Zagreb International Review of Economics & Business, Vol. 17, Special Conference Issue, pp. 81-95, 2014

ISSN 1331-5609; UDC: 33+65

Relations Between Planning Systems and Employee Reward Schemes in Polish Enterprises

Joanna Dyczkowska *
Tomasz Dyczkowski *

Abstract: A purpose of this paper is to detect relations between planning systems and rewarding schemes in micro-, small-, medium- and large-sized companies. The conducted analysis is based on selected data from a research project focusing on planning, control and communication practices developed by enterprises operating in Poland. The paper reflects information and opinions included in 397 research forms. The empirical results provided evidence on positive and statistically relevant relationship between character of a goal-setting process and reward strategies. It seems that participative as well as formalized planning, where employees take part in setting objectives or obtain plans with defined goals induces performance-based reward strategies, which are reflected in merit pays or bonuses contingent on individual or corporate performance. Likewise also managerial feedback affects in a positive manner reward strategy. The study suggests that there is statistically relevant difference in reward strategies considering sector affiliation.

Keywords: goal-setting process, managerial feedback, performance-based pay, reward strategies

JEL Classification: L21, M12, M52

Introduction

Reward strategies are determined by many contextual factors which arise in particular environment and are induced by existing internal or external conditions. Armstrong (2010) maintains that determinants which influence reward strategies refer to organizational culture, business sector, work environment, employee occupation, business strategy, political and social climate, globalization processes, economic situation, societal condition, employment legislation and trade unions impact. There are also debates on effectiveness of reward strategies in connection with performance ap-

* Joanna Dyczkowska and Tomasz Dyczkowski are at Department of Cost & Management Accounting and Control, Wrocław University of Economics, Poland.

praisal system (Lawler et al., 2012, p. 2). In this context employee knowledge on how their involvement in goal setting and goal achievement contribute to realization of business strategy becomes a crucial matter. The next step is properly organized performance appraisal system which should be focused on motivational function of reward and communication of a planning system with employee remuneration scheme.

A main purpose of this paper is to detect and define relation between an approach to planning and corporate rewarding schemes in micro-, small-, medium- and large-sized companies. An existence of expected relation should result in a higher effectiveness of business processes. On the one hand the study examines an association between an intensive top-down communication and reward strategies implemented. On the other it investigates whether there exist any discrepancies in reward schemes considering company size or sector type.

The paper is divided into four sections. The first part is dedicated to present an outline of the study, research sample, hypotheses and description of variables. The second part discusses various reward strategies identified in examined enterprises and confronts these observations with statements on this topic included in the literature. The last section provides results of the empirical analysis whereas conclusion summarizes the study, presents its contribution and describes limitations.

Research Design

Research Outline

The results included in the paper refer to a study initiated by the authors in late 2010 and continued until today. The research focused on a place and roles of management accounting, and in particular of controlling in enterprises, governmental institutions and NGOs.

At the phase of research formulation, it was assumed that controlling, and in particular: planning, assessment, reporting or internal communication processes could be identified and evaluated more precisely by observing actual situation than by examining procedures which organisations affirmed to have implemented. The assumption stems from the fact that numerous micro and small companies do not implement comprehensive controlling methodology or systems, but rather apply required elements of this concept to monitor their economic performance.

The focus of our study is to picture how organisations carry out control activities. Accordingly, the authors examined the following four issues. The first was how companies fix their strategic goals and operational objectives. Secondly, it was explored what methods are used in order to evaluate economic performance and efficiency of business process. Thirdly, it was investigated how management control information is communicated to and comprehended by employees, including managers, financial and accounting staff, as well as employees of other functional areas and various organizational levels. Finally, it was scrutinised how solutions within data processing and internal communication systems help to build an organisational knowledge pool.

The empirical part of the research was collected with a help of part-time working students who participated in controlling or internal reporting courses provided by the authors at their home university. In order to guarantee comparability of results obtained, the students used a uniform research form developed by the authors. The form was structured as follows. The first part provided basic characteristics of examined organisations (their legal status, foundation year, total employment, sales revenue or annual budget, business domain, geographical area of operation, and a capital structure). The second part included 16 open questions related to planning, control, reporting and communication processes in the scrutinised objects. The last part covered final questions which aimed at verifying information obtained. They referred to position, work-profile and experience of the respondents, sources of information they used and any obstacles in collecting data.

In the first step of data analysis the authors evaluated quality of answers to questions 1-16 with scores ranging from 0 to 5, and eliminated those forms, where the average score was below 3.0. This meant that forms positively verified included either: ‘quite detailed information with a short personal comment’ (3 points), ‘detailed information supported with necessary explanations’ (4 points) or ‘very thorough, well documented account with profound reflection’ (5 points). In the second phase of verification the authors defined 6 most frequent types of answers to each question and attributed information included in particular surveys to those 6 options or to the category ‘other’ – if an answer was radically different from the majority of analysed cases.

The results presented in this paper will refer to positively evaluated forms describing enterprises which contained detailed answers to all questions analysed. Data subject to analysis comprised, therefore, 397 research objects. The paper will consider answers to questions relevant for the problem analysed in this paper only.

Sampling Frame

The table 1 characterizes structure of the examined companies considering: their size, establishing year and business area. A size of each class (integer numbers) and their shares in the whole analysed group (percentages) are indicated, as well. Dominating values for each subgroup of companies (rows) were distinguished with bold print, whereas maximum values for particular answer options (columns) were shaded. The same notation and visual presentation will be used in other tables presented in this paper.

Table 1: Composition of the examined group (n=397)

Subgroup \ Size	micro enterprises	small enterprises	medium enterprises	large enterprises	Total
established before 1989	-	8 (14.8%)	10 (18.5%)	**36 (66.7%)**	54
1989 - 1994	8 (8.9%)	17 (18.9%)	19 (21.1%)	**46 (51.1%)**	90
1995 - 2003	25 (17.1%)	39 (26.7%)	27 (18.5%)	**55 (37.7%)**	146
2004 - 2008	19 (21.6%)	24 (27.3%)	12 (13.6%)	**33 (37.5%)**	88
after 2009	**10 (55.6%)**	4 (22.2%)	-	4 (22.2%)	18
farming and food industry	-	**4 (36.4%)**	**4 (36.4%)**	3 (27.3%)	11
industrial production	2 (2.1%)	11 (11.5%)	18 (18.8%)	**65 (67.7%)**	96
construction	1 (3.3%)	**12 (40.0%)**	7 (23.3%)	10 (33.3%)	30
trade and logistics	9 (12.9%)	**27 (38.6%)**	11 (15.7%)	23 (32.9%)	70
ICT sector	2 (18.2%)	2 (18.2%)	**4 (36.4%)**	3 (27.3%)	11
finance and insurance	13 (17.3%)	6 (8.0%)	6 (8.0%)	**50 (66.7%)**	75
services	**35 (31.0%)**	31 (27.4%)	20 (17.7%)	27 (23.9%)	113
Total	62 (15.6%)	93 (23.4%)	68 (17.1%)	174 (43.9%)	397

Source: author's own elaboration

With regard to a structure of the research group it should be noticed that the large companies prevail (43.9% of the examined objects) whereas the SME cluster is dominated by small enterprises (93 objects). Although such a structure of the research sample does not reflect the actual profile of the Polish economy, where micro companies are dominant, a considerable number of objects in each class makes it possible to compare reward strategies implemented by enterprises of various sizes.

In this study a simplified method for qualifying particular objects to size classes was employed. It considered total employment and annual turnover only, with typical thresholds. In case of enterprises where managers or owners were reluctant to reveal information on revenues to employees, staff size was treated as a sole qualification criterion. In certain cases entities meeting size criteria of the SME sector were all qualified to the group of large companies, since they had foreign owners and due to this fact that they were not fully autonomic.

Considering foundation year, it can be observed that 54 enterprises (including 36 large ones) were set up prior to times of the free market economy in Poland, 236 entities were established before the Polish access to the European Union in 2004, and 106 companies started their business operations after that moment. 14 companies of that last group can be labelled as 'start-ups'.

Respecting business area, the examined companies were grouped into seven domains, including: farming and food industry, industrial production, construction, trade and logistics, information and telecommunication technologies (ICT sector), finance and insurance, and services. The most abundant categories included: services (113 objects, with 86 SMEs), production companies (96 objects, with 65 large companies), finance and insurance (75 companies, including 50 large ones) and trade and logistics (70 units, with 47 SMEs). Small companies were common in the construction sector (40.0%). The researched group contained only 11 companies of farming and food industry as well as those of the ICT sector.

Hypotheses Development

Participative planning reflects an idea originating from an empowerment theory which emphasizes importance of sharing a power with employees. Due to participative planning a formal authority is delegated to lower levels of a company hierarchy. This implies various implications for companies. One of that is development of a knowledge sharing culture which facilitates employees to understand their role in an organization and contribute to achievement of goals assumed in plans (Bowen and Lawler, 1992). These two aspects require, however, intensive and efficient internal comunnication. Performance-related reward schemes and power to make decisions that impact „organizational direction and performance“ are the other two implications of participative planning (Bowen, Lawler, 1992). With regard to these statements the authors developed two hypotheses:

H1: Participative planning induces performance-related reward strategies.
H2: Performance-related reward strategies are frequently met in those enterprises whose managers effectively communicate with employees and give them feedback.

Hypotheses H1 and H2 will be tested using correlation analysis and OLS regression model.

Descriptive character of a research form and observations provided by respondents inclined the authors to formulate the third hypothesis to prove expectations which are as follows:

H3: There are statistically relevant differences concerning applied reward strategies between enterprises which belong to finance sector against other sectors.

In order to validate hypothesis H3 the authors will apply Mann-Whitney test.

Description of Variables

For the purpose of empirical analysis three main constructs were used, including: strategic awareness (SAW), goal-setting process (GSP), managerial feedback (MFE). The first independent variable (SAW) was established on a basis of answers to the following question: "*Does an organisation draw up strategic plans and are employees made familiar with them?"*. Respondents identified 6 possible situations described in table 2. Each answer obtained pre-determined number of scores, which were assigned according to a level of employee strategic awareness. Since interviewers might diagnose more than one described situation, the answers were weighted.

In order to construct the second explanatory variable (GSP) the following question was formulated: "*Does an organisation fix operational goals for particular departments, teams or individual employees? What does this process look like and who participates in it?*". The authors recognized six most frequent types of answers which reflected the four major situations: participative planning (answer 1), top-down planning (options 2-3), rudimentary planning practices (answers 4-5) and ad-hoc organisation of work (option 6). To each answer were assigned scores on 5-range scale as in the table 2.

Table 2: Description of independent variables

STRATEGIC AWARENESS (SAW)		
No.	Answers	Score
1.	Strategic plans are drawn up for each area of business activity	5
2.	A strategy is known to employees	4
3.	Strategy is known exclusively to managers	3
4.	There are some general long-term plans developed	2
5.	Planning refers to one-year or even shorter periods	1
6.	An organisation performs day-to-day activities	0
GOAL-SETTING PROCESS (GSP)		
No.	Answers	Score
1.	Employees participate in a goal-setting process	5
2.	Goals are established by senior management in a form of a plan to execute	4
3.	Superiors establish targets for the nearest period	3
4.	Superiors express only general expectations towards employees	2
5.	Employees are expected to perform their duties	1
6.	Employees do not have a scope of their duties defined	0
MANAGERIAL FEEDBACK (MFE)		
No.	Answers	Score
1.	Employees participate in regular meetings with a management or superiors	5
2.	Superiors discuss with employees their performance	4
3.	There is an annual meeting with a presentation of performance convened	3
4.	There are some briefing sessions for employees organised	2
5.	The meetings include management only	1
6.	There are no such meetings organised	0

Source: author's own elaboration

The last construct which referred to managerial feedback (MFE) investigated whether there were any assembly convened to discuss corporate performance. In particular it was examined if employees took part in regular meetings dedicated to a discussion on financial results or on performance, or else were informed about those issues in any other form. The structure of answers to this question is presented in table 2. The highest number of scores (5 or 4 points) were assigned if there was regular and direct communication between employees and management or superiors. Then two situations were distiguished when an annual meeting with a presentation of performance or some briefing sessions for employees were organised. These cases were rated with scores of 3 or 2 respectively. Finally, when meetings convened include management only or there were no such meetings organised, the answers obtained 1 or 0 points respectively.

In this study two contextual factors were identified as control variables and applied in the empirical model. These were: company size (SIZ) classified according to a 7-score scale and finance company (FIN) which was delineated as a dummy variable. The control variable (SIZ) was established considering information on annual turnover and average employment. Accordingly, the authors identified seven clusters presented in table 3.

Table 3: Description of control variables

COMPANY SIZE (SIZ)		
No.	Option	Score
1.	The largest companies	7
2.	Large companies	6
3.	Medium-sized enterprise (larger)	5
4.	Medium-sized enterprise	4
5.	Small enterprise (larger)	3
6.	Small enterprise	2
7.	Microenterprise	1
FINANCE COMPANY (FIN)		
No.	Option	Score
1.	Finance company (finance and insurance sector)	1
2.	Other sectors (food, construction, trade, ICT, industry, services)	0

Source: author's own elaboration

It is worth mentioning that two intermediate levels were added, for those small or medium-sized companies which in one of their size criteria (turnover or employment) were already closer to the upper class. The second control variable (FIN) referred to sector affiliation and separated financial and insurance institutions from any other area of operations. The justification for such a division was that qualitative assessment of research forms and, in particular, descriptive comments of respondents brought the authors to a conclusion that financial sector differed from other organizations in a way how they assessed and managed their employees. This can be explained by the fact that financial companies focused more on results and paid close attention to fight for clients on the market which was highly competitive. All these factors forced financial companies to implement performance-based management.

Employee Reward Strategies

Literature Review

The era of knowledge-based economies has caused that human capital became a source of enhancing competitive advantage of enterprises. Therefore, appropriate organized reward system which effectively motivate people has become a relevant tool in employee recruitment and retention (Kessler and Purcell, 1992; Edvisson and Camp, 2005). Following Brown (2001) effective reward system requires three components. Firstly, it needs clearly defined goals and a well-defined link to business objectives. Secondly, it should possess "well-designed pay and reward programs, tailored to the needs of the organization and its people, and consistent and integrated with one another". Finally, the "most important and most neglected" issue consists in "effective and supportive human resources and reward processes in place" (Brown, 2001).

Edvisson and Camp (2005) remarked new challenges emerging in the so called „Mind era" (Varga, 2002) which may change present perception of human capital and imply innovations in a way how employees are going to be remunerated. First of all, since it is easier to share knowledge, skills and brainpower through ICTs an issue „how to remunerate the growth of collective organizational capabilities for sustainable future earnings potential" will grow in significance (Edvisson and Camp, 2005, p. 113). Secondly, the intelligent remuneration system which appreciates knowledge-intesive workers is expected to align company objectives with individual ones likewise in traditional context. Unlike, it should strenghten „the mind value added of an employee" which is perceived as „an investor investing personal human capital in the company" with an expectation of return on this investment (Edvisson and Camp, 2005, p. 119).

In this study various approaches to reward strategies were considered, including performance-based pays, pay rises or promotions for outstanding work effects and fixed pays. Dependent construct was established considering the answers to the following open questions: "*Are employees' pays related to their individual objectives or those to be met by departments or by the whole company? How does this relation look like?"*. Analysis of responses allowed to identify six various situations, which were rated as follows:

- merit-based compensations (5 scores),
- bonuses for individual performance (4 scores)
- bonuses for corporate performance (3 scores)
- pay increments or promotion for work effects (2 scores)
- remuneration should be linked to business objectives (1 score)
- fixed pays (no scores)

Performance-based pay system is closely related with a goal-setting theory (Locke, 1968) which pays closer attention to the motivating power of setting clearly defined goals (Marsden, 2004, p. 354) than to traditional reward strategies related with increments awarded to employees in a form of prerogative, which has no association with performance appraisal (Boachie-Mensah and Dogbe, 2011, p. 271). O'Donnell and O'Brien (2000) remark that performance-based system and, in particular, merit pay schemes combine both foundations of a goal-setting theory with an expectancy theory (Vroom, 1964). The latter theory assumes that employees comprehend the goals and believe that they are able to achieve them. Moreover, it underlines that staff members expect that they will be properly rewarded for their performance and extra involvement if they reach the goals (O'Donnell and O'Brien, 2000, p. 21). The expectancy theory was widely applied by researchers who dealt with performance and motivation strategies (Green, 1992; Johnson, 1991; Mitchell and Daniels, 2003).

Though there are many forms of pay-for-performance the authors focused on merit pay, individual bonus pay and long-term incentive contingent on corporate performance. Merit-based compensation is a strongly motivating system since employees are rewarded directly for their individual performance. Accordingly, employer rewards workers on a basis what they actually earned on employee contribution. However, there are some drawbacks of such compensation structure. It may imply unnecessary pressure among employees who will be concentrating more on meeting objectives than on providing high quality job. Bonus for individual performance is the other way of remunerating employees in a form of extra monetary reward which is given in addition to fixed compensation (Park and Sturman, 2009; Milkovich and Newman, 2005). Although this way of rewarding employees does not have a character of permanent compensation and is much more flexible its popularity has been increasing (Sturman and Short, 2000). Bonus for corporate performance is a long-term incentive which links extra reward with excellent financial results of a company.

Reward Strategies in Polish Organizations

With regard to employee rewarding strategies in Polish enterprises it should be noticed, that in vast majority of companies pays are fixed (62.2% of all the answers), whereas only in 10.8% of cases they were reported as directly bound to results achieved by employees (table 4). Fixed salaries prevail in small companies (63.4% of cases), although they are also present in similar extent in micro, medium and large organizations and in enterprises active in such domains as: farming and food industry (81.8%), construction (73.3%), industrial production (66.7%), services (65.5%) or trade and logistics (62.9%).

Table 4: Employee reward strategies in Polish enterprises

Feature \ Identified situation	Merit-based compensation	Bonuses for individual performance	Bonuses for corporate performance	Pay increments or promotion for work effects	Fixed pays	Remuneration should be linked to business objectives
Company size						
micro	14 (22.6%)	8 (12.9%)	5 (8.1%)	1 (1.6%)	**39 (62.9%)**	13 (21.0%)
small	11 (11.8%)	15 (16.1%)	27 (29.0%)	2 (2.2%)	**59 (63.4%)**	9 (9.7%)
medium	5 (7.4%)	12 (17.6%)	22 (32.4%)	-	**40 (58.8%)**	13 (19.1%)
large	13 (7.5%)	54 (31.0%)	59 (33.9%)	13 (7.5%)	**109 (62.6%)**	17 (9.8%)
Activity area						
farming and food industry	1 (9.1%)	-	3 (27.3%)	-	**9 (81.8%)**	3 (27.3%)
industrial production	6 (6.3%)	21 (21.9%)	37 (38.5%)	5 (5.2%)	**64 (66.7%)**	13 (13.5%)
construction	5 (16.7%)	2 (6.7%)	8 (26.7%)	1 (3.3%)	**22 (73.3%)**	5 (16.7%)
trade and logistics	6 (8.6%)	8 (11.4%)	24 (34.3%)	2 (2.9%)	**44 (62.9%)**	12 (17.1%)
ICTs	4 (36.4%)	1 (9.1%)	3 (27.3%)	1 (9.1%)	**5 (45.5%)**	-
finance and insurance	9 (12.0%)	32 (42.7%)	24 (32.0%)	6 (8.0%)	**35 (46.7%)**	6 (8.0%)
services	13 (11.5%)	26 (23.0%)	16 (14.2%)	2 (1.8%)	**74 (65.5%)**	14 (12.4%)
Total	**43 (10.8%)**	**89 (22.4%)**	**113 (28.5%)**	**16 (4.0%)**	**247 (62.2%)**	**52 (13.1%)**

Source: author's own calculations

Interestingly, 42.7% of respondents representing finance and insurance sector reported direct influence of individual performance on bonuses received. This situation was frequently met since 46.7% of employees working in finance and insurance sector confirmed that they had their goals established by senior management in a form of plan to execute what induced such a way of rewarding. Interviewers employed in industrial production sector indicated that the most common form of rewarding employees was bonus for corporate performance. Likewise, industrial production sector can be characterized by a top-down style of goal-setting process since 43.8% of respondents indicated such a situation which was more common than participative management style (only 27.1% of respondents declared that they participated in goal-setting process). It should be noticed, however, that indirect relation between performance and employee reward systems, where bonuses depend on overall corporate performance, implies ambiguous reactions of employees. On the one hand, quarterly or annual bonuses are, obviously, welcome. They prove also positive situation of a company, what should result in stability of employment. But on the other one, such bonuses are treated as "additional salary". If their level depend on position in organizational hierarchy only, they have limited impact on work efficiency of individuals. Moreover, lack of quarterly bonus may be judged as cut in personal cost.

Only in 13.1% of cases fixed salaries were unwelcome, as employees expected additional benefits due to their engagement and individual performance. Two reasons for the described attitude were identified on a base of detailed explanations included in research forms. First of all, the vast majority of respondents – and employees at the same time – had rather short work experience, and therefore stability of work may have been prioritized. It should be pointed out that remuneration directly linked to results is often calculated as commission on turnover paid to people employed on casual work contracts, what may imply financial instability. Secondly, in numerous answers bonus systems depending on individual or group performance were perceived as disadvantageous due to excessive targets which employees had to meet in order to receive additional financial incentives. In many cases, exorbitant expectations were combined with very modest basic salaries. Constant difficulties – despite initial attempts – to meet targets, together with pressure of supervisors – whose remuneration may also be related to sales targets – trigger destructive internal competition, cause negative atmosphere at work and demotivate employees. As a result, overall performance is negatively affected.

In fact, an association between employees' performance and their remuneration is much more accepted, if performance appraisal is not limited to individual sales ratios only, but includes more sophisticated criteria, or if a positive incentive system is used. The latter solution is often based on fixed salaries and performance-related bonus, where individual sales figures below expectations have to be discussed with a team manager but do not imply financial penalties. Such reward systems can be observed in large companies (31.0% of answers), in particular in those active in finance and insurance sector. As long as employees meet their individual targets or believe they are capable of doing that, they appreciate construction of a motivation system. However, constant lack of bonuses will be considered as demotivating as financial penalties for unsatisfactory performance.

The results presented in table 4 demonstrate relative insignificance of structural motivation tools which link excellent individual performance with pay rise or promotion in organizational hierarchy. Such solutions were referred to in 4,0% of cases only, mostly in large companies (7.5% of answers). Detailed explanations provided by interviewers proved, however, that the forgoing solutions were integrated with corporate human resources policies, and as such were very positively rated by employees.

Research Results

Table 5 reports on the Pearson correlations between all variables. First of all, it has to be pointed out that positive, and statistically valid correlations ($p<0.01$) between reward strategy and explanatory variables: strategic awareness (18.9%), goal-setting process (24.8%) and managerial feedback (20.2%) were observed. This should be interpreted as a positive signal for validation of the hypotheses H1 and H2. Unexpectedly, there was no evidence that the contextual variable "company size" affected reward strategy. Accordingly, company size was excluded from OLS regression model as a control variable. The second control variable is positively correlated with dependent variable. It signals that hypothesis H3 may be accepted.

Table 5: Correlation matrix (n = 397)

	REW (Y)	SAW (X_1)	GSP (X_2)	MFE (X_3)	SIZ (X_4)	FIN (X_5)
REW (Y)	1.000					
SAW (X_1)	***0.189	1.000				
	p=0.000					
GSP (X_2)	***0.248	***0.433	1.000			
	p=0.000	p=0.000				
MFE (X_3)	***0.202	***0.312	***0.289	1.000		
	p=0.000	p=0.000	p=0.000			
SIZ (X_4)	0.065	***0.498	***0.287	0.243	1.000	
	p=0.195	p=0.00	p=0.000	p=0.000		
FIN (X_5)	***0.222	**0.100	***0.136	***0.132	***0.197	1.000
	p=0.000	p=0.046	p=0.007	p=0.008	p=0.000	

*significant at 10% level; **significant at 5% level; ***significant at 1% level.

Source: author's own calculations

Table 6 presents results of regression analysis, in particular, coefficients, variance inflation factors, the R^2, adjusted R^2, value of F statistics, standard error of estimate as well as related significance levels (t-test). It has to be noticed that although the explanatory power of a model is rather low, since it explains about 10.6% of the variance in reward strategy, the developed model is statistically valid. In comparison to correlation analysis OLS regression model singled out strategic awareness as statistically irrelevant factor for dependent variable. Both goal-setting process, managerial feedback and control variable (FIN) proved to be meaningful determinants of applied reward strategy at 1%, 5% and 1% significance levels respectively. These results may confirm assumed hypotheses H1 and H2.

Table 6: Results of regression analysis (n = 397)

Independent variables \ Dependent variables	Reward strategy (REW)	Variance inflation factors[1]
Intercept	***0.701	
Strategic awareness (SAW)	0.070	1.298
Goal-setting process (GSP)	***0.193	1.312
Managerial feedback (MFE)	**0.101	1.168
Finance (FIN)	***0.789	1.065
R^2	11.5%	
Adj. R^2	**10.6%**	
n	397	
F (4, 392)	12.720	
p <	0.000	
Std. error of estimate	1.614	

*significant at 10% level; **significant at 5% level;
***significant at 1% level.

Source: author's own calculations

In order to validate hypothesis H3 the authors used non-parametrical Mann-Whitney test. (FIN) is a dummy grouping variable in this analysis. The first group covers financial companies (74 objects) whereas the second one - companies from other sectors (323 objects). Mean ranks indicate that financial companies strove more for performance-based reward strategies than firms from the other sectors. With regard to research results it is argued that there is statistically relevant difference (p<0.00) in reward strategies considering sector affiliation, therefore hypothesis 3 should be accepted.

Table 7: Sector type against reward strategy (n = 397)

Grouping variable	**N**	**Mean rank**	**Sum of ranks**	*U Mann-Whitney: 7840.50* *Z: 4.616* *Sig (2-tailed): 0.000*
1. Finance and insurance	74	254,55	18836,50	
2. Other sectors	323	186,27	60166,50	

Source: author's own calculations

Concluding Remarks

The conducted analysis allowed to draw some conclusions. Firstly, the vast majority of companies paid fixed salaries. Moreover, only in 13.1% of cases fixed salaries were openly declared as unwelcome. Secondly, 28.5% of the examined organizations (113 objects) informed that they compensated their employees regarding corporate performance. It may be a positive signal, however, some researchers claim that disadvantage of such bonus is that employees may not clearly notice an association between their own performance, other co-workers' performance along with corporate objectives (Boswell and Boudreau, 2001). Thirdly, situation when goal achievement results in individual bonus was met in 22.4% of the research sample, mostly in large companies and those with foreign investor. Only in case of 10.8% companies merit-based pay was reported. Interestingly, merit-based compensation was applied mostly by companies established after 2009 (38.9%) and those from ICT sector (36.4%) which suggests that this reward strategy has become popular recently. The next remark is that pay increments or promotion for work effects were not frequently met in Polish enterprises which implies poorly developed motivational system which does not appreciate extra work effects if they are not directly connected with goals determined in plans and evaluated within performance appraisal.

The authors made an attempt to prove three formulated hypothesis. The empirical results of the OLS regression analysis provided evidence on positive and statistically relevant relation between character of a goal-setting process and reward strategies. It seems that participative as well as formalized planning, where employees take part in setting objectives or obtain plans with clearly defined goals and tasks induces performance-based reward strategies aiming at merit pays or bonuses contingent on individual or corporate performance. This relation was statistically valid at 1% significance level. Likewise also managerial feedback affects in a positive manner reward strategy ($p<0.05$). Moreover, there is evidence in literature that companies which put emphasis on performance feedback and constructive discussion with staff members found also an increase in employee approval of performance-based pays (Lewis, 1998, p.75). O'Donnell and O'Brien (2000) argue, however, that superiors may be unwilling to provide staff members with critical feedback since they do not intend to initiate conflicts during appraisal interviews and, indeed, they finish discussion on employee performance as quickly as possible.

The study suggests also that there is statistically relevant difference ($p<0.00$) in reward strategies considering sector affiliation. Financial companies were more likely to compensate employees considering their performance than organizations representing the other sectors. The explanation is an approach of financial companies to planning process. Almost a half of examined financial organizations reported that they have their goals established by senior management in a form of plan to execute which may imply periodical performance appraisals.

This paper's contribution is significant for Polish enterprises since it addresses a problem of motivation and compensation of employees in connection with planning. It provides evidence to substantiate the statement that integration of planning and rewarding systems in companies operating in Poland is proceeding, though it is not a dominating situation.

REFERENCES

Armstrong, M. (2010). *Armstrong's Handbook of Reward Management Practice. Improving performance through reward*, 3rd edition, London: Kogan Page.

Boachie-Mensah, F. and Dogbe, O.D. (2011). Performance-based Pay as a Motivational Tool for Achieving Organizational Performance: an Exploratory Case Study. *International Journal of Business and Management*, 6(12), 270-285.

Boswell, W.R., Boudreau J.W. (2001). How Leading Companies Create, Measure and Achieve Strategic Results through „Line of Sight". *Management Decision*, 39, 851-859.

Bowen, D.E., Lawler, E.E. (1992). The Empowerment of Service Workers: What, Why, How and When, Sloan *Management Review*, 33(3), 31-39.

Brown, D. (2001). Reward Strategies, from Intent to Impact. London: Chartered Institute of Personnel and Development.

Edvinsson, L., Camp, J. (2005). Intelligent Remuneration in the Knowledge Economy for Growth of Intellectual Capital, *Journal of Human Resource Costing & Accounting*, 9(2), 112-122.

Gilman, M.W. (2004). *The Characteristics of Performance Related Pay Schemes*, Working Paper No. 59, Canterbury Business School.

Green, T.B. (1992). *Performance and Motivation Strategies for Today's Workforce – a Guide to Expectancy Theory Applications*, Westport: CT: Quorum books.

Johnson, G. (1991). Recruiting, Retaining, and Motivating the Federal Workforce, CT: Quorum books, Westport.

Kessler, I., Purcell, J. (1992). Performance-related Pay: Objectives and Application, *Human Resource Management Journal*, 2(3), 16-33.

Lawler, E.E., Benson, G. S. and McDermott, M. (2012). *Performance Management and Reward Systems*, CEO Publication G 12-10 (617), Center for Effective Organizations, Marshall School of Business, University of Southern California.

Lewis, P. (1998). Managing Performance-related Pay Based on Evidence from the Financial Services Sector. *Human Resource Management Journal*, 8(2), 66-77.

Locke, E. A. (1968). Toward a Theory of Task Motivation and Incentives. *Organizational Behavior and Human Performance*, 3(2), 157-189.

Marsden, D. (2004). Role of Performance-related Pay in Renegotiating the "Effort Bargain": The Case of the British Public Service, *Industrial and Labour Relations Review*, 57(3), 1-23.

Milkovich, G.T. and Newman, J. (2005). *Compensation*. New York: McGraw-Hill Companies, Inc.

Mitchell, T.R., Daniels, D. (2003). Motivation. In: W.C. Borman, D.R. Ilgen & R. J. Klimoski (Eds.), *Handbook of psychology*, Hoboken, NJ: Wiley & Sons, 225-254.

O'Donnell, M., O'Brien, J. (2000). Performance-based Pay in the Australian Public Service: Employee Perspectives. *Review of Public Personnel Administration*, 20 (2), 20-34.

Park, S., Sturman, M.C. (2009). *The Relative Effects of Merit Pay, Bonuses, and Long-term Incentives on Future Job Performance* (CRI 2009-009), retrieved [13.02.2014] from Cornell University, ILR School, Compensation Research Initiative site: http://digitalcommons.ilr.cornell.edu/cri/7

Sturman, M.C., Short, J.C. (2000). Lump-sum Bonus Satisfaction: Testing the Construct Validity of a New Pay Satisfaction Dimension. *Personnel Psychology*, 53, 673-700.

Varga, C. (2002). *The society of knowledge*, Budapest: Strategic Institute.

Vroom, V.H. (1964). *Work and motivation*, New York: Wiley.