it is investigated how VPS plays a role in stimulating employee motivation within the private sector of SA. The review of literature including the motivation theories as above are critical in determining the motivational aspects of VPS in the SA private sector. Building on that, this research will investigate the rationales for using VPS and how it is employed to attain individualistic and collective goals.
2. Focussed within the context of SA, the research is primed to investigate the manifestation of VPS within the cross-cultural context of SA. SA is interesting to investigate as a nation as it presents an interesting dynamic context. Especially given the unique industrial landscape which is shaped by religious and cultural beliefs. The work is looking to capture employees' perception to VPS especially in relation to work effort, motivation, and performance.
3. This work also aims to develop a deeper insight into the merits of VPS which is aimed at both employee and employer relationship. As the review above suggest, VPS has its merits and demerits. Given the gap in the literature based on the review above, this work is looking to offer theoretical framework on how employee and employers perceive the merits and demerits of VPS in the SA context.

2.9 Conclusion

One of the key objectives of this chapter is to lay out the theoretical rationales and foundation of the research. Linking motivation and incentives was the primary objective, drawing upon prominent literature which critically analysed motivation and compensation from both the organisational psychology and economics domain. Within organisational psychology, key

works around equity (Adams, 1963 & 1965), organisational justice (Greenberg, 1990), expectancy (Nadler & Lawler, 1977; Porter & Lawler, 1968) and goal setting (Locke, 1968) have been carefully reviewed and linked to the overall objectives of this research. Further perspectives have been contributed by economics literature which elaborated upon theories such as agency theory, efficiency wage theory (Solow, 1979), tournament theory (Lazear & Rosen, 1981) and fair wage model (Akerlof & Yellen, 1988). It was also critical to illustrate the evolution of compensation management across the sectors, which also underlines the importance of the economic perspective (and theories) on motivation and incentives. Additionally, this research has been continued to lay the foundation of critical engagement on pay, compensation and VPS. Pay system has been analysed and attributed to organisational context which plays a huge role in understanding the VPS in which likely to explore through the data further on in this thesis. Various dimensions of VPS have been critically discussed in the sections above and fully operationalised VPS linking it to the perspectives of motivation. The discussion on motivation and compensation sets a base to comprehend the context of SA which has been carefully laid out in the following chapter.

CHAPTER THREE: SAUDI ARABIA RESEARCH CONTEXT

3.1 Introduction

Given the range of theories and overall discussion around motivation and compensation especially the VPS and its component in the previous chapter, it is important to reiterate the emerging research questions as below:

1. How does VPS play a role in stimulating the employee motivation within the private sector of SA? The review of literature including the motivation theories as above are critical in determining the motivational aspects of VPS in the SA private sector. This research will therefore be investigating the rationales for using VPS and how it is employed to attain individualistic and collective goals.
2. Focussed within the context of SA, this research is primed to investigate the manifestation of VPS within the cross-cultural context of SA. SA as a nation presents an interesting dynamic especially given the unique industrial landscape which is shaped by religious and cultural beliefs. This thesis looks to capture employees' perception of VPS especially in relation to work effort, motivation and performance.
3. This thesis is also aiming to develop a deeper insight into the merits of VPS which is aimed at both employee and employer relationship. As the review above suggests, VPS has its merits and demerits. Given the lack of consensus in the literature, this thesis looks to offer theoretical framework on how employee and employers perceive the merits and demerits of VPS.

Based on questions as above, this chapter has been structured to critically analyse the VPS embedded within the HRM practices and its influence on employees and organisations of SA.

This chapter therefore is designed around establishing the contextual factors within which cultural, legal, economic and political factors have been critically reviewed. Theoretically, the country was an ideal choice for the study as lack of research in the domain has meant that there was room to make a case for VPS in the country which as an economy has been trying to move away from an oil-based sectoral output through various government initiatives at regional and national level. SA represents a unique case within which capital formation has no constraints on development and, in last few decades, the focus on technology transfer to fill the gap of ingenious technological capacity has been trending. Authorities have identified three main factors in order to compensate for the lack of technological capabilities in SA: involving manpower, expenditures and well-rounded policies for undertaking scientific and technological activities (Khorsheed, 2015).

More importantly, greater adoption of VPS across organisations in SA also indicates the gradual shift of sectoral reforms as exhibited by country's approach to the international market. Behind the gradual evolution of sectoral development has been the various national transformation initiatives which has shifted the focus firmly on HRM and practices in specific sectors. The sheer size, prominence of the country and new global challenges presents interesting challenges for achieving the economic and social objectives of the country. It has to be acknowledged however that HR have a massive role to play in enabling those social and economic objectives.

3.2 Policy-based Interventions impacting the Growth and HRM in SA and beyond

In order to establish itself in the modern economy, SA has been buoyed by a flurry of national transformation programs. As recent as April 2016, the crown prince of SA inked a significant development in the economic history of the nation. "Saudi Vision 2030" had

rubber stamped a series of initiatives aimed at pushing the oil state out of its comfort zone. From national transformation program to human capital development plan, the charter boasts of interesting strategies in the interest of the nation. The most eye-catching aspect of the vision however related to one of its impending goals, i.e., focus on non-oil exports. The state had put in place the mechanism to increase its non-oil exports and the government has been doing all it can to increase its share of non-oil exports from 16% to 50% in the long run. Given the fact that 85% of kingdom's revenue is dependent on oil, moving away from such rich stream of revenue has been a long and arduous initiative. In an effort to diversify economy and reduce its dependencies on traditional oil sector, the council of ministers under the leadership of the crown prince had unveiled this bold yet definitive plan, which was not only significant to the region but had implications for international economy as well.

The elaborate plans to move away from oil-based revenue is dependent heavily on the kingdom's ability to diverge its focus on sectors which can yield sustainable outcome in the long run. More generally though the government has been instituting innovative streaks across sectors and as part of Saudi Vision 2030, the state has established another major policy action, the National Science, Technology and Innovation Plan (NSTIP). Theoretically, NSTIP has been constituted with recombination principles of existing ideas or the generation of new ideas into novel processes and products (Watkins & Verma, 2008). NSTIP's capacity to acquire, absorb, disseminate, and apply modern technologies can be explicated through the concept of National Innovation System (NIS) which has been used widely by researchers and decision makers at regional, national, and international levels (Edquist, 2010).

The establishment of the NSTIP was a major policy action line directing the research and innovation in the country. This plan follows a long-term vision for the advancement of science, technology, and innovation (STI). The determinants of building a National Innovation Capacity were presented in the Global Competitiveness Forum in Riyadh a few

years ago. The forum outlined the existence and the interactions in three important elements for the development of successful innovation policies. The (1) common innovation infrastructure, (2) cluster development and (3) capacity for entrepreneurship. The supported projects by NSTIP were aimed at new products and services that correspond to the innovation nodes. The implementation of each project implied the creation of an innovation cluster consisting of project managers, researchers, industry experts, and international consultants. NSTIP also included technology transfer and innovation support institutions aimed at filling the gap between research and development activities and aspects of economic activity, through the supporters of technology transfer and localization, working on market accessibility. To further the aims of such vision, King Abdulaziz City for Science and Technology (KACST) formulated the National Policy for Science and Innovation as well as developed the NSTIP (Alkhudhiri & Hilal, 2018). In addition, KACST has launched 30 initiatives, through the National Transformation Program 2020, with the objective of enhancing the local content contribution and increasing the value retained in these sectors. KACST as the managing body of NSTIP, had started implementation of the first NSTIP, which achieved growth in many global indicators such as patents, peer reviewed papers, and citations, which are considered as the main outputs of scientific research. KACST prepared the second NSTIP, which ended in 2020. A wide range of national stakeholders as well as global consultants were engaged in the development, reaching forward to the subsequent Saudi Vision 2030. Scholars and practitioners have been pouring over the details of Saudi Vision 2030 but the focus however has shifted to HR and practices in the country.

Saudi Vision 2030 is focussed on creating jobs for citizens of the country in order to operate a modern and efficient economy (Nurunnabi, 2017). Such an objective also raised the questions of which industries are to be promoted. Building on one of the recent reports by Mckinsey, there are eight sectors that have been identified by SA government as part of

Saudi Vision 2030 and have been earmarked to generate at least 60% of economic growth in the Kingdom (Rachman, 2019). The sectors recognised are: mining and metals; petrochemicals; manufacturing; retail and wholesale trade; tourism and hospitality; healthcare; finance, and construction. As per this renewed focus, SA government is also projecting a 20% increase in contribution to the gross domestic product from the private sector. Such contributions are likely to have a direct effect on lowering the unemployment by bringing the rate down to 8% (Faudot, 2019). The directive of Saudi Vision 2030 is projected to help SA break into the top economies of the world bettering its current position as the 19th largest economy (Kolthoom, 2020). SA's success through policy interventions as such as Saudi Vision 2030 or competing power in the region is dependent on its HR. For organisations in both public and private sector within SA, it is critical to identify the right personnel in terms of quality and competence (Fatma, 2020). As part of the renewed focus through various policy interventions, organisations across the sector (private and public) are having to pay greater attention to their HR as implementation of appropriate HR practices are considered critical to maximising the workforce competence (Saleem & Khurshid, 2014). HRM practices in the modern digital economy are central to creating organisations with added intelligence, flexibility and competence compared to their nearest rival in the market. Such organisations duly apply policies and practices of recruiting, selecting and training skilled employees. Having such an approach allows for employees in turn to be motivated and direct their efforts towards achieving organisations overall aims and objectives (Quansah, 2013). To this, HRM practices can be regarded as a set of coherent practices aimed at enabling and promoting employee competence, motivation as well as commitment. In addition to those variables, HRM practices are primed to manage human talents and skills (Delery & Roumpi, 2017).

3.3 Historical Landscape of HRM Practices in SA

SA presents an interesting case when analysing the private sectors within the country. SA government has traditionally been inattentive towards managing the HR in private-sector (Mellahi, 2007). Regulations up until the 1990s governing HRM were mostly based on labour law dating back to 1969 (Labor Law – Royal Decree No. M/21, 1969) (Um-Alqura, 1969; Arab Law Quarterly, 2003). The stipulation of 1969 regulation was restricted to contractual issues only. The regulation did not however impede with the process or the way HR were managed in the private sector. The regulation had resulted in the private sector having their legal obligations severely limited towards expatriate employees. Given the absence of strong regulative pressure in SA, private employers in the country are known to have developed unfair practices towards foreign employees – the case being unskilled foreign workers (Atiyaah, 1996). Claims made by international media and non-governmental organisations have received a large coverage accusing SA government's inaction to provide adequate protection to foreign employees in the private sector. Dating back to 2004, the BBC has reported on the rights of foreign workers, stating how they are being abused by both private-sector employers and country's legal system (BBC, 2004). Studies have also reported that the 1969 regulation has facilitated in developing a 'hire and fire' culture culminating in a system which only employs predominantly employees with minimum demands and fearing authority (Bhuiyan, 2001).

Given the backlash and traditional reforms, SA government in early 2000s introduced a framework which was considered extensive by the country's standard and historical benchmark (Meijer & Aarts, 2012). Factors such as rising unemployment and external pressure aided in bringing forward the regulations. International bodies such as International

Labour Organisations and World Trade Organisations had also been pressuring the SA government forcing the repeal of labour laws with regard to the issues of social protection of workers, labour rights and work standards in the private sector (Sengenberger, 2005). It was in September 2005 that new sets of laws were approved by the SA government, after which SA was granted full membership of World Trade Organisation in November 2005 (Ramady, 2010). Outside the external ramification, these laws were internally directed at private sectors to encourage hiring local Saudi employees. The regulations were also aimed to replace foreign workers with skilled Saudis in order to create better job opportunities for local citizens, enhance welfare of employees (Saudis and expatriates) and efficient management of both local and foreign workers (Farhan *et al.*, 2016). From the employee's perspective they were endowed with basic legal rights such as the right to annual leave, health and safety measures, maximum working hours, and maternity leave and safe work environment for female employees.

The conjecture of government interaction with HRM practices in other countries have generated a lot of scholarly interest. It can be safely assumed that compared to other nations, the dearth of research in SA context calls for the need to explore this domain further. It makes this study an important and timely one. Just when the nation is trying to emerge through various sectoral initiatives, the state of HRM research (although still nascent) can help deliver insight and facilitate further policy-based findings useful for government and private sector organisations. This is in stark contrast to findings in other nations. For example, compared to SA, researchers in the US have studied action on employment status of minorities and protected groups (Konrad & Linnehan, 1995; Clayton & Tangri, 1989; Braddock & McPartland, 1987). Such studies have also been attempted in South Africa (Wood & Mellahi, 2001) and Malaysia based on countries new Economic Policy Program (Abdullah, 1997). A wide range of literature across the board suggests that government

institutions in all countries are key determinants in structuring HRM policies (Botero *et al.*, 2004; Godard, 2014; Kane & Palmer, 1995; Moore & Jennings, 1993).

The literature has identified two main approaches through which government institutions intervene in shaping HRM policies. According to Kaufman (Kaufman, 2001), government mechanism has a direct of hard approach to develop HRM laws and regulations. As per the 'hard legal' approach, governments enforce laws and regulations. This has a follow-on effect on organisations in the economy as they avoid using undesirable HRM practices. The other common implication is that it is often difficult to detect non-compliance on an individual basis in a sector and study suggests that links between law and conformity is not a simple process. Legal interventions in HRM ends up being very expensive, unambiguous and full of loopholes (Edelman & Suchman, 1997). As much as law has the provision for sanctions against certain kind of behaviours, it also has the tendency to create defences which in all likelihood can exploit loopholes in order to escape sanctions. Also, one of the issues around enforcement of law remains the interpretation by employers, state officials and lawyers. It also brings into play the notion of organisations who in most cases are not passive implementers of laws and regulations. Various factors come into play when it comes to organisations obeying the state laws and regulations. Some of these factors include the ability to influence law enforcers, calculating and weighing the cost of not obeying the law with the cost of conforming to it, level of public support for the law, and possible non-legal sanctions inflicted by customers and other influential stakeholders (Thompson, 2011).

As per the soft approach, which is also referred to as normative approach, the government of the respective country encourages the adoption of desirable HRM practices but without any laws or regulations. The government induces the adoption of desirable HRM practices

through radical changes with aim to guide managers HRM policies and practices. The main principle behind such an approach is to institutionalise specific HRM practices thereby influencing manager's perception about the nature of HRM practices (whether good or bad). Such approaches are generally implemented by offering guidelines and incentives to induce managers to enact and implement HRM practices line with the government strategy. There are examples of this outside the SA context such as the Investors in People (IIP) award in the United Kingdom to encourage UK firms to embrace HR policies linked to what is generally perceived as good HRM practice. There is also international quality award such as International Organization for Standardization (ISOs) (Marsden & Shahtout, 2013) which essentially is a recognition for meeting specific international HR development standards. Core to normative approach is trying to get managers to convince and emphasising them the need to change HRM practices. However, lack of enforcement power has been cited as the main limitation of such an approach which does not legally bind the managers to adopt the desirable best practices. But scholars have continued to ascertain that effective changes in HRM practices and policies arises as a result of both legal and normative approaches (Godard, 2014).

3.4 Insight into the Labour Markets of SA

Against the backdrop of the discussion above, there are numerous factors that shape the structure of the labour market across the sectors in SA. Scholars working in the area have identified four key factors that shape the SA labour landscape (Figure 3.1). Since the 1970s, SA has been witnessing the influx of cheap labour mainly due to discovery and commercialisation of oil (Mellahi *et al.*, 2000). The trend has led to the private sector being reliant on cheap manual labour recruited for labour-intensive occupations. Studies continue to

indicate local citizens remain unattractive as far as recruitment by the private sector is concerned. This notion is based on the pretext that local workers are much more expensive than expatriates (Al-Hanawi *et al.*, 2019). Besides the wage disparity between the two groups of employees, there is a general perception amongst the managers of private companies that expatriates are much easier to manage as compared to local workers (Sadi, 2013).



Figure 3.1: Factors influencing the SA Labour Market (Adapted from Mellahi, 2007)

Since foreign employees hold work permits for specification occupation under designated employers, they are generally prohibited from changing jobs (Wapler, 2001). Hence the expatriate workforce that way limit the labour turnover and job-switching. What also contributes to expatriates being limited to the same job is the regulation that they do not qualify for permanent residency and naturalisation irrespective of their stay in the country. Foreign workers as a result possess very little negotiating power amongst the employers in SA. Local workers' disciplinarity has also been questioned by managers of the organisations in SA. The negative stereotyping of locals has been contributed by the perception of them demanding excessive salary as compared to foreign workers. It has also been noted that the type of work, sector of employment and social interaction is what determines social status in the country. In the private sector, most jobs which exists are manual, which are perceived as lower status by Saudis. For Saudi citizens, pride and acceptance in the society are related to the nature of jobs, and individuals mostly avoid working in the private sector unless the roles

are administrative or technical in nature. Hence, unrealistic expectation amongst Saudis (salaries and working conditions) coupled with lack of necessary skills and competencies has provided plenty of excuses for private sectors to carry on recruiting non-Saudis. Non-Saudis, as established are cheaper to hire and bring expertise in the market that is much easier to manage (Atiyyah, 1996; Mellahi & Wood, 2001).

The government in an effort to reduce high levels of unemployment among the local citizens and mitigate the saturated effect of foreign employees in public and private sectors initiated the “Saudization” reform program. Saudization was a national initiative triggered way back in 1994 which as a strategy facilitated phased transfer of skills, knowledge and jobs from foreign employees to local citizens (Al-Harbi, 1997). As part of this reform, private firms were obliged to recruit a percentage of Saudi workers depending on the sectors thereby creating a quota system to replace local and international hire. In order to implement the effectiveness of Saudization process, the government at local level passed several laws to solve the unemployment dilemma. It was almost 15 years after the first Saudization initiative that the government went on to implement subsequent laws to round off the kingdom’s strategic plan to ascertain full employment for Saudis through the initial control of unemployment, followed by its reduction, leading to the creation of a fully competent local labour force (Alhamad, 2014). The interesting thing about subsequent laws as observed by scholars was that it outlined measurable short, mid-and long-term objectives serving as milestones for governments to reduce local unemployment. These add on reforms were also aimed at investing in local human capital thereby contributing directly to the nation’s productivity and efficiency. The Saudization program and its subsequent reform programs were aligned with heavy investment in education and preparing the youth in leadership position. The educational initiatives comprised of national and international colleges, universities, research centres including institutes for technical and vocational education. In

addition to all the commitments to education, the government also launched the initiative referred to as 'Hafiz' which through the creation of jobs fairs, physical employment centres, exhibitions and websites was targeted at youths under the age of 25. 'Hafiz' provided all kinds of instrumental support to the young generation in order to help them gain unemployment.

3.5 Institutionalised Political Landscape of SA

SA is governed by an Islamic monarchy within which Islam constitutes the cultural, economic, legal, political and social makeup of the nation. The judicial system of nation has its foundation in the Holy Quran, the sacred text for Muslims. The key assumption amongst the upper echelon of the SA government and most Saudi nationals is that the Holy Quran is the most suitable legal framework compared to any other secular constitution (Wynbrandt, 2010). The law enshrined in 1992 has clearly stated that SA is a monarchy fronted by sons and grandson of the first king, Abdulaziz Al-Saud. As for governance, the Holy Quran has been considered as the constitution of the country riding on the principles of Islamic law - Sharia (Alnazi *et al.*, 2018). The principles guide the state in order to maintain social order and ascertain equitable treatment of the citizens of the country (Mihret *et al.*, 2017). Sharia law is built on the Holy Quran and teachings of the Prophet Muhammad (the Sunnah). Sharia law can therefore be considered as a system of incentives, penalties in addition to a system of moral principles and sacred symbols (Van Eijk, 2010).

The Holy Quran and Sunnah have the highest authority and all legislation follow the two pillars of SA constitutional law. As per Article 1 of the Basic Ordinance of the Kingdom of Saudi Arabia (1992), the country is a sovereign Islamic state, guided by Islamic principles religious ideologies, The Holy Quran being the constitution and Riyadh as the capital of the country.

The Ordinance sums up the highest authority of the king, his functions, privileges and clearly states that succession of the king is restricted to the male descendants of the founding king, Abdulaziz al-Saud. As per the 5, the king has the power to choose and relive his successor. Three separate branches – the legislative, judicial and executive - have been carved out, but the king is not subjected to these separations of powers. The King's is the ultimate authority, in which case a constitutional court loses its relevance (Alhamad, 2014). As a chairman of the Council of Ministers and Prime Minister, the King is generally considered as the head of executive branch of government. It is bestowed upon him appoint and relive the ministers and high-ranking civil servants by the act of royal decree (Articles 56-58). The council of ministers get their decisions ratified by the King who oversees implementation of Sharia law and general policies of the state (Article 55). When it comes to the judiciary, the King once again appoints and dismisses judges for which he consults with Supreme Judicial Council. However, the King continues to act as the highest authority for appeals and bestows upon himself the power of pardon (Article 50 & 52). In 1992, the Consultative Council also referred to as "Majlis Al-Shura" was re-established which acts as advisory board to Council of Ministers (Article 68). Acting as advisory for government policies, Consultative Council also designs and prepares regulations (including the bylaws) for public interest and citizen well-being. Given the position of Consultative Council, it does not have a strong influence on decision-making and its limited authority has some scholars stating that "Majlis Al-Shura" as an advisory body represents just a mere "cosmetic reform" (Barends *et al.*, 2005; p. 38)

3.6 Dynamics of Legal Principles in SA

The legal conjecture in SA is mostly contributed by the Holy Quran and Sunnah as established earlier and in addition Islamic Sharia is the prevailing law. Judiciary and legal scholars (*ulama*) from the land are considered as legal interpreters of the two holy sources

(the Holy Quran and Sunnah) and enforce Islamic Sharia in order to arrive at decisions or offer advisory (*fatwa*) on individual cases brought to them. It should be noted however that Sharia in SA is not codified in statutes or any form of codes. It allows for judges and scholars in SA to go back to Hanbali *fiqh-books* when imparting their administrative justice duties. To this, one scholar noted that “Tribal law or custom is significant in SA in relation to the country’s political and governmental structure as well as private and personal law areas” (Esmaeili, 2009; p. 18). Besides the Sharia law and specialised courts, the legal system in SA constitutes a form of recognised mediation offered by *muftis*. The muftis play a critical role, and they essentially help interpret the Islamic view of legal interpretation. Citizens of the country turn to muftis when wanting to better understand aspects of Sharia law and principles applicable when issued with a fatwa. Often a court trial is avoided when parties discuss their dispute in the presence of a mutually respectable fatwa (Van Eijk, 2010). For some, rulings by mufti are considered as binding as a judge ruling. In fact, when faced with fatwa, citizens do refer their case to a courts and judges still revert back to the legality of fatwa. The country in general prefers amicable settlement for disputes without the need to involve courts. It has been noted that over 90% of all civil cases referred to court end up being resolved through reconciliation and settlement without the need to judges’ involvement (Vogel, 2000; p. 120). It is the Council of Senior ‘Ulama’, which was established in 1971, that serves as source of all fatwas. The courts have the flexibility to consider legal action based on fatwas which, in some cases, contradicts their own standard values (Vogel, 2000). Scholars argue that fatwas issued by powerful government-employed Ulamas have influential legislative-effect and judges at the lower level stay away from contradicting the formal fatwas issued by such Ulamas (Yamani, 2008). To compound this, even the King for his part doubles down on these fatwas and forces courts to comply with judgements and advice put out by Council or Grand Muftis (Vogel, 2000). Administrative regulations in the form of *nizams* serve as another

source of law for legal judgements. Nizams have been legitimised through the principle of ‘*siyasa shariyaa*’ and within the legal framework they are recognised as subordinates to Ulama.

The Basic Ordinance affirms the two judicial branches - the general Sharia courts and the Board of Grievances. The Sharia courts possess general jurisdiction unless the disputes are categorised for rulings by Board of Grievances. Special committees created for implementation of Nizams fell outside the judicial branch which Ulamas have fiercely opposed. Ulamas have repeatedly called for the incorporation of special committees (Nizams) into Sharia Courts. Sharia courts, on the other hand, have rejected the idea of applying Nizams and the government continues to decide against such a reunification.

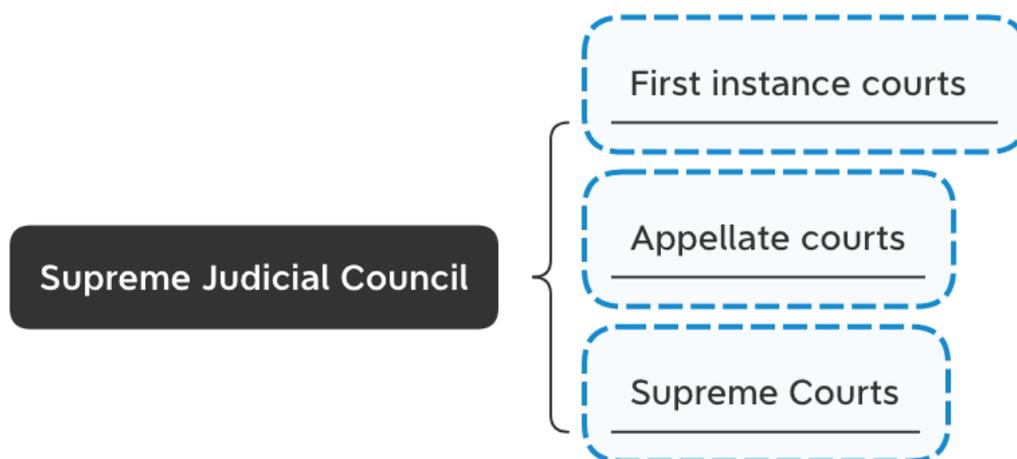


Figure 3.2: Levels of Sharia Courts (Ascending Order of Influence)

The new Judiciary Regulation stipulated that there will be three levels of Sharia courts functional under the supervision of Supreme Judicial Council – first instance court followed by appellate courts and the new Supreme Court. The first instance court comprises summary and general courts which only requires a single judge to oversee both civil and criminal cases. The limitations of that judge arise in cases where the penalty is likely to exceed a

certain amount of money (for example in cases of compensation for physical injury) or in criminal cases that involve possible sentences of amputation, execution, or stoning (Judiciary Regulation 1975; Article 24-26). The general court takes up the cases which go beyond the summary court jurisdiction. Criminal cases which are likely to result in sentence of amputation, execution, or stoning to death are mostly adjudicated by panels of three judges and, with the new regulation of 2007, all criminal cases have been agreed to be decided by three-member panel. Mecca and Riyadh have appellate courts where appeals are made and appeals courts may do the following - reverse a decision, order a retrial or refer the case back with guidelines for the lower court to for further steps. The primary motive of an appellate court is to oversee if the rulings are in with Sharia principles (Al-Ghadyan, 1998). Appeals against a decision of an appellate court is non-admissible but, in most cases, they are referred to Supreme Judicial Council for review (Judiciary Regulation (1975); Article 8).

To sum up, the King is facilitated by Council of Ministers and SA prohibits political parties and trade unions (Alzalabani, 2004). Royal Decrees and Ministerial Decrees are at his disposal when administering SA as a nation. Majlis al-Shura serves as the platform for citizens to participate in political life which allows for them to express their concerns and views directly to the government (Anderson, 1991; Aba-Namay, 1993). More than 90 appointed members constitute Majlis al-Shura and the Chairman of the panel is appointed by the King. But, as discussed earlier, the King is the final authority when it comes to laws and determining new policies (Ke'chichian, 2004). Members of Majlis al-Shura have the authority additionally to influence the King's decision-making. Ministers and leads from important departments also have some degree of freedom relating to decisions on specific matters if they are aligned to Islamic principles and Royal and Ministerial Decrees (Al-Twajry *et al.*, 2003). In essence Royal and Ministerial Decrees are free to adopt laws and regulations that may deviate from Sharia laws, but more importantly should not contradict the

foundation of Sharia law which includes aspects of foreign direct investment (FDI) laws, taxes and labour laws (Mellahi, 2007).

As for FDI and labour laws, businesses across the sector are heavily regulated by the principles of Sharia law. Sharia opposes forms of interest also referred to as '*riba*' and uncertainty in contracts (*gharar*). Business related laws in SA can be traced to Hanbali *fiqh* and jurisdiction in commercial matters is referred to Board of Grievances which has been discussed in sections above. However specialised committees also come into play with regards to aspects of commercial law, companies with artificial personality and limited liability, intellectual property, and securities (Vogel, 2000). For companies engaged in FDI, the uncertainty and lack of clear interpretation around Sharia law has been historically a problem. It creates a lot of insecurities, and the government has been struggling to find an amicable solution to these issues. This partly occurs because of Ulama and Sharia judges unwilling to cede control over an area of expertise they have held sway.

As a market, SA is huge for Islamic financial products, and it houses some of the biggest Islamic banks. Despite this, there is no desire to carve out a separate Islamic banking sector. This plays in the conundrum where, if that were the case, some banks would have to call themselves Islamic which indicate to others an unacceptable situation in the kingdom which prizes Sharia law above everything else (Vogel & Hayes, 1998). The unrelenting attitude towards Islamic banking has meant however that the kingdom has authorised a number of banks to operate on Islamic principles without including the descriptor 'Islamic' in their representation and agreed for conventional banks to operate and sell Islamic products and services. This has become prevalent to an extent that government-based firms have been issuing Islamic bonds (*sukuk*) which generally would not be allowed as bonds involve interest-based constructions (Paltrinieri *et al.*, 2019). Amidst all this, the Supreme Economic Council oversees economic reforms in the country. Attached to this body, there is an

Advisory Commission that has a mandate to review economic policies and laws upon government request. It proposes legislation and intervenes with policy recommendations (Al-Fahad & Abdulaziz, 2005). As a nation, SA has further updated and extended its commercial law regulations in order for its continuity as a member of World Trade Organisation (Eijk, 2010).

3.7 Significance of Wasta in SA Context

However, despite the efforts to make itself relevant in the region, the cultural landscape of the country determines its legal, political, and economic direction. The country of Saudi Arabia exhibits a richness in internal diversity and is quite rightly linked to social and cultural phenomenon which are, as such, unique the region. Encapsulating the discussion around SA and its global outreach, the discussion is rather incomplete without the mention of the idea of *wasta*. The term *wasta* relates to the verb ‘yatawassat’ and can be understood as a conciliatory action put in place to obtain what can be rather difficult to achieve (Aljumzi, 2017). Often the notion of *wasta* can be observed or is apparent when reviewing benefits extended by government officials and authorities in general (Weir, 2020). It is central to how government officials facilitate procedures and paperwork. As a mediation, *wasta* relates specifically to the process of resolving conflicts between parties (Naeem & Fatima, 2020). *Wasta* as such is widespread in SA and is integrated, often recognisably, in the matrix of behaviour and beliefs of individuals, firms and government officials. It can be compared to the cultural landscape, for example *Guanxi* in China or *Blat* in Russia (Karhunen *et al.*, 2018). As a concept, *wasta* has evoked discussion around its origin linked to its consequences and rationales. In many Arab countries, *wasta* brings about negative sentiments; despite this,

however, it continues to be practiced and is accepted as a normal feature of the society (Wier *et al.*, 2019).

Given the empirical mention of *wasta*, scholars have implored understanding the concept using varied theoretical lenses. *Wasta* as a concept is evolving in the context of evolutionary process and globalisation of the region. It does create challenges and opportunities for citizens who are at the heart of experiencing its implication (Weir *et al.*, 2016). In the wake of globalisation and dominance of western theories and practices of management, *wasta* has been treated as a regional phenomenon. However, there are scholars who argue that that mechanist view of *wasta* can be crucial, as the economy opens up in SA and can be a valuable indicator of helping understand the nature of businesses in the Arab world (Zhang *et al.*, 2021; Harbi *et al.*, 2017). Such an understanding can help facilitate the complementarity of eastern and western business theories and practices. New cross-cultural insights can arise and very well be applied to a globalised context (Al-Ma'aitah *et al.*, 2021).

Global, national, or regional – business networks are central to firms and their operations. It is widely established that firms exist but in network of embedded relationships (Anderson *et al.*, 1994). The nature of such networks mean that these comprise of both direct and indirect connections. Firms often capitalise on opportunities offered by these networks (both directly and indirectly) thereby operating efficiently and reaping the benefits of improved financial reward and competitive advantage (Ekeskär *et al.*, 2018). For firms, it is always a case of negotiating the complex network linked to uncertain and certain force which can often create unplanned opportunities and risks at the same time. With the integration of *wasta* in the Arab culture, the potential impact of uncertain forces in networked and embedded relationship can be mitigated (Granovetter, 2005). In the western economy, scholars have repeatedly

highlighted the development of economies in relation to social networks (Mi *et al.*, 2018; Chen *et al.*, 2018; Hafner-Burton *et al.*, 2006). Scholarly interest in the domain have explicated dimensions in interaction and social exchange of organisations. This becomes pertinent when analysing the different ways in which businesses operate in the Arab world and western economies (Weir *et al.*, 2019). A major factor underpinning business in SA is the networking (Muslim societies) and as such business activities emerge from these networks. More often these networks are casted within the context of *wasta* and the interpersonal ties. The weakness or strength of these interpersonal ties has direct implications for access to power, influence, and information. This can effectively translate into valuable social processes of knowledge access and business opportunities (Velez-Calle *et al.*, 2015). One of the most likely outcomes of an active *wasta* process is the improvement of knowledge-sharing capabilities and breaking down of barriers to knowledge-sharing and transfer (Riege, 2005). The empirics around *wasta* has compared it to a similar phenomenon ‘guanxi’ in China. Guanxi has been recognised to contain a sense of duality; one aspect focuses on networking and the other perspective has undesirable implications of corruption (Luo, 2008; Smart & Hsu, 2017). There is a widespread consensus amongst scholars that there must be more research comparing the two frameworks – *wasta* and guanxi (Barbalet, 2018; Hutchings & Weir, 2005; Weir *et al.*, 2016).

As much as *wasta* is a part of wider Arab culture, very few scholars are explicit about it. Arab citizens themselves are hesitant about openly discussing matters linked to *wasta* (Berger *et al.*, 2019). Given the influence of globalisation scholars argue that historical cultural values are often challenged along with other cultural values (Fuller & Lesser, 1996). Despite the push back and ushering of global traditions and practices, *wasta* has remained an ever-present feature of Arab societies. *Wasta* for some is viewed as neutral positioning when it comes to classical Islamic values applied to business operations (Brandstaetter *et al.*, 2016). There is

distinction between ‘good *wasta*’ and ‘bad *wasta*’ and is heavily linked to individuals experiencing or using *wasta* process. Rationalisation of *wasta* in such cases precludes the cultural fabric of Arab society within which family ties impose obligation on individuals engaging in *wasta* (Kropf *et al.*, 2016). Scholars note such rationalisation of *wasta* does not take into consideration the political establishment governing the Arab societies (Benstead *et al.*, 2019). As such in SA specifically, government authorities engage in patronage for survival and there has been a call for change with the ascent of power in 2015 of Prince Salman Bin Abdulaziz (as King) and later his young son Prince Mohamed Bin Salman (MBS) as Crown Prince (Almond *et al.*, 2019). MBS was at the heart of arresting, imprisoning individuals, and royal family members for *wasta* linked corruption. However, Saudi political establishment have struggled overall to contain insecurity and unpredictability. In the aftermath of new political succession, *wasta* remains an essential part of Saudi culture.

3.8 Cultural Dimensions for Compensation Strategies

Culture is often viewed as a reflection of national history mediating different dimensions of a society, including the minds and behaviour of the citizens within (Moon & Choi, 2001). An understanding of culture therefore is critical as it has impact on different aspects of business. In the literature there are several models which have dealt with cultural difference but the contribution of Hofstede is most significant in that regard (Trompenaars *et al.*, 1999; Schwartz, 1999; Hofstede, 2009). According to Hofstede (2009), culture is a patterned way of thinking, feeling, and reacting differentiating members of one group from the other. Such a notion of culture comprises of values, beliefs and assumptions picked up in the childhood (Načinović *et al.*, 2019). When it comes to Hofstede’s model of the characteristics of culture, there are six value dimensions: a) power distance, or the degree to which less members of the

society accept and expect that power is distributed unequally; b) individualism versus collectivism referring to a societal position whether an individual's self-image is viewed in terms of "I" or "we"; c) masculinity versus femininity; d) the uncertainty avoidance index, or the degree to which members of the society feel uncomfortable with uncertainty and ambiguity; e) long-term orientation versus short-term normative orientation; and finally f) indulgence versus restraint (Hofstede, 2009). Scholars over the years have made a case for culture to be taken into account when structuring the compensation strategies (Bloom & Milkovich, 1998; Gomez-Mejia & Welbourne, 1991; Luthans, Marsnik, & Luthans, 1997; Newman & Nollen, 1996; Townsend, Scott, & Markham, 1990). In collectivist society, there are evidence of tightly knit social network within which citizens are integrated into clans, organisations, communities, or societies (Načinović *et al.*, 2019). People generally expect their integrated groups to look after them in exchange for loyalty. Employees with collectivist orientations in such cases are not worried with individual positions or the amount everyone obtains as compared to members of individualistic cultures. As for the reward management countries with that orientation adopt remuneration strategies which facilitates cohesiveness and group harmony. Such compensation strategies avoid any differentiation of reward and group-based activities are aligned to the values in the culture (Kim *et al.*, 1990). Collectivist countries propagate equality which is central to their ideas around compensation management, as they view any differentiated reward as likely to hinder harmonious relationships (Sama & Papamarcos, 2000). Examples of such occurrences relate to Latin countries and southern European nations. Those are traditionally collectivist societies emphasising on job security and fringe benefits as compared other countries (Tosi & Greckhamer, 2004). In collectivist countries or cultures, group and team incentives are given preference over individual compensations (Schuler & Rogovsky, 1998). On the other hand, individualist societies consider rewards in exchange for productive work. They widely adopt

individual performance-based contingent rewards in which case high-performers end up with greater rewards (Jackson & Schuler, 1995). Another aspect of compensation which is heavily influenced by national culture is performance evaluation (one of the key requirements for pay for performance (Seddon, 1987; Peretz and Fried, 2012). When it comes to individualism, it is synonymous with developed and formalised performance evaluation linked to individual performance (Ramamoorthy and Carroll, 1998). Scholars in that regard have highlighted how explicit and public evaluation of individual performance can lead to tarnishing in-group harmony and sometimes it is resented even within the collectivist environment. Performance appraisal developed within individualistic societies and applied to collectivist cultures results in unintended consequences (Saffie-Robertson and Brutus, 2014). In collectivist societies, firms are likely to use performance evaluation systems to the purpose of meeting organisational aims such as human resource planning, needs for training and development (Cascio, 2012; Bae and Lawler, 2000). As per the research conducted in collectivist societies, a large number of managers and employees were found to be dissatisfied with their performance evaluation procedures (Bogićević-Milikić and Janićijević, 2009). Cultural dimensions reflect why performance evaluation systems are conflicted in collectivistic societies. Employee preferences in motivation techniques vary and can be illustrated through cultural differences (Sirota & Greenwood, 1971). According to Hofstede (1983) in individualistic countries, the high level of motivation arises from an individual's need to fulfil their obligation towards themselves. In collectivist society individuals try to fulfil their obligations towards their group, family, enterprise, and society. According to Luthans, Marsnik and Luthans (1997), recognition and praise are deployed as motivators in collectivistic society. They also suggest that pay for performance should not be deployed in collectivist society. Hofstede (1983) has also concluded that the cultural model mostly influences a fair pay allocation system. Such a notion has been backed by other scholars, such

as Fischer and Smith (2003). Reward allocation in a systematic manner is critical for ensuring that employees view pay decisions as being fair and equitable (Sama & Papamarcos, 2000). Empirical evidence also suggests that compensation strategies are aligned to fit cultural features of the society and in countries where culture is identified as individualistic, employees demonstrate strong preference for equity in compensation (Mejia and Welbourne, 1991). The norm around equity implies that rewards are to be divided in line to employees' contributions (Načinović *et al.*, 2019). In collectivist societies, equality amongst employee is preferred over equity based individual effort (He, Chen and Zhang, 2004; Kim *et al.*, 1990).

3.9 Conclusion

In principle, the aim of this chapter was to lay out and familiarise the key contextual issues within the country of SA. In conjunction with the literature review in preceding chapter, this literary review has established a starting point from which to conduct the research. Aligning the context closely to the research questions, this chapter has reviewed some of critical policy-based interventions within the nation of SA. Major policy action impacting the private and public sector in the country has been analysed. This has been linked to the historical landscape of the country in conjunction with the HRM practices. The analysis is important insight into some of the major develop and evolution of SA contextual landscape. It has been dived into the general approaches through with government institutions have been altering the HRM policies in the country. This chapter also provided an insight int to the labour markets of SA giving this thesis a strong basis to implementation of VPS in the country. Overall, the chapter has linked the political, legal and economic landscape of SA which at some level shapes how compensation is determined in the country. An understanding of VPS

as established in the previous chapter therefore leads to the next stage of this research: the overall approach to data collection and analysis.

CHAPTER FOUR: METHODOLOGY

4.1 Introduction

Research when applied systematically facilitates discovery of new knowledge about a phenomenon (Weber, 2017). Research methods are used to explore novel knowledge and seek answers to unknown questions (Goddard & Melville, 2004). Research methods has been defined as:

A systematic and scientific procedure of data collection, compilation, analysis, interpretation and implication pertaining to any problem (Bajpai, 2011; p. 7)

The purpose of this chapter is to explicate the research methods for this thesis. It follows from the concluding section of chapter two which and discussed key attributes of the literature, thereby summarising the main gaps and the conceptual direction taken. The aim through this chapter is to illustrate the research objectives, philosophy, the research strategy and methods used to address the ascertained research objectives. This chapter begins by restating the research objectives and primary questions followed by introducing the research strategy adopted. The chapter provides an argument for the mixed-method approach, one that combines both qualitative and quantitative techniques thereby offering richer and more meaningful data in order to enhance and validate the findings of the research.

4.2 Research Objectives

In addition to being a neutral ‘toolkit’, research methods are viewed as a reflection of how social scientists attempt to view and study the reality around them (Fielding, 2012). This thesis has employed both quantitative and qualitative methods in order to conduct the research. Having adopted the mixed method approach, the thesis is eventually influenced by pragmatism (Onwuegbuzie & Leech, 2005) and examining the notion of VPS within the

context of SA. One of the main objectives of the research is to understand the rationales for using VPS and its links to individualistic and collective goals. Building on that the work is aiming to offer a theoretical framework on how employee and employers perceive the merits and demerits of VPS in the SA context. Specific research objectives and questions are laid out as below:

1. Given that there is a lack of consensus in the literature on the general effects of VPS as a stimulus for employees, this research looks to explore the role of VPS in generating stimuli for employees in SA. More specifically, this thesis investigates how VPS plays a role in stimulating employee motivation within the private sector of SA? The review of literature including the motivation theories as above are critical in determining the motivational aspects of VPS in the SA private sector. The thesis will investigate the rationale for using VPS and how it is employed to attain individualistic and collective goals.
2. focussing on the context of SA, the research is primed to investigate the manifestation of VPS within the cross-cultural context of SA. SA is interesting to investigate as a nation as it presents an singularly dynamic context. Especially given the unique industrial landscape which is shaped by religious and cultural beliefs. This work looks to capture employees' perception of VPS, especially in relation to work effort, motivation and performance.
3. This work also aims to develop a deeper insight into the merits of VPS which is aimed at both employee and employer relationships. As the review above suggests, VPS has its merits and demerits. Given the gap in the literature based on the review above, this work looks to offer a theoretical framework on how employee and employers perceive the merits and demerits of VPS in the SA context.

In order to explore the objectives above, this research has indulged in both qualitative data categorised as non-numerical data through in-depth interviews with key representatives from different sectors in SA and quantitative data collected through survey questionnaires. Further insights into the process will follow later in the chapter.

4.3 Research Philosophy

According to Gliner *et al.*, (2011) research philosophy takes into consideration the research paradigms and is referred to as a way of thinking and implementing the research. Research philosophy in essence comprises some very crucial background factors – mental model of the individual researcher, perceptions, ways of analysing and a range of beliefs attached to the social reality. These factors heavily influence the knowledge and value of researchers in order to deliver reliable outcomes. According to Crossan (2003), there are multiple reasons why researchers have to understand the research philosophy before conducting the actual research.

Table 4.1: Importance of Research Philosophy to a Researcher (Adapted from Smith et al., 2012)

Rationale for a researcher to fully understand the research philosophy	<i>Research philosophy helps refine and specify the research methodology. Helps in gathering evidence, origin of the evidence and ways to interpret the evidence</i>
	<i>Knowledge of the research philosophy assists the researchers in evaluating different methods</i>
	<i>Research philosophy equips researcher with greater exploratory and creative skills in order to successfully implement the research methodology</i>

Research philosophy therefore plays a pivotal role, and it is paramount that every researcher knows about it given that an individual researcher expresses views about how one perceives the world or assumptions they hold (Saunders *et al.*, 2012). According to Quinlan:

Every research project is underpinned by a philosophical framework which evidences the worldview within which the research is situated, and which can be seen in every step of the research process Quinlan (2011; p. 95)

Key concepts concerning research philosophy are critical in comprehending the research problems and allow the researcher to adopt a systematic approach in answering research questions (Shannon-Baker, 2016). Employing traditional methods in investigating social issues and lack of systematic approach has been credited to unreliable outcomes in research. Systematic approach on the other hand poses in-depth questions especially pertaining to the dimensions of the subject studied often leading to production of critical arguments and dialectical aspects of the research subject (Aspers & Corte, 2019). Researchers focussing on developing a comprehensive plan significantly impacts the validity of the study and more importantly strengthens the validity of the study (Mertens, 2010).

The philosophical standpoint and its understanding for a researcher remains extremely critical as they facilitate in research design. Adopting an appropriate design befitting the research problem produces good research and valid results. As for research design, within Social Sciences research, it forms the triumvirate along with two other components philosophical world view and specific methods.

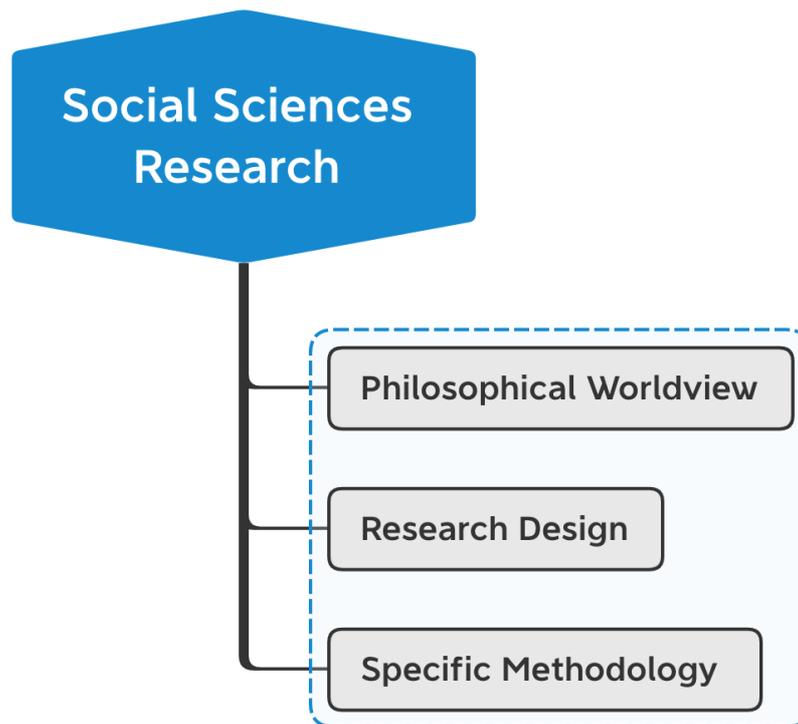


Figure 4.1: Three Components of Social Sciences Research (Adapted from Agee, 2009)

As a researcher, consideration has to be given to one's own philosophical worldview in order to fully embrace the research methods which in turn allow setting up the research method and transitioning the approach into practice (Creswell, 2014). From a researcher standpoint, it is important to demonstrate how results are obtained, contributing directly to the enhanced validity of the research (Dellinger & Leech, 2007). For the research community and their interest, as a researcher one has to be assured about the rationale of the research, how the data were obtained and the validity of the results.

It all begins however with the notion of research philosophy, which includes concepts such as ontology and epistemology. According to Fleetwood (2005), ontology relates to what exists, epistemology on the other hand helps us explore what can be known. Ontology as a concept allows for researchers to conceptualise and epistemology relates to the acceptable knowledge

within the research area (Crowther & Lancaster, 2008; Vogl *et al.*, 2019). From an epistemological point of view, researchers assume different perceptions in terms of viewing, justifying and absorbing knowledge (Reiter, 2020). There is a also stark contrast between the types of research – natural and social - which pertains to our understanding of both epistemology and ontology. As a natural researcher, one often takes the view that there is a single objective reality which more or less is independent from the researchers themselves (Montuschi, 2004). Social research on the other hand is tied into the human phenomena and considers researchers as part of the research process (Du Tiot & Mouton, 2013). With several interpretations of reality within social sciences research, actors play a critical role in acquiring the knowledge and as researcher one has to choose a philosophical approach which aligns to the requirement of the research questions and problems. In this particular case, the notion of ontology and epistemology has obvious inferences to the objectives of this thesis which is looking to explore VPS in SA context.

Another important topic of conversation when referring to ontology is the notion of objectivism and subjectivism, as both are considered essential and linked to social actors (Schatzki, 2003; Van Heur *et al.*, 2013). The research approach can be objectively viewed in conditions when social entities are independent and do not influence the research outcomes (Sinclair *et al.*, 2014). In subjective research however, quite opposite is true as social actors are part of the research and in all probability influence the outcome of the research. As a researcher therefore one has to define the ontological position depending on the type of research being undertaken (Lauer, 2019).

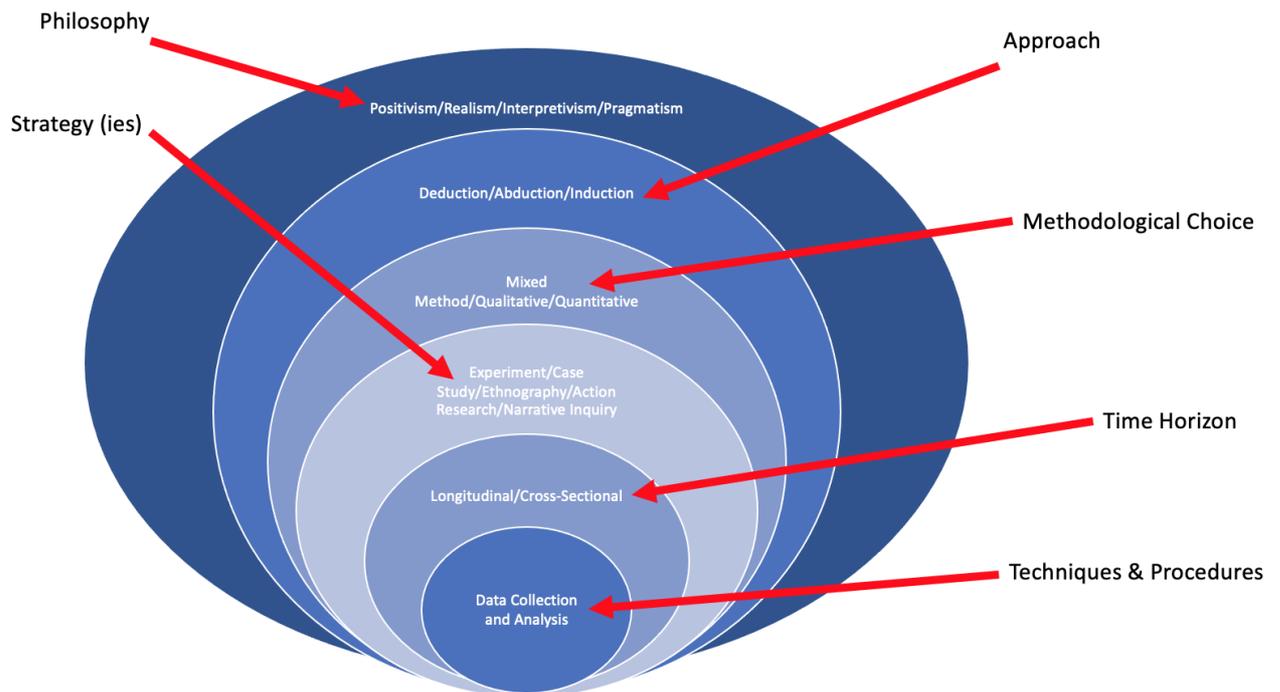


Figure 4.2: Research onion (Adapted from Saunders, Lewis and Thornhill, 2012)

The position could be subjective or objective and yet there are different ontologies, as researchers have their own view which is expressed through their individual research. These ontologies guide researchers to choose the appropriate epistemology and suggests that as researchers we should fully understand the meaning of the world in addition to having individual perspective. Epistemological position within the research philosophy is associated with the way knowledge is perceived (Garrow & Hasenfield, 2017). The epistemological standpoint in any research is based on the topic and issues that are being studied (Read, 2016). If the researcher is independent of the issues being examined, the research is referred to as positivist which often takes a quantitative route. The epistemological position in such case is objectivism.

Positivism is linked to the importance of what is generally accepted but a bit more focus on considering data as well as facts without being impacted by interpretation of human bias (Saunders *et al.*, 2012). Adopting an extreme positivist approach would mean a) that the

researcher ideally views organisation and other social entities belong to the same view of the physical objects as well as natural phenomena b) going back to epistemology, a researcher would end up focussing on the discovery of facts which are observable and more importantly measurable and c) as a researcher one would aim to find causal relationship from captured data. From a methodological perspective, a researcher's effort to understand the natural world is not often transferable to the social world. Positivism is associated with tangibility and objectivity; the tendency of objectivity instead of subjectivity is crucial to positivism (Riley *et al.*, 2000). Positivism mostly adheres to quantitative method focussing on gathering facts and collecting objective statistical data (Walter & Andersen, 2013). As a positivist, one believes that factual knowledge can be obtained through observations and measurements doing away with opinions and attitudes. Given that the positivist research is immunised from the researcher's own belief, this can often serve as a limitation but such an approach can also provide effective description of the phenomenon in question (Braun & Clarke, 2016). Positivism however is limited by its own construct in social research. This limitation is down to the difference between distinction between social and natural phenomena (Panhwar *et al.*, 2017). It is widely observed that individual's behaviour is not rigid or consistent, for researchers it can be difficult task to comprehend linked attitudes and behaviour. This is unlike the situation with objects in natural research (Couclelis & Golledge, 1983). Positivist research has also been criticised for being immunised from researcher's belief. Scholars have illustrated other limitations when it comes to positivist research: a) statistical test in such approaches can be misused resulting in misinterpretation due to selection of incorrect statistical tests; b) generalisation in such research often leads to discredit the intention of individuals and actions, and c) positivist research relies on the status quo with the research being more descriptive in nature. It can be a further challenge for a researcher aiming to gain in-depth issues linked to the research objective. Overall though positivist offer an effective

description of the phenomena in question (Collins, 2011; Steinmetz, 2005). More importantly though it delivers on the relationship between cause and effect thereby allowing the results to be generalised (Braun & Clarke, 2016).

Interpretivism on the other hand as a philosophical approach seeks to understand people's perception towards a specific issue or experience (Engel & Schutt, 2014). Given the difficulty around applying purely the objective methods in natural sciences, interpretivist researchers often look at reality from different perspectives believing that there is no single reality (Pickard, 2013). Often it pushes interpretivist to undertake a subjective direction (Babbie & Rubin, 2010). To sum up, if the research problem is related to human phenomenon which requires analysis and interpretation of human behaviour and attitude, it is recommended to undertake a subjective route (Munro & Hardie, 2018). Classed as interpretivist approach, research undertake qualitative methods to explore the social issues thereby establishing the epistemological position as being subjectivist. This is so because research can acknowledge multiple interpretation from researchers and participants adding to the formulation of outcome (Fawcett & Hearn, 2004). Interpretivists look at reality from various perspective thoroughly believing that there is no single reality. It can be safely assumed that interpretivists believe that there is no single reality and multiple explanation exists for a single reality (Levers, 2013). Interpretivism has been developed due to limitations of positivism from a subjective perspective. There are some variations of interpretivism which are as follows: a) hermeneutics which refers to interpretation and philosophy focussed mainly on biblical sources and wisdom literature (Köstenberger, 2021); b) phenomenology which seeks to understand the environment through direct experience itself (Eberle, 2014), and c) symbolic interactionism which considers symbols as social objects for shared meaning as well as support for the construction of reality (Carter & Alvarado, 2019). Hence, interpretivism is all about being sensitised towards individual meanings and contributions.

Scholars have also illustrated its limitation to which the approach assumes that reality is subjective and differs with different individuals. Because of this the interpretivist approach can sometimes conclude that research participants are not ideal source for general research interpretation (Davies & Fisher, 2018). More importantly though data captured and reviewed are very less likely to be generalised given the consideration that data are mainly dependent on specific context, viewpoints, and beliefs (Saunders *et al.*, 2012). But critiques aside, the interpretive paradigm enables researchers to consider different factors including behavioural dimensions based on participants' experiences. It allows for description of reality in the context of a researcher's assumption and beliefs. Interpretivist researchers treat their context as unique given the circumstances and participants involved (Scauso, 2020). Overall though it allows for research to be more focussed on topic and takes away the concerns around generalisations (Alharahsheh & Pius, 2020; Moustakas, 1994). Adopting an interpretivist paradigm would therefore mean focusing on the whole experience instead of considering parts of it. Another important consideration when adopting interpretivist approach would be that questions and identification of research problems would be impacted mainly interest and commitment of the researchers themselves. Finally, it facilitates researchers to explore in detail the individual experiences through formal discussion and interviews (Pulla & Carter, 2018). It can be concluded therefore that positivism and interpretivism have different perspective in terms of epistemology. This is also applicable to ontology and is reflected in the table below:

Table 4.2: Epistemological Positions - Positivist & Interpretivist (Adapted from Wilson, 2010)

	Positivism	Interpretivism
Research Approach	<i>Deductive</i>	<i>Inductive</i>

Ontology	<i>Objective</i>	<i>Subjective</i>
Research Strategy	<i>Quantitative</i>	<i>Qualitative</i>

The philosophical position as discussed above suggests that the path of a social research may adopt an objective approach falling into the notion of positivism within which social actors are independent of the research outcome (Gartrell & Gartrell, 2002). Adoption of quantitative method aids in such a research. When taking a subjective stance on the other hand, it calls for adopting an interpretivist approach within which the researcher is a part of the research and influences the interpretation and formulation of the research outcome (Pham, 2018). This involves adopting the qualitative data collective methods.

4.3.1 Making a Case for Mixed Method Study

Considering the debate over research methods, it is critical however that the research achieves a reliable research outcome with a greater degree of validity. Such an interest in achieving high quality results has prompted a widespread use of mixed method approach in social sciences research (Morse, 2016). The mixed method approach is conducted by adopting pragmatism as a paradigm (Holmwood, 2011). Pragmatism is the idea of using “what works” by utilising approaches such as objectivism and subjectivism. The idea of using pragmatism is centred around choosing a fitting and appropriate technique in order fully deliver on the research objectives (Feilzer, 2009; Morgan, 2014). As a pragmatist, one believes that a systematic search for research answers and offer a broader understanding of the research problem, multiple methods should be adopted (Kaushik & Walsh, 2019) such an approach results in better reliability and improved validity of the research.

While mixed method has been attributed to enhance reliability of the research, another major aspect of the research philosophy involves what is referred to as reasoning strategies –

deductive, inductive and abductive reasoning (Engel & Schutt, 2014). As a top-down approach, deductive reasoning is associated with testing theory and according to Saunders *et al.*, it is an approach within which a researcher:

[d]evelops a theory and hypothesis (or hypotheses) and designs a research strategy to test the hypothesis Saunders et al., (2015; p. 124)

Deduction according to some involves a highly structured methodology comprising quantitative data. Theory and hypothesis deduced from the data dictates the process of data collection (Bell & Bryman, 2018). Often such reasonings, focus on explicating the causal relation between different variables. As for critics of deductive reasoning, the argument made is that it is very rigid in nature and does not acknowledge alternative interpretations (Bitektine, 2008). To these, researchers believe that deductive reasoning employs quantitative methods of data collection which are attributed to facts instead of logic (Evans, 2012). Deductive reasoning as such is characterised by a cause-and-effect relationship (Johnson-Laird, 1999).

On the other hand, inductive reasoning comprises building new theories based on observations (Gehman *et al.*, 2018). Researchers with an inductive reasoning attempt to identify patterns and relationships in order to build theories by meaning generation through the data collection. Such a reasoning is devoid of any hypothesis at the initial stages of the research and in fact the nature of research finding remains a mystery until the research process comes to an end (Spector *et al.*, 2014). As a bottom-up approach, inductive reasoning “reverses the process of deductive reasoning” (Crowther & Lancaster, 2008). As per the inductive logic, researchers look out for traits of certain kind thereby producing conclusions from patterns. Such an approach focusses on discussing ways to deal with specific

observations, enabling these observations to become general theories. Inductive reasoning uses the qualitative method (Ketokivi & Mantere, 2010).

The third type of reasoning which is critical for the purpose of this research is the abductive reasoning – such a line of thought revolves around the need to produce best logical assumption and interpretations arising out of a research problem (Levin-Rozalis, 2004). Through abductive reasoning, the phenomenon under consideration is offered a convincing explanation comprising of a succinate introduction in an effort to reach the best outcome possible (Asvoll, 2014). Abductive reasoning differs from deductive and inductive as the inference sought as part of this approach seeks identification of basic and remarkable patterns observed in the phenomenon. Such a discovery helps gain deeper and broader knowledge on the subject (Timmermans & Tavory, 2012). Given the scope of this research, the thesis not only derives its insights from the collected data or supporting theories underlying motivation and VPS system but is heavily influenced by the SA context and perception of employees across different sectors. Capturing employee's and employer's perception calls for adoption of abductive reasoning which in the given context is very unique and offers the basis for a theoretical contribution. It must be noted however that some scholars have suggested that abductive reasoning does not necessarily facilitate accuracy or certainty of results (Meyer & Lunnay, 2013). To this, one has to consider the nature of investigation when it comes to social issues. The results are often relative and more importantly, the outcome thoroughly depends on the sample studied (Oliver, 2011; Thagard & Shelley, 1997). In fact, the effectiveness of abductive reasoning lies in its permissibility for adoption of mixed method data collection – qualitative and quantitative, thereby broadening a researcher's understanding whilst enhancing the validity and reliability of the research (Wheeldon, 2010). Given the dimensions of abductive reasoning, mixed method approach has been discussed

later in this chapter, but it is well established that abductive reasoning is useful in producing the best logical assumptions and interpretation of the research problem.

The rationale around addressing the philosophical concepts was to establish the position of this research within the philosophical framework. The thesis is set out to understand the role of VPS and motivation within the context of SA. Aiming to capture the perception of employers and employees in relation to work effort, motivation and performance, the nature of research suits the pragmatic approach. Such a notion is owed to the flexibility and acceptability to a large sample group of data contributing directly to an in-depth and critical research outcome. The pragmatic paradigm lends itself to both the subjective and objective nature of this research.

To sum up the research philosophical concepts, the discussion as above pertains to ontology concerning the nature of reality whilst epistemology attempts to examine the reality and address it thereafter (Thompson, 2011). Given the nature of reality is heavily dependent on the perception of employees and employers, there is the possibility to obtain multiple outcomes. As has already been established, epistemology revolves around how individuals understand knowledge, and because it addresses the question of how knowledge/reality can be acquired, pragmatism in this case was an ideal paradigm for this thesis. This is purely because understanding reality with regards to different individuals warrants the use of different methods in order to achieve the reality around the situation. Pragmatism therefore was a practical choice and abductive reasoning was appropriate given the need to apply multiple methods in order to obtain and develop the theoretical knowledge around VPS and motivation in SA.

4.4 Research Design & Data Collection

Social research like mine can either be exploratory, descriptive, explanatory or a combination of these (Noor, 2008). However, the nature of social research is primarily dictated by the knowledge sought by the researcher (Blaikie, 2018). Given the need for a comprehensive research outcome, research might be exploratory to begin with before becoming explanatory in the middle stages and adopt a descriptive approach to conclude. It is therefore perfectly normal for research to combine an exploratory and descriptive overview. Descriptive approach allows for a detailed description of the phenomenon being studied although definite results are not guaranteed. But this, when combined with the exploratory approach offers greater insight in aspects of the issues being studied. As such, descriptive research delivers on describing the characteristics of population or phenomenon and is mostly aimed at answering “who, what, when and where” questions. Descriptive research offers in-depth insight into perspectives of the participants thereby revealing key information in relation to the research objective. It has to be noted that descriptive research does not offer an explanation of causal relationships but is seen as a precedent for explanatory research. It is also viewed as an extension of exploratory research (Bhattacharyya *et al.*, 2020; Mouton & Marais, 1988). As for this research, descriptive and exploratory have been the most feasible direction to take.

The directions this thesis has taken to deliver on the research outcomes are heavily entwined with the data collection techniques. These techniques have helped answer the research questions and as such various data collection techniques available to researchers facilitate reinvestigating previous studies from different dimensions for further inquiry and deepen understanding (Brannen, 2005). Within the realms of social research, there are three popular methods of collection used widely to deliver on various outcomes: quantitative, qualitative and mixed methods research (Bryman *et al.*, 2008; Creswell, 2014). Choosing an appropriate method for data collection is critical for a research as it determines the fate of data and the

research outcome (Jentoft & Olsen, 2019). It should be noted that nature of research question should be consistent with the type of method employed (Creswell, 2014).

Until the mid-twentieth century the quantitative method was popular choice for the researchers until the qualitative method caught interest along with the mixed method in social sciences research (Onwuegbuzie & Leech, 2005). As one can make out, there are major differences between quantitative and qualitative research methods. Using figures and close ended questions, quantitative methods deliver on results using statistics and numbers. Qualitative methods on the other hand utilises words relying on open-ended questions (Hair *et al.*, 2016). In the realm of social problems, qualitative methods explores whilst quantitative method seek to test and measure the relationship between different variables (Mertens, 2014). Quantitative research methods involve collection of data using instruments often presented as questions with answers for a large number of participants in order facilitate generalisability (Punch, 2005). Quantitative methods are characterised by measuring or testing specific variables; this is also considered a restriction in true sense when it comes to the research overall but according to Noble and Smith (2015), such a notion of quantitative method helps avoid bias in the research. It also enhances the ability to generalise the finding for a larger application of the research outcome (Yilmaz, 2013). To this, qualitative methods involve data collection from a relatively small number of participants through texts and words followed by analysing the data based and explicating the meaning around it (Walby & Luscombe, 2017).

Based on the differences between quantitative and qualitative methods, it can be summed up that qualitative method leans towards subjective interpretative of social issues with an aim to provide a deeper insight of related phenomenon (Kvale, 1983). As a qualitative researcher, one seeks to dig deep into the phenomenon in question through direction interactions with the social actors involved (Bernard & Bernard, 2013). The critics however point to the bias issues considering the subjective nature of research method involving emotions and

misconceptions (Roulston & Shelton, 2015). The limitations of a qualitative method opens up another effective method of data collection, i.e., mixed method. Combining both qualitative and quantitative methods according to some offers a better understanding of the phenomenon (Archibald *et al.*, 2015). Such an approach often overcomes challenges and answers questions that other approaches in isolation do not (Timans *et al.*, 2019).

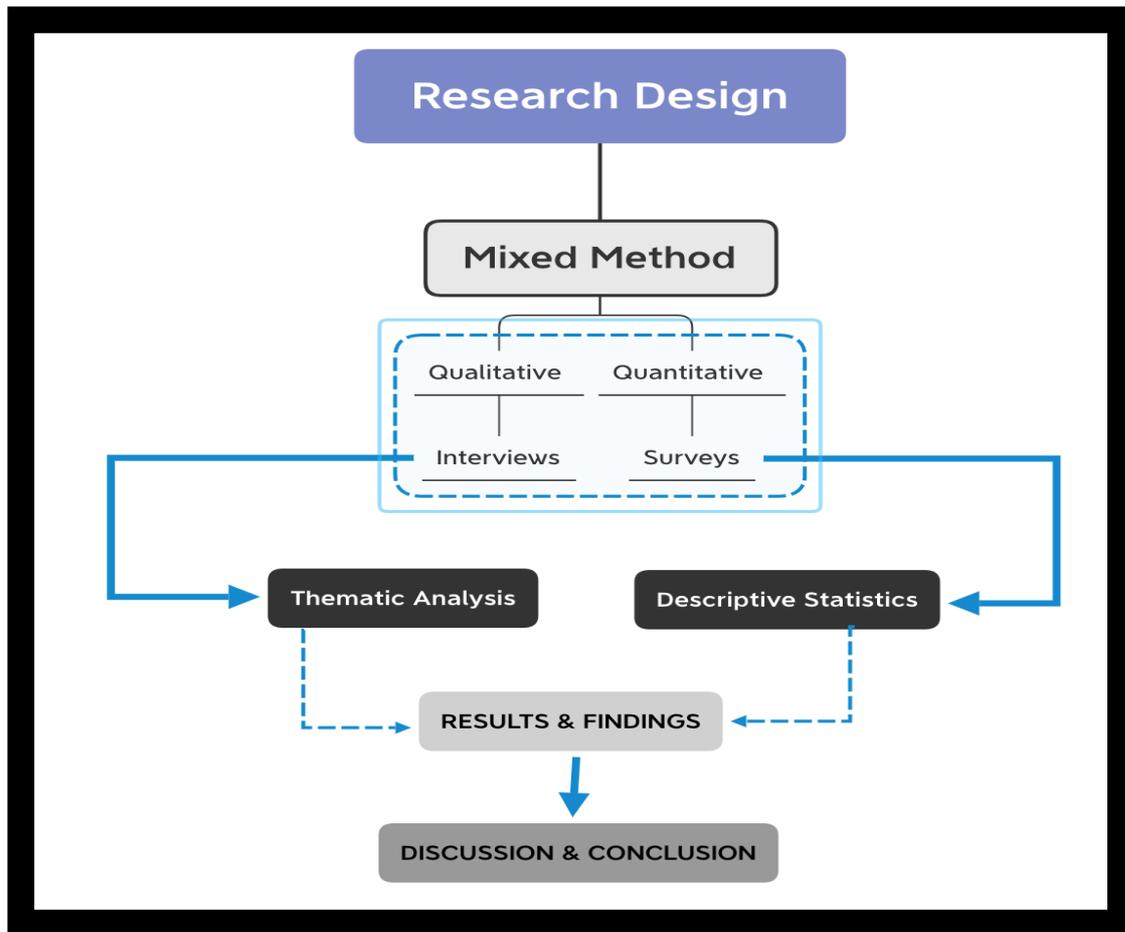


Figure 4.3: Research Design – Exploring VPS in SA

Mixed method offers different views and dimensions of the research problems and allows for researchers to collect and analyse both qualitative and quantitative methods employing open and closed ended questions (Creswell, 1999).

Mixed method as an approach is also in line with abductive reasoning which allows for examining research problems from different perspectives, thereby expanding our view on the subject of interest. Mixed method has also seen its application within the pragmatism paradigm which calls for the use of a variety of data collection sources. Based on the literature review, this research has benefitted greatly having adopted a pragmatist approach for mixed method study offering me a combination of qualitative and quantitative techniques thereby helping me formulate strong evidence and reliable research outcomes (Walker & Baxter, 2019). However, it should also be noted that mixed method approach is also considered complex in its formulation and application (Belardinelli *et al.*, 2020; Thurston *et al.*, 2008). Such an approach to research consumes time when it comes to data processing and analysis (Gibson, 2017; Reams & Twale, 2008).

But in order for this research to establish how VPS works within the context of SA, mixed method was considered appropriate. Mixed method was chosen as it offers a range of opinions from various sectors studied including the managers and employees in order to ensure that the results reflect the actual perception of VPS, its adoption and impact at individual and collective levels through views and perspectives.

In order for this work to capture the different views and perspectives and, more importantly, build a deeper insight into VPS and its effect on employee motivation and performance, the process of data collected was conducted in two phases.

4.4.1 Reflections on the Cultural Challenges of Conducting Research

However, before we get into the details of the phases of data collection, it is important to highlight some of the challenges faced by the researcher within the context of SA. The

challenges are numerous, but as a researcher one has to be mindful of the nature of the investigation, especially in relation to propriety within the unique community and culture of the proposed research context (Amerson *et al.*, 2015). While we discuss VPS extensively in this thesis, it has been established that VPS is an intervention that arose from western corporate practices; nevertheless, domestic and international SA firms have embraced it and tried to assimilate it in with in an Arabic context. As we try to understand how VPS plays out in this culture, the culture of SA itself has offered various challenges from a researcher's point of view. SA's development as a major oil-producing economy has necessitated a heavy use of expatriates and foreign workers as they mingle with local workforce. Such an extensive interaction has had an influence on various aspects not the least in the workplace and HRM policies. The cultural milieu shaping mentality and behaviour of the Saudis is a unique blend of Islam interspersed with Arab traditions. It essentially means the participants of the interviews were deriving their conceptions, values, standards, institutions, ethics and morals from a single source, i.e., the Holy Quran. As a researcher, one benefitted from sharing the same culture, but maintaining objectivity was often an issue during conversations. Religious beliefs were also very prominent amongst employees, and this had to be taken into consideration when conversing. From a data point of view, focus had to be realigned to how VPS has shaped beliefs and perceptions within the organisation. Culturally, the network through which interviewees were approached also intertwined with how things are conducted in the country. Emails and virtual discussions were difficult to follow and often the face-to-face meetings ended up being rescheduled. Repeated follow-ups optimised these meetings, often providing an opportunity to investigate issues at length and discuss them with the interviewees. Access was another challenge, but the opportunity to speak to employees from different firms across the sector was a motivating factor as it allowed for inspecting the HRM practices from close quarters. However, as a researcher, one had to overcome the

complexities in how the entire process was negotiated, which culminated in the collection of a respectable data set and enjoyable research experience overall.

4.4.2 Phase 1 – Surveys

In order for the work to deliver on the quality of the research and offer a generalisable research outcome, the first phase of the research design comprised of data collection through survey. Surveys were developed in order to collect information (Appendix 2). The questionnaires designed were heavily influenced by another study conducted within the realms of employee perception and strategic compensation (Carter, 2015). The questionnaires borrowed from the study were considered appropriate given its relevance to HRM but more specifically the dimensions covered. The survey from Carter (2015), has focussed on experiences of individuals albeit from a different sector in an unrelated setting but comprises of 34 questions. The questions not only capture the demographic information of the selected participants but also the perceptions of the participants on their respective compensation plan in their institutions. The structured survey proved very helpful for the purpose of data collection in this thesis as it was adapted in order to collect answers from employees of the selected companies. The survey in this thesis constituted 29 questions which again can be viewed as having two parts. The first part of the survey captured the demographic information, and the second part was aimed at capturing the psychometric responses.

Table 4.3: Dimensions of Survey Employed for the Research

Demographics Questions (Question 1-10)	Psychometric Responses (Question 11-29)	Research Aims/Objectives (Key Dimensions Covered)
<p>Age</p> <p>Gender</p> <p>Marital Status</p> <p>Level of Education</p> <p>Years Served in Organisation</p> <p>Prior Experience</p> <p>Overall Experience</p> <p>Job Status (Level)</p>	<p><i>Fairness of VPS</i></p> <p><i>Clear Understanding of VPS</i></p> <p><i>Achievement of Performance Criteria</i></p> <p><i>VPS Worthiness</i></p> <p><i>Design of Incentives & Achievements</i></p> <p><i>Improved Performance to Achieve the Pay Scale</i></p> <p><i>Satisfaction</i></p> <p><i>Stress due to VPS</i></p> <p><i>Changing the Job due to VPS</i></p> <p><i>Role of VPS and its effectiveness in enabling collectivism/teamwork</i></p> <p><i>Nature of VPS in Organisation (Design)</i></p> <p><i>Feedback on Performance</i></p> <p><i>Recognition for Performance</i></p> <p><i>Misuse of VPS in the Workplace</i></p> <p><i>Trust in Management/Leadership</i></p> <p><i>Role of VPS in Motivating</i></p> <p><i>Satisfaction with the VPS in workplace</i></p>	<ol style="list-style-type: none"> 1. <i>How VPS plays a role in stimulating employee motivation?</i> 2. <i>What are the rationales for using VPS and how is it perceived to attain individualistic and collective goals?</i> 3. <i>How does VPS mediate work effort, motivation and performance?</i>

As is evident from the table (4.3) above, the survey questions although adapted from a different source (Carter, 2015), are tied closely to the research objective. Besides the demographic questions, the questions in the survey are tightly linked and aimed at exploring three key aspects (table 4.3) as illustrated in the research aims and objectives. Survey questions 13-16 specifically focusses on motivation of the employee. Question 17 captures the work effort while performance is captured in questions such as 23, 24, 27 etc. Another important element the survey seeks to explore is the notion of individualistic and collective goals. Questions as such as 11 deliver on those aspects of the research objectives.

As part this phase of data collection, individuals from across the sectors have been considered as the unit of analysis. Data collected through this strategy has helped the researcher to develop a relationship between the key variables studied (Saunders *et al.*, 2012). Producing quality and generalisable data in addition to capturing data worth analysing is one of the biggest challenges of designing a questionnaire (Beckett & Clegg, 2007). In total the questionnaires were sent out across to employees across the nine major sectors in SA. The sectors chosen are considered the bedrock of Saudi economy. They have been pencilled in by the government for their contribution (Khan, 2016) as part of new policy programs such as Saudi Vision 2030 as illustrated in the research context chapter earlier in the thesis. The table below illustrates the scale of the effort in reaching out to a number of organisations from across the different sectors.

Table 4.4: Sector Focus and Number of Organisations Studied (Source: Capital Market Authority)

No of Sectors	Sector Chosen/Studied	Number of Organisations Studied
1.	Banking Sector Companies studied were mostly private owned	1. Company A 2. Company B 3. Company C
2.	Basic Food and Investment Sector Companies studied were mostly privately owned	1. Company D
3.	Chemical, Industrial and Manufacturing Privately owned, Government as well as Internationally controlled	1. Company E 2. Company F 3. Company G
4.	Cybersecurity Semi-government organisation	1. Company H
5.	Energy (Oil) Privately owned, Government as well as internationally controlled	1. Company I 2. Company J 3. Company K
6.	Electricity and Water Privately owned, Government as well as internationally controlled	1. Company L 2. Company M
7.	Mining	1. Company N

	Semi-government organisation	
8.	<p style="text-align: center;">Telecom</p> Semi-government organisation and Privately owned organisation	1. Company O 2. Company P

Across these eight sectors, a total of (512) questionnaires were sent out and more than 352 employees across these organisations took part. The design of the questionnaires was given proper consideration since poor design can lead to poor data and findings (Van Mol, 2017). A great deal of focus has been given to the formulation of questions which also impacts the response rate and aspects such as language used, and time taken to complete the questionnaires were very critical.

Given the development in social sciences research, questionnaires or surveys can be employed in different ways, they can be delivered and collected annually or distributed and returned following completion by post or email (De Rada, 2005). Another important consideration when conducting a survey of such nature was that it only offers a single opportunity to collect data due to the difficulty in identifying the respondents given the requirement that they should be anonymous (Bernard & Bernard, 2013). Such requirements have been considered including factors such as gaining access to the required population, sample size, potential response rate, sensitivity of the questions used, and resources available for the research.

4.4.3 Phase 2 – Interviews

The second phase of this research involved data collection through interviews as major qualitative research design employed in order to describe and understand the issues around VPS through verbal interaction with social actors occurring through direct meeting or telephone (Qu & Dumay, 2011). As such, the interviews help understand the perception and beliefs, thereby offering a comprehensive view of the issue under consideration (Jacobsson & Akerstrom, 2013). Such an interaction offers researchers getting close to the informants for valid and reliable information. Participant consent remains key in addition to informing them of the nature of interview (Pessoa *et al.*, 2019). From a researcher point of view, other aspects to be considered when interviewing involve maintaining confidentiality, privacy and anonymity. Given the different type of interview available to researchers in social sciences, an informed choice was made as far as the data collection was concerned. Building on the quantitative approach in the first half, the interviews were critical. The rationale offers comprehensibility to the quantitative analysis, following which semi structured interviews have been employed in order to arrive at the findings of this research. Semi-structured interviews also referred to as non-standardised interviews, utilises some predefined questions which often changes during the course of the research.

Semi-structured interviews in a mixed method can help identify specific pattern of data and such an interview type banks on its ability to adjust as per the situation and the context (Adams, 2010). Whilst one can change, modify and delete questions according to the direction of the interview, the information coming out of such form of data collection is very rich and one of the biggest benefits of semi-structured interviews is its flexibility especially in cases when unexpected responses emerge leading to new discoveries (Schatz, 2012). Conducting semi-structure interview calls for effective relevant skills in order to manage the conversation as well as being able to organise and analyse the data.

Although semi-structured interviews have been used for this research, there are other types of interviews which are employed as per the openness and structure of specific research (Flick, 2018). The interview types require different degrees of preparation, conceptualisation and instrumentation. Structured interviews are utilised in cases where pre-determined categories or dimensions are used. Such interview types do not offer the opportunity for participants to share or express their unique experiences (May, 2003). Non-structured interviews on the other hand facilitates complete openness for its nature being non-directive. There is a lack of pre-conceived structure (Zhang & Wildemuth, 2009). An unstructured interview does not have a pre-ordained structure. Positioned between the two types of interviews, semi-structured interviews are described as, “list of questions or fairly specific topics to be covered often referred to as an interview guide, but the interviewee has a great deal of leeway in how to reply. Questions may not follow on exactly in the way outlined in the schedule. Questions that are not included in the guide may be asked as the interviewer picks up on things said by the interviewees” Bryman (2008; p. 438). As part of this process, 17 interviews were conducted an. The table (4.5) below highlights the individuals with whom schedules of interviews were arranged. Their names have been anonymised as per the ethical code of the research.

Table 4.5: Interviewee Profiles and Source of Qualitative Data

Number	Pseudonyms	Respondent's role	Industry	Length of service within the industry	Length of the interview (minutes)
1	AM	Admin manager (executive).	Petrochemical	7 years	49
2	BM	Branch manager (senior).	Banking	12 years	52

3	CEO	CEO (executive).	Banking	15 years	9
4	DTD	Director of Transport department (executive).	Electricity	17 years	61
5	DD	Department director (executive).	Petrochemical	9 years	45
6	DD1	Dept. director (senior).	Telecom	7 years	28
7	DPD	Director of planning department (senior).	Energy (Oil)	9 years	52
8	DED	Manager of Engineering Department (senior).	Electricity and Water	22 years	55
9	FD	Financial director (senior).	Telecom	11 years	35
10	HRM	HR manager (senior).	Petrochemical	5 years	65
11	HRD	Director of HR (senior).	Energy (Oil)	18 years	22
12	HRD1	HR manager (executive).	Mining	9 years	56
13	PD	Planning director (senior).	Energy (Oil)	3 years	50
14	RM	Risk manager (senior).	Banking	12 years	25
15	SM	Senior Manager in HR.	Food industry	7 years	57
16	TM	Training manager (senior).	Cybersecurity	5 years	63
17	LC	Legal consultant.	Labour market expert	7 years	13

Following the interview, each interaction was audio recorded and later transcribed. Since the interview took place in Arabic language, it was first transcribed in Arabic and later in English for analytic purposes. Audio recording of the interview allowed for full focus on conversation/data instead of having to write descriptive field notes during the interview. Audio recording actually helped in checking and authenticating the responses from the interviewee. According to May (2003), the presence of a recording device may influence the interaction between participant and researcher. As a researcher one has to negotiate such challenges while conducting the interviews. This was particularly evident when as a researcher one was trying to explore the perceptions of individuals from different sectors. Questions around “effectiveness of VPS” and “opportunities to influence the performance criteria” gave a platform to interviewees to express their views. These views were critical in the context of quality of data collection.

4.4.4 Approach to Analysing Qualitative Data

The objective of grounded theory (GT) is to seek theory or theoretical framework which is heavily linked to the evidence (Belfrage & Hauf, 2017). As a result, the theory formulated is in line with the empirical data (Urquhart, 1993; Lawrence & Tar, 1999). GT is not dependent on any specific perspective and singles itself out from other methodologies due to its focus on theoretical development. As such the topic of motivation and compensation has generated a huge amount of scholarly interest with the domain of HRM. However, the incumbent research is addressing a specific context and shedding light for a better understanding of VPS in SA.

GT has its root in symbolic interactionism, as per which meaning is negotiated through interaction within the social process (Jeon, 2004; Milliken & Schreiber, 2012). Using GT, a

researcher attempts to explore what symbolic meaning words have for different set of groups (Cutcliffe, 2000). GT helps a researcher understand the context through description and explanation. As a methodology, it allows for researcher to develop a theory or theoretical framework that is grounded in data – systematically gathered and analysed (Strauss & Corbin, 1994). Considered a quest for social processes, theorist using GT try to identify patterns and processes in order to understand how actors frame the reality around themselves (Stern *et al.*, 1982). GT is worked out inductively and derived from processes in the context which can be both substantive and formal (Glaser & Strauss, 2017). Emergence of both – substantive and formal theories indicate how GT as a methodical approach facilitates clarification of core problems and processes (Backman & Kyngas, 1999). In the table below, GT has been compared with another qualitative approach to determine the suitability for this research. The table (5.21) discusses various aspects of phenomenology along with GT which is the adopted methodical approach as part the qualitative inquiry of this research exploring VPS in SA context.

Table 4.6: Comparison of Considered Qualitative Inquires (Adapted from Stark and Brown Trinidad, 2007; p. 1373)

	<i>Grounded Theory</i>	<i>Phenomenology</i>
Philosophy	Theories are discovered by examining the concepts	Existence of perceived reality with common features
Methodological Research Question	GT based research explores “how social process of the phenomenon happen in the context of the environment”	Phenomenology based research explores “what is the lived experience of the phenomenon of interest”
Sampling	Participants who have experienced the phenomenon under different conditions	Participants who have experienced the phenomenon of interest
Research Aims and Questions	GT helps researchers develop an explanatory theoretical framework of a basic social processes	Phenomenology describes the meaning of the lived experience of the phenomenon

GT as such has undergone various methodological and philosophical changes since its inception resulting in various forms, being made popular by the researchers.

For GT to deliver on appropriate outcomes of the research, it is recommended that researchers must be clear about the methodological foundations of the chosen approach to GT and how it informs the methods (Locke, 2001). To reiterate, the following has been argued:

Researchers need to be familiar with [grounded theory methodology], in all its major forms, in order to be able to understand how they might adapt it in use or revise it into new forms and variations. (Bryant and Charmaz (2010; p. 17)

Historically, before the different approaches within the GT were identified, Glaser and Strauss (1967) coined the term in order to describe the “discovery of theory from data systematically obtained from social research” (Glaser & Strauss, 1967; p. 2). For scholars subsequently, Glaser and Strauss’ work has been considered seminal for its ideas that challenge the notion that quantitative and qualitative research are rooted in similar logic and should be evaluated using similar methods (Charmaz, 2008). There were two key traditionalist assumptions challenged by Glaser and Strauss which until that point were viewed as the dominant approach in social research – a) should theory testing and confirmation be the only aim of the research; b) should there be a strong divide between theory and data collection? (Dey, 1999). Both Glaser and Strauss (1967) in their attempt to challenge the traditional research paradigm ended shifting a researcher’s focus on data analysis, theoretical frameworks, and formulation of theory (Locke, 1996).

For specificity of this research, there are three methodical approaches within GT which were possibly considered to study the contextual dimensions of VPS in SA context.

- Traditional GT (Glaser & Strauss, 2017)

- Evolved GT (Strauss & Corbin, 1990)
- Constructivist GT (Charmaz, 2008)

All the approaches within GT helps a researcher in constructing theories or theoretical framework concerning the issues of individuals and their daily practices in organisations. However, the most recent advance in GT is the constructivist GT – underpinned by epistemology of constructivism and interpretivist theoretical perspective (Mills *et al.*, 2014). Constructivist GT is in contrast with traditional GT approach and according to Charmaz (2000, p. 513):

Both [traditional and evolved grounded theory] ... assume an external reality that researchers can discover and record. Glaser through discovering data, coding it and using comparative methods step by step; Strauss and Corbin through their analytic questions, hypotheses, and methodological applications.

As an approach, constructivist GT is considered both exploratory and explanatory which is very well suited for the development of perception in regard to VPS from employees and employers in SA organisational sectors. This is pertinent especially because very little research has gone into the SA context which presents its own unique cultural challenges into the adoption of VPS. Using constructivist GT, this thesis adds to the little empirical evidence which exists in relation to VPS especially given the industrial landscape of SA. Aiming to capture employees' perception to VPS especially in relation to work effort, motivation and performance, this thesis is facilitated by constructivist GT for being a flexible approach allowing the researcher to identify important issues that emerge from the data (Lauridsen & Higginbottom, 2014). Another key thing related to constructivist GT recognises the importance of both practical and theoretical consideration bringing in the role of – reflexivity and literature reviews (Ramalho *et al.*, 2015)

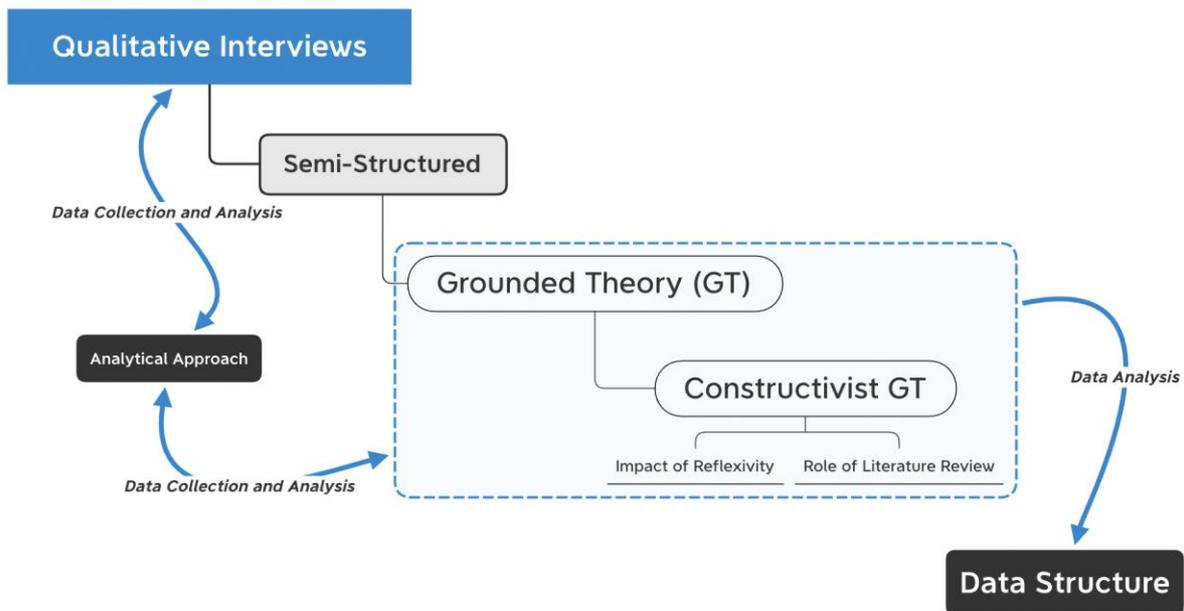


Figure 4.4: Overview of Qualitative Approach to Analysing Data

Reflexivity within the constructivist GT approach refers to the impact a researcher might have on the project owing to his/her own perceptions and backgrounds (Mruck & Mey, 2007). Some scholars believe that a research can be “blind and without purpose”, if there is no element of reflexivity involved (Flood 1999; p. 35). The point being that the prior understanding of the research subject plays a role in the outcome of the research (Johnson & Duberley, 2003). Prior understanding, or preunderstanding, is viewed as a ‘subjective meta-theoretical commitments’, is linked to reflexivity and is therefore important for the research process (Bourdieu, 2004). Reflexivity is also mediated by other aspects such as gender, race, class, culture etc., These factors remain unconscious to the researcher during the research process (Marcus, 1994). For the researcher there is the argument that they should be consciously aware of their limitations when it comes to giving the methodological account of their experiences (Finlay, 2002):

The identity of ourselves as researchers that ought to come under initial scrutiny before one can even begin to problematize the identity of others.

[...] the fluidity of our own identity could result in re-telling of some organisational tales and the censoring of other (Chan & Liang 2012; p. 1201-1202).

One of the reasons constructivist GT has been chosen for the purpose of this research is because it acknowledges the role of the research participants along with the researcher in creating knowledge and theory related to the researched issues. Constructivist GT acknowledges that all knowledge generated by the analysis is co-created (Gubrium & Holstein, 2008).

The analysis using GT aims to reduce any preconceived notion that exists prior to the collection of data (Dunne, 2011). However, the different approaches (the three mentioned types of GT mentioned above) with GT dictates the way in which existing literature should be incorporated into the research process. When it comes to traditional GT, it argues for a researcher to have no prior notion or ideas before commencing the data collection and analysis. These ideas were postulated by Glaser himself, who suggested:

There is a need not to review any of the literature in the substantive area under study for fear of contaminating, constraining, inhibiting, or impeding the researcher's analysis of codes emergent from the data. Glaser (1992; p.

31)

Some scholars have criticised the traditional and evolved GT approaches for the apparent lack of literature review prior to the research being done. Lack of literature review prior to conducting the research can lead to a failure in acknowledge some of the theories which might influence the early stages of data collection and analysis, especially from a methodological perspective (Thornberg & Dunne, 2019). For some such an approach to

conducting research has been referred to as naïve inductionism' which can pose a lot of problems for a research with little background (Dey, 1999; Bryant, 2002). Scholars within the GT domain also at the same time support such a naïve perspective but only for senior investigators with a vast knowledge of social science theory (Morse, 2001). But overall, the failure to review literature is considered a risky approach for new investigators and, given the context of this thesis, the literature review is critical. Given the objectives of this research, literature should not be ignored, although it could be bracketed as knowledge of the SA context is important and can be possibly used for comparison with emerging categories. In another rationale a thorough literature review is an absolute must (which this thesis has duly carried) because without a theoretical context to draw on, new researchers can end up mired in data which according to Glaser (1992) is huge risk to the research itself. Conducting a theoretical review prior to conducting a research therefore is essential within the GT domain as it helps locate the research in a wider field and demonstrates a sense of originality (McGhee *et al.*, 2007). According to Dunne:

The idea of postponing a literature review until data collection and analysis is well underway is simply unworkable for many researchers. This is particularly true for Ph.D. students, whose research funding, ethical approval and progression through the doctoral process may all be heavily dependent upon producing a detailed literature review prior to commencing primary data collection and analysis. Dunne (2011; p. 115-

116)

It is argued that constructivist GT answers to some of criticism levelled at GT in terms of how literature review is used especially because constructivist GT recommends literature review should not be marginalized prior to starting the research (Charmaz, 2017). The main objective however is not being restrained by the existing knowledge in line with the research

outcome. The researchers should be re-examining the literature and supplementing the review using the analysis from the main data. In line with what this research done, constructivist GT argues for reviewing existing literature prior to carrying out the data collection as it lowers the potential risk of replicating previous work (Charmaz, 2021). Using constructivist GT, the aim is to identify and establish pre-assigned codes as well as identify gaps in the current literature. The process helps a researcher reduce the risk of carrying out the research in isolation and considering the exploratory aims of this research, early stages of the literature review indicated the need for a thorough investigation of multi-actor perspective of VPS which includes motivation and compensation in SA context (Charmaz, 2006).

When it comes to GT, there are three methodological characteristics distinguishing it from other qualitative approaches: a) theoretical sampling, b) constant comparative method and c) the development of theory or theoretical framework. Glaser and Strauss (1967) argued that theoretical sampling is a simultaneous process of collecting data and analysing it. Theoretical sampling helps develop core categories whilst actively seeking data to confirm or refute earlier findings or notions (Faija *et al.*, 2017). The striking feature of GT is the interplay of data collection and analysis which is facilitated by a constant comparative method (Payne, 2007). One of the key attributes of a applying constructivist GT is its use of iterative approach to data collection and analysis – such an approach helps a researcher remain open to explanations, themes, and the emergence of theory from the co-constructed data (Hood, 2007). Utilising this approach, it offers the researcher an opportunity to move back and forth between data collection and analysis thereby informing each step and giving the whole process a cyclical and iterative attribute (Charmaz & Belgrave, 2019). Constructivist GT utilises the principle of abductive reasoning where both inductive and deductive approaches are in play for research's attempt for developing a theoretical argument based on the data

obtained (Fisher & Aguinis, 2017). The cyclic nature of GT establishes a closer link between data collection and analysis whilst developing a theory remains the key objective using such an approach (Nadkarni *et al.*, 2018). When it comes to theory or development of theoretical framework, notion of ‘theoretical saturation and ‘sufficiency’ has also been noted as critical by the scholars (Eisenhardt & Ott, 2017). Theoretical saturation is referred to as a stage in the analysis where newly gathered data fails to bring to light any additional insights or codes (Charmaz, 2006). From a practical consideration, it is difficult to determine the point at which gathered data achieves theoretical sufficiency. It is than based on subjective judgement of the researcher meaning the notion of theoretical sufficiency left open different interpretation (Birks & Mills, 2015). Scholars therefore argue that researchers should aims for ‘theoretical sufficiency’ instead of ‘theoretical saturation’. Theoretical sufficiency therefore refers to the stage at which categories seem to cope adequately with new data without requiring continual extensions and modifications (Maz, 2013). Such an approach aligns with this thesis objective and more in line with constructivist GT, arguing that data is always subject to re-interpretation (Charmaz, 2006). From the very early stages of this thesis, theoretical sufficiency has seemed a realistic and manageable goal, complying fully with the research objectives of this thesis. The approach overall has guided the process of data collection and analysis for this research.

4.5 Addressing the Research Formalities

4.5.1 Ethics Approval

Another challenge a researcher must overcome relates to ethical consideration. The overarching set of ethical principles as outlined by Durham University ethics committee has been used in order to prompt and guide how this research was managed. For a researcher to conduct an ethical research, personal reflections constituting ethical practices and the seeking

ethical oversight of research protocols was also necessary. Considering that, ethical approval was sought as part of which other issues were also given importance. There were as follows:

- Gaining informed consent
- Informing participants (rights to withdraw)
- Ensuing confidentiality and anonymity

4.5.2 Informed Consent

Informed consent for a researcher involves recognition of the ongoing nature of the process of gaining consent in order for it not to be treated as one-off or a tick-box exercise (Green & Thorogood, 2018). The opportunity to offer every participant an informed consent is a requirement in order to be clear, precise in what they want from them (Ogloff & Otto, 1991). In order for consent to be meaningful and informed, participants of the research should be offered a full background of the research. For this thesis, information sheets and presentation containing background information were useful which included the research objectives, rationale, and contact details of the researcher. It should also be noted that prior to conducting the semi structured interviews, consent was also sought which in some cases included verbal as well as written.

4.5.3 Rights to Withdraw

One of the key ethical guiding principles remains the right to withdraw. For a researcher, one has to leave it to be the choice of the individual participants to participate or decline participation in research, answer a specific question or request removal of their narratives from the study. For the purpose of this research, every interviewee was advised if they consented to the interview and were also informed that they maintained their rights to withdraw without furnishing a reason for it.

4.5.4 Confidentiality and Anonymity

The final premise of an ethical research relates to ensuring confidentiality and anonymity for the participants. For this research to achieve this, research related data generated out of the interviews were safely stored and transcribed files were backed up on a password protected cloud-based application. The folder containing the data was double password-protected to which only the primary researcher had access. Personal information, including the identifying details (including those of third parties), have not been included at all and interviewees have been assigned numbers. Any information likely to identify (names, etc) for any participants have been removed from all transcripts.

4.6 Conclusion

This chapter has in totality aligned the research objectives to the actual course of action. Three key elements have been addressed overall. Research philosophy which sets the tone for choosing an ideal research method, followed by developing and designing an appropriate research strategy, and eventually discussing the two data collection methods (survey and interview) as part of the mixed method strategy. This chapter has highlighted the critical course of actions for undertaking the research and will be followed by discussing the analysis strategy, results and findings in the following chapter.

CHAPTER FIVE: ANALYSIS, RESULTS AND FINDINGS

5.1 Introduction

This chapter is dedicated to explicating the analytical approach leading onto a full description of what the data entails. This research has been conducted using the mixed method approach which essentially means that there are two parts to analysis overview and the results itself. The chapter therefore is structured into different sections. The first section lays out the quantitative results, which is then followed by discussion around qualitative approach and analysis. For the respective findings a clear distinction has been made between the two types of analysis employed. The subsequent chapter offers an opportunity to discuss the key findings from the quantitative data set and qualitative results in order to assimilate and make a case for the theoretical contributions of this thesis in line with the research aims and objectives.

As illustrated in the previous chapter, the first phase of data collected was carried out using surveys. The survey had (29) questions in total comprising of two distinct parts. Questions (1-10) were classed as demographic questions while the rest of the questionnaire sought psychometric responses on behalf of the participants. Across the eight sectors, individuals from (16) organisations were approached to be a part of the research. With a response rate of almost (70%) (352 out of 512), the data set offered a comprehensive group of indicators to build the outcome of this research. The responses gathered were analysed using SPSS software, but it is important to note that the data collected through the questionnaires were treated using two different approaches – descriptive and inferential statistical analysis.

5.2 Quantitative Analysis and Findings

5.2.1 Defining the Variables – Independent

Descriptive analysis offered an opportunity to review its values in the form of mean and standard deviation for each responses gathered. In total, nine independent variables have been identified. These independent variables have helped identify or rather build the profiles of individuals across the eight sectors studied within the context of SA. The table below enlists all the nine independent variables.

Table 5.1: List of Independent Variables

Number of Variables	Variable Name
1.	Age
2.	Gender
3.	Marital status
4.	Education
5.	Number of years in the company
6.	Years of prior experience
7.	Work experience (before joining the current employer)
8.	VPS offered by your employer
9.	Job status

Building the above, the variables have contributed to developing the profile of the respondents and the following section with discuss each of the variables one by one based on the analysis.

AGE - Respondents were asked for their age, The rationale behind this was to obtain as many different samples as possible. The diverse response helped in building a wider sample size. Age is an important variable based on which one can get a better insight of the demographics.

Capturing this data has allowed for stronger base for further analysis. As the table below suggests, majority of the respondents belonged to age bracket (20-35) years old. This group constituted 60% of the total sample size. The age bracket (36-50) was the next dominant group, followed by (50+) group which constituted (4.1%) of the sample size.

Table 5.2: Age of the respondents

Variable Dimensions	Respondent Percentage
51-65 years old	4%
36-50 years old	36%
20-35 years old	59%
Under 20-year-old	1%

GENDER – The respondent in the sample were mostly male constituting over (80%). This was very much in line with the cultural norms within the organisational context of SA. The work environment of SA (in both the private and public sector) is largely dominated by male employees, although this trend has seen a marked change in the last decade. In the current research, only (20%) of the respondents were female, but in the light of Saudi Vision 2030, it is expected that the ratio between the male and female employees in SA work culture will decrease. In the current research, the mean value for gender variable was found to be (1.20) while the low standard deviation was 0.398 signifying that the numbers were mostly close to the average.

Table 5.3: Gender of the respondents

Variable Dimensions	Respondent Percentage
Male	80%
Female	20%

MARITAL STATUS - As part of this variable, respondents were given three choices – married, single and divorced. The response recorded for married individuals was (69%), followed by (28%) for single respondents. The variable groups in this category were low, hence the mean value and standard deviation also being low. Statistically the differences were not significant – the mean value for variable marital status was (1.37) with a standard deviation of (0.637).

Table 5.4: Marital status

Variable Dimensions	Respondent Percentage
Single	28%
Married	69%
Divorced	3%

EDUCATION – This variable has six different dimensions, of which the most significant group is the individuals with a graduate degree. This group represents more than half of the total responses. The data indicated that in the sample size, the majority were well educated. The mean value for the group category was (4.11) whereas the standard deviation was

(0.825), representing majority of respondents close to the average of (4.11). It also highlights that the majority of the respondents were aligned to the highest level of education.

Table 5.5: Highest obtained education level

Variable Dimensions	Respondent Percentage
Masters' Degree	25%
Undergraduate Degree	56%
Others	19%

NUMBER OF YEARS IN THE COMPANY – This particular response generated 8 different dimensions. Of the eight dimensions (40%) constituted serving the current employer anywhere between (1-5) years. This group was significantly higher than other dimensions, indicating that the workforce studied were relatively new in their jobs. There was the other group of respondents who had served their current (6-9) years and this group constituted (23.3%) of the response rate. The numbers were spread out more across the variable groups as the mean value obtained was (3.06) with a standard deviation of (1.44).

Table 5.6: Number of years in the company

Variable Dimensions	Respondent Percentage
Less than 1 year	6%
1-5 years	40%

6-9 years	23%
10-14 years	14%
15-19 years	10%
20-24 years	5%
25-29 years	0%
30 years or over	2%

YEARS OF PRIOR EXPERIENCE – This independent variable gave rise to five different dimensions. This variable helped identify the respondent’s attitude towards exploring VPS in SA organisation as central to this research. Of the respondents, (41%) had worked less than a year elsewhere. (34%) had (1-5) prior years’ experience. The calculated mean value for this category is (1.98) with a standard deviation of (1.09).

Table 5.7: Years of prior experience

Variable Dimensions	Respondent Percentage
Less than 1 year	41%
1-5 years	34%
6-9 years	13%
10-14 years	9%
15-19 years	3%

WORK EXPERIENCE (PPRIOR TO JOINING THE CURRENT COMPANY) – More than half of the SA population is younger than 25, offering a huge potential for the sectors especially in the context of Saudi Vision 2030 and the country’s sustainable development goals. (35%) of the respondents had no prior work experience; a huge number. The mean value for the category is (1.35) and the standard deviation (0.477).

Table 5.8: Work experience before joining the current employer

Variable Dimensions	Respondent Percentage
Yes	65%
No	35%

VPS OFFER BY YOUR EMPLOYER - A number of different VPS have been outlined in the questionnaire survey and the respondents were asked to choose the one that is offered by their employer. As it stands out, the most significant VPS are the individual level VP with (57%) followed by the group level variable plans (19.3%), and less significant category of recognition with (10.2%). While the individual VP remains the most widespread among sampled companies from various industries, it indicates that employers are focusing on individual engagement more than collective. However, the individual VP has been seen as having the most impact on engagement and satisfaction. The mean value for this category is (2.10) and the standard deviation is the highest among other variables at (1.63).

Table 5.9: VPS offered by your employer

Variable Dimensions	Respondent Percentage
Individual VP	57%
Group Level VP	19%
Profit Sharing Plans	5%
Non-monetary Incentives	3%
Recognition	10%
Others	6%

JOB STATUS – The respondents were also asked for their job role and responsibilities in the organisation. Most respondents were ordinary employees without managerial status at (62%). Middle management respondents constituted (20%) of the total sample, and supervisors constituted the remaining (18%). The advantage of this distribution and the ability to capture at least half of the ordinary employee status has given a better understanding of the opinions, views and expectations of employees in relation to the VPS and their impact on them. The mean value for this variable was (1.58) and standard deviation stood at (0.799).

Table 5.10: Job status

Variable Dimensions	Respondent Percentage
Ordinary Employees	61%

Middle Management	20%
Supervisor	19%

5.2.2 Statistical Inferential Analysis and Findings

The inferential of analysis focuses on significant differences in responses across the sample size. The level of significance, i.e., *p-value* has been calculated at (5%) and those responses at that percentage and below have been analysed in the section below. Those responses with *p-values* more than (5%) were rejected. The rationale behind inferential statistical analysis was to offer improved examination of significant differences in responses across the sample, which was of great importance when investigating the phenomenon of VPS and its impact on job satisfaction and performance. This was to further explore how different types of VPS make a difference to employee satisfaction and performance. Each statistically significant statement was checked against pre-existing independent variable. The analysis was conducted through Kruskal Wallis (if the variable has more than two group categories) and Mann-Whitney U test (if the variable has two group categories). This utilised SPSS in such a way that each scale statement was examined beside the test independent variable (which were labelled as nominal measure in SPSS) to further explore the level of difference in independent variables impacting the overall responses across the sample. The analysis has been presented in line with each of the 10 statements.

1 - VPS Fairness (“VPS used in my company is fair to its employees”)

This category addresses the fairness perception of VPS, with several statements found to have significant differences table below (5.11) represents the statistical difference between the two independent variables 'your highest completed level of education' and 'gender' against

VPS fairness statement. With regards to highest completed level of education, the significance p-value was (0.016) which further implied that respondents with different education levels had different opinions on the fairness of the VPS in their respected companies. The highest mean ranks were the categories 'high school' (163.85) followed by the 'college degree' (142.76) and 'graduate degree' (127.04) which implied that these categories had the highest frequency of agreement within each category against the given statement. On the other hand, it also implied that the most significant difference was found in the categories of 'PhD degree' and 'elementary'. This could also be due to the very small number of those who possess the respective degrees. Furthermore, independent variable of 'gender' was also found to have significant p-value of (0.006) where 'female' category had the most significant differences of (98.72). This further indicated that female employees in the SA private sector might not enjoy the same level of “fairness” as male employees.

Table 5.11: VPS Fairness (“VPS used in my company is fair to its employees”)

Statement	Group (Independent Variables)	Group Categories	Mean Rank	Test	Asymp. Sig. (p)
The VPS used in my company is fair to its employees	Your highest completed level of education	Elementary High school College degree Graduate degree Master’s degree PhD degree	83.00 163.85 142.76 127.04 103.86 86.50	KW Test	0.016
	Your gender	Male Female	128.92 98.72	Mann-Whitney U test	0.006

2 - Achieving the Performance Level (“I don't think I can achieve the performance set by my employer”)

The table (5.12) below has four different independent variables with significant differences in response to the statement “I don't think I can achieve the performance set by my employer”. Within the independent variable 'job status', the category 'middle management' has the highest mean rank of (141.46) which signifies that the respondents agree to the statement. The group category 'supervisor' has the mean rank of (137.92) followed by 'employee' with the mean rank of (112.59). Considering the generated values, it can be argued that middle management carried most of the responsibility in ensuring the successful execution of the decisions and achieving targets. At the same time, it was observed to a large extent that management felt the target set by employers were high and unrealistic resulting in several challenges occurring in the work environment across the sector. The significance p-value for this category was (0.010).

The next variable, 'have you worked for another employer previously', was found to have different mean values. Groups of individuals who did not have work experience in other companies had a mean rank of (104.82) implying that those with no prior experience were less negative in evaluating set targets as compared to the other group. The category had a p-value of (0.003). The last variable group in table (5.12) below is 'marital status' which was found to have a significant value against the main statement. Most significant difference was evident in the category of 'divorced' with the lowest mean rank of (93.43), followed by 'single' (105.22) and 'married' (131.48) representing the highest number of respondents. P-value for this category was (0.014).

Table 5.12: Achieving the Performance Level (“I don't think I can achieve the performance set by my employer”)

Statement	Group (independent Variables)	Group Categories	Mean Rank	Test	Asymp. Sig. (p)
I don't think I can achieve the performance set by my employer	Job status	Employee Supervisor Middle management	112.59 137.92 141.46	KW Test	0.010
	Have you worked for another employer previously	Yes No	132.66 104.82	Mann-Whitney U test	0.003
	Number of years worked for another company before joining your current company	Less than 1 1-5 6-9 10-14 15-19 20-24	120.36 120.39 106.88 165.36 109.92 189.50	KW Test	0.046
	Marital status	Married Single Divorced	131.48 105.22 93.43	KW Test	0.014

3 - Employee Satisfaction (“I would describe employees of this company as more satisfied than previous year”)

Table (5.13) below represents the values of the inferential statistical analysis of two independent variables against the statement 'I would describe employees of this company as more satisfied than previous year'. The variable 'gender' was found significant where male respondents agreed to the statement with the mean rank of (129.42). This is somewhat different to female employees (with the mean rank 96.65), whose responses were more diverse. It could be argued that a number of female employees were dissatisfied in general. Also, the independent variable 'which of the VPS are available in your company' was found significant in line with the statement. The category of 'non-monetary incentives' had the highest mean rank of (162.69) which indicated that most companies had a number of packages that were non-monetary which made a real difference in terms of the performance and satisfaction. This category was followed by 'profit sharing plans' with the mean rank of (146.18).

Table 5.13: Employee Satisfaction (“I would describe employees of this company as more satisfied than previous year”)

Statement	Group (Independent Variables)	Group Categories	Mean Rank	Test	Asymp. Sig. (p)
I would describe employees of this company as more satisfied than previous year	Your gender	Male Female	129.42 96.65	Mann-Whitney U test	0.003
	Which of the VPS are available in your company?	Individual level VP Group level VP plans Profit sharing plans Non-monetary incentives Recognition Other	107.92 143.29 146.18 162.69 126.66 145.80	KW Test	0.006

4 - VPS as instigator of Change in Job (“I think about changing my employer due to the pay systems in place”)

The table below depicts values of the independent variable 'which of the VPS are available in your company' in line with the statement 'I think about changing my employer due to the pay systems in place' with the *p-value* significance of (0.032). The most significant responses in

the category were from those who had received 'individual level VP' with the mean rank of (134.52), followed by the category 'profit sharing plans' with the significance mean rank of (132.18). It could be argued that this category does not the type of VPS and therefore conforms to the statement or intention to change the employer. Such a line of thought can be used be used for future research (investigation into the impact of different types of VPS on employee satisfaction and retention). The lowest mean rank had the category of 'group level VPS plans' which indicated that the respondents in this category were least averse to the statement. This category had the significance value of (0.032).

Table 5.14: VPS as instigator of Change in Job (“I think about changing my employer due to the pay systems in place”)

Statement	Group (Independent Variables)	Group Categories	Mean Rank	Test	Asymp. Sig. (p)
I think about changing my employer due to the pay systems in place	Which of the VPS are available in your company?	Individual level VP	134.52	KW Test	0.032
		Group level VP plans	99.80		
		Profit sharing plans	132.18		
		Non-monetary incentives	105.13		
		Recognition	106.32		
		Other	112.17		

5 - Efficiency of Employees (“I believe VPS make employees work efficiently in groups/teams”)

The table (5.15) above represents values against independent variable 'highest completed level of education' in relation to the statement “I believe VPS make employees work efficiently in groups/teams”. The values shown in the table have (5%) significance where the highest mean rank as the category of 'elementary school' with (204.50), followed by 'college degree' (138.89). Less significant differences across group categories have 'master’s degree' (126.98), 'graduate degree' (121.85) and 'high school' (116.00). The significantly lowest category is 'PhD degree' with only (57.50). The independent variable was significant at (0.045).

Table 5.15: Efficiency of Employees (“I believe VPS make employees work efficiently in groups/teams”)

Statement	Group (Independent Variables)	Group Categories	Mean Rank	Test	Asymp . Sig. (p)
I believe VPS makes employees work efficiently in groups/teams	Your highest completed level of education	Elementary	204.50	KW Test	0.045
		High school	116.00		
		College degree	138.89		
		Graduate degree	121.85		
		Master’s degree	126.98		
		PhD degree	57.50		

6 - Employee Focus and Organisation (“I believe that, with VPS in place, my work is much more organised and focused”)

Table (5.16) below shows one variable that had a significance of up to (5%) in relation to the statement “I believe that, with VPS in place, my work is much more organised and focused”. As above, the independent variable of 'which of the VPS are available in your company' was found to be significant at p-value (0.017). Yet again, the 'non-monetary incentives' group was found to be the most consistent among other groups which indicated that respondents highly conformed to the statement, represented through the mean rank of 168.44. This was followed by the category 'other' with the mean rank of (150.43) and 'profit sharing plans' with (139.00). A much more difference in responses was found within the categories 'group level VPS plans' (137.34), 'individual level VP' (113.36) and 'recognition' (106.32).

Table 5.16 Employee Focus and Organisation (“I believe that, with VPS in place, my work is much more organised and focused”)

Statement	Group (Independent Variables)	Group Categories	Mean Rank	Test	Asymp. Sig. (p)
I believe that, with VPS in place, my work is much more organised and focused	Which of the VPS are available in your company?	Individual level VP	113.36	KW Test	0.017
		Group level VP plans	137.34		
		Profit sharing plans	139.00		
		Non-monetary incentives	168.44		
		Recognition	106.32		
		Other	150.43		

7 - Feedback on Performance (“I receive feedback on my performance on a regular basis”)

Table (5.17) below represents different aspect of the study which touches upon the feedback and monitoring process in the studied organisations. The independent variable 'marital status' was found significant in relation to the statement. The significance p-value for the category was (0.048) which is close to the benchmark of acceptability under the (5%) of significance. The highest mean rank had the category 'divorced' with (163.00), followed by 'single' category with (127.12). The lowest mean rank had the category 'single' with (108.84) which further indicated that the most differentiated and diversified responses were in this category.

Table 5.17 Feedback on Performance (“I receive feedback on my performance on a regular basis”)

Statement	Group (Independent Variables)	Group Categories	Mean Rank	Test	Asymp. Sig. (p)
I receive feedback on my performance on a regular basis	Marital status	Married	127.12	KW Test	0.048
		Single	108.84		
		Divorced	163.00		

8 - Misuse of VPS (I believe there is no misuse of the VPS in my company”)

The table (5.18) below represents four variables in relation to the statement “I believe there is no misuse of the VPS in my company” where the difference has been calculated as significant. The first category of 'gender' had a p-value of (0.029) where male respondents

had mean rank of (127.70) and female (103.73). The findings indicated that there was a violation in rules regarding the VPS across the organisations.

Marital status was also found to have significant link to the statement where the highest mean rank was the category 'married' with (131.43). This category was the highest in number with the total of (169) respondents. This category was followed by 'single' which had a mean rank of (104.98) and 'divorced' with (97.00). The significance of the variable was at (0.015) which further indicated a high level of differences. The control group 'have you worked for another employer previously?' was also found significant where those who worked before achieved a mean rank of (129.81) over the group which had no prior experience before joining the current employer, with mean rank of (110.19). The last significant independent variable in the table below was the 'number of years worked for another company before joining your current employer' which had a p-significance value of (0.005).

Table 5.18: Misuse of VPS (“I believe there is no misuse of the VPS in my company”)

Statement	Group (Independent Variables)	Group Categories	Mean Rank	Test	Asymp. Sig. (p)
I believe there is no misuse of the VPS in my company	Your gender	Male Female	127.70 103.73	Mann-Whitney U test	0.029
	Marital status	Married Single Divorced	131.43 104.98 97.00	KW Test	0.015
	Number of years worked for another company before joining your current	Less than 1 1-5 6-9 10-14 15-19 20-24	125.20 119.28 98.06 166.52 84.25	KW Test	0.005

	company		203.50		
	Have you worked for another employer previously?	Yes No	129.81 110.19	Mann-Whitney U test	0.032

9 - Work Engagement (“VPS makes no difference to me in terms of my own engagement with the work”)

The table (5.19) below represents two independent variables which were considered significant when calculated against the statement “VPS makes no difference to me in terms of my own engagement with the work”. The gender variable was significant at (0.000) where the group of male respondents had mean rank of (130.89) which indicated that the category conformed to the statement more than 'female' category which had mean rank of (90.60). This further implied that the VPS in place made a lot of difference to female employee performance in the private sector.

The latter independent variable was found with the significance level of 0.001 where the highest mean rank had the category 'non-monetary incentives' with 163.50 which indicated that those respondents who had such VPS in place were engaged with work regardless of the type of VPS in place in their companies. This category was then followed by 'group level VP plans' with (148.56) and 'profit sharing plans' with (143.73). The category 'other' had a mean rank of (141.53), 'recognition' (132.28) and 'individual level VP' (105.71) which signified that most differences in responses were found in the latest category.

Table 5.19: Work Engagement (“VPS makes no difference to me in terms of my own engagement with the work”)

Statement	Group (Independent Variables)	Group Categories	Mean Rank	Test	Asymp. Sig. (p)
VPS makes no difference to me in terms of my own engagement with the work	Your gender	Male	130.89	Mann-Whitney U test	0.000
		Female	90.60		
	Which of the VP systems are available in your company?	Individual level VP	105.71	KW Test	0.001
		Group level VP plans	148.56		
		Profit sharing plans	143.73		
		Non-monetary incentives	163.50		
		Recognition	141.53		
Other					

10 - Happiness with the VPS (“I am happy with VPS being in place”)

Finally, the table below had two independent variables of gender and marital status significant in relation to 'I am happy with VPS being in place'. The ‘male’ category had the highest mean rank of (130.89) which meant that most respondents in the category were happy with the VPS in their respective organisations. This is contrary to the ‘female’ group whose mean rank was (90.60) indicating a non-conformity with the statement. Significantly, the highest mean rank was for the category ‘married’, which was the highest in number, with (130.40) meaning that the respondents overwhelmingly agreed with the statement. This category was followed by 'single' with a mean rank of (106.66) and 'divorced' with (105.50).

To sum up, based on some of the values above, it can be concluded that there were a range of variables with significant impact. Findings indicated that the variables of gender, marital and job status were key dimensions with significant values along with the type of VPS in place for employees in the organisation. Female employees were found to be more serious about the VPS being offered as they valued VPS greater than their male counterpart. Female employees indicated that VPS mediated their engagement with the work. Given the influx of female population in SA work culture, this could be a new avenue for future research. It was also found out that the majority of the respondents were married. Married respondents conformed more to any given statements (at least the 10 discussed). Level of education also three some interesting results with regards to the fairness of VPS for employees. Overall, though, VPS being instituted in the organisation had made a massive difference to employees as indicated by the findings. The findings indicate that different types of VPS make a difference to employees' satisfaction and resulting in employee's decision to change their employer. In order to offer greater comprehensiveness to the findings of the research, the section below discusses another data set using the grounded theory approach. Combining the above (analysed result - quantitative) and the following section (qualitative analysis), the research aims of this thesis has been met.

Table 5.20 Happiness with the VPS ("I am happy with VPS being in place")

Statement	Group (Independent Variables)	Group Categories	Mean Rank	Test	Asymp. Sig. (p)
I am happy with the VPS being in place	Your gender	Male Female	130.89 90.60	Mann-Whitney U test	0.018

	Marital status	Married	130.40	KW Test	0.040
		Single	106.66		
		Divorced	105.50		

5.3 Qualitative Data Structure and Analysis

Many qualitative researchers argue that interviewing and analysis tend to proceed together (Langley, 1999; Lincoln & Guba, 1985; Locke & Golden-Biddle, 1997). But, as a researcher, as the data collection commences one must give attention to the initial interview protocol which has to be focussed on the research questions. Depending on the nature of the research (which, in this case, worked around different sectors) the interview had to follow the informants leading to the investigation of the research questions. When it comes to qualitative research, the rigour in qualitative analysis begins by organising data into 1st order and 2nd order categories to facilitate structuring what Gioia *et al.* (2013) have referred to as ‘data structure’. Data structure as discussed later in this section, has been referred to as a pivotal step in the entire qualitative research process (Clark *et al.*, 2010). Data structure has helped facilitate the entire data set into a logical visual aid as shown in the figure below.

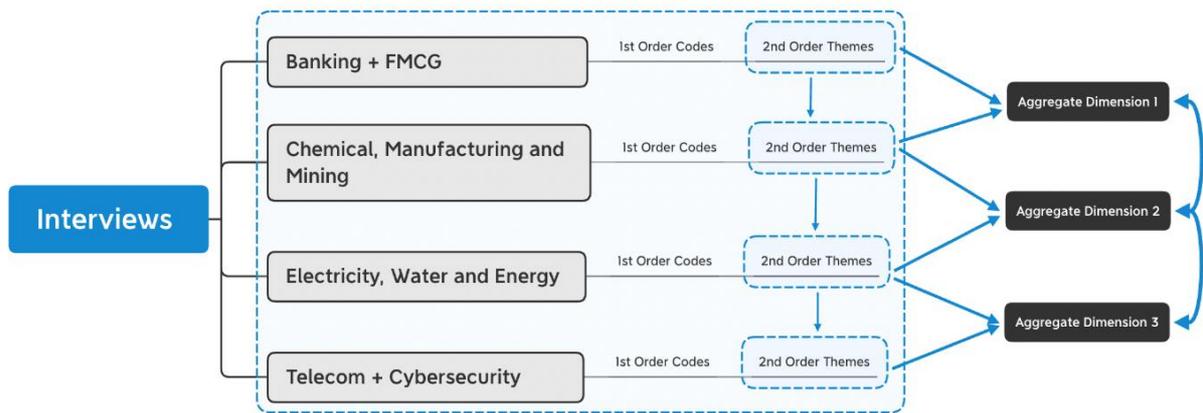


Figure 5.1: Data Structure - A Visual Representation of the Data Set

As it happens, many terms, codes and categories emerge very early on in the research process. In line with Strauss and Corbin’s open coding (1998), the research threw up a myriad of terms, codes, and categories. During the first order analysis, the attempt was made to adhere to informant terms whilst trying best not to distil the categories early in the process. Therefore, in the first order analysis across the four sectors there were more than 100 categories which emerged which was overwhelming to begin with. It does give the researcher a feeling of “getting lost” with no firm idea about how to make sense of all the data that doesn’t seem to stick together. According to Gioia (2004), it is important to get lost at this stage who argues that “You gotta get lost before you can get found” (Gioia *et al.*, 2013; p. 20). As the research progressed, one had to start by seeking out the similarities and differences amongst the many categories in line with axial coding as recommended by Strauss and Corbin (1998) within the GT approach. Axial coding as a process that helps the researcher reduce the number of categories to a more manageable number (Kendall, 1999). Figure 5.3 represents a part of the data structure including the distilled 1st order and 2nd order themes.

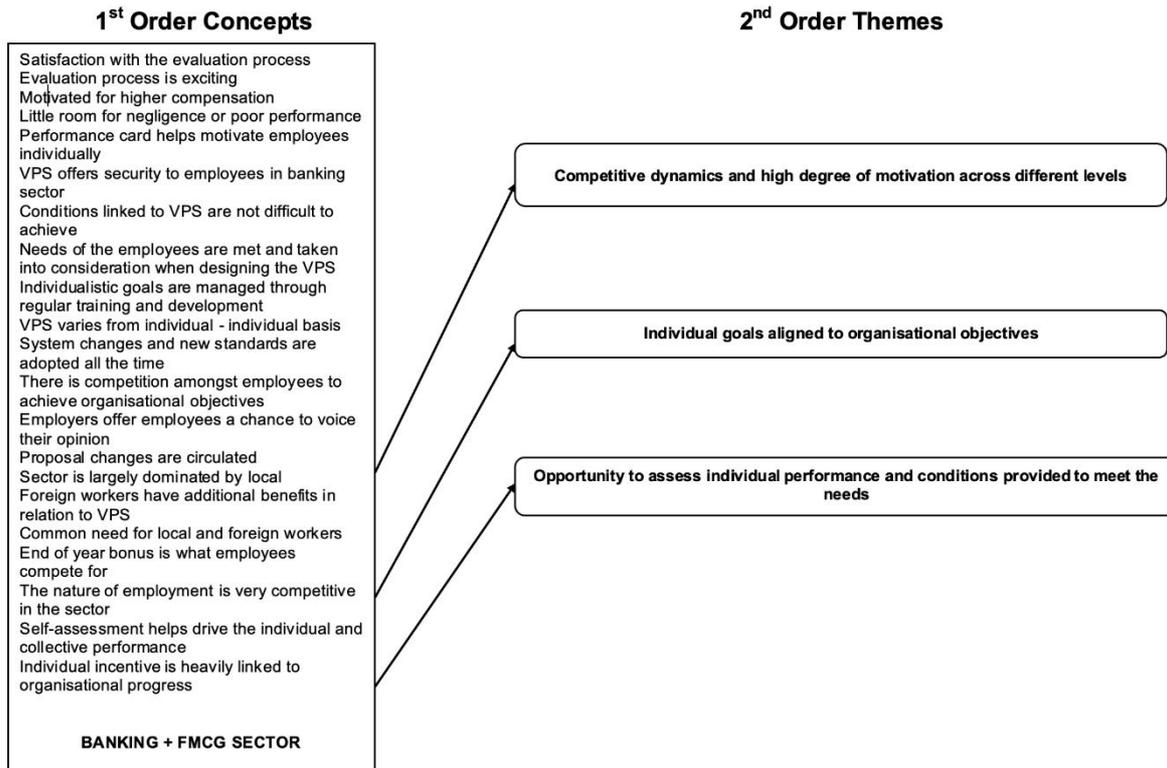


Figure 5.2: Building the Data Structure

Having reduced the codes and terms to a manageable number, the figure above represents the distilled code and themes of a couple of aggregated sectors. An attempt has been made to retain informant terms as codes at both levels (1st and 2nd order) were given labels and phrasal descriptors. It is at this point that, as a researcher, one must treat oneself as a knowledgeable agent (having done the literature review earlier and understood the research context of SA), and think at multiple levels simultaneously, using the informant codes and at a more abstract level, 2nd-order theoretical themes and dimensions. The important consideration here is to seek and ask oneself: “what is going on here?” Developing an answer to this by keeping it aligned to the research question helped focus on the core concepts emerging from the analysis. This is what is referred to as ‘theoretical sampling’ in application as far as constructivist GT is concerned (Glaser & Strauss, 1967; Gioia & Chittipeddi, 1991).

By the time a researcher gets to 2nd order analysis, one is firmly within the theoretical realms, helping the researcher get closer to research aims overall. This stage throws about concept which may help describe the explain the issues under consideration. The focus is especially on nascent concept which have not been given adequate theoretical consideration in existing literature. But as the data suggest, the four sectors under consideration in this research have resulted in multiple 1st order codes but nine emergent second order themes. The question at this stage was to analyse how these nine emergent themes could possibly contribute to aggregate dimensions for a validated theoretical framework. It should also be noted that by this stage, as part of the analysis, full set of workable 1st order codes and second themes had shaped up. These workable set of 1st order codes and 2nd order themes formed the basis for the complete data structure (See Figure 5.4). The whole act of constructing the data structure has allowed this research to consider data theoretically and not just methodologically.

5.3.1 Using NVivo

It should be noted that when it comes qualitative research, a wide range of tools have emerged to facilitate researchers (Ciechanowski *et al.*, 2020). As for business management and studies, NVivo has gained popularity especially in the last decade for its ability to help researchers with storage and analysis (Maher *et al.*, 2018). As a software package it aligns well with most research designs and approaches (Robin *et al.*, 2017). In this research however the use of NVivo was rather partial but also useful. It allowed for the visualisation of all the semi-structured interviews which were conducted across the sectors. The software package was mostly used to organise the transcript and, together with Microsoft Excel, the data was revisited to build the data structure. NVivo worked well to help store the interviews all in one place and when analysing, the responses were easy to preview across all interviews

with a click of button. NVivo therefore played an important role in helping build the data structure (discussed in the section below).

5.3.2 Data Structure to Building the Theoretical Framework

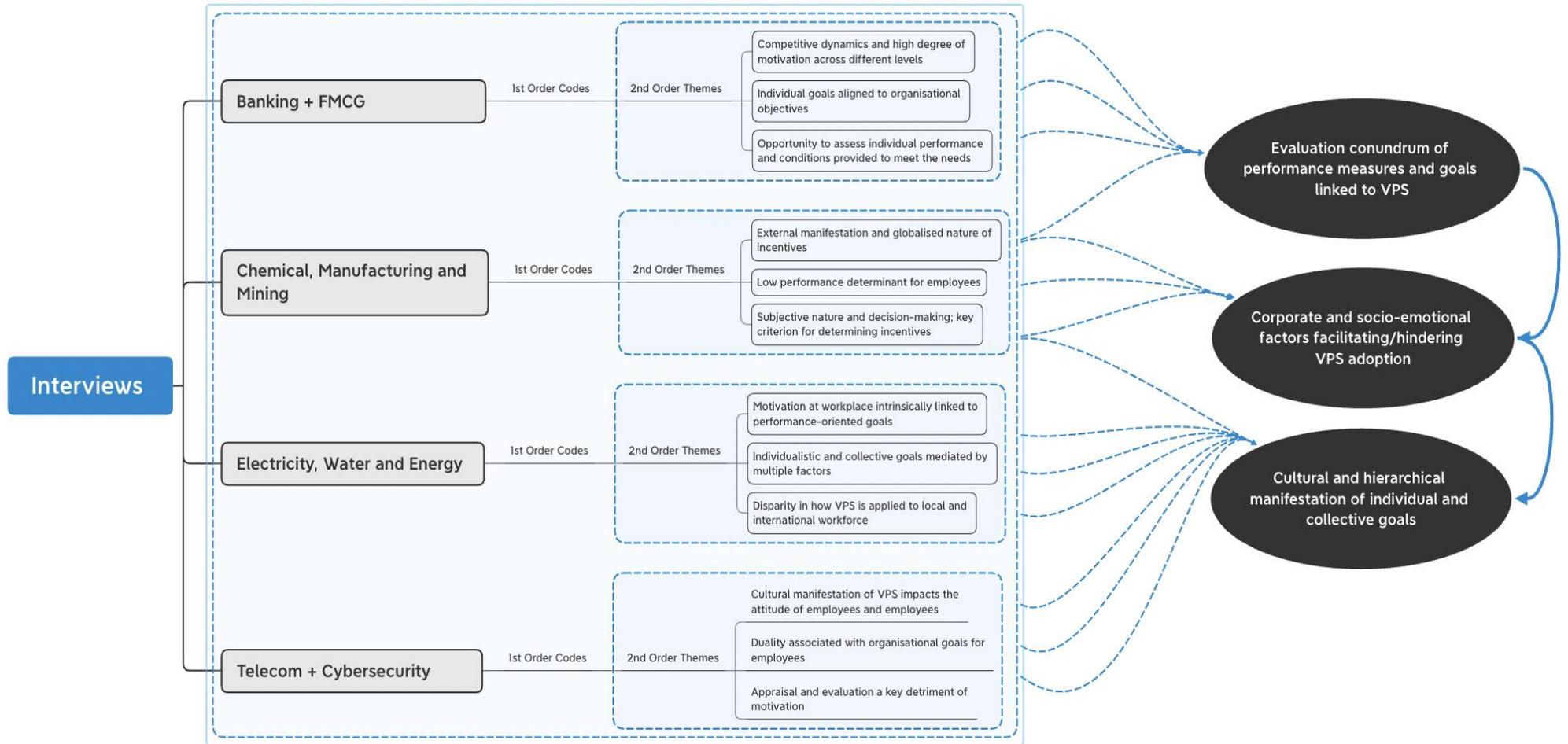


Figure 5.3: Emergent Data Structure

The data structure built was absolute central to this research work. However, it should be noted that this structure would still be a static representation of a dynamic phenomenon under consideration. As a researcher therefore it was important to account for all the emergent themes (2nd order) and aggregate dimensions. More importantly, the framework arising out of the 2nd order themes and aggregate dimensions must be fully accounted for the findings to deliver on its research promise. The following section has focussed on core concepts, holding them up for examination as the core ideas of this research. To sum up, within the grounded theory, the writing of actual results and findings is all about discussing the data structure which, for some scholars, is the anatomy of a theoretical framework (Gioia *et al.*, 2004; Gioia *et al.*, 2013).

5.3.3 Results and Findings

The resultant data structure (Figure 5.4) has helped produce (12) 2nd order dimensions. These dimensions are as follows:

Table 5.21: Representative Supporting Data for Each 2nd Order Theme

Number of 2 nd Order Themes	2 nd Order Themes	Representative First Order Data
1.	Competitive dynamics and high degree of motivation across different levels	<p>“As long as the company works excellently, everyone will take the bonus based on the performance provided. Here everyone is interactive, and the spirit of competition is high.” (Senior Manager, Basic Food and Investment sector)</p> <p>“Thus, our environment in which we work, has honest competition and high performance. There is no room for a person to neglect or laziness for many reasons, due to motivation and the annual adjustment in addition to promotions and annual bonuses also with the</p>

		presence of a reputable administration. Here we see the performance card available to each employee makes everyone work on it seriously and effectively.” (Branch Manager, Banking Sector)
2.	Individual goals aligned to organisational objectives	<p>“There are the company’s special objectives above that target are set for each department depending on what they do so that there is harmony between the sets of goals in general. Then the employee is given a target based on his department’s special goals. The employee target serves the department objectives which as a result supports the company’s general objectives. The employee's goals are defined accurately so that he contributes effectively to the company's goals in general.” (Finance Director, Telecom Sector)</p> <p>“We are close to the SA Vision 2030, which features have begun to appear in the diversification and education of property owners and also job seekers to achieve the goals and aspirations of both owners and employees. I am optimistic that the coming years will witness a positive revolution in the Saudi labour market.” [sic] (Administrative Manager, Manufacturing Sector)</p>
3.	Opportunity to assess individual performance and conditions provided to meet the needs	<p>“Staff should be provided with training courses, and they must attend. At the end of the year, all these factors are considered in order to ensure that the employee or worker is keen on training which is included in the performance evaluation.” (Director of Engineering, Oil Sector)</p> <p>“Evaluation is generally stimulating and good. We also have a performance card in which the data of every work or task performed is stored systematically. The employee gets a motivating compensation as much as the efforts exerted.” (Branch Manager, Banking Sector)</p>
4.	External manifestation and globalised nature of incentives	“In light of the variable pay systems, positions are very similar to some extent. The foreign staff, and here I mean the foreign

		<p>employee coming from some countries who are considered to be qualified and experienced people with qualifications. We have a classification for them, for example, those coming from European and American countries deserve the allowance for their children education and annual tickets in addition to the benefits mentioned earlier. But workers hired from the Indian subcontinent and elsewhere do not get paid these allowances.” (Director of Planning, Oil Sector)</p> <p>“It is constantly changing as it is linked to the plans and goals of the parent company in America ... It may change to the better in case the company's financial conditions have improved or profits of the company have significantly risen.” (Human Resources Director, Oil Sector)</p>
5.	Low performance determinant for employees	<p>“As a work team, we have a significant impact in the event when employees’ performance levels drop ... The relevant employee would feel frustrated with their performance anyway and promise to do better in the following year or second half of the fiscal year ... It is also important to improve the relationship with other staff and enhance the spirit of cooperation ... Overall, the employee is at the centre of it all and influences to a large extent the outcome of the incentive schemes.” (Risk Manager, Banking Sector)</p> <p>“Unified system to all levels of the Bank. However, the direct president has stimulus tools at his level that can affect the performance of the employee.” (CEO, Banking Sector)</p>
6.	Subjective nature and decision-making; key criterion for determining incentives	<p>“A point I would like to add by reviewing the employee's performance and the goals given to him. Staff should be provided with training courses, and they must attend. At the end of the year, all these factors are considered to be considered in order to ensure that the employee or worker is keen on training which is included in the performance evaluation.”</p>

		<p>(Director of the Engineering Department, Electricity and Water Sector)</p> <p>“The criteria vary from one department to another. For example, in the management of training, you need 50 courses in leadership for each position in the company. Some staff need to get 5 courses in leadership this year. At the end of the year, we check how many courses they have taken out of the 5 courses specified for them. If they have achieved the required amount this shows that they have achieved the required performance standards or for example there was a partial failure, then we look at the reasons that prevented them from taking the courses in full. And for the rest of the departments, performance is measured according to what they achieved in the tasks set by the senior management and so on. (Director of Planning, Oil Sector)</p>
7.	<p>Motivation at workplace intrinsically linked to performance-oriented goals</p>	<p>“The best thing about the performance related pay is that it provides incentives for employees to give their best ... It is absolutely brilliant in terms of motivating staff.” (Risk Manager, Banking Sector)</p> <p>“In general, our departments managers may have a certain impact to develop this system and find the best ways to achieve the company's goals and to satisfy the employees and motivate them in the work environment. We usually meet with the Board of Directors and property owners and make some suggestions and clarify with convincing reasons and specific statistics for impact and do the best in the coming years. Currently, our system has 70% employee’s satisfaction, and they are working to achieve company’s goals.” (Director of Planning, Oil Sector)</p>
8.	<p>Individualistic and collective goals mediated by multiple factors</p>	<p>“Depends on the planned goals from the beginning of the year, for example, if the goal is to achieve a profit of 100 million and 75% of target has been achieved, here the employee is entitled to get the annual bonus based on his performance and the performance of the company in general. The</p>

		<p>less profits, of course, there will be an impact on the variable pay scheme system, specifically the annual bonus.” (Senior Manager, Basic Food and Investment Sector)</p> <p>“The performance of our staff is generally good to very good for a number of reasons, including the clear objectives and the company policies, as well as the advantages of our company. These things make the staff careful about achieving the goals as required because these are reflected on annual bonuses, annual increases and promotions.” (HR Director, Mining Sector)</p>
9.	Disparity in how VPS is applied to local and international workforce	<p>“Foreign employees assume the highest positions ... For example, we have employees who can only get 40,000 as opposed to foreigners who get 150,000, for example Some Saudi employees may feel disadvantaged due to the lack of cooperation on the part of some foreign employees ... The latter are more appealed to and highly skilled, but there seems to be favouritism towards those with the same nationality” (Risk Manager, Banking Sector)</p> <p>“Honestly, employees from Europe or America take their full rights by this system, some of them will have a fixed bonus and may be stipulated in the contract either achieved the required performance or do not. They take the bonus, because the company benefits from them in any case by the transfer of knowledge and employees’ development. In the case of attracting foreign staff to a high level of skill and experience, it is my view that a foreign employee may be a hindrance to the presence of better local staff in the event that no qualified foreign staff are recruited. In the case of local employees, there are conditions applies against them in the event of non-compliance with the required objectives.” (Senior Manager, Basic Food and Investment Sector)</p>
10.	Cultural manifestation of VPS impacts the attitude of	<p>“I believe that our leading companies in the Saudi market have the best working culture in</p>

	employees and employees	<p>terms of dealing with local and foreign employees.” (HR Director, Mining Sector)</p> <p>“In this sense, we find that the culture in general and the culture of some managers affect significantly. There is injustice in the assessment to some employees. Thus, for this reason I moved from my previous company to this company and the reason for this is that there is discrimination and inequality.” (Senior Manager, Basic Food and Investment Sector)</p>
11.	Duality associated with organisational goals for employees	<p>“At the beginning of the year, there are goals for each department, or the company has targets for a specific amount to meet, for example, sales department sell as much as 10 million and purchases of materials and productivity at very high standard. Marketing department also provide equability standard of facilities.” (HR Manager, Petrochemical Sector)</p> <p>“There are the company’s special objectives above that target are set for each department depending on what they do so that there is harmony between the sets of goals in general. Then the employee is given a target based on his department’s special goals. The employee target serves the department objectives which as a result supports the company’s general objectives. The employee's goals are defined accurately so that he contributes effectively to the company's goals in general.” (Finance Director, Telecom Sector)</p>
12.	Appraisal and evaluation a key detriment of motivation	<p>“If they have achieved the required amount this shows that they have achieved the required performance standards or for example there was a partial failure, then we look at the reasons that prevented them from taking the courses in full. And for the rest of the departments, performance is measured according to what they achieved in the tasks set by the senior management and so on.” (Director of Planning, Oil Sector)</p>

		<p>“We have an annual salary bonus for employees according to the employees’ performance and evaluation which they receive from their direct managers. The annual bonus, which is from two to three salaries, is honourably paid by the company and depends on the performance of the company in general. The annual premium depends on the employee's performance and evaluation and the annual bonus depends on the performance of the company as a whole. Our job satisfaction is very high from most employees.” (Director of Engineering, Electricity and Water Sector)</p>
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These twelve 2nd order dimensions have contributed directly and indirectly to the creation of three aggregate dimensions. The three aggregate dimensions are as follows:

- A) Evaluation conundrum of performance measures and goals linked to VPS***
- B) Corporate and socio-emotional factors facilitating/hindering VPS adoption***
- C) Cultural and hierarchical manifestation of individual and collective goals***

Comprising of 2nd order themes, the three aggregate dimensions represent the key findings of the research and have been discussed as below:

A) Evaluation conundrum of performance measures and goals linked to VPS

While the nature of VPS varied across the four sectors studied and despite the structure of VPS instituted in organisations, the first real step towards implementing such an incentive system required a comprehensive evaluation process. The evaluation process relates to employee’s assessment of skills and their suitability for the role within the organisation. To this one of the interviewees at the participating Branch Manager was quoted, “*By the evaluation at the end of the year or more correctly with the employee's assessment card employees cannot know whether they are progressing in achievement or not until it revealed*

at the end of the year". Performance evaluation in different forms and shape can be considered a standard practice across the different sector as indicated in the data set. The only contradiction was the way these evaluations were carried out. Majority of the firms studied as part of this research reiterated the importance of having individual evaluation programs, but the authenticity and designated outcome of these internal exercises were sporadic in nature. This hinted at the mechanism in which these internal processes were carried out. Research participants indicated the inconsistent approaches undertaken to evaluate employee performances. The subjective nature of evaluation, as the research found out resulted in a degree of discontent amongst the employees. A standard evaluation template across the sector was clearly lacking, resulting in individuals demanding credibility around assessment of skills and job role competencies. The issue became salient when focussing on the nature of local and international workforce. In all the sectors studied, organisations were assumed to have policies in place which resulted in employees being subjected to assessment in accordance to being local or international workforce. As a result, there was discontent amongst workforce identified as both local and international. This mood was appropriately evident in the captured data. Given the aims and objectives of the research, it can be assumed that the morale and motivation of individual employees stemmed from how these evaluation processes were conducted. The disparity in how individuals were assessed or evaluated (especially Saudi-based and international workers) had a direct influence on observed motivation levels of the workforce. As commented upon by one of Legal Consultants, *"Our work system is not fully stable and over the coming years it must be in progress to amend some regulations for the Saudi labour market and the private sector must be very effective in recruiting Saudis, motivating them and providing job security. This should coincide with attracting the worker force that can transfer information and to benefit from them in the work development of this country."* The external influences which included institutional labour

policies/regulations and upheavals in Saudi labour markets were also a factor in how management within firms implemented the evaluation program for its employees. Given the changes and updates from government policies, often firms used it as an alibi for inconsistent approach towards their evaluation programs. To motivate employees some organisations had devised new systems which included releasing shares but only after a certain period. As noted by one of the interviewees: *“Yes, this year we are working on a new system by giving some shares in the company to certain levels of employees, not disbursed until after 3 years, which is a motivational system for retain employees in the company. There is also the annual premium based on employee performance and inflation rate of the labour market.”* (Senior Manager, Basic Food and Investment Sector). New mechanism to motivate employees were observed in firms but it did not catch up across the sectors. A few firms looked at changing the way they traditionally kept the workforce motivated but established cultural norm and organisational traditions curtailed these efforts even before employees could benefit from such initiatives. It was a let-down for a lot of employees across the sector as they felt their work/performance was not adequately appraised. The issue becomes even more complex when considering the divide between the local and international workforce. It was widely acknowledged amongst the Saudi employees that their foreign counterparts in the sectors are given preferential treatment and it reflected in additional non-monetary benefits handed out to them. It was also observed that some of the practices around VPS and treatment of foreign employees demotivated the local workers. It was clear to employees that foreign workers were treated differently which for some employee was unjustified in the context of workplace motivation and environment. Within the SA context, it was observed a common practice when it comes to preferential treatment. Such practice was evident across all the sectors. Evidently, these trends impacted the overall morale of the workforce.

Interestingly, the perception of local workers was central to how incentives and motivation and even performance was reviewed in SA organisations. To this one of the interviewees mentioned, *“The more you satisfy the employee, the more practically I speak, the more he performs well, and the results will be in favour of the employer. These years, the private sector's culture of incentives will certainly be changed such as the replacement of foreign staff and forced recruitment of local competencies. Over the past five years, Saudi officials have proven their worthiness and that they have the desired responsibility. The new labour minister has declared that there would be a new pay scale which is a stimulus to the private sector.”* (Director, Cybersecurity Sector). While some employers continue to use market regulations and policies as an excuse to deliver incoherent VPS policies, there have been other firms who thoroughly believe in the rationale of keeping their employees motivated. These firms use the government policies appropriately to inform and update their own internal compensation policies. For employees themselves, they compare their own competencies to foreign workers often looking at their counterpart in a negative light as highlighted by one of the interviewees, *“The culture in the Middle East in general sees the foreigner as a supernatural employee but the fact is that he is normal person, but I know local staff who are productive and dedicated in their work. Some people think that the foreign employee could solve all the problems that may arise but the fact he comes from a different culture and a different economy. It is no more than complexity as I mentioned, which is unknown by many.”* (HR Manager, Petrochemical Sector). The data captured highlighted a poignant issue relating to a long-standing bias when it comes to the management. As the quote above suggests, the capabilities and skills of non-Saudis were perceived to be a stumbling block when it came VPS and motivation of workforce. It is an important aspect of how organisations structure their incentives and policies for their employees. Saudi nationals strongly believe that foreign workers are offered more in terms of incentives through various

means. This was illustrated by one of the interviewees: *“In our company, outsiders take their right more than local employees especially the allowances and educational expenses they are given. I mean most companies provide educational expenses for their children and they are given annual air tickets. From my point of view, it is not right the foreign employee is given a job offer and if he wants to provide education for his children, he should pay for the educational expenses. I speak here about the expats who have long experience from the developed countries because there are local employees holding higher positions and yet they do not deserve educational expenses. I see that the foreign employee gets his complete rights and lately all fees imposed by the ministry of labour on residence permits. This is paid by the company for the employee and his family, and it is a large amount of money, and it is different from one company to the others. Some companies stated that they will only pay for the first two years and the rest the employee should be borne by the employee. In the event of contracting with foreign employees, their contracts should be 3 or 4 years to be used in a specific project, train the country's men and a transfer knowledge and thus benefits the company and he also benefits.”* (Finance Director, Telecom Sector). For Saudi work force there is a long-standing perception when it comes to non-Saudis. It is reflected in how traditionally the firms have approached the subject. While the reforms and regulations influenced how firms hired employees, internally, firms are still looking to bridge the divide between their Saudi and non-Saudi workforce.

B) Corporate and socio-emotional factors facilitating/hindering VPS adoption

Corporations in SA across the sectors represent a wide array of sectors. As such this research has covered has eight sectors from the Kingdom which represent all the major organisations. VPS across these organisations is considered critical in how they motivate and employ their workforce. This was made evident by one of the interviewees: *“The Variable Pay Schemes is a very big and complex issue. It is important that there be equality. For example, if this*

system is applied on the public and private sectors, will there be a high performance or not? Our company is government-backed and applies private sector standards.” (Director of Engineering, Electricity and Water Sector). Given the nature of VPS, it was widely acknowledged that for its efficient outcome one has to fully take into consideration the complexity of the system itself. VPS is largely an export from western corporate world and its adoption in an SA corporate setting has been met with little cultural or organisational resistance. VPS in SA has been facing a different challenge. Multi-national organisations (MNEs) have an established base in SA and are well known locally; the standards around VPS were, however, driven by those standards in the country. Despite this, pay scales in the country were dictated by the nationality of the workforce: *“For our company being one of the largest companies known locally and internationally, foreign employees have a system of pay and salaries different from locals. For example, Americans have different pay scales, also Europeans, Asians and employees from Arab countries have different degrees. If we assume that the professional grade is 11 for employees from SA, Arab, Asian, European and America. Here the first employee is the American who has the highest income, followed by the Europeans and then the Saudis and the Saudi is followed by the Arab employees and finally by foreign staff from Asia. For Saudi employees in our company, Saudization is achieved by a large percentage, but some Saudi employees are sensitive to some of the foreign staff who take variable wages, and their performance is poor but only their nationality intercedes and helps them, some American employees as example.”* (Director of Planning, Oil Sector). As the data suggest, pay scales in firms were linked directly to the nationality of the employee. American workforces as a nationality commands a high degree of respect which is reflected in the salary they draw. The importance of nationality in the SA corporate world is an interesting issue as it shows how different pays scales are at play within the same firm. Given that Americans draw the highest salary in SA, their European

counterpart follow the suit as well. The disparity has been observed in the data and Saudi nationals are ranked third when it comes to pay scales. Another important conjecture is how the workforce from Asia are compensated. Paid the lowest amongst the workforce, Asian employees are unlikely to benefit from generous compensation system offered by Saudi firms. The diverse approach in how pay scales are structured in relation to nationality is a valuable insight in how compensation and more specifically how VPS is implemented in firms and sectors. Implementation of VPS in scenarios like these can have all sorts of implications on motivation of workforce. Partiality in compensation policy implementation can be linked directly to the morale of the workforce. Such an approach towards VPS implementation in organisations has a certain duality. In organisations where majority of the employee are local workers, it does create an element of disharmony when foreign workers are given added incentives. For some however, VPS is just a measure in place to oversee the nature of work and makes no distinction between local and foreign employees as highlighted by one of the interviewees: *“On the subject of the Variable Pay Systems, there is no difference between local and foreign employees. It is a plan that is made to see if you have executed as an employee or not. And our Saudization rate is very large, about 80 per cent.”* (Director, Telecom Sector). Despite the difference in how VPS was structured around local and foreign workers, there were some employees who acknowledged the dynamics around foreign workers as illustrated by one of the interviewees: *“In light of the variable pay systems, positions are very similar to some extent. The foreign staff, and here I mean the foreign employee coming from some countries who are considered to be qualified and experienced people with qualifications. We have a classification for them, for example, those coming from European and American countries deserve the allowance for their children education and annual tickets in addition to the benefits mentioned earlier. But workers hired from the Indian subcontinent and elsewhere do not get paid these allowances.”* (Director, Oil

Sector). The idea of nationality and differences in how workforces from different nationalities are compensated is also reflected in how the VPS is designed. Qualifying for VPS is directly dependent on nationality which then allows firms to select the provisions within VPS for specific cases. This approach to apply VPS policies selectively can cause confusion amongst employees who are left to question the credibility of VPS policies. Overall, employees in SA organisation struggle to understand the nuances of VPS clearly as reflected in one of the words of the interviewees: *“As employees, it is difficult for them to judge and influence the incentive plan in greatly because it is a clear policy and deliberate by the senior management and human resources management. As managers, we try as much as possible to facilitate and communicate any particular suggestion or similar voice.”* (Director, Telecom Sector). In order to improve and address some of the issues around VPS design and implementation, higher management within the firm do seek advice from their employees. Organisations across the board offer an opportunity for their employees to add to how VPS in their respective organisations can be improved. Such activities are viewed as ways to influence the incentive scheme outcomes: *“We have questionnaire survey at the facility. Especially the large establishments we have this questionnaire and from these dimensions in terms of compensation and financial benefits for employees.”* (Director, Petrochemical Sector). From the employer’s perspective, it also gives them an opportunity to listen to their employees and offer ways to improve the VPS thereby offering a greater chance to standardise VPS across the board: *“There is a suggestions box if there is a large consensus of the staff on a specific issue, the incentive system for example. The management headquarter sets a study for this issue and with the existing reasons there may be a change. Our work is interrelated, and the employee interest matters to property owners greatly. In a short period, it will be circulated for proposal change or correction of certain matters.”* (Branch Manager, Banking Sector). Such a form of interaction between the employees and employers is

perceived positively by the employees themselves see it as a way to influence the elements of VPS given the complexity of the process itself.

Given the complexity of VPS, employees in organisations across the board had been witnessing a gradual change in how they were incentivised. The employee contract had changed over the years which formerly contained basic salary and allowances which include mobility as well as taking into consideration the local and international worker dynamics. The VPS system has been gradually changing as highlighted by one of the interviewees: *“In the past, the bonus was paid based on the performance of the branch that is if the branch made profits and achieved the required performance, it was paid to them as a whole evenly, regardless of if there is a poorly performing employee. Now the system has changed, and new standards have been adopted that depend on the job and performance of the employee. The annual adjustment and bonus also depend on the effort and performance of each person. We have a 1 to 5 KPI’s (Key Performance Indicator) [sic] and each job has different functions and bonuses. The branch manager is different from the operation manager and administrative positions from ordinary staff. So, if a branch manager has achieved 5 out of 5, the bonus is specified for him based on our standards at the bank. Also, the annual premium is linked with the overall performance of the employee throughout the year. For treasury employees who work stock trade and sales staff, they have financial incentives every three months.”* (Branch Manager, Banking Sector). Employees across the board have been witnessing a gradual change in how incentives are distributed across the board. Traditionally, firms have recognised performance at group level and recognition in terms of compensation have always been at a broader macro level. The recent changes have allowed for recognition at a micro level, which means employees are being recognised and compensated for exceptional performances. It is however difficult to assume if these changes are working towards motivating employees overall. Given the selective recognition and compensation

polices, employees not benefitting directly from such initiative is likely to demotivate them. Unmotivated employees can contribute to the negative dynamics within the firms and mitigate the overall performance of the firm. The changes in how VPS are directed i.e., group level of individual hints at the varied nature of VPS across the sectors. The data indicated that changes were happening all across the sectors. Within sector such as Oil, employees had a robust VPS in place and organisations offered senior employees' annual bonuses (end of each year) along with incentives in the form of thirteenth salary. The changes implemented by the organisation were in line with the Labour Law of the country which stipulated every employee (Grade 1-14) being entitled to a certain percentage of salary increment. It should also be noted that the nature of incentives and planned goals were linked heavily to organisational objectives as illustrated by one of the interviewees: *"Depends on the planned goals from the beginning of the year, for example, if the goal is to achieve a profit of 100 million and 75% of target has been achieved, here the employee is entitled to get the annual bonus based on his performance and the performance of the company in general. The less profits, of course, there will be an impact on the variable pay systems, specifically the annual bonus."* (Senior Manager, Basic Food and Investment Sector). For employers, structuring the VPS that way seemed logical however in certain sectors, employees understood the limitations around their contract or the nature of jobs and responsibilities. This was adequately reflected in the words of one of the interviewees: *"There are things the company cannot play with or change. That means the basic salary, housing and transport allowances are fixed and can only match what is written in the employment contract. There are things the company can change or frankly play with like the annual bounces. Companies cannot be forced to give bounces out of their realised profits and sometimes you cannot get the annual increase of them. Some administrative personal working in the employment market and staff working in the industrial security get an annual increase equivalent to 15% of the basic*

salary. This is specifically fixed by the industrial security high commission or the ministry of interior. This increment is fixed and cannot be changed. The company for instance, could say this year we did not gain any sufficient profit, therefore there cannot be any increase in salaries. There are also other external factors which may affect the incentive system” (Director of Planning, Oil Sector). It was evident that employees witnessed a lot of discrepancies in how VPS was being administered. Components such as basic salary, housing and transport were non-negotiable but when it came to bonuses, employers had the leverage and used their own parameters in determining the amount. Firms in some cases were willing to use the overall company performance and productivity to determine the level of bonuses offered to employees. Nature of job, responsibilities, seniority levels, and nationalities were some of the critical factors in determining the dynamics of VPS across the board. VPS adoption and the changes in accordance with the Labour Laws were implemented all around for employees to gradually understand it in their work environment.

C) Cultural and hierarchical manifestation of individual and collective goals

The work environment of SA organisations depends heavily on the culture within which it operates. Across all sectors studied, the cultural dynamics of the country, especially within the context of VPS and its implementation in SA organisations, were reflected. Saudi employees strongly believe that, compared to their foreign counterpart, their productivity and efficiency takes a backseat due to their commitments outside work. This has a direct impact on perception of local workers in SA. Such a notion was captured in the words of one of the interviewees: *“Our culture and social and family responsibility hinder productivity. They prefer that the foreigner fill the gaps and do some other works as well. Some managers, a few of them, get close to foreign employees and keep away from the Saudis because he does not trust the performance and sometimes it is certain that he was placed in a position through relationships and alike. This is a general overview of some of the negative things in our*

labour market” (Finance Director, Telecom Sector). In a culture as unique as SA, VPS has contributed to healthy competition, although the nature of this competition can be questioned. Employees noted the duality around VPS, which brought out some key considerations on how VPS is structured. This was illustrated by another interviewee: *“The positive aspect of the performance-related wage is that seats and competition are limited to the diligent and the best. This raises the intensity of competition, and the employer will be earning, but the downside is how it works or managed. Some companies need to be different even if the majority of staff is excellent. The annual pyramid for each employee is what he achieved more than others. It is impossible to have all with excellent rating. There must be ratios of the lowest, medium and excellent. For example, two employees achieved the same percentage. Only one of them has to take the highest rating and so on.”* (Director, Cybersecurity). Employees overall had the perception that the structure of VPS favoured mostly the employees who were at the top of the scale. There was sense that it got competitive amongst the employees and the performance overall culminated in those employees contributing positively to the VPS. It was also observed that employees whose performances were not rated excellent were excluded from the process and, for a large period, it was considered unfair for those employees. It has become a part of the culture within which the firms were operating.

Culture nevertheless was a predominant factor. It was a lens through which performance-based (a new system within the context of SA) was constantly being compared to a previous compensation system. The culture had been a long determining factor and was deep rooted in SA work culture. Once again, the work culture was shaped by long-standing divide between foreign and local workers. The compensation of foreign workers was the sticking point for local employees and instituting VPS had not helped the matter. Such a view was illustrated by one of the interviewees: *“Foreign employees assume the highest positions ... For example,*

we have employees who can only get 40,000 as opposed to foreigners who get 150,000, for example Some Saudi employees may feel disadvantaged due to the lack of cooperation on the part of some foreign employees ... The latter are more appealed to and highly skilled, but there seems to be favouritism towards those with the same nationality ... In addition, the Saudi and foreign employees may be carrying out the same task, but because of their status as foreign, they receive more ... This does not necessarily undermine foreigners and their high efficiency levels, which qualifies them to get higher bonuses than the rest ... There are other factors, including nepotism and favouritism that may somewhat affect the assessment of employees, in addition to the absence of incentives or bonuses at the end of the year.” (Risk Manager, Banking Sector). As was observed across the sector, foreigners especially the workforce from America and Europe were the beneficiary of efficient VPS structure. The trend was noted by the Saudi employees who felt a sense of partiality when it came to their compensation.

Such an idea around the established culture and workplace had another layer, however. The culture around compensation and rewarding (local) employees was also dependent on which part of SA the employee came from. It was just not the foreign employees which the local employees had the disparity from. This according to some mitigated the effectiveness of VPS in general leading to criticism of the system. Often employees as part of performance-based compensation system had another parallel to which to draw. The organisations that were fully government enterprises had not yet taken up performance-based compensation as part of their structure which also contributed to the disparity in how employees perceived VPS. This was highlighted by one of the interviewees: *“More frankly, from my experience of the individual income depends on the area where the employee lives. For example, the big cities where living is expensive in terms of housing, you find job seekers prefer large companies that provide higher salaries. Sometimes you may find a job in Jeddah with a salary of 11,000*

riyals as a fresh employee and you may find it difficult to stay in this company because of seeking a more financial return. Most of the government-backed companies are in Riyadh. Their salaries are very high, and the incentive system is high, too. In Riyadh, if the income is less than the expense, the environment may not be stimulating. Here Riyadh is considered the most expensive area, then the eastern region and after that the western region. In my experience, I believe that the variable pay indicator system is effective in large companies with strong capital and government-backed companies and it is constantly evolving. As for small and medium-sized companies, we may not see this system implemented or available to them. The State and the government sector is seeking in the coming years to link the wages to performance and that the previous annual bonus for government employees, will be stable whether the tasks performed in full or not. [sic] As we heard from the news that in the coming years, the annual bonus will be combined with the performance of the individual government employee and this action is within the national transformation to achieve the SA vision 2030.[sic]” (Senior Manager, Basic Food and Investment Sector). Another intriguing detail as highlighted by the data was the link between the compensation and the region. Workforce based in bigger cities such as Riyadh or Jeddah generally expected employees to pay high taking into consideration the housing and other living cost in urban areas. Riyadh for example was perceived to be an expensive city and hence employees sought a bigger wage packet when working in the city. As much as bigger firms are able to afford to pay their employees in accordance with the geographic location, small and medium enterprises do not operate in a similar way. Additional insights also pointed towards the role of government institutions effort to link the salary to the performance of the individual employee. To give it more prominence, the link between performance and annual bonus has been made an important policy convention in the national transformation program, i.e., Saudi Vision 2030.

For VPS to be effective and achieve the purpose of creating a just compensation system within the context of SA, the work culture had to change. For employees, favouritism and nepotism is still rife and it had been hindering its adoption. Another observation of the employees in the sector studied was their apparent lack of effort/initiative towards developing or adding new skill sets. It was difficult for them to be motivated for anything outside their current jobs/responsibilities. While some employees took it as a challenge and did participate in the novel initiative while others largely remained away from such activities. But employers were attempting to motivate their workforce in different ways as highlighted by one of the interviewees: *“It is possible, for example, to try to motivate employees or even some employees who would like to do their work without developing themselves in other matters related to the work and who do not prefer to do any additional work. Some employees can be motivated but others cannot be. We have a creativity system for the employee. If he provided, invented something for the company or made a proposal and the proposal got approval from the company management, this employee gets a financial reward. About a month ago, three of the employees working under my administration received an amount of SR8,000 each for presenting an idea which had been approved and there was a return for the company.”* (Director of Transport department, Electricity Sector). With VPS in play, the managers responsible for the implementation of compensation system were mindful of some of the challenges linked to the participation of employees in the scheme. It was difficult for them to keep all employees motivated and some of the techniques to reward/encourage workforce to be active participants were rather conventional. Employees engaging or showing active interest through new ideas or proposal were given financial rewards and were exemplified.

Another important aspect of this research was the perception of performance goals for employees. Linked intrinsically to the culture of the country, performance related goals

divided opinion in organisations. Employees at junior level were not rewarded the same way as senior management. The hierarchical structure in place were still rigid and lower rung employees were not being covered adequately with bonus payments. This was illustrated by one of the interviewees: *“Of course, I have my point of view of what currently happening in the company about bonus because the manager gets much higher bonus than what employees under him get though they receive the very similar salary, they do not get a percentage according to the basic salaries. For instance, if the evaluation is 4 out of 5, he gets three salaries equivalent to 20% of the basic salary as a bonus. The bonus is calculated according to the position or the job rank which I see it as unjust. We can understand that the manager may get some ordinary benefits like a cell phone, car, or other gifts because he works more and carries responsibilities, but the bonus should be according to the basic salary, not the administrative position. Here we have a specific way of calculation depending on years of experience, job ranking and others. The higher your position, the higher annual bonus you may get. Here we talked about the annual bonus given after the board of directors meet (the incentives and compensations committee). The bonus is sometimes given to the company’s overall performance and profits gained. This committee gives the authority to pay 3 or 4 salaries or even less than that. In relation to the annual premium, it is found in the human resources policy. For example, the employee whose evaluation is 4, exceeds the basic salary subject to a particular sensory. It is the direct manager who controls this assessment. There is also a housing allowance of 25 per cent, transport allowance 10 per cent plus overtime and health insurance.”* (Finance Director, Telecom Sector). What was really evident was that there was a clear divide between the upper and lower echelon when it came to the whole structure of VPS. The upper levels of the management were perceived to be a bigger beneficiary of the bonus. In some cases, the bonus payment equated to three time the actual wage which to employees at lower levels contributed to their frustration. Performance

evaluation for the upper echelon employees was structured in a way which facilitated those employees hitting their target more often than not. Compared to that employees at the lower level struggled to hit their bonus target as their performance did not match the expected levels set out by the management.

Despite such a notion, there were employees willing to perform and exceed the expectations at workplace. Across the sectors employees, especially at the mid-managerial level we were to put in extra effort and make their performance count. The perception and complexity of VPS might have contributed to this, but some employees were keen to go the extra mile in order to be recognised by the higher authorities. Employees were observed to work harder but when it came to performance related pay, there were evidence which left such employees unsatisfied. This was highlighted by one of the interviewees: *“We can find some employees exceed the required standards and achieve what is more, these are given the evaluation of excellence. From an employee’s point of view, each employee believes that he is the best and he worked hard etc. And judging it from the perspective of employees, we do not find anyone satisfied because every employee says I am the best. The tasks and performance standards of our company make it one of the largest companies. At the beginning of the year, the employee is given specific goals but, in the end, or in the middle of the year, there are other jobs and tasks that were not taken into account. If the employee's performance is tied to specific goals, there will be no production.[sic]”* (Director of Planning, Oil Sector). Although firms benefitted from individual employees performing exceptionally well, the satisfaction amongst employees for being judged adequately was low. The original evaluation criteria were being adjusted during the course of the year which meant employees were fulfilling other obligations while also undertaking the responsibilities en route to hitting bonus targets.

5.4 Conclusion

To sum up, the qualitative interviews across the eight sectors had shed light on various aspects of VPS but the research overall has underlined the outcomes as objectified by the research aims. The twelve 2nd order themes and culminating three aggregate dimensions as discussed above has addressed the key outcomes. The three-aggregate dimension - A) evaluation conundrum of performance measures and goals linked to VPS; B) corporate and socio-emotional factors facilitating/hindering VPS adoption, and C) cultural and hierarchical manifestation of individual and collective goals - are fully aligned to the main research outcomes. Methodically through the data structure (Figure 5.4), the results depict a systematic pattern which has been followed in order to arrive the findings above. The data structure has been created using the constructivist grounded theory approach as part of open and axial coding helped deduce the three key dimensions. Utilising the (12) 2nd order themes and the three aggregate dimensions, the subsequent chapter highlights the theoretical dynamics thereby cementing the contribution of this research within the context of SA. Having teased out various aspects of VPS linked to motivation and performance as above, the final chapter will build on the findings and offer new theoretical insight for future research. It should be taken into consideration that findings from both quantitative and qualitative data set has been utilised in order to offer a theoretical contribution. The framework (to be discussed) in the next chapter has been informed by both quantitative and qualitative results. The results from both sets of methodologies have opened up avenues for further exploration of VPS in a context as unique as SA.

CHAPTER SIX: DISCUSSION AND CONCLUSION

6.1 Introduction

The final chapter of the thesis brings home the key findings of the research aligned to the main objectives and research questions. This chapter revolves around the findings from the previous chapter and distils the theoretical framework around the findings. The chapter therefore is built with a view to offer its theoretical contribution within the larger domain of VPS in SA. To reiterate, the aims of the research were represented by the following statements:

- 1. What are the rationales for using VPS and how it is employed to attain individualistic and collective goals?*
- 2. Shaped by religious and cultural beliefs, how does the differing perception towards VPS shapes the work effort, motivation, and performance?*
- 3. Finally, within the context of SA, across different sectors how do employees perceive the merits and demerits of VPS?*

The research aims have been tightly knitted to the gap in the literature as illustrated in chapters above. In addition to this, the overarching questions have also determined the approach to data collection and analysis. Using a mixed method approach, utilising the questionnaires and semi-structured interviews, two distinct data sets have been systematically analysed to arrive at findings discussed in the preceding chapter. The findings in the chapter discussed previously have contributed to what can be referred to as the key framework emerging of the research findings. This chapter therefore discusses the key component of the framework to underline the theoretical contribution of this research.

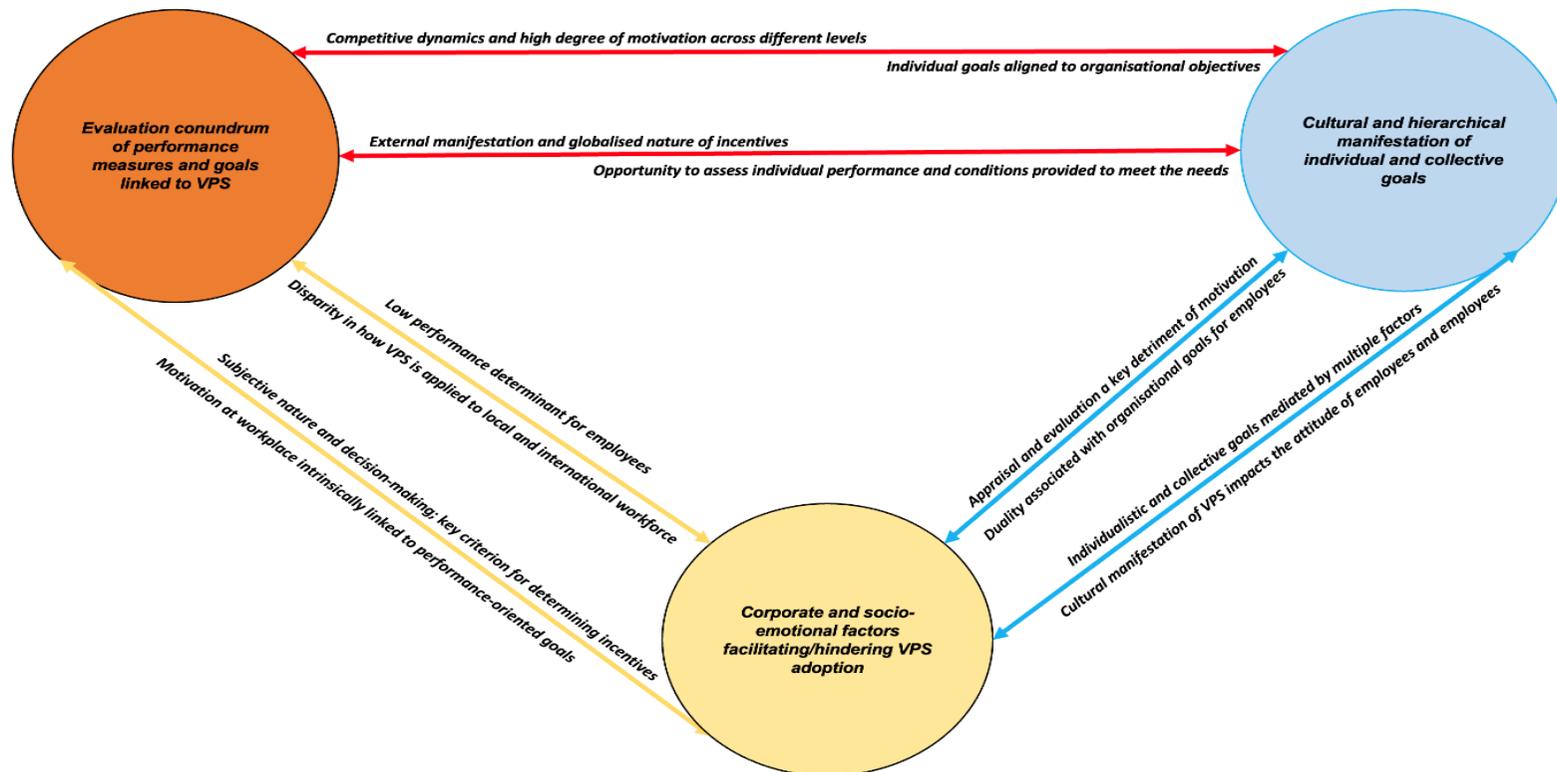


Figure 6.1: Emergent Theoretical Framework

6.2 Research Contributions

The components of the framework as illustrated in Figure (6.1) above has three core elements. These core elements of the framework sum up the contributions and are closely aligned to the three structured research questions. The section below discusses them in order:

1. What are the rationales for using VPS and how it is employed to attain individualistic and collective goals?

Improved performance is main rationale as to why VPS are instituted in the organisations (Cox, 2005). The evidence to this notion was found across the interviews conducted. Performance was the key element whenever VPS was mentioned to employees. VPS are also designed to enhance competitiveness amongst employees with organisations reporting that skill or knowledge-based incentives facilitate directing attention of employees towards developmental opportunities and encourage skill-seeking behaviour (Murray & Gerhart, 1998). The interviewees spoke at length as to how introduction of VPS in their respective firm had facilitated competition at levels within the firms. It has been established that VPS brings in additional earnings and more importantly it aligns with the sentiments of the workforce in general who believe that additional effort should be rewarded. The central premise of VPS rest on explicit attempts to move towards performance-related criteria focussed on a range of dimension which in most industries relate to company, site, work group or individual (Nergaard *et al.*, 2009). Conventionally three types (productivity bonuses, profit-related schemes and individual performance-related pay) have been noted in the literature (Marginson *et al.*, 2008). Productivity bonuses include payment by results and are identified to have a direct relationship between pay and output. Profit-related schemes offer employees an opportunity to be a part of organisational success. On the other hand, individual performance-related pay is based on appraisals carried out by the managers in organisation.

The literature has expanded considerably and distinguished between the different forms of VPS (Van het Kaar & Grünell, 2001). Within the context of the data and this specific research, there were evidence of various types, but it would be difficult to bundle them as it has been done theoretically in some of the studies mentioned above. When it comes to organisation-based VPS, this form does not demarcate between effort level of employees' and as such account for only a modest proportion of employees' earnings. Scholars argue that this form of VPS is least used at least in European countries (Kankaraš & van Houten, 2015). By comparison, individual performance-related pay is much more common, prevalent in almost 50% of the establishment across Europe (Trif & Geary, 2016). Given the differing forms and variation in how VPS are perceived, designed, and implemented one can refer to it as a hybrid combination of gain sharing, profit sharing and team pay. Some scholars argue that the evidence of 'pure forms' of gain sharing, profit sharing and team pay is scarce in firms across different sectors and countries. The distinction between pure forms of these plans have blurred both theoretical as well as practical assumptions which, in essence, determine the rationale for using VPS in firms (Heneman *et al.*, 2002). The literature argues that 'complexity' around VPS has led to its difficulty in understanding some of the rationales as to why or how VPS is adopted in firms. The data in this thesis proves this notion which related to how employees perceived the elements of VPS. It was difficult for employees especially at the lower level to interpret some of the complexity of the VPS which led to them being ignorant to some of the practices around compensation and their specific remuneration. Firms and employee's perception of VPS varies and given the fact that literature has multiple view on it, one can deduce couple of common themes emerging out of multiple VPS conceptualisation. According to Schuster and Zingheim (1992; p. 154), "variable pay is any form of direct pay that is not folded into base pay and that varies according to performance." For Belcher (1996; p. 10), "variable pay is an alternate compensation that ties pay to business

outcomes and supports a participative management process. Cash payments are based on a predetermined measure or measures of group or organizational outcomes.” Finally, it was Wilson (1995; p. 53) for whom “VPS is the compensation received in addition to base pay, and it varies depending on the performance of the individual, team, company, etc. By its very nature, it is not guaranteed, although many organizations have allowed such programs to become entitlements, like base pay. VP is usually received in a lump-sum check and does not become part of base pay. VP can also take the form of cash payments or equity related investments.” The distinction in perception of VPS when it comes to employees and the management was evident in the data. Management all across the sector viewed VPS to work rather efficiently as they introduced different elements to the performance of their workforce. However, this notion varied from employees to employees. While some saw it as a positive intervention and worked hard to achieve their performance objective, other struggled to adapt to its challenging needs. From some however, it was case which further consolidated their viewpoint on how the management treats local employees in comparison to international workforce. American employees for example the biggest beneficiary when it came to VPS and its arrangements.



Figure 6.2: VPS adoptions determined by factors and sub-factors

Based on the conceptualisation above, it should be noted that there are various corporate and human-led factors determining the adoption of VPS in firms. As this research has indicated, there are four sub-factors constituting the corporate and socio-emotional factors illustrated in Figure (6.2) above. These factors and sub-factors relate to the nature and types of VPS which cannot be discussed in isolation without considering the implications of policies such as ‘Saudization’ (localisation). As a policy perspective, ‘Saudization’ was initiated by the Saudi Government with aim to reduce the level of unemployment amongst the youths of the

country (Abaker *et al.*, 2019). Saudization (localisation) as a policy has been one of the most prominent public sector initiatives linked to job creation (Kumar *et al.*, 2019). Until the 1984, graduates in Saudi were prohibited to work in private sector but as the government realised its inability to offer jobs to graduates indefinitely (mostly in public sector), programs were put in place to direct graduates towards private sector, which was already in the state of saturation due to expatriates (Alzalabani, 2004). ‘Saudization’ was brought in as part of Fourth and Fifth development plan mostly aimed at reducing the dependency on international workforce with plenty of positives for local economy (Saleem *et al.*, 2018). The policy in public sector has largely been a success with implementation of programmes representing a positive bias towards the employment of locals and favouring firms that employ local workers to those that fill jobs with foreign workers (Waxin & Bateman, 2009). In the private sector however, due to the skill gap, ‘Saudization’ has not had the same effect. With that in mind VPS adoption across sectors has been driven largely by firms in line with their organisational objectives. There is evidence in the literature that pay, and monetary rewards are administered in several ways and yet linked to organisational objectives (Kuvass *et al.*, 2017). Such a trend was observed in the data set as well wherein employees from sixteen firms were interviewed and they all offered different insights as to how their management administers the pay, monetary rewards. Even the aspects of organisational objectives are monitored and measured in different ways. There is diversity of approach linking pay to organisational objective and performance – evidenced by the interviewees from different firms. Scholars have explored the extent to which pay is contingent on performance and results (Pazy & Ganzach, 2009). In that regard it really is a subjective issue as VP such as piece-rate, incentives, commissions are example of high-performance contingency while base-pay can be referred to as low performance contingency (Bartol & Locke, 2000; Cerasoli *et al.*, 2014 Pazy & Ganzach, 2009). The current research found evidence of both

contingencies across the eight sectors studied. Studies in the past have also investigated diffuse and socio-emotional inducement as antecedent when it comes how relationship is developed between employers and employee in order to aid a high-quality exchange relationship (Loi *et al.*, 2009). In the literature, a process model for such exchange relationship in case of has already been developed (Shore *et al.*, 2006) and this process model has four core elements: a) level and type of trust; b) degree of investment; c) duration, and d) whether the nature of the relationship emphasizes social-emotional or financial and economic resources (Kuvaas *et al.*, 2017). Applying this to the context of current research it can be agreed that personal or identification-based trust would be required for building that employee-employer exchange relationship especially because research it is still unknown as to how beneficial treatment amongst different employees is reciprocated, thereby giving a subjective nature to the whole criteria of determining incentives and VP in firms.

2. *Shaped by religious and cultural beliefs, how does the differing perception towards VPS shapes the work effort, motivation, and performance?*

VP in firms especially within the context of SA have another important mediator as evidenced by the current research. The relationship that exists between the employers and employee includes 'pay' as integral tangible resources and scholars mostly use it as a prototypical example of such economic exchange in the society (Rousseau & Ho, 2000; Shore *et al.*, 2006). The perceptions of employees are such that economic exchange between employee and employers includes both tangible and intangible resources (Shore *et al.*, 2009). Employees as such have differing perception which puts VP as central to this. Current research has demonstrated such a pattern and differing interpretation often depends on the performance contingency of pay, or the degree to which pay is contingent on individual performance. Base pay or salary includes performance components through merit pay increases and is little likely to be influenced by performance and more likely to be affected by

individual's history of performance and pay level at the time of hiring. In comparison, VP includes contract which is about the exchange of specified performance standards for specified amount of pay. These contracts are therefore guided by structured and explicit agreement (Cropanzano & Mitchell, 2005). The interesting thing about perception about VP is that these contracts or agreement does not resort to personal-based trust and personal relationships as both parties (employee and employer) believe that each party are likely to deliver on a formalised obligation based on the societal norms of economic exchange. Such is the belief of the management but employees are largely expected to fulfil their obligation specific to their jobs/roles.

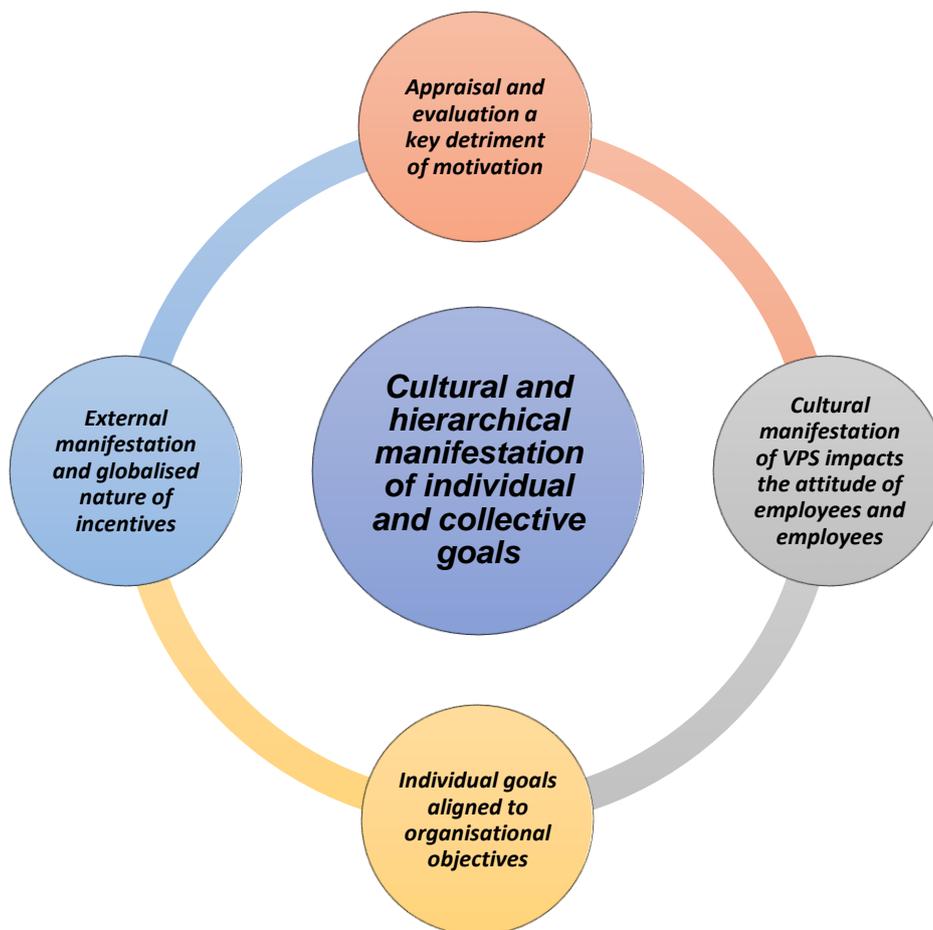


Figure 6.3: Cultural and Hierarchical of goals linked to VP

Having established the relationship between employee and employer as evidenced by social exchange or economic exchange theories, it should be noted that these relationships are even more intriguing within the context of SA. It was Gerhart and Fang (2005) who emphasised the importance of national culture on a country's HRM. National culture as such includes traditions, values, beliefs, attitudes, and behaviour often reflected in national HRM practices (Du Plessis, 2007). Embedded in and influenced by national culture, organisations in SA are heavily impacted by religious and cultural factors that shape their HRM policies (Branine & Pollard, 2010; Budhwar & Mellahi, 2007). Seminal work on culture has been used to explore cultural dimensions influencing pay and performance. His cultural dimensions have offered a useful heuristic viewpoint in order for researchers to understand the manifestation of individual and collective goals including the perceptions of employees (Harbi *et al.*, 2016). This thesis has shone direct light on these aspects of cultural dimensions. Although VPS has been instituted all across, the cultural dimensions at macro and micro levels continue to shape and reshape its adoption and acceptance within the firm. Employees continue to alter their expectations and purview VPS in line with their existing beliefs and ethics. Power distance and collectivism are two examples of those Hofstede's dimensions used wherein in collectivism refers to the cooperation at the individual, group, organisational and societal level and also the extent to which an organisation provides benefits to employees (Kirkman *et al.*, 2006). Collectivism is a relevant concept in the context of SA especially because it is linked to a cultural practice of what is referred to as *wasta*. As per Mellahi (2006), the culture of SA can be regarded as highly collectivist. This ties in with the Saudi management approach also evidenced in the current research underlining that the management focusses more on groups than individuals. In order to strengthen the organisational solidarity, employers and employees have sense of moral obligation (also helps in improving their employer-employee relationships). Compared to western societies, the personal lives of

employees are not interrelated with the organisation. Aside offering the economic security to their employees, firms have a moral obligation to give emotional support to their employees (Mellahi, 2006). When it comes to collectivist framework, the literature has also identified the distinction between 'in-groups' and 'out-groups'. Quite simply, 'in-groups' comprises extended family and tribe. 'Out-groups' on the other hand consist of individuals from different religious groups or tribe. This is significant in case of SA especially when referring to VPS in firms. 'In-group' employee-employer relationship is illustrated by notion of cohesiveness and protection in contrast to 'out-group' relationships underlining achievements and task-related structural performance targets. Nepotism (an accepted practice) is also a significant observation in the light of the current research as managers rely on friends and family in order to get thing done. Wasta comes across as prominent at every level to influence the day-to-day decision-making of the managers. So as the research indicates, SA collectivism prioritises relationship within business often resulting in hierarchical and unequal relations leading to large disparities in power (Robertson *et al.*, 2002). Managers' decisions are rarely opposed in such a culture and employees display a great degree of obedience. To this, some scholars have noted the absence of democracy in Arab culture and the notion of authoritarian management style (Al-Faleh, 1987; Branine & Pollard, 2010). Personal connections are key and linked heavily to the concept of Wasta which can be understood as connections, network, contact and nepotism. Wasta highlights the importance of mediation and is a type of personal relationships which gets things going (Smith *et al.*, 2012; Branine & Pollard, 2010). Within the Arab life, *wasta* is a significant force and scholars consider it as central to any decision-making, knowledge transmission and creation of opportunities (Hutchings and Weir, 2006). The notion of *wasta* is a way of life and its salience is often taken for granted by individuals in the country. It is integrated in multiple activities enhancing careers such as jobs promotion, appraisals. Individuals have offered

evidence of how wealth or influential occupational roles in either public or private institutions have used *wasta* persistently in order get things done (Cunningham & Sarayrah, 1993). If analysed further notion of *wasta* does have a positive organisational implication akin to informal networking in western organisations. *Wasta* can be helpful in mitigating issues caused bureaucracy and organisational inefficiency. It strengthens family bonds and enhances system legitimacy (Aldossari & Robertson, 2015). *Wasta* has been found to play a role in hiring, promotion decision-making. It can therefore be linked to job security and advancement. Scholars agree that progresses or development opportunities in job roles are determined by *wasta* as opposed to technical competence or performance (Rice, 2004). Significance of *wasta* in SA culture is linked to informality of work relations which in turn is underpinned by strong family connections. It is precisely why when VP is mentioned, it is argued by the scholars that *wasta* shapes the informal or formal understanding between employee-employer (Aldossari & Robertson, 2015). The literature has not offered much in this regard, but that remains an important determinant of the current study.

Despite the role of *wasta* in SA context, it should be noted that SA's labour market is heavily dependent on availability of foreign labour with the condition of one out of ten workforce being Saudi citizen (Sfakianakis, 2011a). Mellahi (2006) argues that firms in the country have been traditionally facing issue recruiting qualified Saudis and various strategies have been put forward in to develop competent workforce. While the private sector has seen massive growth, the participation of local workforce is dependent on high wage. The perception that Saudis look for greater salary and bigger status does hinder the efforts for on-the-job training but that has not derailed private sector efforts to develop and design new positions and training programs (Sfakianakis, 2011b). But these dynamics brings into play the motivational aspect of workforce at the centre of VP. According to Luthans, 2005, motivation

is a psychological procedure that causes the arousal, direction, and persistence of voluntary actions that are goal directed. The review of the literature in the chapters above, has already established the notion that pay dimensions such as incentives and rewards are favoured elements for employee motivation in firms. As per the expectancy theory, performance-contingent nature of the pay plans generates higher productivity and profits as they motivate individual employees to put in more effort (Coyle-Shapiro *et al.*, 2002). There is also the mention of collective plans (such as cash-based and stock-based profit) being likely to have strong impact on employee attitudes such as job satisfaction and organizational commitment (Florkowski & Schuster, 1992; Klein *et al.*, 2008). To this, there is also the social exchange view, which takes into consideration affective organisational commitment in the form of exchange of loyalty and effort for material benefits and social rewards (Eisenberger *et al.*, 1990). Scholars have established a positive relationship between employee perception of profit sharing and its affective commitment. Given the collectivist context of SA culture, a pay plan with collectivist commitments is likely to increase organisational commitment as it reflects a firm's approach to share rewards with its employees in contrast to distributing profits specifically to managers and shareholders (Kuvaas, 2006). Equity theory can also be used to argue that more inducement that an organization provides to an employee, greater reciprocation an employee will show by becoming more effectively committed to the organisation (Adams, 1963; Lee & Bruvold, 2003). The reciprocity on behalf of employees and employers can also be attributed to socioemotional outcomes which takes into consideration employee's social needs (Kuvaas, 2006). The study has clearly highlighted that base pay level has positive effects on performance through increased organisation-based self-esteem.

3. Finally, within the context of SA, across different sectors how do employees perceive the merits and demerits of VPS?

Pay-for-performance has always been viewed as an important and innovative mechanism for facilitating employee morale and productivity (Kellough & Seldon, 1997). Firms have demonstrated various approaches to implement and institute VPS as was made evident in the analysis. As far as the literature goes, most attention have been given individualised performance-based wage incentive which is also referred to as merit pay (Salimäki & Jämsén, 2010). Merit pay includes awards for better performance which are more permanent in nature. This according to some views results in impacting employees' salary long after the performance recognition has faded (Meng & Wu, 2015). Another approach identified within the firm is to offer awards in the form of one-time bonus payment separate from an employee's base pay. As per the systems of bonuses, superior performance is recognised but for a duration. Firms also award group-based effort in contrast to individual efforts. This for some firms is convenient and linked to difficulties in organising individualised performance appraisals. As already established earlier in the preceding chapters, group-based incentive systems (also referred to as gainsharing recognises the entire unit members for enhanced performance when meeting the organisational goals (Roy & Dugal, 2005). In addition to the focus of the current research, research in sectors has already shown that there are custom plans to meet the special requirement for group-based effort and firms are actively looking at ways to integrate a comprehensive plan as part of their compensation policies. But overall, gainsharing has been effective for firms across the sector. The use of gain sharing motivational program has resulted in enhancement of employee motivation and minimised cost (Gardner, 2011). If this notion is applied to both large and small companies, both types of firms seem to gain in terms of productivity.

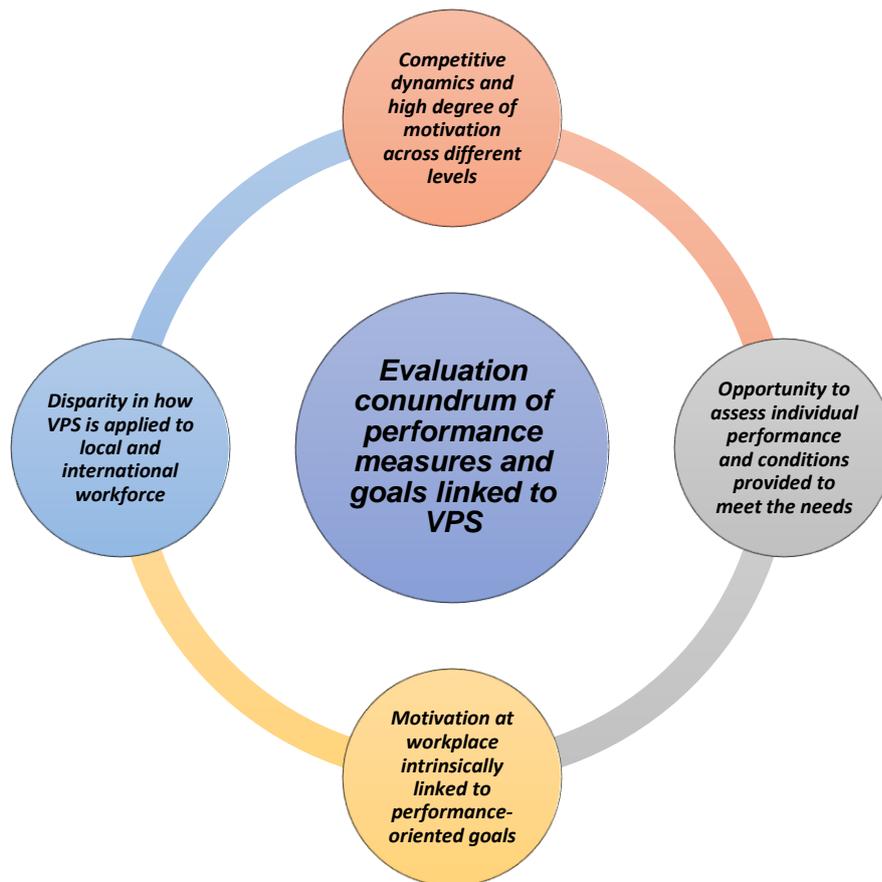


Figure 6.4: Evaluation Conundrum and Performance Perception of VPS in SA

Irrespective of what systems are in place across the firms, one of the major discrepancies relates to performance evaluation. Be it telecom or food sector such discrepancies are worth noting. According to scholars in the domain, it is the most praised, criticised and debated management practice in decades (Lawler, 1994). Proponents of performance appraisal (most discussed in individual context) argue that such a practice helps management define the work, measure the performance and reward in a method which generates motivation (Kline & Sulsky, 2009). During this process, management also gets an opportunity to counsel employees on skill competencies and structure a pathway for new capabilities. The process of setting goals and objectives for employees through this management practice is highly worth the time of the management can yield great results for firms. Despite the well documented benefits of evaluation system, firms have mostly struggled to motivate and guide employees’

development process in an effective manner. As the current research has also indicated that it causes difference of opinion leading onto conflict between supervisors and subordinates resulting in dysfunction behaviour. It has been shown in the literature that dysfunctional dynamics in firms are exaggerated in cases of performance appraisals linked to traditional merit pay systems (Campbell *et al.*, 1998). There are severe implications when the structure forces supervisors to compare two employees – judging some favourably thereby causing forced distribution problem (Lawler, 1994). A well-designed and administered VPS can mitigate some of the problems inherent in evaluation system and if firms are willing to use to pay as motivator, it is often recommended to link the results of a performance appraisal to VP than to a merit pay system. With regards to merit pay, since only a small change in pay occur and major proportion of pay are not dependent on current performance. With VPS, critical amounts of awards can be tied to current performance but if putting VPS in place is all about achieving cooperative behaviour, it is rather ineffective to employ a forced distribution system. Scholars argue that using a forced distribution system leads to a dynamic of competition amongst the employees being appraised. There is already evidence that appraisal systems can be a useful source for skill development which should be treated rather differently, and such points of discussion should be demarcated from appraisal of individual's performance and pay actions. Often discussion of pay and performance drowns out the need for development (Wilson & Western, 2000). These trends bring out another important consideration – the focus on individuals conducting the evaluation on behalf of the management. Supervisors in such positions do not possess all the tools or skills for performance appraisal and management. This causes significant issues as they end up discussing generalised traits which outcome-wise generates defensiveness on part of their employees. Untrained supervisors with unpreparedness end up spending very little time with their employees having meaningful discussions. Also, the subjective nature of some of these

discussions can result in very poor outcomes especially for employees (Kleiman *et al.*, 1987). For supervisors in such cases, it is easier to discuss “what is wrong” in terms of classic performance model instead of recommending what or how that can be solved. Some scholars maintain that employees in such cases end up becoming the victim of a poorly designed evaluation system which is why it has been recommended that an effective performance management system tackling both - motivation at work and contributing to skill development should be linked heavily to organisational design, management strategy and well-developed approach to performance management (Garcia-Bernal & Ramirez-Aleson, 2010; Wadongo & Abdel-Kader, 2014). The traditional dysfunctional approach evident in sectors across SA requires a system overhaul; this where VPS offers an opportunity as it fits in with the evolving new approaches to organisational development. The dysfunctional approach in SA as observed is also linked to inconsistency around firm’s ability to implement localisation policies. While firms are constantly being pressurised to adopt indigenization policies such as “Saudization” the unavailability of skilled local workers coupled with expatriates’ knowledge of the parent company (Haak-Saheem & Brewster, 2017). Research on impact of indigenization policies (such as Saudization) for firms and its potential performance is still under researched but given the findings of this research, it can be safely assumed that private sector workforce in SA face huge pressure to meet organisational objectives in order to benefit monetarily. Scholars working in the area largely agree that local workers and their attitude impacts the outcome of indigenization polices. As such the research is limited in linking VPS and workforce in the SA sector, and is largely dominated by foreign workers in the private sector.

As SA looks towards the future, employees across its main sectors need to be guided and encouraged in order to develop particular skills. These skills are to be sharpened and focussed on critical organisational aims and objectives. Firms must look out for challenges when

developing meaningful approaches aligned adequately to both employees and their own organisational aims. High wage expectations, negative attitude towards work, control of expatriate work and social integration in the multicultural set-up are just some of the issues which Saudi firms have been experiencing but if looked deeper, these challenges also arise in other cultural contexts, but SA is on the cusp of reinventing its economic wheel and helping firms overcome these challenges. This particular research through its VPS exploration across the eight sectors has shed light on multiple aspects within with SA economy. In the context of some of the strategic plan such as Saudi Vision 2030, new challenges as well as opportunities have been added to profile of the country. The country is under new directive in identifying priorities, strategic goals and objectives encapsulating all the economic sectors of the country (Albejaidi & Nair, 2019). As added earlier, Saudization remains key, and the National Transformation Program is helping sectors build the institutional capacity for competing in global markets. Strategies should continue to broaden coverage across the private as well as public sector through numeric adequacy and developing ideal workforce mix by linking social and rural outreach. The role of compensation and its effect on motivation of the workforce is a debate which will assume an important place in Saudi economy especially as the country diversifies, thereby identifying new skill sets in its economic wheelhouse. In the wake of these development government, policy makers, practitioners and industry leaders within the SA context are likely to engage tirelessly in order to develop contextual compensation strategies linked ideally to their respective organisational goals and catering to employees with specific skill sets and competencies. Skill sets and competencies in SA are heavily impacted by culture as well as fairness in firms.

6.3 Culture and Importance of VPS – Impactful indicators in SA Context

The culture indicates that corporations are likely to adopt innovative approaches from the corporate world irrespective of the sector. Firm behaviour in such cases could be explained either through economic theories of rational action or sociological theories but adoption of such approaches is rampant and allows for firms to react to market changes. Employees welcome such changes if the VPS in question is in sync with organisational objective as well their personal progression and development. Further exploring the impact of VPS on corporate culture there is still the lack of consensus if VPS has impacted the work environment in a positive manner. There remains the sense of discontent which has been driven culturally in terms of values towards what a VP should constitute. The study also highlights the disparity when it comes to VPS that are a result of western initiatives and their implementation within the cultural context of SA. It is apparent that when practices are imported to fit a certain cultural milieu, they are not always effective and efficient. Such dynamics give rise to the notion fairness or the lack of it in firms across the sector.

In studies such as this (cross-cultural), concept of organisational justice remains important. Its interpretation has implications especially on job satisfaction and self-perceived performance for domestic (Saudi) and foreign workers (non-Saudi). In line with theoretical understanding, organisational justice pertains to the perception of fairness and remains a core value of any organisation (Baldwin, 2006). In the SA context, this can be a determinant: to a) the type of VPS adopted and implemented; b) its effectiveness for organisations, and c) impact on employee motivation. These prominent factors are critical in understanding how VPS is perceived. In most cases (at least the firms under consideration in this research) VPS is instituted with a broad view to help its employees improve their performance and skills,

linked in turn to the organisational objectives. But the question as to its effect on employees remained. As the research suggests, when it comes to individual incentives a sense of competition has developed. This was particularly salient in cases where individual employees were being compared to foreign workers. The notion of skill development or training largely remained a peripheral issue as managers sought to diffuse the effect of VPS on employees' base pay.

Based on the findings of this study, it can be concluded that VPS serves as a motivational factor to employees, and they create a drive to achieve set goals. This stimulus is found to be a significant factor not only in employee performance but also in retention rate as indicated by findings. This symmetrically opposes the findings from Kuvaas *et al.* (2020) where it was found that individual VP for performance can have a negative impact on intrinsic motivation and can be characterised as a factor that have controlling effect on employees. These findings are related to the first research question. The study conducted both qualitative and quantitative analysis of the data that were gathered from two types of stakeholders and they both indicate a significant importance of VPS to employees of the private sector companies in SA. This study's contribution to knowledge lies in the fact that no prior investigation on the effect of VPS on employee performance has been conducted in SA by using mixed methods. Therefore, this study has the aim to set the initial findings in the above-mentioned context, explore practices and challenges as well as to suggest steps for future research drawn from the limitation of the current study. There are a number of positive effects of VPS on the organisational culture, some of which have been confirmed in this study such as increased employee performance which leads to the enhancement of the corporate performance. These findings indicate that the effect of VPS in the SA context is different from, for instance, a Canadian context, where no significant relationship is found between VPS and satisfaction (i.e., Cloutier *et al.*, 2013). This indicates that the full potential of VPS in terms of

motivation, performance and satisfaction is yet to be fully realised and revealed (Ducharme & Podolsky, 2006). However, cultural characteristics have been regarded as important in the context of SA and, therefore, this study shed the light on the manifestation of VPS in cross-cultural thought. Previous studies confirmed the evidence of *wasta* in the explored context (Alwerthan *et al.*, 2018) and discussed its negative effects on employee progression, satisfaction and motivation. In response to the second research question, likewise, this study also confirmed the evidence favouritism and nepotism in the Saudi private sector which further implies that its existence is regarded as one of significant factors in business practice. The evidence of its presence has also been proven in the context of the current study where employees experienced the negative aspect of favouritism which affected their motivational drive to achieve better and to strive to add that further value to the company. Yet another noteworthy phenomenon is signalled through the findings obtained from the questions about the different packages offered to repatriates and expatriates and the difference between them. A clear distinguishing in the levels of VPS and salaries between nationals from different countries who work in completely the same role triggers concerns over satisfaction with job role. These approaches could also be taken into consideration by policy makers where the approaches towards managing and measuring performance will be introduced. The approaches are mainly built around organisational structures, a more systematic approach should be taken by re-introducing pre-existing models such as Comprehensive Spending Review (CSR) and New Public Management (NPM).

When discussing the merits of using VPS as a HRM instrument, the literature recognises a fair number. Hence, this study not only confirms benefits of VPS through enhanced motivation with employees and increased productivity, but it also brings new element and additional philanthropic dimension in its operation. Ramadan, for instance, is the time of a year when employees receive their 13th monthly salary or a bonus. As this is not embedded in

the employment law of the country, the level of bonus (if any) is left to employers to determine and distribute to their employees. As this is rather norm, companies exercise such kind of a corporate social responsibility activity which not only positively manifests onto employee motivation, loyalty and enhanced performance, but also has its dimension of giving and generosity which stems from the religious teaching.

6.4 Limitations of the Research

Given the scope of this research several challenges arose during the process. Despite presenting a clear picture of how VPS plays out within the context of SA, this research can be further improved on various fronts. Included in the study, there were eight sectors analysed but, given the emergence of SA as an economy inclusion of other sectors such as education, healthcare, agriculture would have added to the comprehensiveness of the research. The eight sectors studied have helped illustrate some of the key trends, but further inclusivity would have enhanced the findings even further.

While the research motivation was echoed in the preceding chapters which encompassed the element of cross-cultural differences in the workforce, this was difficult to obtain and was potentially beyond the scope of this study since most of the employees who responded to the questionnaire were SA nationals. Therefore, future studies could possibly incorporate the dimension of plurality and, perhaps, focus on exploring perceptions of different national groups in relation to VPS. More in-depth studies are required that touch upon the cultural context of SA companies. Despite that the research has sought to include the important aspect of cultural differences related to Western-designed schemes and their applicability in the explored context, this body of knowledge requires further exploration. The researcher is of the opinion that the current study provides a solid ground and platform upon which future studies can be built.

The research was conducted using a mixed-method approach which was carried out meticulously but, like any other mixed method approach, the study cannot escape some of the criticism levelled at adopting such a research design. It should be noted that although mixed method in recent times have become a popular tool for researchers, practical guidance, or standard approach to conducting such research is limited. Also, the need to supplement survey data with secondary information has been a challenge. The same goes for ensuring the rigour of qualitative data. This was largely mitigated using data structure (chapter 5) when handling the interviews. This research also employed qualitative interviews as means to deduce quality outcomes. Given the context, questions and timing of the research more interviews and added insights would have brought a greater degree of comprehensiveness to the research findings. Scholars have raised the issue of accessibility and availability when it comes to a mixed-method research design (Leahey, 2007). However, it should be noted that research methods are tools for investigation as adopted by the researcher and its limitations should be elaborated in practical terms which in most cases can be a major hindrance. Current research has attempted a full justification of such an approach, but it will always remain a perception issue.

6.5 Future Research Directions

Despite some of the limitations of the research, it should be noted that the work has identified multiple dimensions covering HRM in general but capturing the insights on compensation, motivation, performance, and intuitional norms within firms. Another key aspect of this work was its focus on the contextual factors of SA in relation to VPS. When it comes to compensation and motivation based on review, in the literature various work has featured in this thesis, but based on the outcomes of the research it can be safely assumed that there are various other theories which can be very well applied in order to ascertain the motivational

and performance dynamics of employees. There are some very interesting studies and the work in the area is already burgeoning but as this research suggests there are indicators around performance and motivation which can be pursued further to develop new insights and framework. The study has brought forward aspects such corporate and socio-emotional factors, cultural and hierarchical manifestation in the wake of SA culture which not only could be applied in the same context but can be replicated for another cultural context outside the region. Further research on evaluation conundrum irrespective of the sector for investigation can offer policymakers and practitioners new insight on how to effectively manage organisational performance. There is a large gap in literature which could benefit from exploring the disparity in how VPS is applied to different workforce. Motivation at work and links to dispersed approach to how VPS is managed and applied has been a practical concern and current study has highlighted the need for researchers to explore it further. Another possible research direction could be to explore the context of SA in the wake of its effort as far as transformation program and strategies such as Saudi Vision 2030 is concerned. Literature has begun to emerge utilising these notions, but as the country moves away from oil-based economy, the use of VPS in other sectors could be an important indicator of how the economy and its citizen will negotiate the transformation process.

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APPENDICES

Appendix 1 - Interview questions

Dear participant,

Assalamu alaikum

Thank you for participating in my research titled "The role of Variable Pay Systems and their Effect on Employee Motivation in Saudi Arabian Private Companies".

Your participation in this study is voluntary and much appreciated. Please rest assured your responses will not be used anywhere apart for the purpose of this study. The research obtained ethical approval and it is conducted in accordance to the ethical code of Durham University.

Thank you for your participation.

With best regards,

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أسئلة المقابلات الشخصية

عزيزي المشارك

السلام عليكم ورحمة الله وبركاته

وبعد...

الباحث بصدد القيام بدراسة تهدف الى التعرف على " تأثير نظام الدفع او الاجر المتغير كعنصر من عناصر ادارة الموارد البشرية " على اداء الموظفين: دراسة حالة بالقطاع الخاص بالمملكة العربية السعودية.

مشاركتك في الاجابة عن الاسئلة ستكون بمحل تقدير عال حيث ان اجابتك عن الاسئلة ستعامل بسرية تامه ولن تستخدم الا لأغراض البحث العلمي حيث انه تم التعهد والتوقيع بما يخص اخلاقيات البحث هذا وقد تمت الموافقة على هذه الدراسة من قبل (Durham University) جامعة دورهام.

شاكرا ومقدرا لك المشاركة والمساهمة في انجاح هذه الدراسة

عبدالمجيد القحطاني طالب دكتوراة بجامعة دورهام البريطانية

Abdulmajeed.alqahtani@durham.ac.uk

Interview Question Translation

No	Arabic	English
1	منذ متى وانت تعمل لدى صاحب العمل الحالي؟	How long have you worked for the current employer?
2	هل سبق لك العمل لدى صاحب عمل اخر، اذا كانت الاجابة بنعم ما هي تجربتك الاجمالية مقارنة بعملك الحالي؟	Have you worked for another employer previously and if yes, what is your overall experience comparing to the current employment?
3	ما هو تقييمك لأداء الموظفين في هذه الشركة؟	How do you think employees in this company perform?
4	كيف يتفاعل الموظفون مع عملهم عبر مستويات مختلفة لشركتكم؟	How do employees engage with their work across different levels of your company?
5	هل تطبق شركتكم خطط الدفع او الاجر المتغير؟	Does your company have variable pay systems in place?
6	أي نوع من نظم الأجور المتغيرة تستخدمه شركتكم؟	What kind of variable pay systems your company is utilising?
7	هل هناك أي قيود عملية تمنع نظام الأجور المتغيرة من أن يكون فعالاً؟	Are there any practical limitations that prevent the variable pay systems from being effective?
8	ما هي معايير الأداء المتوفرة لديك وكيف يمكنك قياس أداء الموظف؟	What performance criteria do you have in place and how do you measure employee performance?
9	ما مدى صعوبة أن يتجاوز الموظفون معايير الأداء؟	How difficult is it for employees to exceed the performance criteria?
10	برأيك الشخصي ما الذي قد تعتبره أفضل وأسوأ	In your opinion, what would you

	جاناب من جوانب نظام الاجر او الدفع المتغير بما يتعلق بالأداء؟	regard as the best and the worst aspect of the performance-related pay or variable pay system?
11	كم مقدار الفرصة التي تملكها للتأثير على معيار الأداء لنظام الحوافز؟	How much opportunity do you have to influence the performance criteria of the incentive system?
12	كيف يعمل نظام الأجور المتغيرة المختلفة أو المتنوعة لمختلف العاملين؟	How do different variable pay systems work for different workers?
13	برأيك الشخصي كيف تختلف المواقف تجاه العمل بين الموظفين المحليين والأجانب في ضوء نظام الدفع المتغير المقدم لهم؟	In your opinion, how do attitudes towards work differ between national and foreign employees in light of the variable pay systems offered?
14	إلى أي مدى يمكن للمشاركين التحكم في العوامل المؤثرة على نتائج خطة الحوافز؟	To what extent can participants control the factors influencing the incentive system outcomes?
15	هل هناك شيء آخر تود اضافته؟	Is there anything else you would like to add?

Interview Transcript

This interview was conducted with HR senior manager in Basic Food and Investment Sector. This company is a holding company of a group of companies in SA as well as some countries in middle east. It is considered a large and a joint stock company. The interview lasted for 57 minutes, and the participant symbolized by (SM) and the researcher with the symbol (A.M).

1. How long have you worked for the current employer?

1- About eight years.

2. Have you worked for another employer previously and if yes, what is your overall experience comparing to the current employment?

2- Yeah. I have worked in more than one sector, including the banking sector and it is the longest period in which I worked for almost 10 years. After that, the transportation sector and I also worked for a government-backed company in Riyadh for two years and at last here in my current company.

(A.M) How do you see working in the banking sector in comparison with your current job?

(SM) There is a difference and I worked for the largest Saudi bank, the National Bank. This bank is considered as a school for everyone in all respects. Frankly, I have benefited a lot from it. The difference between them is vast but the administration I work has its own policy advantages.

3. How do you think employees in this company perform?

3- Frankly, the company in which I work has a very stimulating environment and the performance of employees is high. Looking at the company's site, there are the basic principles such as honesty, transparency and positive things in favour of the employee and also matters in favour of the investor.

4. How do employees engage with their work across different levels of your company?

4- The company has about 60 employees working in the company's headquarter and around 30 thousands employees in all its branches in Saudi Arabia, as well as most of the Arab countries, Turkey and Iran. I hereby give you the necessary answers concerning the main company (Holding). The interaction of the employees is clear, effective, specific and the rate of cooperation and interaction among the staff is very high.

5. Does your company have variable pay schemes in place?

5- Yes.

6. What kind of variable pay schemes your company is utilising?

6- We have a bonus linked to the employee's performance and is calculated proportionately as one salary , two salaries or even three basic salaries and the highest bonus is five basic salaries. We have the basic salary, housing allowance and transport allowance as fixed and is not considered variable wage and this is applied to all companies by the Saudi labour system, after which the other financial matters following the policy of each company. We have a child education allowance for Saudi and foreign employees, annual tickets for Saudi and non-Saudi employees. To the extent of my experience and knowledge of other holding companies, there is a variable pay scheme applied for the sales staff paid every 3 months based on the percentage of sales provided.

(A.M) Are you thinking about a new variable pay scheme system like profit sharing?

(SM) Yes, this year we are working on a new system by giving some shares in the company to certain levels of employees, not disbursed until after 3 years, which is a motivational system for retain employees in the company. There is also the annual premium based on employee performance and inflation tare of the labour market.

7. Are there any practical limitations that prevent the variable pay schemes from being effective?

7- Depends on the planned goals from the beginning of the year, for example, if the goal is to achieve a profit of 100 million and 75% of target has been achieved, here the employee is entitled to get the annual bonus based on his performance and the performance of the company in general. The less profits, of course, there will be an impact on the variable pay scheme system, specifically the annual bonus.

8. What performance criteria do you have in place and how do you measure employee performance?

8- Our performance standards are provided to each employee beginning of the year: KPI's (key performance indicator). These goals are defined by the Director of the Department and at the end of the year, the performed tasks and the non-performed tasks are looked at and considered whether there are obstacles beyond the will of the employee and others. Accordingly, it is decided what level obtained by the employee out of 5.

9. How difficult is it for employees to exceed the performance criteria?

9- Because our holding company has a small number of employees and it is scares to find a job because selection is difficult and appointing an employee for a job is very accurate . Often if there are no external or internal circumstances affecting the company or some conditions are handy to solve. Here it is for the employee to exceed the standards of performance and benefit returns to the same employee as a result of his extent of diligence to exceed and achieve performance standards.

10. In your opinion, what would you regard as the best and the worst aspect of the performance related pay or variable pay scheme?

10- The best side and I'm here also talking about my experience in the banking sector. As long as the company works excellently, everyone will take the bonus based on the performance provided. Here everyone is interactive and the spirit of competition is high . The worst side is the moody administration at work which is the nature of the Arab administration, here I do not generalize to everyone. It is the favoritism between the employees (for example, the head of a section or the director of department prefers someone to others even if his level is weak and there is better than him, but he is given a higher evaluation. In short, patronage and moderation prevail over this system in some cases). For

example, some other companies such as SABIC where performance and evaluation are automatically calculated. It does not allow personal interference, and this is what we demand to achieve justice and equality among employees. In this sense, we find that the culture in general and the culture of some managers affect significantly. There is injustice in the assessment to some employees. Thus, for this reason I moved from my previous company to this company and the reason for this is that there is discrimination and inequality.

11. How much opportunity do you have to influence the performance criteria of the incentive scheme?

11- Frankly it depends on the agreed upon by senior management there may be certain suggestions. The senior management always prefer to have a proposal for a system of incentives or others by logical analysis and study in all respects then be approved or rejected or keep the current system. But now with the policy of the Saudi Vision 2030, there will be a development in the Saudi labour market in all respects in the coming years and certainly that stimulates the Saudi workforce to working environment, hard work and diligence and when the environment is a catalyst for work, there will be positive results, by God's grace. And certainly the incentives system is an important system that cannot be ignored to raise the company performance and helps the employees to achieve the goals.

12. How do different variable pay scheme work for different workers?

12- It varies from person to another depending on the grade of employment, basic salary and experience, too and they are calculated proportionately and fit in the end.

13. In your opinion, how do attitudes toward work differ between national and foreign employees in light of the variable pay scheme offered?

13- Honestly, employees from Europe or America take their full rights by this system, some of them will have a fixed bonus and may be stipulated in the contract either achieved the

required performance or do not. They take the bonus, because the company benefits from them in any case by the transfer of knowledge and employees development. In the case of attracting foreign staff to a high level of skill and experience, it is my view that a foreign employee may be a hindrance to the presence of better local staff in the event that no qualified foreign staff are recruited. In the case of local employees, there are conditions applies against them in the event of non-compliance with the required objectives.

14. To what extent can participants control the factors influencing the incentive scheme outcomes?

14- Let's go back and talk about the bonus factor and the incentives provided. Ordinary employees may not have an impact on the incentive plan. This is due to property owners and senior management in order to change it to the best according to what they see fit and according to the policy of the company in general. There may be strong sections that have a huge job to increase the income and earnings. Their voices are mostly audible, but the rest I do not think they have a direct impact.

(A.M) From your own point of view on the, do you think the variable pay indicator is effective in the Saudi Labour market or there are still obstacles that hinder effectiveness?

More frankly, from my experience of the individual income depends on the area where the employee lives. For example, the big cities where living is expensive in terms of housing, you find job seekers prefer large companies that provide higher salaries. Sometimes you may find a job in Jeddah with a salary of 11,000 riyals as a fresh employee and you may find it difficult to stay in this company because of seeking a more financial return. Most of the government-backed companies are in Riyadh. Their salaries are very high, and the incentive system is high, too. In Riyadh, if the income is less than the expense, the environment may not be stimulating. Here Riyadh is considered the most expensive area, then the eastern

region and after that the western region. In my experience, I believe that the variable pay indicator system is effective in large companies with strong capital and government-backed companies and it is constantly evolving. As for small and medium-sized companies, we may not see this system implemented or available to them. The State and the government sector is seeking in the coming years to link the wages to performance and that the previous annual bonus for government employees, will be stable whether the tasks performed in full or not. As we heard from the news that in the coming years, the annual bonus will be combined with the performance of the individual government employee and this action is within the national transformation to achieve the Saudi Arabian vision 2030.

15. Is there anything else you would like to add?

15- Best regards.

Appendix 2 - Questionnaire survey

Dear Participant,

I am Abdulmajeed Alqahtani a PhD candidate at Durham University (UK) in Human Resource Management (HRM) and focusing mainly on The Role of Variable Pay Systems and their Effects on Employee Motivation in Saudi Arabian Companies.

Your participation is appreciated and all data that you provide will be confidential. This survey will take less than 5 minutes to complete. This survey available in both English and Arabic languages.

This study has been approved by Durham University. Please contact the researcher named bellow to have any questions answered or if you require further information about this project

I hope you will consider participating in this project.

Many thanks in advance

Abdulmajeed Alqahtani

Abdulmajeed.alqahtani@durham.ac.uk

Demographic questions

1. Your age
 - Under 20
 - 20-35
 - 36-50
 - 51-65
 - Over 65

2. Your gender
 - Female
 - Male

3. Your marital status
 - Married
 - Single
 - Widowed
 - Divorced
 - Other

4. Your highest completed level of education
 - Elementary
 - High school
 - College degree
 - Graduate degree
 - Masters degree
 - PhD degree

5. Number of years worked in the company
 - Less than 1
 - 1-5
 - 6-9
 - 10-14
 - 15-19
 - 20-24
 - 25-29
 - 30 years and over

6. Number of years worked for other company before joining your current company
 - Less than 1
 - 1-5
 - 6-9
 - 10-14

- 15-19
- 20-24
- 25-29
- 30 years and over

7. Have you worked for another employer previously
 Yes (if YES, then following question)
 No (if NO, then respondents will continue from question 9)
8. What is your overall experience comparing to the current employment?
 Very satisfied
 Satisfied
 OK
 Dissatisfied
 Very dissatisfied
9. Which of the VPS are available in your company?
 Individual level variable pay plans
 Group level variable pay plans
 Profit sharing plans
 Non-monetary incentives
 Recognition
 Other (please specify)
10. Job status (level)
 Employee
 Supervisor
 Middle management

Questions from 11 to 29 are based on the 5-level Likert scale

Number	Dependent Variables	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
11	The VPS used in my company is fair to its employees					

12	I have a clear understanding of the performance criteria required to earn better rate (bonus)					
13	I don't think I can achieve the performance criteria set by my employer					
14	I believe that VPS set in my company is worthy extra effort					
15	I am sure I will achieve incentive every month/quarter as it has been set reasonably well					
16	I will try to work harder to achieve better pay scale as set					

	by my employer					
17	I would describe employees of this company as more satisfied than previous year					
18	The stress at work is much greater with VPS in place					
19	I think about changing my employer due to the pay system in place					
20	I believe VPS makes employees to work effectively in groups/teams					
21	VPS at my workplace helps to improve business practices					
22	I believe that with VPS in					

	place, my work is much more organised and focused					
23	I receive feedback on my performance on a regular basis					
24	With VPS in place at my workplace, I get recognition for performance					
25	I believe there is no misuse of VPS in my company					
26	Managers do not use VPS to favour between employees					
27	I trust my management in the way they recognise and					

	reward the performance					
28	VPS makes no difference to me in terms of my own engagement with the work					
29	I am happy with the VPS being in place					

عزيزي المشارك/

اخوكم الباحث عبدالمجيد القحطاني طالب دكتوراه بجامعة دورهام البريطانية في تخصص ادارة الموارد البشرية. هذا الاستبيان متعلق باثر نظام الاجر المتغير كعنصر من عناصر ادارة الموارد البشرية على اداء الموظفين دراسة حالة بالقطاع الخاص بالمملكة العربية السعودية.

مشاركتك في هذا الاستبيان مقدرة وجميع البيانات التي ستقدمها سيتم الحفاظ عليها بسرية تامة. هذا الاستبيان سوف يستغرق اقل من خمس دقائق لاكماله.

في حال الرغبة بالحصول على مزيد من المعلومات .تمت الموافقه على هذه الدراسة من قبل جامعة دورهام البريطانية يرجى التواصل مع الباحث الموضحه بياناته ادناه حول هذا المشروع.

هذا الاستبيان يركز على نظام الاجر المتغير أي الحوافز المالية من البدلات والعلاوات على سبيل المثال:

1/ (البونص السنوي،الانتدابات،المكافآت المالية ... الخ) والتي تخضع لمتغيرات الاداء.

2/ هذا الاستبيان يتوفر باللغتين العربية والانجليزية.

امل منكم المشاركة في هذا الاستبيان

شكرا لكم مقدما

عبدالمجيد القحطاني

Abdulmajeed.alqahtani@durham.ac.uk

1. العمر

دون العشرين

20-35

36-50

51-65

أكبر من 65

2. الجنس

ذكر

أنثى

3. الحالة الاجتماعية

متزوج/متزوجه

أعزب/عزباء

أرمل/ه

مطلق/ه

4. أعلى مستوى تعليمي لديك

ابتدائي

ثانوي

دبلوم

بكالوريوس

ماجستير

دكتورة

5. عدد سنوات العمل في الشركة

أقل من سنة واحدة

1-5

6-9

10-14

15-19

20-24

25-29

أكثر من ثلاثين سنة

6. عدد سنوات العمل في شركة أخرى قبل الانضمام إلى شركتك الحالية

أقل من سنة واحدة

1-5

6-9

10-14

15-19

20-24

25-29

ثلاثون سنة فما فوق

7. هل سبق وان عملت لدى جهة عمل أخرى؟

نعم
لا

8. ماهو تقييم تجربتك اجمالا مقارنة بالعمل الحالي؟

راض جدا
راض
مناسبة
غير راض
مستاء جدا

9. شركتك تعمل بأي من أنظمة الدفع أو الأجر المتغيرة التالية

خطط الاجور المتغيرة على المستوى الفردي
خطط الاجور المتغيرة على مستوى المجموعة
خطط تقاسم الارباح
الحوافز غير النقدية
مكافاة تقديرية
اخرى (يرجى التحديد)

10. الحالة الوظيفية (المستوى)

موظف
مشرف
الادارة الوسطى

تستند الأسئلة من 11 إلى 29 على مقياس ليكرت المكون من 5 مستويات

الرقم	المتغير التابع	موافق بشدة	موافق	محايد لا أتفق	لا أوافق بشدة
11	الأجر المتغير المستخدم في شركتي عادل لموظفيه				
12	لدي فهم واضح لمعايير الأداء المطلوبة لكسب معدل أفضل (مكافاة او كما يعرف بالبونص)				
13	لا أعتقد أنني أستطيع تحقيق معايير الأداء التي حددها صاحب العمل				

				أعتقد أن نظام الدفع او الاجر المتغير المحدد في شركتي يستحق مجهوداً إضافياً	14
				أنا متأكد من أنني سأحقق الحافز كل شهر/ كل ثلاثة اشهر حيث أنه قد تم تحديده بشكل معقول	15
				سأحاول العمل بجد لتحقيق مقياس أجور أفضل كما هو محدد من قبل صاحب العمل	16
				أود أن أصف موظفي هذه الشركة بأنهم أكثر ارتياحا من العام الماضي	17
				الإجهاد في العمل أكبر بكثير مع نظام الدفع او الاجر المتغير في حال تواجدت	18
				أفكر في تغيير صاحب العمل بسبب نظام الدفع المتواجد	19
				أعتقد أن نظام الدفع المتغير يجعل الموظفين يعملون بفعالية من خلال مجموعات او فرق	20
				نظام الدفع المتغير في مكان عملي يساعد على تحسين ممارسة الأعمال	21
				أعتقد أنه من خلال نظام الدفع المتغير ، فإن عملي أكثر تنظيماً وتركيزاً	22
				أتلقي تعليقات حول أدائي على أساس منتظم	23

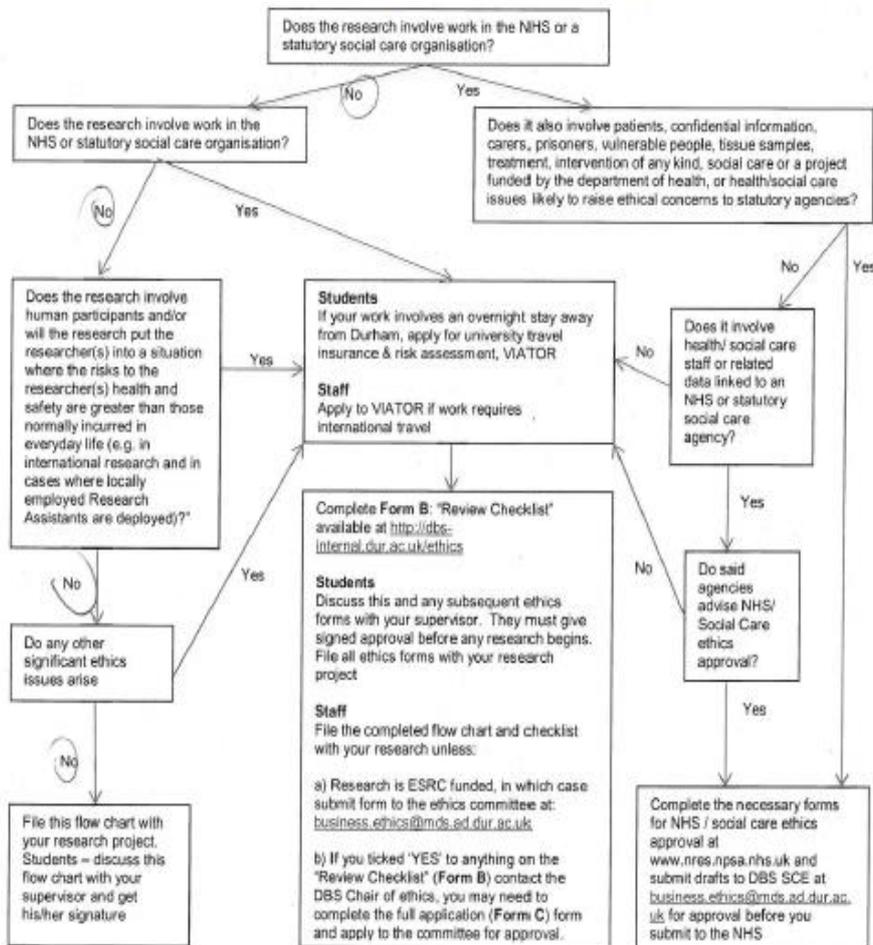
				مع نظام الدفع المتغير في مكان عملي، أحصل على اعتراف بالأداء	24
				أعتقد أنه لا يوجد سوء استخدام لنظام الأجر المتغير في شركتي	25
				المديرين لا يستخدمون نظام الأجر المتغيرة لمصلحة الموظفين	26
				أنا على ثقة من إدارتي في الطريقة التي يتصرفون بها على الأداء ويكافئونه	27
				نظام الدفع المتغير لا يؤثر علي من حيث مشاركتي مع العمل	28
				انا سعيد بتطبيق وتواجد نظام الاجر المتغير المضاف الى راتبي الاساسي بالشركة	29

Appendix 3 - Ethical form

ETHICS FORM 'A' – Process flow chart for students & staff

Saudi Arabia

Title of Project: The role of variable pay schemes as tools of employee performance in Saudi Arabia
 Name of Principal Researcher or Student: Alqahtani, Abdulmajeed



Tick one box only

Signature of Principal Researcher or Supervisor:

Signed: [Signature] Date: 08/03/17