

Competition Type and Compensation Design in Regards to Performance

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Businesses that show a decreased level of performance could utilize a short-term competition system to motivate employee performance during a time of low productivity. Employees' performance is vital for any business, and motivating their performance is the employer's responsibility (Gohari, Ahmadloo, Majid, & Seyed, 2013). A stimulating work environment that includes a monetary incentive is shown to increase a company's overall profit (Gomez-Mejia & Balkin, 1992). The purpose of this research is to determine how competition and what compensation design has the greatest effect on productivity in a work environment.

In a sporting event, competition has been shown to be the main motivational factor that drives athletes to perform to the best of their ability. Bailey and Clegg (2007) discussed that competition can be used to help individuals or organizations achieve their intended goals. Competition, when used cautiously in a business environment, can increase a company's output (Sauers & Bass, 1990). If competition is utilized sparingly, it can increase total productivity, whereas if competition is used comprehensively, there are potential severe consequences for the company and its employees. Competition is traditionally thought of as person-versus-person, but competition also occurs in the work environment as employees strive to meet deadlines. Deadlines are set to ensure tasks are finished within a reasonable amount of time, yet procrastination occurs regardless of the set deadlines (Ariely & Wertenbroch, 2002).

Positive reinforcement is an essential component of operant conditioning, but how can this be implemented into the work environment? Scott and Marshall (2009) demonstrate that in order to create stable performance over an extended period of time, positive reinforcement can increase the desired productivity by both the employee and the business. Positive reinforcement distributed as a monetary compensation can also increase overall productivity (Scott & Marshall, 2009). Gohari, Ahmadloo, Majid, and Seyed (2013) demonstrated that extrinsic rewards, such as a monetary incentive, are directly related to an employee's performance and innovation. Many firms have implemented extrinsic reward systems into their policies, and this was shown to greatly improve employees' overall performance and the organization's productivity (Gohari et al., 2013). A company's goal is to motivate employees to perform at their best in order to generate more income, so by implementing short-term competitions, at a random rate, employees have the potential to continue working at a high and efficient performance rate.

This research aims to determine what form of competition and compensation best increase overall productivity. The dependent variable being examined is the time it takes for the individual to complete an assigned task. The independent variable, competition type, consists of a person-vs.-clock level, and a person-vs.-person level. Person-vs.-clock is described as the competition that exists between an employee and the race to reach a deadline. The other level, person-vs.-person, requires the participant to believe that they are competing against another individual, who is fictitious, for a specified reward. The next independent variable, compensation design, is composed of two levels: pre-incentive and post-incentive. The participants assigned to the pre-incentive level will receive a portion of their reward before the task is complete, and the remaining portion of the reward after the assigned task is complete. The post-incentive level is described as the participant receiving the entire reward after the assigned task is completed.