EXPLORING EMPLOYEE PREFERENCES FOR THE FARM CREDIT SYSTEM INCENTIVE PROGRAM

by

AUTUMN MARIE CRIDER

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Major Professor
Dr. Brian Niehoff

ABSTRACT

The purpose of this thesis was to examine the relative efficacy of the incentive plan for loan officers within Farm Credit of the Virginia's, ACA (FCV). The purpose of FCV's incentive plan includes promoting firm financial growth and stability, employee retention, and encouraging teamwork. Incentive plans are important financial decisions for companies and these plans have upside potential and downside risk that should be considered in the decision making process. A literature review was conducted to analyze incentive practices and management theory in addition to a review incentive plans from other Farm Credit associations. A survey was also conducted to understand loan officer perceptions of the current incentive plan at FCV. The results of the survey provide insight into employee perceptions about job satisfaction, intrinsic motivation, extrinsic motivation, organizational commitment, understanding of the incentive plan, and timing of incentives. Finally, observations with regards to potential improvement in the incentive plan were provided.

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CHAPTER I: INTRODUCTION

Incentive plans represent a major investment for many firms. In the United States, companies spend $200 billion annually on incentives. Almost all companies use some type of incentive plan for their sales employees. The average salesperson in the United States earns 40% of their income in incentives. Another 15% of salespeople are paid strictly incentive with no salary. A well designed incentive plan will motivate employees to meet company expectations and encourage retention of valued employees. However, an ineffective incentive plan can do considerable harm and make it difficult to attract and retain employees (Zoltners 2006).

It is the purpose of this thesis to examine the impact of incentive systems on employee motivation and turnover intentions. This study compares the current incentive plans for five different Farm Credit Associations. Survey results from one Farm Credit association are used to analyze employee perceptions about their current plan in relation to its timing, motivational capabilities, and the employee's organizational commitment and understanding. Further discussion considers the theory behind incentive plans and their impact on employees.

1.1 The Client

The Farm Credit system is a financial cooperative providing funding to its members. Farm Credit covers all 50 states, Puerto Rico, and U.S. territories. The system provides lending for about 33% of real estate and non-real estate needs of the agriculture industry in the U.S. Farm Credit Associations, unlike commercial banks, do not take deposits (Farm Credit).

The system strictly provides credit. The Farm Credit system is a cooperative with member-owners who have a voice in the control of this system.

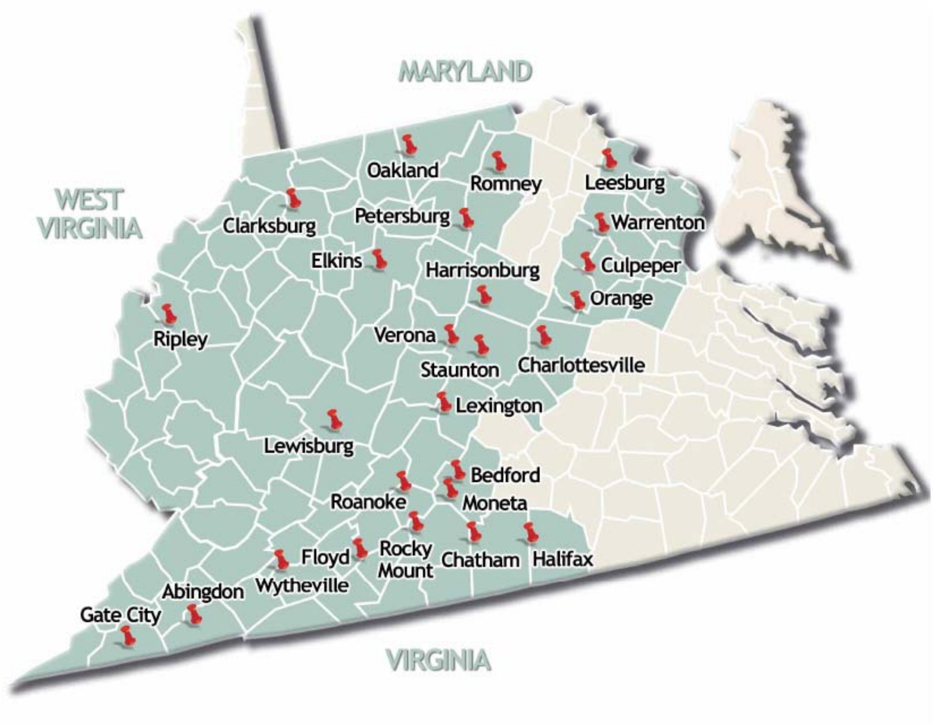
The Farm Credit system was federally chartered under the Farm Credit Act in 1916 and is regulated by the Farm Credit Administration. The Farm Credit system is currently comprised of five Banks and 94 Associations. These Associations provide credit for real estate mortgages, production loans, intermediate-term loans, leases, credit life insurance, and crop insurance to their customers. The Farm Credit System also makes an effort to provide affordable financing to young, beginning, small and minority farmers.

The AgFirst Farm Credit Bank is one of the banks within the Farm Credit system. The bank has assets over $29 billion. AgFirst provides funding and financial services to 23 associations. In addition, the bank also operates a capital markets department that participates in agribusiness loans across the nation and a correspondent lending department that buys, sells, and services rural home loans. The AgFirst district includes 15 states and Puerto Rico. The states include Ohio, Pennsylvania, West Virginia, Delaware, Maryland, Virginia, North Carolina, South Carolina, Kentucky, Tennessee, Georgia, Alabama, Mississippi, Louisiana, and Florida (AgFirst 2009).

Farm Credit of the Virginias, ACA (FCV) is an association within the AgFirst Farm Credit Bank district. This association is a $1.5 billion organization that provides financing for over 9,000 farmers, agribusinesses, and rural residents in 96 counties in Virginia, West Virginia, and Maryland. The mission of the association is to be the lender of choice within its territory. The association is comprised of 23 branch offices employing 143 employees

(FCV Employee Hanbook). The employees are divided up into three job groups: Sales and Lending, Support Team, and Administrative Team. The Sales and Lending group consists of loan officers. The support team group consists of loan processors and customer service representatives (CSR). The administrative team consists of operation coordinators, senior management, credit analysts, accounting, marketing, and technology (FCV Incentive Plan). The sales and lending group is made up of 57 employees, support team employs 52 employees, and the administrative team is made up of 37 employees. The blue highlighted area in Figure 1.1 outlines the FCV service territory and the red pins indicate branch locations.

Figure 1.1: FCV Coverage Map



1.2 Compensation Plan for FCV Employees

Full-time FCV employees are paid a base salary with the potential to earn bonuses. Full-time employees are those scheduled to work a minimum of 40 hours per week. Salaries are linked to the performance of the loan officer based on goals developed from the loan officer job description (FCV Employee Handbook).

Loan officers are responsible for sales and marketing within their assigned territory as well as managing loan portfolio credit in a sound manner. The company's job description for a loan officer is as follows:

- Sales (30%). A loan officer is responsible for the acquisition of new portfolio loans, retention of existing loans, generating new business with existing customers, referral of secondary market loans, promotion of leases and life insurance.

- Marketing (30%). A loan officer is expected to participate in business promotions and public relation events with existing and potential borrowers. They should develop and maintain relationships with key referral sources.

- Credit (40%). A loan officer is responsible for making sound loans including complete analysis of the credit and any appropriate servicing and delinquency matters. The goal is to maintain a satisfactory credit administration rating for their portfolio (FCV Loan Officer Job Description).

1.3 Thesis Objective

Managers have an increasing interest in developing, implementing, and maintaining effective incentive plans for their companies. Managers view incentive plans as successful when company goals are met and employees are energized. Employees view incentive plans as successful when they are offered as a reward for accomplishing tasks. In addition, attracting and retaining valuable employees is very important for managers. The study of incentive plans will be useful in assessing employee perceptions about their plans and provide information that can be used to improve effectiveness (Cooper 2002).

Since 2006, FCV has operated under an incentive plan with both short term and long term components. The purpose of the incentive plan is as follows:

- Ensure that FCV's incentives are aligned with its mission statement, long-term vision, and business plan;
- Encourage employees to make decisions and actions that will provide long-term financial growth and stability to FCV;
- Enable FCV to attract, motivate, and retain superior employees;
- Reinforce the establishment of a sales culture throughout the organization;
- Emphasize teamwork; and
- Respond to an increasingly significant practice for cash incentives (short and long term) among banking, Farm Credit, and other financial service organizations (FCV 2009 Incentive Plan).

The combined short and long term incentive is capped at 50% of a loan officer's base salary. The short term incentive is paid after year end close. The short term incentive performance measures for individuals are loan profitability and net membership growth (2009 incentive plan). The long term incentive is calculated after year end close and those earnings are withheld.

Table 1.1 outlines the criteria for short term incentive payment which is based on individual loan officer performance. The first category of income for incentive is long term loans. A long term loan is defined as a loan greater than 5 years in length for which FCV has a first lien position and the loan to appraised value of the collateral is less than 85%. Income generated for the association from the interest rate spread on long term loans is tabulated for each loan officer based on the first twelve months income and the loan officer receives 4.2% of that income figure in their incentive payment. Interest rate spread is the difference between the rate charged the customer and cost of funds. Loan officers earn 3% of their total long term loan fees collected in incentive. The fees include loan origination fee, administrative fee, and conversion fees.

Short term loans also generate incentives for the loan officer. Short term loans are defined as loans that are 119 months or less that are secured by a second lien on real estate behind another lien holder or other collateral. Other collateral can include livestock, machinery and equipment, and vehicles. Some short term loans can also be made on an unsecured basis. The payments for short term loan interest rate spread and fee income are the same as the incentive for long term loans, 4.2% and 3%, respectively. For purchased loans, the system pays 0.30% of the net revenue and fees collected. Loans sold to Farmer Mac earn incentives based on the income FCV makes by selling the loan. There is a straight $50 incentive for net new members. Net new members are determined by the difference between the number of members at the beginning of the year and the number of members at the end of the year. Loan officers who refer to other business lines can receive a fixed incentive based on the loan amount. Referrals to the Country Mortgages department receive the greater of $50 or 2% of the gross loan profit.

Table 1.1: Short Term Incentive for Farm Credit of the Virginias, ACA

Category	Plan Pays
Long term loan- interest rate spread income	4.2%
Long term loan fee income	3%
Short term loan - average loan interest rate spread	4.2%
Short term loan fee income	3%
Purchased Loans – Net Revenue	0.30%
Purchased Loans – Fees Collected Revenue	0.30%
Farmer Mac – Revenue on Loan Sold	Revenue of $2000-3499=5% Revenue of $3500-4999=15% Revenue of $5000+=20%
New Net Members	$50
Customers referred to another business line (except Country Mortgages), based on loan amt	$100,001-$500,000 = $300 $500,001-$999,999 = $450 $1,000,000-$5,000,000=$600 >$5,000,000 = 1% income
Customers referred to Country Mortgages	Greater of $50 or 2% gross profit

Table 1.2 provides an illustration of a typical short term incentive calculation based on the short term incentive guidelines discussed above in Table 1.1 (FCV short term incentive calculator).

Table 1.2: Short Term Incentive Example for Farm Credit of the Virginias, ACA

Short Term Incentive Calculator	
1. Long term loan new money/conversions (example: 3,000,000)	3,000,000
2. Long term interest rate spread (for example: 1.75%, key as 1.75)	1.75%
3. Long term loan fees (points, conversion, origination)	30,000
4. Short term loan volume touched	500,000
5. Short term loan interest rate spread on loans	3.00%
6. Short term loan fees	2,000
7. Net membership growth	5
8. Business referral incentive (– example: Referred 3 loans which earned $300 each plus a referral to Country Mortgages $50)	950
Your Short Term Incentive Amount:	$4,995.00

Table 1.3 outlines the criteria for the long term incentive payout which is based on group performance. The long term incentive consists of three criteria and is ranked on a points system based on overall company performance within these categories at year end. The criteria are the return on assets, credit quality, and delinquencies. The four levels of performance for each category are base, target, exceed, and stretch. Return on assets (ROA) is a measure of a company's profitability in relation to its total assets. The ROA ratio is calculated by dividing a company's net income by its total asset value. FCV's ROA must be greater than 1.53% to earn points in this category. The credit quality rating indicates that

the overall percentage of loans met acceptable standards as determined by the auditors who review the loans. Greater than 85% of the loans reviewed must have been rated acceptable or better for credit quality to receive any points in this category. The delinquency rating is determined by the principal sum of the loans that had payments past due by 30 days in relation to the overall principal loan volume for the association. Delinquent loans must be less than 3% of the total loans to receive any points in the delinquency category. The points for each category are added based on the threshold met and the total score determines the incentive that is paid to employees. A better total score results in a larger payout. There is potential to earn up to 12% of base salary in the long term incentive category. The combination of short term and long term incentive cannot exceed 50% of a loan officer base salary.

Table 1.3: Long Term Incentive Points for Farm Credit of the Virginias, ACA

	Thresholds			
Factor:	Base	Target	Exceeds	Stretch
FCV Return on Assets	>1.53%	>1.75%	>2%	>2.25%
Points	1	2	3	4
Factor:	Base	Target	Exceeds	Stretch
FCV Credit Quality-Acceptable	>85%	>90%	>95%	>98%
Points	1	2	3	4
Factor:	Base	Target	Exceeds	Stretch
FCV Delinquency	<3%	<2%	<1%	<0.5%
Points	1	2	3	4

Payout as a percentage of your base salary

Total Points (from above)	% of base salary
1 to 3	2%
4 to 6	5%
7 to 9	8%
10 to 12	12%

Based on the Table 1.3 above, the long term incentive for the loan officer can be calculated as follows:

FCV Return on Assets: 1.80% earns 2 points

FCV Credit Quality: 92% earns 2 points

FCV Delinquency: 1.7% earns 2 points

A total of 6 points earned means the loan officer will earn 5% of base salary in long term incentive. If the salary is $50,000 then the incentive is $2,500.

Total Incentive = Short Term Incentive + Long Term Incentive (≤ 50% base salary)

Total 2009 Incentive = $4,995 + $2,500 = $7,495

The short term incentive would be paid after year end close of 2009. The long term incentive will be paid during 2012.

The association invests the long term incentive funds for a three year fixed rate equal to the three year treasury rate published by the Wall Street Journal. Interest on the funds is accrued annually without compounding. Payout is contingent on the association meeting a "gate keeping criteria" and the individual loan officer meeting a satisfactory credit administration rating. The gate keeping criteria include satisfactory credit administration for the association, compliance with General Financing Agreement (GFA), and meeting association patronage pay-out per business plan. The GFA is a financing agreement between FCV and AgFirst Farm Credit Bank. The patronage pay-out is the amount of interest that is returned to FCV customers each year in the form of a patronage refund. FCV has an annual goal for a minimum return that is indicated in the annual business plan.

The objective of this thesis is to analyze the incentive program at FCV to determine if it is accomplishing its goal to motivate and retain the employees of FCV. The financial lending industry has been greatly impacted by the recession and FCV wants to determine the best way to provide incentives to its employees in this difficult lending environment. Thus this thesis will examine the features of effective incentive programs and compare the program in place with FCV to those features.

This thesis will review literature and managerial theories about incentive plans in relation to their structure, complexity, and timing. A review of other Farm Credit association incentive plans is also conducted. A survey was utilized to obtain employee perceptions about the FCV incentive plan and observations were derived from the results of this survey.

CHAPTER II: LITERATURE REVIEW AND THEORY

This section of the thesis reviews literature and theories surrounding incentive plans and their motivational effectiveness on employees. Features and consequences of incentive plans will be discussed. Examples of incentive plans from other companies have been included for comparison with the current FCV incentive plan. Finally, I will discuss the results of a survey study by World at Work that examined employee preferences for incentive plans.

Most organizations use some type of pay for performance system. The careful balancing of the upside potential and downside risks of these compensation plans make for a difficult set of choices for many companies. The primary use of performance pay is to generate incentive effects within the organization. It can also aid companies in the attraction and retention of employees. Pay for performance systems are likely to attract employees who have high achievement need and have a desire to succeed. However, if a company does not effectively link pay and performance, these same employees will seek other opportunities. Similarly, low performers are likely to stay at companies with systems that do not effectively tie pay to performance.

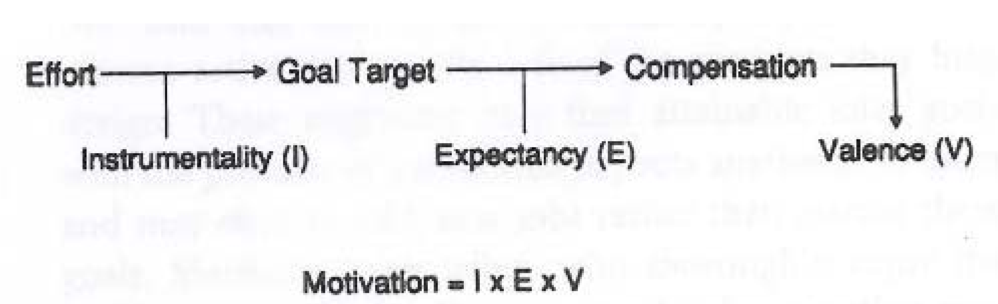
Types of incentive plans include, but are not limited to merit pay, profit sharing, stock plans, and gain sharing. Merit pay is defined as pay for work behavior and is often administered in the form of a salary adjustment or raise. Profit sharing plans are usually deferred into an account for retirement and paid based on a company’s profitability. The investment returns of this type of plan are often risky and result in fluctuating income. Companies that rely on stock options can have difficulty attracting and retaining employees when stocks decline. Gain sharing is a form of group incentives that are linked to company-wide performance. This type of plan is likely to have lower incentive effects than individual plans but stronger than stock or profit sharing plans. Gain sharing plans can provide for work group cooperation, motivation, and large pay increases. However, this type of plan could be un-rewarding to the highest performers and risk problems with employee retention (Rynes et. al. 2005).

In regards to performance-based pay, bonuses tend to affect employees more than do salary adjustments. Salaries are typically not based on current performance. They are often based on cost of living and employee qualifications at the time of hiring. Additional salary adjustments based on performance are often low in relation to their overall salary and therefore are not as influential. In addition, salary levels often vary less than performance levels on an individual basis. Bonuses allow a company to pay employees based exclusively on performance and avoid the limitations of salary adjustments (George and Jones 2005).

2.1 Features and Consequences of Incentive Plans

In his review of incentive systems, Liccione (2007) found that individual perceptions significantly impact the effectiveness of incentive plans. The motivational power of the incentive plan depends on the employee's evaluation of the plan. Individuals must believe that the goals are attainable. The company may believe that the employee can accomplish the goal but the employee must believe it as well. To aid this process, the employer can allow employees active participation in the goal setting process. A second important employee perception is the link between pay and performance. Companies that have moving targets as goals or withhold incentives that had been anticipated might sever the link between pay and performance. Another important perception is that of a meaningful amount. If the payout is perceived as small, employees may consider it not worth the effort to accomplish their goals. Evidence has suggested that payouts less than or equal to 10% of base salary do not serve the motivational purposes. These three employee perceptions drive employee motivation which can be described by the expectancy model conceptualized by Vroom (1964) in Figure 2.1. An employee's perception of goal attainability in relation to the incentive is represented by instrumentality, the perception of pay and performance link is represented by expectancy, and the perception of the incentive pay amount is represented by valence. Employees assign each aspect a value of 0 or 1. A value of zero assigned to one of these variables results in the entire plan failing to motivate the employee.

Figure 2.1: Expectancy Model



Source: Liccione 2007

Pay for performance incentive plans can be supported by expectancy and equity theories. Expectancy theory implies that people repeat behavior that is rewarded. Expectancy theory dictates that employees exert effort to achieve certain performance levels that lead to valued rewards. Under expectancy theory, employees are viewed to perceive the links between the effort they exert, the performance that is expected, and the desired outcome. These links have more of an influence on employees when they are communicated by management (Applebaum 1992).

Equity theory proposes that people desire to be treated fairly by their employer. Equity theory states that employees will compare the ratio of their outcomes to inputs with the employees' perception of the same ratio for other employees possibly within the same company or from elsewhere (Applebaum 1992). Individuals who perceive their situation to be inequitable experience psychological discomfort and take steps to eliminate this discomfort. Both undercompensation and overcompensation can be a perceived inequity. Employees who are undercompensated are likely to decrease efforts to restore equity. Employees who are overcompensated may increase efforts to restore equity (Liccione 2007).

Banker et al. (1996) found that theoretical models suggest monetary incentives increase an employee's level of effort and performance. Economic theory predicts that incentives increase effort and attract more productive workers. This typically results in increased income for the company. Economic theory also indicates that employees will make a conscious effort to learn more productive ways to achieve the expected tasks. Agency theory can also help support the idea of performance-based incentives. The agency model suggests that a company can design a plan that will motivate a risk-averse employee to exert more effort in an uncertain environment. Employees can determine their own compensation by the amount of effort they exert. The employee is expected to trade-off their disutility for effort for utility of compensation.

When developing bonus plans, companies must consider the basis for pay for the incentive plan (George and Jones 2005). There are generally three options for incentive bases: individual merit pay, group pay, or organizational pay. Basing bonus pay on individual performance will be effective if the individual's results can be accurately determined. The drawback of individual based incentive plans is that they do not encourage team work. When an employee's performance also impacts other employee's performance the bonus pay should be group based. The bonus pay should reflect how well the group performed. An organizational bonus structure can also be effective when the performance of the organization is dependent on employees working together. It is also possible to combine these bonus plans to develop a tailored plan that encourages employees to strive for individual excellence while also keeping team or organizational goals in mind.

Two types of pay for performance incentive plans are individual and group. Individual incentive plans work well when the job and performance criteria can be well defined and measured. This type of plan, if structured properly, coincides with equity and expectancy theory by rewarding employees based on the effort exerted. There must be a level of trust between employees and managers and the pay structure must be equitable and competitive. Managers must be skilled in the appraisal of employee performance. Assessments occasionally include subjective measures, like creativity, which are hard to measure (Applebaum 1992). Individual incentives are the most popular with U.S. employees that are productive and achievement-oriented (Rynes 2005).

Despite the benefits, there can also be detrimental effects of an individual incentive plan. Individual incentive plans can lead employees to focus on their own success which may not align with the company objectives. Individual incentive can discourage workplace openness and trust since employees tend to view their coworkers as competition for incentive. They can lead to opposition of new work practices when tenured employees have had success with their current practices and foresee no benefit in changing them. These types of plans often focus on quantity and not quality and therefore, company relationships with consumers can suffer. Furthermore, the appraisal process is often diminished by the halo effect and other biases (Applebaum 1992). The halo effect can be defined as a biased perception of a person that results when the appraiser's impression of the employee distorts their perception of the employee in relation to their job performance (George and Jones 2005).

Group incentive plans can be used alone or in combination with the individual incentive plans to alleviate some of the issues with individual incentive plans. With group incentive plans, employees are rewarded on group performance that exceeds company standards. Group incentive plans are ideal for companies that value teamwork, have difficulty measuring individual performance, or where direct supervision is not standard. Group incentive plans are often tied to profits so it can avoid the budget constraints of an individual plan. These types of plans allow for cooperative problem solving. They also allow greater opportunity for peer recognition. Group incentive plans offer greater correlation between company profits and individual rewards. These plans are most effective when the employees can control the profitability of the company and not an outside source (Applebaum 1992).

Group incentive plans can weaken incentive effects due to free-riders within the organization. They can also result in sorting effects when highly productive employees leave the company in search of individual recognition. Group incentive plans also have drawbacks (Rynes 2005). Management can be reluctant to release the profits, causing a delay in feedback. The time between the actual performance and recognition can be greater than the individual plan and might reduce some of the incentive's effectiveness (Applebaum 1992).

Employee retention is a common goal when implementing an incentive plan. Turnover can be voluntary or involuntary. Voluntary turnover occurs when the employee chooses to cease employment. Involuntary turnover is when the employee did have a choice in their termination. Employee turnover can be extremely costly to companies (Guthrie 2000). Costs of turnover include hiring and training replacement employees. Turnover can delay important projects or a loss of a critical member of a team can result in loss of customers if they choose to follow that employee to their next business (George and Jones 2005).

Incentive plans can act as a tool to moderate employee turnover. The use of individual pay plans can encourage poor performers to leave and reduce the risk of the high performer turnover. Group incentive plans may increase group productivity and the participants share both the risk and the wealth created. A study conducted by Guthrie (2000) analyzed the correlation between employee turnover and individual and group incentive plans. The results indicated that more extensive use of group incentive plans results in increased employee turnover. The study further showed that the turnover effect increased with group size. This can likely be attributed to the free-rider effect. The free-rider effect is when one person enjoys the benefits of the group effort with little contribution to the group. The free-rider effect negatively impacts group plans because employees do not receive the benefit of their additional efforts and despite an employees' own efforts, they can benefit from others' efforts. Evidence suggests that the size of the incentive can help offset some of the negativity. Larger rewards are likely to increase group motivation and the propensity to free ride may diminish (Guthrie 2000).

Complexity should be considered when developing an incentive plan. Salespeople are often provided documentation on their current incentive plan. However, many salespeople cannot remember the key aspects of the incentive plan and are unable to explain how their incentive is calculated. A well designed plan is basic and easily remembered (Zoltners 2006).

Timing of incentive payout is another important aspect when developing incentive plans. The motivational theory of incentives is that the effectiveness is greatly diminished if there is a long lag time between the employee's behavior and the reward. The most common incentive payout schedules are monthly and quarterly. The more frequent payments allow employees to be recognized and rewarded while the actions are still fresh in their mind. However, there are also benefits with incentive plans that have less frequent payments. The payments under theses type of plans will be larger when received by the salesperson. The additional time allows for goals to drive behavior and for employees to focus on the long-term needs of the customer (Zoltners 2006). Short-term incentive payouts can result in employees "gaming" the system to generate a larger payout while resulting in a long-term negative impact (Rynes 2005).

2.2 Examples of Incentive Plans for Other Companies

The following case studies are examples of existing incentive plans that have been adopted by companies. This section discusses the intent of each company when implementing an employee incentive plan as well as the structures currently in place within their company. The common theme is to motivate employees to act in the best interest of the company. The companies reviewed in this section are Koch Industries and several Farm Credit associations.

Koch Industries is made up of several companies that operate in the following industries: refining and chemical, fibers and polymers, commodity and financial trading, and forest and consumer products. Koch Industries base their incentive plans on the notion that employees should be paid for the value they create. Simply, value creation is profit. Koch believes that employees are motivated by self-interest rather than by duty and a proper incentive plan can ensure that both good and bad people will do the right thing. Incentive plans allow companies to attract and retain the right employees. Profitable employees can always further improve their performance while unprofitable employees actually destroy company value. Koch believes that if limits are placed on employee compensation then employees will also limit the value they produce. Pay structures that are based on qualifications or seniority are destructive and encourage bureaucratic behavior. It is important when developing an incentive plan to align employee interest with the interest of the company. Employee performance should be tracked throughout the year and 360 degree feedback could be beneficial in determining the employee's long term contribution (Koch 2007).

A few Farm Credit Associations provided information on their incentive programs. The names have been modified to ensure these associations confidentiality. These policies were collected to compare and contrast incentive plans within the Farm Credit community.

Association A implemented a bonus plan in response to the practice of goal oriented cash incentive practices being widely adopted by financial institutions. The objectives of their incentive plan include employee retention, maintaining the company's core purpose and values, employee decisions reflecting key operating objectives, and teamwork. The plan's funding is based on corporate revenue. Incentives will only be paid if the association meets certain criteria. These criteria included a minimum return on asset, a satisfactory credit administration rating, acceptable credit quality, minimum principal growth, and a minimum score for customer surveys. The lending pool bonus is based on principal growth. Incentives are paid annually after year-end. The lending pool cap on incentives is 25% of the base salary.

Association B implemented an incentive plan that rewards loan officers for association growth and profitability. The objectives of the plan include achieving key performance targets for the association, increased loan volume, employee retention, and improved employee/customer relationships. The association must meet credit administration guidelines, satisfactory handling of high risk loans, and demonstrate reliable management with board approval for incentive payout. Incentives in this association are paid semi-annually. Incentives differ based on long term and short term loans. Compensation multipliers are developed for both long term and short term new loans and are subject to change by the association. Long term loan incentives are based on rolling new loan volume and are only paid on an individual basis once a minimum new loan threshold is met. The short term loan incentives are based on a per-loan new volume. Short term renewals or repeat loans are paid on a set fee based on the renewal note amount.

Association C has an incentive plan that also operates on a semi-annual payout structure. The incentive payout is dependent on funding based on net income. Performance measures for incentive pay include association return on assets, customer satisfaction rating, and pricing spreads. This association believes that salary should reflect individual performance while incentives should reward for team/association goal achievement. Under this plan, employees succeed together or fail together.

Association D implemented a team incentive program. Funding is awarded to each branch based on the overall branch performance. The categories that impact the amount of incentive the branch receives are customer loyalty, speed of processes and technology, accuracy of processes and technology, branch net income, quality loan volume growth, team work, use of CRM, referrals, and the use of business practices. The funding for each level of employee is considered based on three levels of performance. The three levels of performance are threshold, target, and exceptional. The branch manager along with the regional manager determines the amount of the “branch pool” of incentive that is paid to each branch employee based on performance. Loan officers can earn up to 20% of their base salary. Payments are made annual at year end.

2.3 Survey Studies of Work Incentives

World at Work is a professional organization that focuses on compensation, benefits, and work-life balance. They are interested in strategies that attract, motivate, and retain a productive workforce. World at Work provides its members with training, research, and conferences (World at Work). World at Work conducted a survey concerning incentive plans. The survey was sent to 4,331 members of the organization with 440 responses received. Typical respondents were managerial level or higher within their respective companies. Survey results indicated that for two thirds of respondents, performance measures were based on at least three factors with total revenue being the most common. The survey results further indicated that the performance measures of primary sales employees were individual based more than team based. When making changes to incentive plans, aligning performance measures with objectives and simplicity were the focus for many organizations. The method of delivery to explain changes to incentive plans varied. Twenty-five percent of respondents indicated that they provided communication about the change but did not provide a face-to-face meeting. However, twenty-seven percent of respondents had face-to-face meetings with managers. Another twenty-eight percent participated in small group meetings. (World at Work 2006)

World at Work in collaboration with Vivient Consulting conducted another survey in 2007 on private company incentive pay practices. Reponses were analyzed from 300 companies. The survey indicated that the most common short term incentive plan was a bonus plan. Ninety-one percent of respondents indicated they used a bonus plan. Sixty-five percent of those companies stated the objective of their bonus plan was to reward employees. This objective was followed by focusing employees on specific goals, aligning employee's incentives with goals, and sharing the organization's profits with employees. Respondents indicated a preference for simplicity for a bonus plan. Focusing on sales, individual goals, and profitability was preferred over more complex return measures. Seventy-four percent of respondents observe subjectivity in bonus decisions. Less than half of the respondents reported a cap on payments in their bonus plan. (World at Work 2007).

CHAPTER III: METHODS

To address the thesis objectives, a survey was designed and administered to determine employee perceptions on the effectiveness of one company's incentive plan. The target population was loan officers within the Farm Credit system. Loan officers within the Farm Credit of the Virginias association agreed to participate in this survey. The survey was administered electronically using Kansas State University Online Axio Survey System. Emails were sent to a listserv of loan officers, inviting them to participate in the survey. The responses were submitted anonymously. The survey was sent to forty-nine loan officers within the association.

The survey consisted of forty-nine questions. The first twenty questions were focused on job satisfaction and are standard questions from the Minnesota Satisfaction Questionnaire (Weiss et al, 1967). The remaining survey questions focused on employees' perceptions of the complexity, timing, structure, magnitude of, and motivation generated through the incentive plan. These latter questions were adapted from other scales or created for the purpose of the research. Questions were also developed to address employee commitment. Employee commitment is one common purpose of incentive plans for all associations. The survey questions were structured for agree/disagree responses using the seven point scale. A final demographic question addressed tenure with the association. The survey is shown in Appendix A.

Aside from the 20 survey questions drawn specifically from the Minnesota Satisfaction Questionnaire (MSQ), the items for this survey were either developed by the researcher or drawn from other sources. Although there were a number of topics of interest that motivated the development of many of the questions, the items were not designed specifically to measure certain variables. Thus, it was necessary to determine if the remaining 28 items could be reduced to possible groups that could potentially be used to be represented by a single variable. Factor analysis was used as a means for data reduction. Factor analysis is a statistical procedure that assesses relationships between data points, and provides statistics allowing the researcher to locate possible latent factors existing in the data. When commonalities among the data are located, such item level data can be combined to form variables to be used in the statistical analysis and hypothesis testing.

The 28 non-MSQ items were included in the initial iteration of factor analysis. In the initial iteration, a simple principle components analysis was run using the VARIMAX rotation. This analysis seeks linear combinations of the set of items to maximize the variance in the data. Resulting factor loadings provide information on the variance between the item and the dimensions. Eigenvalues are calculated for each factor extracted, and represent the total variance in the set of variables explained by each factor. Lower eigenvalues suggest that the factor does not contribute much to the variance in the variables or that the factor is redundant with other factors. As a rule of thumb, researchers seek factors with eigenvalues greater than 1.0 to determine the dimensionality of a set of variables. The results of this initial run located four factors with eigenvalues greater than 1.0, with 16 of the 28 items clearly loading one of the four dimensions. The remaining 12 items either did not load on one of the four dimensions or loaded onto multiple dimensions. In order to develop dimensions that had more precise meanings, the factor analysis was rerun with only the 16 items that seemed to represent the four major factors in the data.

Once factor structure was obtained, then the resulting dimensions were assessed for reliability using the Cronbach alpha score. The coefficient of Cronbach's alpha is a measure of the correlation of each item with the total variable score. As a rule of thumb, reliability coefficients of 0.70 or above suggest that the set of items are correlated well among each other and thus make sense to group together in one variable. Correlation analysis was then conducted on the set of variables and scales created. In addition, two regression models were performed. The first model used organizational commitment as the dependent variable with the four factor dimensions as the predictors, and the second model used job satisfaction as the dependent variable with the same predictors. Finally, an item-level analysis, represented with a series of bar charts, was used to gain a clearer perspective on how the sample participants responded to all of the items. These bar charts are useful to demonstrate the variation among responses to the questions and were believed to be of value to FCV as they consider the results of the study.

CHAPTER IV: RESULTS AND CONCLUSIONS

The employee survey was completed by 42 of the 49 recipients. This is a completion rate of 85.7%. Factor analysis was used to create variables for further analysis testing. The testing included mean and standard deviation calculations as well as correlation calculations. In addition, item analysis was conducted to develop bar charts to demonstrate answer variation on a per item basis.

4.1 Variable Creation and Factor Analysis

Factor analysis was used to create scale variables for analysis. These scales are represented by categories that can be broken down by each question's latent response variance. The scales that emerged from the factor analysis were: job satisfaction, intrinsic motivation, extrinsic motivation, understanding of incentive plan, organizational commitment, and timing of incentives. The job satisfaction category included questions 1-20. The intrinsic motivation category included questions 24, 27, 32, 35, and 37. The extrinsic motivation category included questions 29, 39, 42, 43, and 45. The understanding category included questions 23, 34, and 38. The organizational commitment category included questions 21, 22, 25, and 28. The timing of incentives category included questions 31, 33, and 41.

The factor analysis resulted in four clearly interpretable dimensions

1. the **Intrinsic Motivation of Incentives**, including the employees' satisfaction with the incentives, the sufficiency of the incentive, and the fairness of the incentive;
2. the employees' **Understanding of the Incentive**, including whether the employees understand how the incentive works and simplicity of the incentive;

3. the **Extrinsic Motivation of Incentives**, tapping into whether the employees feel the incentive helps them achieve their goals, keeps them from looking for other jobs, and receiving feedback from their coworkers; and
4. the **Timing of the Incentive**, including employee perceptions of the frequency (immediate or long term) of payouts from the incentive.

The four dimensions explained 73.4% of the variance among the 16 items.

The four dimensions extracted were then used as the basis to form four scale variables to use in the correlation and regression analyses. The items included in each factor were summed to determine the variable score, and Cronbach's alpha was calculated to determine the reliability of each used in each scale of items.

The mean and standard deviation for each scale variable are shown below in Table 4.1. The mean indicates the average response for the collected data. The standard deviation indicates how much variation from the mean exists in the responses. The mean for tenure indicates that the average tenure of FCV loan officers is greater than 4 years. The mean for job satisfaction is high indicating that employees are generally satisfied with their jobs. The mean for organizational commitment and intrinsic motivation are also relatively high and indicate overall positive results.

Table 4.1: Mean and Standard Deviation on the Variables

Variable	Mean	Std Dev
Tenure	3.5	0.78
Job Satisfaction	5.6	0.57
Organizational Commitment	4.6	1.24
Intrinsic Motivation	4.9	1.08
Timing	3.4	1.24
Extrinsic Motivation	3.7	1.18
Understanding	3.5	1.53

4.2 Correlation Analysis of Variables

Correlations were calculated between each scale variable and are shown below in Table 4.2. SPSS was used to conduct reliability testing on the questions within each category. The reliability coefficient of each scale is represented by Cronbach’s Alpha statistic. A Cronbach’s alpha statistic over 0.7 indicates an acceptable reliability. The score for each scale variable tested can also be seen in the table below and is represented on the diagonal in red.

Table 4.2: Correlations Among Variables Created from Data

Correlations								
		Tenure	Job Satisfaction	Organizational Commitment	Intrinsic Motivation	Timing	Extrinsic Motivation	Understanding
Tenure	Correlation	N/A	.002	-.060	-.144	-.050	-.293	.084
Job Satisfaction	Correlation		.875	.568**	.575**	.106	.435**	.524**
Organizational Commitment	Correlation			.817	.397**	.313*	.435**	.654**
Intrinsic Motivation	Correlation				.867	.409**	.658**	.439**
Timing	Correlation					.766	.419**	.367*
Extrinsic Motivation	Correlation						.814	.383*
Understanding	Correlation							1 .900

***. Correlation is significant at the 0.01 level (2-tailed).*

*. Correlation is significant at the 0.05 level (2-tailed).

The correlations for tenure indicate that tenure is not statistically related to any of the other variables. Job satisfaction, on the other hand, is positively and significantly correlated with organizational commitment, intrinsic motivation, extrinsic motivation, and understanding of the incentive plan. The high correlation between understanding the incentive plan and job satisfaction demonstrates people who are highly satisfied with their jobs seem to have a clearer understanding of the incentive plan. Those employees who are more committed to the organization are also those that are satisfied with their jobs. The positive and significant correlation with intrinsic motivation and extrinsic motivation is likely because questions within these categories include satisfaction questions. Job satisfaction is not significantly correlated with the timing of incentives. This indicates that the timing of incentives is unrelated to an employees feeling of job satisfaction. Organizational commitment is positively and significantly correlated with understanding of the incentive plan. This high correlation demonstrates people who are highly committed also understand the incentive plan. Organizational commitment also has a positive and significant relationship with timing of incentives. The correlation between these two categories indicates that the withholding of incentives ties people to the job. Intrinsic motivation has positive and significant correlations with timing, extrinsic motivation, and understanding of incentive plan. Timing of incentives has a positive and significant correlation with extrinsic motivation and understanding of the incentive plan. Extrinsic motivation has a positive and significant correlation with understanding of the incentive plan. The reliability testing indicates that the questions within each scale variable are consistent in measuring a similar trait. In this case, the traits that are being measured are the categories that have been developed. The scores for reliability for each category are greater than 0.7 which indicates these are reliable scales.

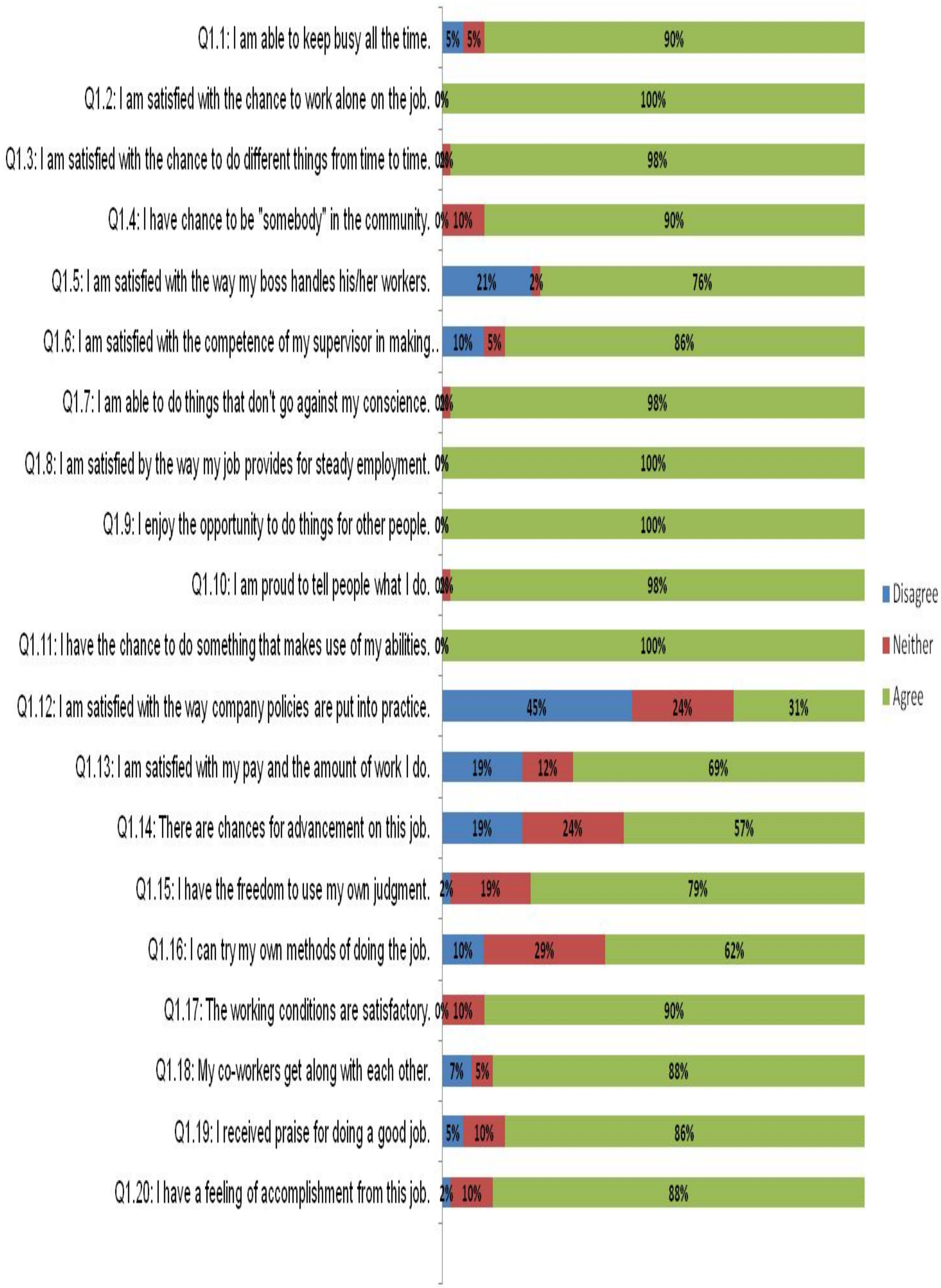
Two regression models were performed as part of this study. The first model used organizational commitment as the dependent variable. The independent variables were timing, intrinsic motivation, extrinsic motivation, and understanding. This model found that the only statistically significant factor was the employee's understanding of the incentive plan. The adjusted R-square for the first regression model was 0.412. This result further indicates that understanding of the incentive plan is a valid predictor of the employee's commitment to the company. The second regression model used job satisfaction as the dependent variable. The independent variables were understanding, timing, intrinsic motivation, and extrinsic motivation. This model found that intrinsic motivation and understanding both had significant beta coefficients. The adjusted R square of this model was 0.387.

4.3 Additional Analysis at the Item Level

Bar charts were also utilized to demonstrate the variation in responses for each item. Four sets of bar charts were developed. These bar charts will be useful visual tools for FCV to understand employee perceptions of the incentive plan. The first chart included the items that pertained to job satisfaction. The second chart included the items that pertained to organizational commitment, understanding of the incentive plan, and timing of the incentives. The third chart included the items pertaining to intrinsic and extrinsic motivation. The final bar chart included the remaining items that did not fit into a specific category as determined by the factor analysis.

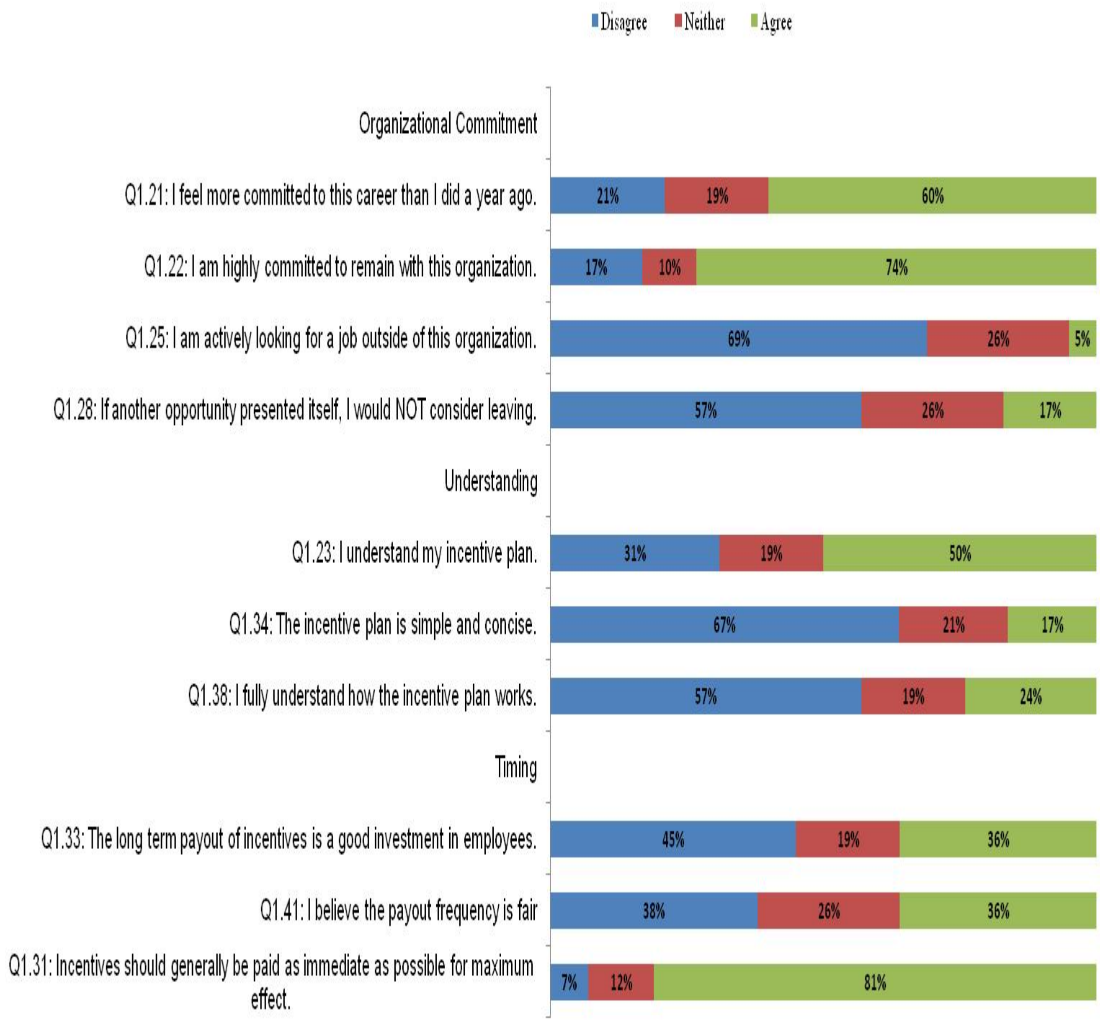
Figure 4.1 shows the results for the 20 items related to job satisfaction. The job satisfaction items showed overall positive responses from the employees. The only question that showed any significant negative result was question 12. This question pertains to the way that company policies are put in to place. Forty-five percent of respondents do not agree with the way company policies are put into place.

Figure 4.1: Job Satisfaction



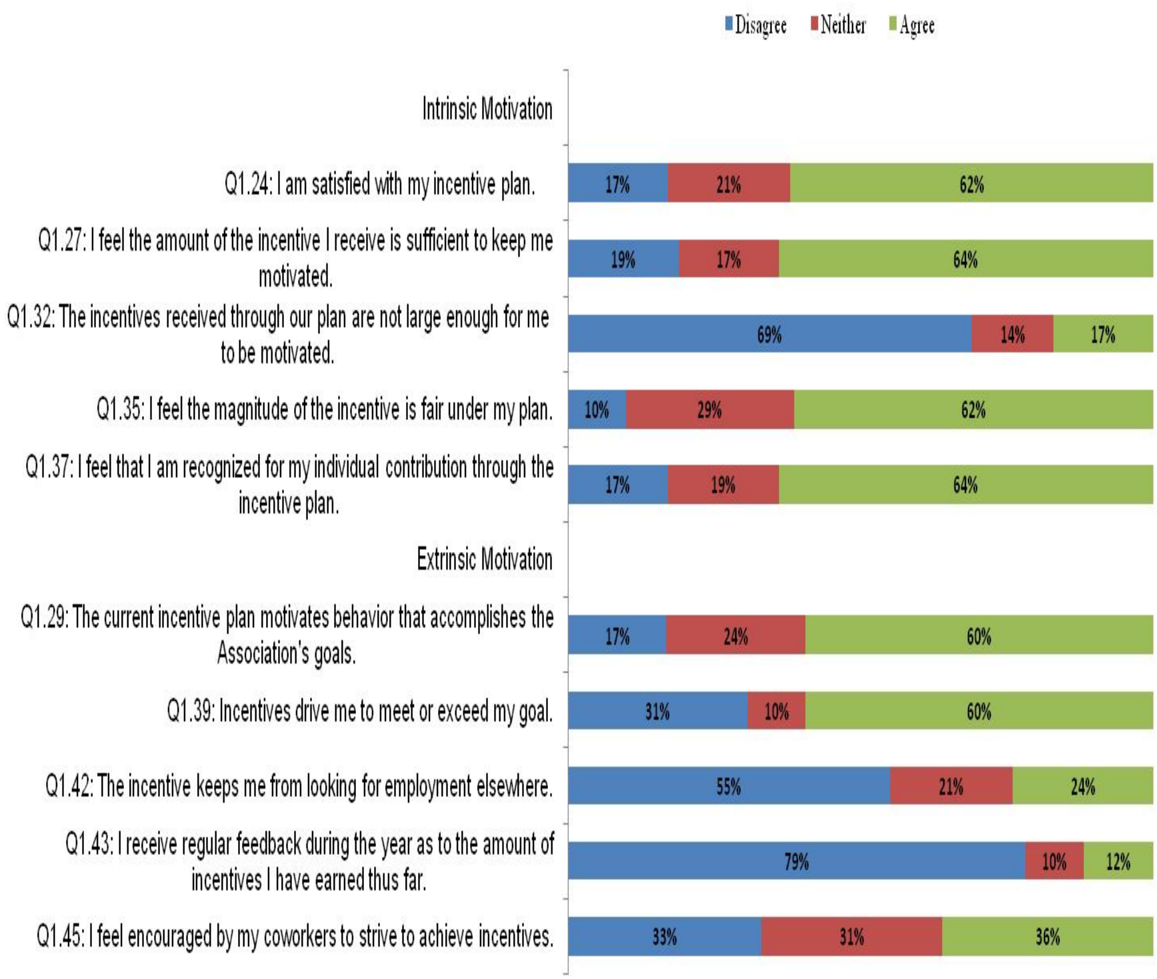
The responses for organizational commitment are shown in Figure 4.2, and indicate that the majority of employees are committed to their current position. Fifty-seven percent indicated that if another opportunity presented itself that they would consider leaving. Thus, there is an indication of potential mobility among the loan officers. Figure 4.2 also shows the items for Understanding of the Incentive Plan. For Understanding, the majority of employees disagree that the plan is simple or concise and that they fully understand how the plan works (67% and 57%, respectively). However, 50% of employees indicated that they do understand the incentive plan. The questions that pertained to timing are also shown in Figure 4.2, and demonstrated more mixed responses. Forty-five percent of employees indicated that long term incentives are not a good investment in employees with 36% indicating that the long term incentive was a good investment. Thirty-eight percent believed the payout frequency was not fair and 36% felt it was fair. Eighty-one percent of employees did believe that incentives should be paid as immediate as possible for maximum effectiveness.

Figure 4.2: Organizational Commitment, Understanding, and Timing



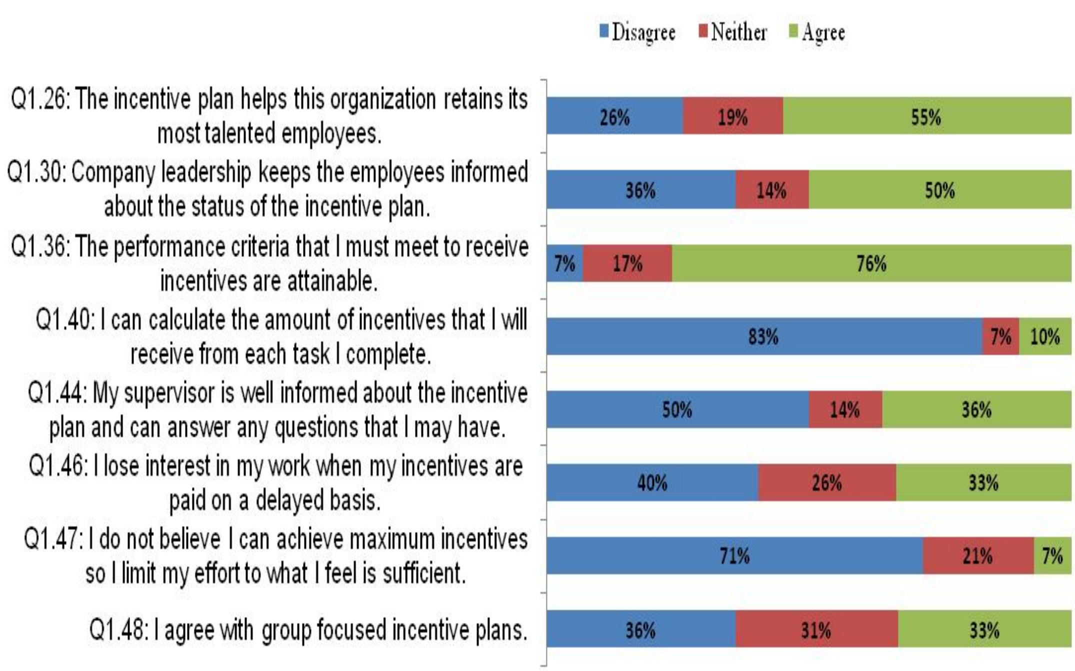
The overall responses for intrinsic motivation were in agreement with these statements (see Figure 4.3). The majority of employees that took the survey indicated that they were satisfied with the incentive plan and the amount was large enough to keep them motivated. Employees also feel that the incentive plan allows them to receive recognition for their individual efforts. The majority of employees also agreed that the incentive plan motivates employees to accomplish association goals and individual goals. However, the majority of employees do not feel that the incentive keeps them from looking for other employment. A large percent of employees do not receive regular feedback about the amount of incentive they earn year to date. The encouragement by coworkers received a mixed response with similar percentages in each category.

Figure 4.3: Intrinsic and Extrinsic Motivation



The remaining incentive questions have been classified as additional incentive questions (see Figure 4.4). The majority of employees (55%) believe that the incentive plan helps the organization to retain talented employees and that the company leadership keeps employees informed of incentive status. The large majority (76%) feel that the criteria for incentive is attainable and do not limit their efforts for fear of not meeting the maximum incentive level. The vast majority (83%) are not able to calculate how much incentive they will receive from each task. Fifty percent of respondents indicated that their supervisor is not well informed about the incentive plan and unable to answer questions pertaining to it. Forty percent indicate that they do lose interest in their work when incentive payments are delayed. The percentage breakdown for agreement with group focused incentive plans is similar for each category of responses.

Figure 4.4: Additional Incentive Questions



CHAPTER V: OBSERVATIONS AND CONCLUSIONS

5.1 Observations

After this review of theories concerning the effects of incentive, incentive plans, and employee perceptions, and in light of the research data gathered and analyzed, the following observations are offered in relation to the current Farm Credit of the Virginias (FCV) incentive plan. It has been the purpose of this thesis to examine the FCV incentive plan and seek ways to improve its effectiveness. An effective incentive plan should help improve employee job satisfaction and commitment to the company. The commitment of the employees of FCV is critical to its success.

Observation #1: Mixture of Group and Individual Incentives

The literature revealed that individual incentive plans are effective when an individual's efforts can be measured and well defined. Individual plans can encourage top performers to stay with the company. Group incentive plans are effective when profitability can be controlled by group employee efforts. Research conducted by Guthrie (2000) suggests that extensive use of group plans can increase turnover especially in larger groups when the free rider effect tends to be more prevalent. However, this impact on turnover can be negated through the use of larger group rewards. Both individual and group incentive plans also have their downsides that include selfishness for individual plans and free-riders for group plans. Combining group and individual incentive plans can work to harmonize the extreme effects of each plan to encourage both employee success and teamwork.

Review of the five Farm Credit Association's incentive plans demonstrates a varied approach to structure. Two other associations (Association A and B) have structured their incentive plans on an individual basis. Association C and D have structured their incentive plans on a group basis. Farm Credit of the Virginias was the only company reviewed that offered a combination of both. However, all five associations included criteria in their plans that required Association-level performance as a whole before incentives were paid.

Observation #2: Understanding is KEY

FCV should make every effort to help all employees fully understand their incentive plans. This will increase the employee buy-in to the incentive plan and should lead to maximum effectiveness. The data analyzed in this thesis indicate that understanding the incentive plan is very important to employees. The majority of employees indicate that they did not understand how the plan worked or that they thought the plan was difficult to understand. Furthermore, understanding the plan was found to be positively correlated with job satisfaction and organizational commitment, which are purposes of the FCV plan. Therefore, if employees understand the plan they are more likely to be committed and satisfied. Managers should be able to answer questions from employees about their incentives. FCV should consider ways to make the plan simpler and easier to understand for its employees. Perhaps they should offer employee training on how the plan could affect their future income. The training could be administered by the human resource department utilizing the Career Café software. Career Café is a new method for online employee training. This software would allow employees to obtain self-help. The training could be structured with detailed explanation of the incentive plan that includes an automated formula that would allow employees to calculate incentive based on real life examples. The site would also allow FCV to determine if concerns still exist and what additional training may be necessary. The more FCV can engage the employees in understanding the plan, in a specific, personal way, the more likely the employees will see the benefits and commit themselves to the company for a longer term.

The need for simplicity in incentive plans is further supported by the literature reviewed. Research conducted by Applebaum (1992) supports that effective incentives are most effective when employees understand the link between effort and the outcome. Zoltners (2006) found that basic, understandable, and easily remembered plans are viewed as well designed plans. The surveys conducted by World at Work indicated that employee preferences for incentive plans include simplicity and that the plans are not based on more than three performance measures.

Observation #3: Timely Feedback

In addition to understanding the incentive plan, feedback on incentive related issues is important. The majority of FCV employees indicated that they do not receive regular feedback on the amount of incentive they have earned. Feedback in relation to incentive progress can help employees understand how they are doing and if improvement is needed. This can be a useful motivational tool in itself. FCV employees also indicated that they are unable to calculate the amount of incentive they earn on each task. The ability to calculate one's incentive pay would allow loan officers to track their incentive earned from each loan action.

The review of the five Farm Credit associations shows a variation between payout frequencies. Association A and D operate on an annual payout. Association B and C operate on a semi-annual payout. FCV is the only association with an annual payout portion and a long term (3 year) payout portion.

Observation #4: Long term Incentive

One of the purposes of the long term incentive portion of the FCV incentive plan was to retain valuable employees. While timing did not have a strong correlation with job satisfaction, it did have a positive correlation with organizational commitment. This indicated that people are staying because of the incentive that is withheld. However, the majority of employees indicated that if another opportunity presented itself they would consider leaving and that the incentive does not keep them from looking for other employment. Forty-five percent did not feel long term incentive was a good investment in employees. Past research supports that incentives should be paid in a timely fashion to maintain effectiveness. It also supports that while longer wait periods will focus employee efforts on the long term customer needs it, can also decrease the motivational effectiveness of the plan in the short term.

General Observations from the Survey

Ninety percent of respondents indicated that they were able to keep busy all of the time. However, this generalized statement does not reveal the nature of the acts that are keeping employee's busy. Possibilities could include new business as well as delinquent account servicing. Only 57% of respondents indicated that there are chances for advancement. In relation to performance measures, only 76% of respondents felt that the criteria were attainable. A major finding is that employees are not satisfied with the way that company policies are put into place. These findings were not the aim of the study, so they would require further data collection to fully understand what the employee perceptions are within these categories.

5.2 Future Considerations for Incentive Study

This study was conducted within FCV and the survey was administered to loan officers only. The study could further be improved by administering a similar survey to the other employee groups within FCV which includes support staff and administration. These two groups have slightly different incentive plans than the loan officers. Further consideration could also be given to the impact of age and gender on employee perceptions about the incentive plan. The study could also be strengthened by cooperation and participation from other associations so that comparisons can be made of how their employee's perceptions vary from those of FCV in relation to their current incentive plans. Collection of annual employee turnover records for FCV from years prior to the new incentive plan implementation and the years since implementation would allow the company to conclude if the long term incentive withholding was serving the purpose of employee retention.

5.3 Limitations of the Study

A limitation to this survey is that the data was collected by use of a survey to FCV employees. Surveys do not provide for causalities to be determined from the answers provided. The fact that the survey was completed by FCV employees could indicate that the answers may have some bias. The correlations discussed within this thesis do not suggest causality. Since only one association was compared the generalize ability of the data may be limited.

5.3 Conclusion

In conclusion, loan officers at FCV are generally satisfied with their jobs, yet there are aspects of the incentive plan that suggest some dissatisfaction. Further examination of the data surrounding the incentive plan is encouraged. Incentive plans are useful tools for encouraging desired sales behavior and retaining valued employees. The results of this study and supporting studies can be applied to any sales based company. Further development of the understanding and acceptance of a company's incentive plan will only improve the company's long-term performance and retention of excellent employees.

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APPENDIX A: EMPLOYER SURVEY

Opening Instructions: Notice to Participants: This survey will take approximately 15-20 minutes to complete. The questions are designed to gather information about your opinions about your job. Your participation in this survey study is completely voluntary and all answers will be recorded anonymously. We want you to answer all questions on the survey honestly. However, if any question makes you uncomfortable, fell free to skip that question. We appreciate your participation, but if you choose, you may withdraw your participation at any time.

If you have any questions, please contact Brian Niehoff at niehoff@ksu.edu or Autumn Crider at ACrider@AgFirst.com.

Next

1 - Strongly Disagree | 2 - Disagree | 3 - Somewhat Disagree

4 - Neither Disagree nor Agree | 5 - Somewhat Agree

6 - Agree | 7 - Stongly Agree

	1	2	3	4	5	6	7
1.1 I am able to keep busy all the time.							
1.2 I am satisfied with the chance to work alone on the job.							
1.3 I am satisfied with the chance to do different things from time to time.							
1.4 I have chance to be “somebody” in the community.							
1.5 I am satisfied with the way my boss handles his/her workers.							
1.6 I am satisfied with the competence of my supervisor in making decisions.							
1.7 I am able to do things that don’t go against my conscience.							

1.8 I am satisfied by the way my job provides for steady employment.							
1.9 I enjoy the opportunity to do things for other people.							
1.10 I am proud to tell people what I do.							
1.11 I have the chance to do something that makes use of my abilities.							
1.12 I am satisfied with the way company policies are put into practice.							
1.13 I am satisfied with my pay and the amount of work I do.							
1.14 There are chances for advancement on this job.							
1.15 I have the freedom to use my own judgment.							
1.16 I can try my own methods of doing the job.							
1.17 The working conditions are satisfactory.							
1.18 My co-workers get along with each other.							
1.19 I received praise for doing a good job.							
1.20 I have a feeling of accomplishment from this job.							
1.21 I feel more committed to this career than I did a year ago.							
1.22 I am highly committed to remain with this organization.							
1.23 I understand my incentive plan.							
1.24 I am satisfied with my incentive plan.							
1.25 I am actively looking for a job outside of this organization.							
1.26 The incentive plan helps this organization retains its most talented employees.							
1.27 I feel the amount of the incentive I receive is sufficient to keep me motivated.							
1.28 If another opportunity presented itself, I would NOT consider leaving.							
1.29 The current incentive plan motivates behavior that accomplishes the Association's goals.							
1.30 Company leadership keeps the employees informed about the status of the incentive plan.							

1.31 Incentives should generally be paid as immediate as possible for maximum effect.							
1.32 The incentives received through our plan are not large enough for me to be motivated.							
1.33 The long term payout of incentives is a good investment in employees.							
1.34 The incentive plan is simple and concise.							
1.35 I feel the magnitude of the incentive is fair under my plan.							
1.36 The performance criteria that I must meet to receive incentives are attainable.							
1.37 I feel that I am recognized for my individual contribution through the incentive plan.							
1.38 I fully understand how the incentive plan works.							
1.39 Incentives drive me to meet or exceed my goal.							
1.40 I can calculate the amount of incentives that I will receive from each task I complete.							
1.41 I believe the payout frequency is fair							
1.42 The incentive keeps me from looking for employment elsewhere.							
1.43 I receive regular feedback during the year as to the amount of incentives I have earned thus far.							
1.44 My supervisor is well informed about the incentive plan and can answer any questions that I may have.							
1.45 I feel encouraged by my coworkers to strive to achieve incentives.							
1.46 I lose interest in my work when my incentives are paid on a delayed basis.							
1.47 I do not believe I can achieve maximum incentives so I limit my effort to what I feel is sufficient.							
1.48 I agree with group focused incentive plans.							

Question 2

Years of employment with current company

- < 1 year
- 1-3 years
- 4-6 years
- > 6 years