

# Example of alternative incentives essay

[Business](#), [Company](#)



Incentive compensation of any form will certainly motivate the managerial behavior of the executives in a company Wowak (2010). However, researches have unanimously found that self-confidence is what determines how the executives will react to the incentive compensations. Self-confidence will significantly affect their cognitions, motivations and actions. A model of pay-person interaction built on this idea also predicts that executives' self confidence would influence their response to incentive compensation. Apart from self-confidence, situational contingencies such as firm's size and technology can also explain how the incentives may affect the managerial behavior. Without incentive compensation, the executives will work to fulfill their own goals but the incentives will align the shareholders' goals with the executives' goals.

Core self evaluation has been considered a higher order dispositional trait concisely explain the common variance of highly correlated traits. These are self-esteem, self-efficacy, emotional stability and locus of control.

Incentive compensation has also been found to encourage more ethical behavior Connor (2006). However, Harris (2007) suggests that incentives such as increased stock option may actually lead to unethical behavior. Other studies have also confirmed that executives, especially those with high core self evaluation, tend to act in the long term interest of the organization and behave more ethically because they will be more concerned with the success of the firm when given the incentives. But this is not so with the executives that have low core self evaluation. In fact, the incentives may promote unethical behavior in them. Therefore, there is need for an alternative for the sales-based incentive. The executives can be rewarded on

the ethical principles and theories such as utilitarian, duty and justice.

Utilitarianism is a consequence ethical principle. The interest of the majority is given a first priority. It how the consequence of an action by any executive will affect the clients which will in turn affect the image of the firm. The executives will therefore try to do what is right for the clients knowing that there is a reward for this.

The duty principle dictates that every executive must follow the code of conduct in every action he undertakes. Every profession its own rules and regulations of which the professionals must strictly adhere to. These regulations ensure that no executive engages in unlawful activity that might tarnish the image of the firm.

Organizations can design systems that support ethical behavior while still offering incentive compensation for the high performance for its executives. This can be done by the firm setting up such behavioral regulations that must be strictly followed by the executives. The firm must then reward the executives who go by these regulations on their daily duties. These individuals can be identified by designing a score sheet for every executive in the firm. The management should also put some sanctions on the executives break such laws. Such irresponsible personnel must be held accountable for their actions.

## **Reference**

Mathew, S., Eric, S. (2012) When Does Incentive Compensation Motivate Managerial Behavior?: Strategic Management Journal . Ohio. Fisher College of Business

Wowak, J. (2010) A Model of Person-pay Interaction: Strategic Management Journal. Ohio. Fisher College of Business