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### **WHY MATERIAL INCENTIVE PROGRAMS DOES NOT WORK?: a case study in Tourism Field in Buenos Aires, Argentina.**

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#### **Resumen**

La literatura especializada enfatiza en los premios económicos como una forma regulada de mejorar la performance de los empleados y su rendimiento en el trabajo. Lejos de dar un resultado satisfactorio, la presente reseña ejemplifica como ante la introducción del capital en una organización, los empleados que están próximos al consumidor especulan con su posición generando verdaderos conflictos de mando y autoridad. A mayor expectativa de ganar más dinero, mayor es el conflicto.

Palabras Claves. Dinero, Incentivo monetario, Organización Turística, Conflicto.

Whilst specialized literature emphasizes on the needs of motivating employees to improve the performance at work, the present paper shows the pervasive nature of financial incentives. The monetary awards not only trigger the pre-existing conflict but also reduce the confidence in the other. This research is a result of a much broader project of investigation concerning the negative effects of a monetary incentive program in one of the most well-known rent a car companies in Buenos Aires and Argentina. The upper-management decided to implement a program of incentive in order for boosting the performance of employees. The program of incentive was based not only of the awards conferred by production but also in punishments applied on errors or misconduct. The final outcome to be paid is transformed in Argentine pesos.

As the previous argument given, ethnography-related research was conducted during the years of 2004-2008 collating a set of considerable evidence that is synthesized in the present note of research. The role of observer was certainly occulted. The interviews were conducted following the snowball methods tape-recorded and transcribed

verbatim. In the existent theoretical framework on managerial studies in tourism fields, many scholars have devoted considerable efforts and time in studying the role played by psychological motivation not only in tourist organizations but also destination-planning. For these studies, motivation is a significant aspects of management only facilitated by atmospheres of cooperation (Zamora Gonzalez et al, 2004; Arkursus and Tarkan, 2002; Lindroth, 2008; Zehrer et al, 2008). In addition, others studies have drawn their attention to the importance of incentive-programs to improve the satisfaction of workers and their connection with consumers (Dominguez, Richert and Castro, 2006; Charles and Marshall, 1992; Hall, 1995; Rodriguez and San Martin, 2008; Mckercher and Lau, 2007; Um, Chon and Ro, 2006; Fuller, Matzler and Faillant, 2006; Ball, 1988; Brymer, 1991; Bigne and Andreu, 2004; Szivas, Riley and Airey, 2003; Muller and Wyss, 2007; Moller et al, 2007; Alonso Ferreras, 2002; Lillo Bañuls et al, 2007). The degree of satisfaction in front-desk employers contributes to create a platform to innovating in new products and services. Of course, there are many ways of motivating the staff but it is unfortunate that less attention was given to the problems caused by material incentive systems in the organizational relationship.

Through an empirical-rich research based on the usage of Culture Assimilator Technique in cross-cultural interaction between Australian airline's employees and Japanese tourists, Bochner and Coulon demonstrated that complainers follow cultural compatibility in claiming for a "bad service". The point of discussion seems to be that under unfamiliar situations Japanese tourists opted not to complaint prior to returning at home. Sometimes a complaint may not overtly be expressed at desk by the consumer. In this context, familiarity appears to work as a mechanism capable to bring disputes issues through a safer way (Bochner and Coulong, 1997). In Social Psychology, additional research gained consensus to point out that cross-national culture theories can help policy-makers to design a sustainable framework to understand the worker behavior (Hofstede, 1991). To wit, Earley (1989) compared the performance of Chinese and American managers on a in-basket simulation of work to find that there were clear evidences of social loafing among US managers whilst Chineses worked harder even though in loneness. Similarly, Yamagishi (1988) realized American managers were inclined to choice for individual rewards whenever the penalties that compound the incentive system are low, but not when they were high. At the other extreme, japanesses often inclined to be satisfied for individual rewards no matter than the level of penalties. Recent investigations have reflected that competitiveness between tourist firms obliged professionals to assist in a continuous superior education courses in regards to efficiency and efficacy. A. Lillo Bañuls et al (2007) show how the search of excellence in consumer demands requests much more specialized human resources in tourism and hospitality fields. The high volatile nature of branding as well as the mobility of modern consumers engendered important changes in the way of perceiving the tourism-management and businesses. Nowadays, the competition among companies forces to organizations to adjust their own way of stimulating people to the extent of searching new policies and strategies to revitalize the life of products. Therefore, the psychological motivation acted as a conduit to improve the performance of companies in a ever-changing market<sup>1</sup>.

In the field of hospitality, Sanchez Cañizares (2007) et al explored how clerks do their best to increase the quality of service as long as they are motivated. Since those

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<sup>1</sup> Basically, Human capital comprises all stock of skills and knowledge embodied in the ability to perform labor so as to produce economic value.

companies that give incentives to their members develops more possibilities to prosper than others in the line of time, psychological satisfaction comprises the motivation as a vehicle for a good and efficient communication. In doing so, the importance of a fluid interaction between workers is an essential aspect in services (Sanchez Cañizares et al, 2007:244-246). Like in other aspects of life, people feel motivated when perceive their work contribute to the general goals of organizations. In the preexistent body of knowledge the perception of material benefits are outweighed to the costs at time of accepting or rejecting a tourist project in a community. This means no other thing than power, competition, benefits and costs are inextricably intertwined (Gursoy and Rutherford, 2004) (Santana, 2006) (Zehrer et al, 2007) (Pearce, 2008) (Franch et al, 2008) (Dwyer, 2008) (McNaughton, 2006). Tran and Phillip emphasized that the nature of human beings is based on the need for achievement (prizes), power (control) and affiliation (sentiment of belonging). The pattern of behaviour is often determined by the typology of subjective needs (Tran and Phillip, 2010).

G. Morgan (1998) and E. Jacques (2000) argued that monetary incentive should be combined with other non-monetary resources in order not to generate a climate of downright envy and competence. Unless otherwise resolved these experts point out stakeholders start to develop a sentiment of frustration simply because monetary awards are entropic. The much money the worker earns much more conflict the organization faces. The frustration as psychological concept can be understood in comparison with expectances. The money expands the individual expectances in detriment of the in-group performance. Organizations that have implemented system of monetary funds to stimulate the work have faced serious problems internally.

This research is a result of a vast experience of more than 10 years managing monetary and non-monetary fund for tourist companies.

A couple of decades back, G. Homans affirmed that employees work based on high level of motivations when their work contributes to the well-functioning of organization beyond the wage or other variables, being useful has major importance for workers than the earned-money (Homans, 1963). As explained, one might speculate that wages should equate to time and efforts spent by employee, otherwise, pathological behavior surfaces. At a first glance, the preliminary outcomes in this research can be detailed as follows:

- 1) The studied organization trained their employees to ensure the best quality in customer attention. The importance of their psychological motivation was associated to the goal of ensuring the existent level of loyalty in consumers.
- 2) The pyramid of this organization was based on three levels. At the top, Chief Executive Officer (CEO) who makes the vital decision in tactic and strategic fields. His managers, situated at a second middle level, are in charge of controlling the quality of the service. At the bottom, the front-line workers who are in direct contact with consumers, renters and tourists. While the managers have no financial or monetary incentive program, front line workers have paid depending on their sales.

- 3) Although the application of incentive programs started from a previous discontent in front line workers, the working atmosphere worsened after the policy of incentive was applied.
- 4) The process of recruitment was carefully accomplished following higher criteria of selection. The points that should follow a frontline worker were documented in a manual to prevent potential conflicts.

Quite aside from this, from 35 interviewed workers who ranges from 20 to 55 years old, a total of 29 stated their disconformities respecting to the monetary incentive system; by the way, only 4 interviewees were certainly well-motivated with the application of the present motivation incentive system. Because of time and space, we are not able to give more specification about all interviews, but only the most relevant are transcribed: Romina (female 32 years old) was upset stating that *“the current form of incentivation does not work in our company; I believe this is because managers apply penalizations without any previous notice. Quite aside from this, we realize at the end of month how much money will earn. Sometimes the penalizations are based on fact invented to debit from arbitrarily that is not a serious system; however, the system has been designed properly the problem lies in the application if you ask me”*. Similarly, other agent Agustin (Male, 27 years old) claimed: *“I am unhappy with our incentive programs for two reasons, penalties are not applied in a fair manner and it is an invention of Managers to boost the performance but save money. If the monetary penalties over us are not clear, it is because we bill more and more each month. As a result of this, they (Managers) like no to pay us and invent errors in procedures for the application of debits and pay less than due”*.

For some reason, this climate of conflict and hostility among managers and front line employees was not found by the opinion poll conducted by Human Resources departments. One of the striking problems managers found in the implementation of monetary incentive program was the resistance of agents to accept the discounts processed for managers because of personal omissions or errors. For the front-desk agents managers manipulated the incentives based on their own interests. In order for shorting the gap of incomes between agents and managers, the latter ones have fabricated supposed-errors to be discounted from the entire amount of scores to be paid. In this background, the self is not only valorized by their own goal achievements but also by the ongoing recognition respecting to others. For Esteban (Male, manager 35 years old) who is in charge of Buenos Aires Location *“employees are very ambitious, when more money they earn more like. I understand that they are receiving at hand more than \$ 500/600 for productions but claim that that is not enough. Truthfully, Managers do not inform the penalties in due course, but this is a consequence of all problems employees have brought. In past, when we reported to agents that a penalty of \$ 150 was debited from there accounts in accordance to some errors, they responded aggressively and threatened us to mistreat to clients because of their unsatisfaction. Please figure out that we do not manipulate the incentive program, if this measure was taken it is due to diverse problems program of this nature has been caused; up-to-date we have modified this program more than twice but the unhappiness still remains”*.

It is important to mention that the degree of conflict does not deter the volume of sales in this organization. To put this in ciphers, during 2005 the amount of sales was \$ 2.000.000 ARS, in 2006 this amount rises to \$ 2.500.000 for being \$ 3.500.000 to the

end of 2007. On another hand, the number of complaints for 2005 was 65 in country all while the number duplicated to 120 for 2006. This evidenced that even though the sales have not been diminished the quality of customer relationship slumped. Based on these assumptions, an all-encompassed four-fold model has been construed in accordance to two grids: a) the course of action of managers and b) agent's reactions.

**Table 1 – Types of reaction based on punishments**

Course of action – Stimuli	Reaction – Answer
Monetary Punishment	Negation and Hostility
Non-Monetary Punishment	Acceptance or Indifference

**Table 2 – Types of reactions based on awards.**

Course of action – Stimuli	Reaction – Answer
Monetary awards	Motivation and commitment
non-monetary prizes	Acceptance or Indifference.

At a first glance, the dichotomy, acceptance or rejection of punishments depends on the type of incentive, award or punishment at stake. In cases when the incentive is exclusively applied on monetary awards or punishments the self-esteem and commitment respecting to work rises but this causes serious problems whenever the worker should be subject to monetary punishment. Since front line workers are in a privileged position because they are in contact with tourists or consumers, they are able to negotiate major portions of monetary-awards than other relegated groups. The expectance of managers respecting of the high quality of service offered, situates front line workers in a privileged position. Far away of capitalizing this advantage to coordinate efforts, as managerial literature says, front line workers extortionate managers to gain further power.

This happens because agents speculate with the fears of managers who were in charge of the service quality. To proof this, we come across with the following interview which is self-explanatory: Marcelo (male, 25 years old) *“I do not care if I had right or not, if my mistake or not, I will always complaint and fight when an economical punishment being applied on me simply because that is money, and the money and it is worth my time and efforts”*. Other consultants agreed to the same question voicing: *“whatever the case may be, I will be in disagreement with this award programs only for one reason, the money”*. This latter excerpt seems to be in sharp discordance with previous managerial literature that outlines stakeholders tend to accept punishments whenever they consider they are fair. To this point of view, one might conclude that:

- 1- Monetary incentive program increases the sales but paradoxically triggers an improprie atmosphere for working since it paves the ways for the advent of competition and dishonesty.
- 2- Whenever the involving incentive program is exclusively centered on a monetary basis, the individualism rules.

Starting from the premise that agents were close up to customers, the quality of services is in danger if they self-perceive as under-motivated. The symbolic proximity of agents along with consumers gives to the latter ones a major probability to deploy strategies to negotiate directly to CEO with their back to managers. It is more than

important not to lose the sight that the agent's strength lays in the capacity to be working at front-staged positions. Relevant findings, in this study, lead readers to question the nature of money and its pervasive influence in subject behavior.

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