

BOOSTING PERFORMANCE THROUGH CONTINGEN INCENTIVES: THE MEDIATION EFFECT OF ORGANIZATIONAL COMMITMENT

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Abstract

This study looks at how different incentive systems affect performance through organizational commitment. By adding the mediating variable of organizational commitment, which is thought to improve individual performance, this study seeks to deepen the understanding of the variables that may affect performance as well as the effects of various incentive programs on performance. The experimental technique is the research strategy employed in this study to accomplish that aim. Laboratory experiments are used in this study. The participants are Ahmad Dahlan University Yogyakarta undergraduate accounting majors from the Faculty of Economics and Business who have finished or are enrolled in management accounting courses. According to this study, the quota incentive plan outperforms the piece rate incentive plan in terms of organizational commitment and performance. The type of incentive plan has an impact on performance through organizational commitment, according to this study. 54 participants' test results demonstrated that the quota incentive scheme outperformed the piece rate incentive scheme in terms of organizational performance and commitment. Additionally, this study discovered that performance is influenced by organizational commitment. Nevertheless, this study found no evidence that the kind of incentive scheme's impact on performance is mediated by organizational commitment. Therefore, organizational commitment as a mediating variable in the link between different incentive schemes and employee performance still needs further theoretical investigation.

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1. Introduction

Managers' and employees' conduct is influenced by the organization's formal controls, which include rules, procedures, performance metrics, and remuneration schemes (Chong and Law, 2016). According to earlier studies, formal control may assist businesses in a number of ways, including enhancing subordinates' performance (Chong and Eggleton, 2007). By putting in place an incentive-based compensation plan, subordinate performance can be enhanced. Implementing the incentive plan is crucial because it is seen to be able to reconcile two interests: the owner's, who stands to gain from higher profits, and the employees' or subordinates', who stands to gain from remuneration. Additionally, businesses can assess employee performance by putting in place an incentive-based compensation plan (Chong and Eggleton, 2007).

According to Chong and Leung (2018), the compensation plan serves two purposes when viewed through the lens of agency theory. First, by drawing in and keeping more productive workers, compensation plans can enhance an organization's overall performance. Second, pay plans may motivate workers to put in more effort to raise their level of performance. Prior research has shown that pay plans can affect individual performance by encouraging greater levels of effort (Chong and Eggleton, 2007; Sprinkle, 2000; Banker, Lee, Potter, and Srinivasan, 2001; Dillard and Fisher, 1990). Nevertheless, several earlier studies refute this claim. Individual performance is not necessarily improved by relying on incentive-based pay systems, according to research by Kohn (1993) and Jenkins, Mitra, Gupta, and Shaw (1998). According to Chong and Law (2016), there was no statistically significant correlation between budget-based compensation plans and poor performance. According to other research (Bonner et al., 2000; Ashton, 1990), performance might occasionally suffer from reliance on compensation plans. Diverse data collection techniques, statistical approaches utilized for diverse data processing, different samples, and different time periods taken into consideration are some of the reasons why different research have varied outcomes (Gomez-Mejia, 1994). Choosing the right type of incentive scheme for members of an organization or company is something that cannot be ignored. Reporting from Antara News (2018), Grab Bike's driver partner assessed that the incentive scheme implemented by Gojek was better than the Grab incentive scheme. Some Grab Bike drivers switched to Gojek as a result of this. Serikat Pekerja Akuntan Indonesia (SPAI) is even considering offering incentives to online motorcycle taxi and courier companies, as they are deemed to be profitable but not adequately welfare-oriented for their drivers and courier partners. This criticism comes at a time when many partners feel that the advertised bonus system doesn't reflect the reality on the ground, mostly only a few partners with a certain level of performance receive them, while a large number of others often don't receive incentives despite their hard work (Tempo News, 2024).

Furthermore, the findings of Lestari's (2015) observation and interview indicate that PT. Komatsu Remanufacturing Asia (KRA) employees in Balikpapan have a poor level of loyalty. One of the factors contributing to PT. KRA's low employee loyalty is that employees get incentives that are out of proportion to the tasks they must complete. Employee morale suffers as a result, which leads to subpar performance. As a result, management must choose the appropriate incentives to encourage workers to perform better.



Compensation systems have been shown to affect individual performance by raising the degree of effort (Chong and Eggleton, 2007; Sprinkle, 2000; Banker, Lee, Potter, and Srinivasan, 2001; Dillard and Fisher, 1990). Individuals' varying amounts of effort will be impacted by various incentive systems (Bonner, Hastie, Sprinkle, and Young, 2000), leading to varying results. Monetary incentives are the form of compensation employed in this study. According to Bonner and Sprinkle (2002), monetary incentives have a greater valence than both non-contingent and non-incentive rewards. According to Bonner et al. (2000), financial incentives are an effective way to motivate people to practice reaching greater skill levels over time and to acquire the abilities and techniques required to do certain jobs. Because Webb et al. (2013) claim that contingent incentive schemes are comparatively more successful than non-contingent (fixed salaries) in motivating people to commit to goals, this study exclusively analyzes different forms of contingent incentive schemes. The types of incentive schemes compared are piece rate and quota. The incentive was chosen because many studies on incentive schemes focus on piece rate and quota incentive schemes such as Chow (1983), Fisher, Pfeffer, and Sprinkle (2003), Chong and Law (2016), Chong and Leung (2018), Fessler (2003), and Arniati (2006). In addition, according to Murphy (2001), studying piece rate incentive schemes and budget-based incentive schemes is very important due to their widespread use.

The type of incentive plan chosen has an impact on employee loyalty to the organization in addition to performance. This is demonstrated by the instances of Grab driver partners moving to Gojek and PT. KRA workers become less dedicated to the business as a result of the company's unsuitable incentive program. According to Wright and Bonet (2002), organizational commitment has a substantial impact on organizational outcomes including performance, absenteeism rate, and turnover rate, which is why researchers are interested in researching this variable. Furthermore, there hasn't been much study done in Indonesia on the kinds of incentive programs where organizational commitment mediates individual performance.

2. Literature Review

Agency Theory

Agency theory was formally developed to address problems arising from contractual relationships between principals and agents under conditions of information asymmetry. The seminal work of Jensen and Meckling (1976) defines an agency relationship as a contract under which one or more principals engage another person (the agent) to perform services on their behalf, involving the delegation of decision-making authority to the agent.

In organizational and business contexts, agency relationships commonly occur between owners and managers, superiors and subordinates, creditors and management, as well as between the government and firms (Gudono, 2012). Agency problems emerge because principals and agents often have divergent interests and asymmetric access to information (Jensen & Meckling, 1976).

Agency problems are generally classified into two categories: adverse selection and moral hazard. Adverse selection arises when principals lack adequate information about agents'



abilities or characteristics prior to contract formation, leading to suboptimal selection decisions (Gudono, 2012). Moral hazard, on the other hand, occurs after the contract is in place, when agents may take actions that maximize their own utility at the expense of principals due to differences in risk preferences and goals (Gudono, 2012; Jensen & Meckling, 1976).

Moral hazard is particularly problematic in environments characterized by high information asymmetry, where agents possess private information about their effort levels and work conditions that principals cannot directly observe (Chong & Eggleton, 2007). Eisenhardt (1985) argues that dysfunctional behavior is more likely to arise when information asymmetry is high. Similarly, Baiman (1990) explains that moral hazard occurs when principals cannot accurately observe agents' effort, creating incentives for agents to shirk or avoid risk unless appropriate compensation mechanisms are provided.

To mitigate agency problems, agency theory suggests two primary governance mechanisms: monitoring (direct control) and incentive-based compensation. Jensen and Meckling (1976) emphasize that monitoring activities—such as supervision, reporting systems, and external audits—can reduce opportunistic behavior by aligning agent actions with principal interests. Direct control may be exercised through managerial supervision or external oversight by shareholders and regulators (Lin, 2005; Gigliotti, 2013).

In addition, incentive-based compensation schemes serve as an important control mechanism by aligning the economic interests of agents and principals (Eisenhardt, 1988; 1989). These schemes include financial incentives designed to reward agents based on performance outcomes, thereby motivating them to act in the principal's best interest (Gigliotti, 2013). From an agency theory perspective, incentives play a crucial role in reducing moral hazard by encouraging agents to exert higher effort levels.

Chong and Eggleton (2007) note that agency theory provides the theoretical foundation for most empirical studies examining incentive control systems. Incentive-based pay plans fulfill two important functions. First, they have a selection effect, attracting and retaining more productive employees, thereby improving organizational performance. Second, they generate an effort effect, motivating employees to increase effort to achieve better performance outcomes.

Consistent with agency theory, individuals are unlikely to exert high effort unless doing so improves their expected economic outcomes (Bonner & Sprinkle, 2002). Because agents are assumed to be rational and self-interested, incentives are viewed as essential instruments for motivating performance and mitigating agency conflicts (Jensen & Meckling, 1976; Bonner & Sprinkle, 2002).

Performance

The capacity to successfully complete a task is known as job performance (Giri and Kumar, 2010). According to Farrell, Kadous, and Towry (2008), effort determines performance. The performance increases with increased effort. Bonner and Sprinkle (2002) assert that a variety of factors, including task, human, environmental, and incentive scheme variables, might affect performance.

Organizational commitment

According to Poerwopoespito (2004), organizational commitment is the mindset of employees who use their skills and knowledge to carry out responsibilities with total



accountability, self-control, and integrity. According to Meyer, Stanley, Herscovitch, and Topolnytsky (2002), commitment is the will of an individual to stay with an organization because of the belief that leaving the group will result in losses. According to studies by Mowday, Porter, and Dubin (1974), personnel with high levels of commitment can outperform those with lower levels. Workers who exhibit high organizational commitment are willing to put in a lot of effort on behalf of the company, strongly believe and accept the organization's ideals and values, and are eager to stay with the company (Porter et al., 1974; Mowday et al., 1979; Angel and Perry, 1981). While personnel with low organizational commitment will utilize their expertise or information for personal benefit, those with strong organizational commitment are likely to use it to accomplish the organization's goals (Nouri and Parker, 1996).

Incentives

Individual incentives come in two varieties: positive and negative. Rewards that boost personal happiness are known as positive incentives (Anthony and Govindarajan, 2007). According to Anthony and Govindarajan (2007), people are more likely to be motivated by the possibility of rewards than by the threat of punishment, which is why this study employed positive incentives. According to Bonner et al. (2000), an organization's incentive scheme has an impact on the effectiveness of financial incentives, which in turn can affect how management accounting and control systems are designed (Chow, 1983; Pritchard, Jones, Roth, Stuebing, and Ekeberg, 1988). An incentive program's primary goal is to inspire people to put in a lot of work in order to perform better (Chong and Eggleton, 2007). According to Hasibuan (2013), in keeping with Chong and Eggleton, the goal of offering incentives is to encourage and inspire people to enhance their performance as well as the efficacy and efficiency of their output. Compensation plans can enhance individual performance, according to earlier studies on incentive contracts (Chow, 1983; Waller and Chow, 1985; Chow, Cooper, and Waller 1988). Pay plans inspire people to create and adhere to objectives and perform better, which makes them motivational. The magnitude of the contingent incentive in this study is determined by the performance of the individual and/or their level of competence or expertise (Armstrong and Murlis, 2003). Because the acquisition of this income is dependent on variables that may be unclear and must constantly be attempted to be achieved in each period, this kind of incentive is sometimes referred to as variable pay or pay-at-risk (Armstrong and Murlis, 2003).

Incentive schemes are divided into five primary types by Bonner et al. (2000): flat rate, piece rate, variable ratio, quota, and tournament. Only piece rate and quota incentive systems are compared in this study. A set sum of money is awarded for each successfully completed unit of work under a piece rate incentive plan. A piece rate compensation plan is therefore tied to an individual's overall performance as well as each unit of output they create. Under a quota compensation plan, employees are paid a set rate until they reach a predetermined performance threshold. They earn a bonus if they accomplish a specific goal. Recent studies continue to demonstrate that incentive schemes remain a critical mechanism for motivating effort and enhancing performance, particularly when targets are clearly specified and rewards are contingent on goal achievement (Chong & Leung, 2018; Webb et al., 2019; Günther et al., 2021).



The effect of incentive schemes on performance

According to Bonner et al. (2000), piece rate, tournament, and fixed salaries are the next most successful incentive systems for enhancing performance, after quota-based incentives. Compared to piece rate contracts, Fisher et al. (2003) predicted that budget-based contracts would result in better performance. Budget-based incentives are more important than fixed pay and piece rate, according to research by Fatseas and Hirst (1992). Quota incentives are the most effective for task utility, according to an ISPI meta-analysis (Budiarti, 2011).

According to Bonner et al. (2000), performance and motivation are improved when clear, difficult, but attainable goals are defined. According to Lau and Tan (2003), employees are motivated to put in more effort when they have goals and are under pressure to meet them. According to Locke and Latham (1990), effort and results are positively impacted by well specified performance targets. According to Webb et al. (2013), those who have difficult goals or receive rewards based on them are more productive. Target-based compensation and challenging goals can both increase productivity on their own by inspiring people to put in more effort to achieve their objectives (Webb et al., 2013). According to earlier research, difficult goals promote greater effort and output than simpler ones (Bonner and Sprinkle, 2002). According to Webb et al. (2013), companies that want to encourage workers to be more productive should use difficult goals and target-based compensation.

The hypothesis proposed is:

H1: Quota incentive schemes produce higher performance than piece rate incentive schemes.

The effect of incentive schemes on organizational commitment

Incentive programs can spur people to improve their performance and achieve their objectives (Chow, 1983). People with strong organizational commitment are more likely to desire to stay with the organization, believe in and accept its ideals, and be willing to put in more effort (Porter et al., 1974; Mowday et al., 1979; Angel and Perry, 1981). Individual effort can be increased via incentive contracts with specific objectives (Chen, 2013). It is anticipated that subordinates would put forth a lot of effort to meet performance objectives.

The theory put forward is:

H2: Quota incentive schemes can produce higher organizational commitment than piece-rate incentive schemes.

The effect of organizational commitment on performance

Prior studies have demonstrated that organizational commitment may result in improved employee performance and work effort, as well as reduced absenteeism and turnover (Mathieu and Zajac, 1990; Randall, 1990; Subramaniam, Manus, and Mia, 2002; Randall, 1990). Workers who have a strong commitment to the organization's objectives are often more excited about their jobs and contributions (Steers, 1977). They are prepared to put in extra effort to improve performance and have the goal of assisting the company in its success. Employees with high levels of commitment are more driven to meet company objectives than those with low levels of commitment (Meyer, Paunonen, Gellatly, Goffin, and Jackson, 1989). Research shows that individual performance is positively impacted by organizational commitment (Chong and Eggleton, 2007; Chong and Law, 2016).

The proposed hypothesis is:



H3: Organizational commitment has a positive effect on individual performance.

Organizational commitment as a mediator of the relationship between compensation schemes and performance

Incentive schemes motivate individuals to set and commit to higher goals and performance (Chow, 1983). Research shows that incentive schemes improve subordinate performance by encouraging greater effort (Church, Libby, and Zhang, 2008; Chong and Eggleton, 2007). Individuals who are highly committed to organizational goals without negative attitudes are more motivated to work toward goal achievement (Steers, 1977). If they believe that improving their personal performance will benefit the organization, they will exert greater effort to serve the organization.

H4: Organizational commitment mediates the effect of incentive schemes on individual performance.

3. Research Methods

In order to make the measuring procedure easier, this study makes use of laboratory experiments, which are conducted in a controlled environment (Nahartyo and Utami 2016, 87). Undergraduate accounting majors at Ahmad Dahlan University's Faculty of Economics and Business in Yogyakarta who have finished or are enrolled in management accounting courses are the study's participants. Because it is difficult to recruit actual employees to participate in trials, student participants are used. Second, students are seen competent of working with certain incentive schemes since they already possess a theoretical understanding of them as participants. Third, professional experience is not necessary for research work. Consistent with recent experimental research, laboratory-based incentive studies using student participants remain valid for examining causal relationships between incentives and performance, particularly in controlled task environments (Bracht & Feltovich, 2019; Harrison & List, 2022).

In this experiment, participants were asked to act as employees of production staff in companies engaged in making accounting handbooks. The task of participants is to look for words related to accounting in the box provided. Their performance evaluation and incentives are based on the number of words successfully searched in the box. Manipulation carried out in this research is to provide a piece rate incentive scheme and a quota incentive scheme. Participants in this study will get treatment and random assignment tasks. This randomization is done to reduce or eliminate the bias that occurs due to differences in subject characteristics (Nahartyo and Utami, 2016). The randomization technique is done by means of participants being free to choose a seat in a class that has an assignment envelope where participants do not know the contents of the assignment in the envelope.

Performance is the study's dependent variable. The number of accurate points that participants receive throughout each time is used to gauge performance. Participants receive a box with ten rows by ten columns of random letters each session. Participants were instructed to search the box for terms relating to accounting. Because the researchers wanted to prevent possible bias—where participants' responses were affected by their intellectual



capacity rather than the kind of incentive program or organizational commitment—the performance evaluation test was quite straightforward.

The incentive program is the study's independent variable. This study employed a contingent incentive scheme, in which the amount of the reward is based upon an individual's performance and/or competence or skill level (Armstrong and Murlis, 2003). In this experiment, two contingent incentive systems were used: quota and piece-rate. A set sum of money is awarded for each successfully completed unit of work under a piece-rate incentive plan. Under a quota incentive plan, employees get a set rate of compensation up to a predetermined performance threshold. They are rewarded with a bonus if they accomplish a specific goal.

Organizational commitment is the study's mediating variable. When an individual's aims coincide with those of the organization, they are willing to work hard for the organization's success, they are loyal to the organization, and they have no desire to quit, they are said to have strong organizational commitment. 15 questions with a rating of 1 (strongly disagree) to 7 (strongly agree) were used to gauge organizational commitment. The Organizational Commitment Questionnaire (OQC), created by Mowday (1979), is the one utilized in this study.

The data in this study was analyzed using the statistical program SPSS. Descriptive statistics are presented in this study using means to display group average scores and standard deviations to display group score distribution. Randomization of demographic data on a ratio scale is tested using the ANOVA (Analysis of Variance) test, while randomization of demographic data on a nominal scale is tested using the chi-square test. The purpose of these two tests is to ascertain whether the groups differ significantly from one another.

In order to make sure that subjects have gotten the manipulation in the quantity and format that the researcher intended, manipulation checks are required in experimental research (Nahartyo and Utami 2016, 137). Asking a series of questions and examining the respondents' responses allows for manipulation checks (Nahartyo and Utami 2016, 137). The test or manipulation check is deemed successful for participants who provide accurate answers to the questions. According to Ordonez et al. (2009), an experiment's chances of success should be between 75 and 90 percent.

Because there were two independent variable categories in this study, the t-test analytic tool was used to assess the first and second hypotheses (Ghozali 2018, 63). The normality and homogeneity tests were performed prior to the t-test. The Kolmogorov-Smirnov nonparametric statistical test was employed for the normalcy test. Levene's test was utilized in the homogeneity test. Normality and homogeneity tests were performed before to the t-test. Validity and reliability tests were initially carried out since questionnaire questions were used to measure organizational commitment characteristics. The validity of this study was examined using the Pearson product-moment correlation test. Cronbach's alpha (α) was employed to assess the questionnaire's reliability.



To test the third hypothesis, the testing tool used was simple regression analysis because the data for the organizational commitment and performance variables were on a ratio scale, and the predictor variable for this third hypothesis consisted of one variable, namely organizational commitment. Prior to conducting the simple regression analysis, statistical assumptions were tested, including homoscedasticity, normality, and linearity (Hair et al. 2010, 71-76). The Glejser test was used to test homoscedasticity in this study (Ghozali 2011, 142). The Kolmogorov-Smirnov statistical test was used to test normality in this study (Ghozali 2011, 32). The linearity test in this study was conducted by comparing the significance value of the deviation from linearity with $\alpha = 0.05$. Next, the path analysis method was used for the fourth hypothesis, namely the influence of the mediating variable.

4. Results

There were two phases to the experiment. There were 38 competitors in the first stage and 23 in the second, for a total of 61 people. There were 54 individuals in the usable data set after seven of them failed the manipulation check. Table 1 below displays specifics of the study data.

Table 1 Research Data

Incentive	Number of Participants
Piece Rate	26
Quota	28

Source: Result of processed data (2019)

Sixth-semester undergraduate students from Ahmad Dahlan University's Accounting Study Program in Yogyakarta served as the study's experimental subjects. The demographic information for the 54 participants is shown in Table 2 below.

Table 2 Research Participant Demographics Table

	Amount	Percentage
Gender		
Man	21	38,89%
Woman	33	61,11%
Total	54	100%
Age		
20	5	9,26%
21	41	75,93%
22	8	14,81%
Total	54	100%
GPA		
1.75 - 4.00	16	29,63%
3.50 - 3.74	21	38,89%
3.25 - 3.49	13	24,07%
<3.25	4	7,41%
Total	54	100%

Source: Result of processed data (2019)



Table 3 below shows the number of participants, mean performance scores, and standard deviations in each experimental group.

Table 3 Descriptive Statistics of Participants

Incentive Scheme	Number of Participants	Average Performance	Standard Deviation
Piece Rate	26	17,96	3,831
Quota	28	23,43	3,072

Source: Result of processed data (2019)

The table above shows that the average performance score in the piece-rate group (17.96) is lower than the average for the quota group (23.43). These results indicate that employee performance under the quota incentive scheme is higher than that under the piece-rate incentive scheme. These results provide initial support that the quota incentive scheme is more effective in improving employee performance than the piece-rate incentive scheme.

Performance is the dependent variable in the first hypothesis, whereas the incentive plan is the independent variable. This study's initial hypothesis is that the quota incentive scheme outperforms the piece rate incentive scheme in terms of performance. Organizational commitment is the dependent variable in the second hypothesis, while the incentive program is the second independent variable. In this study, the second hypothesis is that individual firms will be more committed to the quota incentive system than to the piece rate incentive scheme. The t-test was used to evaluate both hypotheses. The normality and homogeneity tests are statistical assumption tests that are conducted prior to the t-test. The Kolmogorov-Smirnov nonparametric statistical test was utilized for the study's normalcy test. Levene's test was utilized in the homogeneity test. The homogeneity and normality tests for the first and second hypotheses are shown in Table 4 below

Table 4 Results of Testing the Normality and Homogeneity of the First and Second Hypothesis

	Dependent Variable	Significance of normality test	Significance of homogeneity test
H1	Performance	0,200	0,871
H2	Organizational Commitment	0,200	0,148

Source: Result of processed data (2019)

The data is normally distributed, as indicated by Table 4 above, where the significance value of the first hypothesis normality test is $0.200 > 0.05$. According to the homogeneity test, the dependent variable (performance) has the same variance since the first hypothesis' significance value is $0.871 > 0.05$. The organizational commitment variable has the same variance (homogeneous), according to the significance value of the second hypothesis



homogeneity test, which is $0.148 > 0.05$. The t-test is a distinct test that comes after a statistical assumption is established in the form of a homogeneity and normality test. The findings of the first hypothesis test using the t-test are shown in Table 5 below.

Table 5 Results of the First and Second Hypothesis Testing

			F	Sig.	t	df	Sig. (2-tailed)
H1	Performance	The same variant is assumed	0,026	0,871	-5,805	52	0,000
		The same variant is not assumed			-5,757	47,947	0,000
H2	Organizational Commitment	The same variant is assumed	2,160	0,148	-6,966	52	0,000
		The same variant is not assumed		-	50,935	0,000	
				7,024			

Source: Result of processed data (2019)

Table 5 shows that the value of Sig. (2-tailed) is $0.000 < 0.05$, indicating that H_0 is rejected and H_a is supported, i.e., there is a difference in the average performance between groups with a piece rate and quota compensation system. Each group's average performance was then compared. Thus, the first hypothesis that individual task performance is higher in the quota incentive scheme than the piece rate incentives scheme is supported by the average performance, which shows that the piece rate group performs less well than the quota group ($17.96 < 23.43$).

There is a difference in the average organizational commitment between groups with a piece rate and quota remuneration system, as indicated by table 5's Sig. (2-tailed) $0.000 < 0.05$, which rejects the second hypothesis's H_0 and accepts the hypothesis H_a . The next stage is to compare each group's average organizational commitment value. Each group's average organizational commitment value is shown in Table 6 below.

Table 6 Average Value of Organizational Commitments

Incentive Scheme	Number of Participants	Average Organizational Commitment	Standard Deviation
<i>Piece Rate</i>	26	73,08	3,825
<i>Quota</i>	28	81,32	4,777

Source: Result of processed data (2019)



The second hypothesis is validated since the average organizational commitment value of the piece rate group (73.08) is less than that of the quota group (81.32), as shown in Table 6 above.

The study's third hypothesis is that performance is positively impacted by organizational commitment. Simple regression analysis was used in this work to examine the third hypothesis. Prior to doing a basic regression analysis, the statistical assumptions are tested using tests for homoscedasticity, normality, and linearity. The Glejser test was utilized in this study's homoscedasticity test. Normalcy is the next statistical assumption to be examined. In this work, normality was tested using the Kolmogorov-Smirnov statistical test. Linearity is then examined as a statistical assumption. The significant value of the departure from linearity was compared with 0.05 in order to perform the linearity test in this investigation. The findings of the statistical assumption test for the third hypothesis are displayed in Table 7 below.

Table 7 Statistical Assumption Test on the Third Hypothesis

Variable	Significance
Organizational Commitment	0,853
Performance	0,172
Organizational to Performance	0,227

Source: Result of processed data (2019)

According to table 7, the organizational commitment variable has a significance value of $0.853 > 0.05$ according to the findings of the homoscedasticity test. This indicates that the regression model has homoscedasticity, or the absence of heteroscedasticity. Table 7's normality test results show that the data on the third hypothesis variable is normally distributed, with a significance value of $0.172 > 0.05$. There is a substantial linear association between organizational commitment characteristics and performance variables, according to the third hypothesis linearity test results shown in Table 7, where the significant value of divergence from linearity is $0.227 > 0.05$. The third hypothesis in this study will be tested using linear regression analysis once the underlying statistical assumptions have been examined. The findings of the third hypothesis test using linear regression analysis are shown in Table 8 below.

Table 8 Results of Third Hypothesis Testing

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-9,352	6,701		-1,396	0,169
Organizational commitment	0,390	0,086	0,530	4,513	0,000

Source: Result of processed data (2019)



Table 8 shows that the variable organizational commitment has a coefficient value of 0.390 and a significance level of $0.000 < 0.05$. This demonstrates that the study's third hypothesis that organizational commitment improves individual performance is validated.

The study's fourth hypothesis is that incentive schemes' impact on performance is mediated by organizational commitment. Performance is the dependent variable, organizational commitment is the mediating variable, and the incentive scheme is the independent variable in this hypothesis. The benefit of using SPSS route analysis to test this hypothesis is that it allows researchers to examine the total impact of the independent factors and separate them into direct and indirect effects (Gudono, 2015). The amount of change brought about by one or more independent variables whose arrows cannot go straight to the dependent variable due to mediation by one or more other factors is known as the indirect impact. Testing how incentive programs affect organizational commitment is the first step. The first equation regression test results are shown in Table 9.

Table 9 First Equation Regression Testing Results

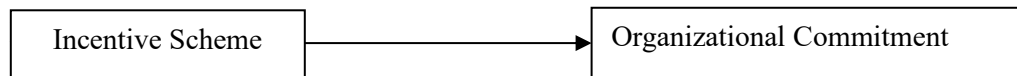
Equation	R Square	Standardized Coefficients Beta	Sig.
I	0,483	0,695	0,000

Source: Result of processed data (2019)

With an R Square value of 0.483, the incentive scheme type has a 48.3% impact on organizational commitment, with other factors not included in this study accounting for the remaining 51.7%. The kind of incentive system has a considerable impact on organizational commitment, as shown by a sig value of $0.0000 < 0.05$.

Figure 1 Equation Path Diagram I

$\beta=0,695$



Source: Result of processed data (2019)

Examining how organizational commitment and incentive scheme type affect performance is the second phase. The outcomes of the second regression equation are shown in Table 10.



Table 10 Second Equation Regression Testing Results

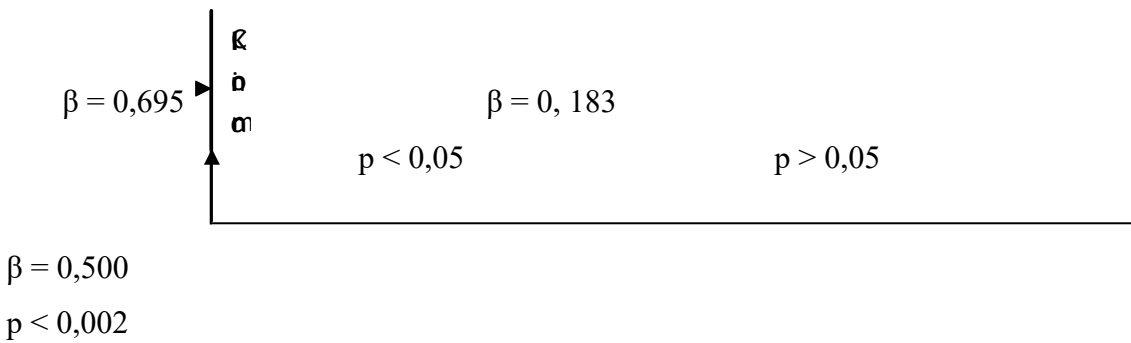
Equation	Variable	Standardized Coefficients Beta	Sig.
II	Incentive Scheme	0,500	0,002
	Organizational Commitment	0,183	0,226
	R Square	0,411	

Source: Result of processed data (2019)

The R Square value of 0.411 indicates that organizational commitment and various incentive systems contributed 41.1% of the total, with the other 58.9% not being investigated in this study. An incentive system with a Sig value of $0.002 < 0.05$ has a substantial impact on performance, but an organizational commitment with a Sig value of $0.226 > 0.05$ has no meaningful impact.

The type of incentive scheme has a direct impact of 0.500 on performance, and its indirect impact through organizational commitment to performance is equal to $0.695 \times 0.183 = 0.1272$, which is the product of the beta values of equation I and organizational commitment to performance. Therefore, the sum of the direct and indirect effects is $0.500 + 0.1272 = 0.6272$. The indirect effect of the incentive scheme type through organizational commitment to performance is not significant, as indicated by the indirect effect value of 0.1272, which is not bigger than the direct effect of 0.500

Figure 2 Equation Path Diagram II



Source: Result of processed data (2019)

5. Conclusion and Suggestion

This study was conducted to examine the effects of different incentive schemes on individual performance and organizational commitment, as well as the mediating role of organizational commitment in the incentive–performance relationship.



The results provide empirical support for H1, indicating that quota-based incentive schemes produce significantly higher individual performance than piece-rate incentive schemes. This finding suggests that incentive systems incorporating explicit performance targets are more effective in motivating effort and improving task outcomes. The results also support H2, showing that quota-based incentive schemes generate higher organizational commitment than piece-rate schemes.

Consistent with H3, organizational commitment has a positive and significant effect on individual performance when examined independently, indicating that individuals with higher levels of commitment tend to exert greater effort and achieve better performance outcomes. However, the results do not support H4. Organizational commitment does not mediate the relationship between incentive schemes and performance. When incentive schemes and organizational commitment are included simultaneously in the model, only the incentive scheme has a significant direct effect on performance, while organizational commitment becomes insignificant.

Although this study provides internally valid evidence on the effects of incentive schemes, its external validity requires careful and critical interpretation. All participants were undergraduate accounting students rather than practitioners or real employees. Consequently, the organizational commitment measured in this study is more likely to reflect short-term task involvement or experimental engagement rather than enduring psychological attachment to an organization that develops through prolonged employment relationships and organizational socialization.

Accordingly, the findings should not be generalized uncritically to real organizational settings. The results are most applicable to controlled task environments in which incentive schemes directly influence short-term effort and performance outcomes, such as experimental, training, or project-based contexts. In more complex organizational environments, where commitment is shaped by leadership, organizational culture, career concerns, and job security, the role of organizational commitment as a mediating mechanism may differ substantially.

From a practical perspective, the findings suggest that organizations seeking to enhance performance should prioritize incentive designs that emphasize clear and attainable performance targets rather than relying solely on attitudinal mechanisms. From a policy perspective, incentive systems should be implemented transparently to motivate performance without creating unrealistic expectations or unintended behavioral consequences.

Future research may extend this study by incorporating recent developments in incentive design and organizational commitment research (Meyer & Maltin, 2017; Rusu & Avasilcai, 2019), as well as by employing field experiments or practitioner samples to enhance external validity. Further studies may also explore alternative mediating mechanisms, such as perceived fairness, intrinsic motivation, or trust, and examine long-term performance effects across different organizational contexts.



Discussion

This study examines the effects of different contingent incentive schemes on individual performance and organizational commitment, as well as the mediating role of organizational commitment in the incentive–performance relationship. The results show that quota-based incentive schemes produce higher performance and stronger organizational commitment than piece-rate incentive schemes. These findings support the argument that incentive systems emphasizing clear and challenging targets are more effective in motivating effort and aligning individual behavior with organizational objectives.

The positive effect of organizational commitment on performance found in the simple regression analysis (H3) indicates that individuals with higher levels of commitment tend to exert greater effort and achieve better performance outcomes. This result is consistent with prior studies suggesting that committed individuals are more willing to contribute to organizational success.

However, organizational commitment does not mediate the relationship between incentive schemes and performance (H4). This apparent inconsistency can be explained by differences in model specification. In the simple regression model, organizational commitment is examined as a single predictor of performance and therefore captures both its direct attitudinal effect and variance shared with other omitted variables, including incentive schemes. When organizational commitment and incentive schemes are entered simultaneously in the mediation model, the incentive scheme retains a significant direct effect on performance, while organizational commitment becomes insignificant. This indicates that the explanatory power of organizational commitment overlaps with that of the incentive scheme.

The results do not indicate full mediation or partial mediation, as the direct effect of the incentive scheme on performance remains significant and the indirect effect through organizational commitment is not significant. There is also no evidence of a suppression effect. Instead, the findings suggest a dominant direct effect of incentive schemes on performance. In the experimental context of this study, incentive schemes influence performance primarily through immediate motivational and goal-setting mechanisms, while organizational commitment functions as an independent predictor rather than a mediating mechanism.

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