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Exploring non-financial incentives for employee motivation in small and medium enterprises in Saudi Arabia

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Abstract: The primary objective of this research is to investigate how non-financial incentives impact employee motivation within the Small and Medium Enterprises (SMEs) operating in Saudi Arabia. Employing a positivist research approach, we employed a carefully crafted survey to collect data from 365 employees employed by SMEs situated in Jeddah. The study explores various aspects, including the most common non-monetary motivators, the interplay between non-monetary and monetary incentives, and the effects of non-financial incentives on employee engagement, job satisfaction, and commitment. The results of the study indicate that employees working in small and medium-sized enterprises (SMEs) in Saudi Arabia place a significant emphasis on a good work environment, recognition, possibilities for personal and professional development, and career growth as prevalent non-monetary motivators. Additionally, the research illustrates a notable difference in the perceived efficacy of non-financial and financial incentives, whereby non-financial incentives are seen to have an equal, if not greater, impact on both motivation and work satisfaction. Moreover, the study reveals robust positive correlations between non-financial incentives and employee outcomes, underscoring the significance of these incentives in augmenting work satisfaction, job engagement, and commitment. The consequences of employee motivation are influenced by control factors, which have diverse influences, highlighting the complex nature of this phenomenon.

Keywords: career growth; job satisfaction; motivation; non-financial incentives; small and medium enterprises

1. Introduction

Employee motivation is a fundamental factor affecting the performance and long-term sustainability of businesses, irrespective of their size or industry (Deci and Ryan, 2008). Within small and medium-sized enterprises (SMEs), which play a pivotal role in the foundation of many economies, the importance of having engaged employees cannot be overstated (Alves and Lourenço, 2022; Cardon et al., 2009). In the context of Saudi Arabia, where SMEs hold significant relevance in driving economic growth and promoting diversification efforts (Al-Mubarak and Busler, 2010), understanding effective strategies for motivating employees becomes a matter of strategic importance. Historically, the discourse around employee motivation has mostly been on monetary incentives, including remuneration, bonuses, and perks (Deci et al., 1999). Although undeniably significant, these considerations only include a single aspect of the intricate network of elements that motivate people to perform well in their respective positions. Non-monetary incentives, such as acknowledgment, contentment with one's job, a conducive work atmosphere, and chances to enhance skills, have become crucial factors in motivating employees and fostering their engagement (Eisenbeiss et al., 2008; Ortiz-Martínez et al., 2023).

This study aims to investigate the relatively overlooked area of non-financial incentives for enhancing employee motivation in small and SMEs functioning in the distinct cultural and economic context of Saudi Arabia. In recent years, the Kingdom of Saudi Arabia has seen notable socioeconomic changes (Al-Deeb et al., 2020). Small and Medium Enterprises (SMEs) play a crucial role in the nation's Vision 2030, a strategic initiative aimed at economic diversification and reducing reliance on oil-generated income (Al-Elkak and Matar, 2020). Therefore, comprehending the methods of using non-financial incentives to inspire workers inside this framework might yield significant ramifications for corporate enterprises and overall societal progress. This research acknowledges the potential variations in employee motivation across small and SMEs in Saudi Arabia compared to bigger companies or those operating within different cultural settings (Al-Abbasi et al., 2018). Factors such as the importance of family, cultural traditions, and the evolving nature of work in the Kingdom all play a role in shaping employee motivation and the strategies that effectively nurture it (Al-Lamki et al., 2017). By delving into the specific non-financial incentives that resonate with employees in Saudi Arabian SMEs, this research seeks to provide actionable insights for business owners and policymakers alike. Furthermore, by shedding light on this underexplored aspect of employee motivation, we aim to contribute to the broader field of organizational psychology and management studies, offering valuable lessons that can be applied not only in Saudi Arabia but also in other contexts where SMEs form the backbone of the economy (Deci et al., 2001). The overarching objective is to assist SMEs in Saudi Arabia and other regions in realizing the complete potential of their employees, thus nurturing innovation, enhancing productivity, and promoting sustainable growth within the constantly evolving global environment (Al-Busaidi et al., 2019).

1.1. Background of the study

Small and Medium Enterprises (SMEs) are acknowledged as vital contributors to economic expansion and job creation within Saudi Arabia (Al-Deeb et al., 2020). These businesses encompass a wide array of sectors, including manufacturing, services, and technology startups, making substantial contributions to the nation's Gross Domestic Product (GDP) (Al-Abbasi et al., 2018). As per the Vision 2030 plan outlined by the Saudi Arabian government, SMEs are expected to play an even more substantial role in diversifying the economy and reducing dependence on oil revenue (Al-Elkak and Matar, 2020). This strategic vision underscores the importance of a motivated and engaged workforce within the SME sector.

Employee motivation is an indispensable factor in SME success (Deci and Ryan, 2008). It directly impacts productivity, innovation, and the ability to compete in a globalized business environment (Eisenbeiss et al., 2008). Traditionally, financial incentives, such as competitive salaries and benefits, have been the primary tools used to motivate employees (Deci et al., 1999). Nevertheless, the factors influencing employee motivation in small and SMEs go beyond only financial aspects. Non-monetary incentives, and intangible rewards, have garnered acknowledgment as significant catalysts for employee performance and pleasure (Cardon et al., 2009). The social environment in Saudi Arabia adds a level of intricacy when examining

employee motivation. Saudi society is characterized by the profound integration of values, traditions, and family ties, which often cross with the context of the workplace (Al-Abbasi et al., 2018). The Saudi culture puts significant importance on interpersonal connections, respect, and acknowledgment (Al-Lamki et al., 2017). The examination of the intersection of cultural elements and non-financial incentives in motivating workers inside small and SMEs presents a promising avenue for research. However, despite their potential importance, there has been scant empirical research on non-financial incentives in the Saudi Arabian SME sector (Al-Elkak and Matar, 2020). The existing scholarly literature on employee motivation in worldwide settings has been expanding. However, due to the unique cultural subtleties present in Saudi Arabia, it is imperative to do research that examines the particular non-financial incentives that effectively connect with workers in this specific environment (Al-Abbasi et al., 2018). These findings can enable small and medium-sized enterprise (SME) owners and managers to establish work settings that cultivate loyalty, dedication, and efficiency among their employees.

Moreover, given the rapid transformations in work habits and expectations resulting from variables like as technical improvements and changing generational demographics, the field of employee motivation is through a process of evolution. Millennials and Generation Z workers, who constitute a significant segment of the labor market, often place emphasis on non-monetary aspects such as achieving a harmonious equilibrium between their professional and personal lives, accessing avenues for enhancing their skill sets, and engaging in work that has significance and purpose (Al-Busaidi et al., 2019). This study acknowledges the interconnectedness of the cultural environment, the dynamics of the workforce, and the need for implementing efficient techniques to motivate employees in small and SMEs in Saudi Arabia (Al-Deeb et al., 2020). This study seeks to address the existing knowledge gap by examining and identifying the non-financial incentives that are most effective in motivating employees within a specific context (Al-Elkak and Matar, 2020). The objective is to offer practical recommendations and contribute to the broader field of organizational psychology and management studies (Deci et al., 2001). The main goal is to support the long-term growth and success of small and SMEs in Saudi Arabia, all while offering valuable insights that can benefit SMEs operating in similar cultural and economic contexts worldwide (Al-Busaidi et al., 2019).

1.2. Global context

The importance of employee motivation in driving organizational performance cannot be stressed within the global corporate environment (Latham, 2012; Rafiq et al., 2023). Irrespective of geographical location, industry, or business size, individuals who possess high levels of motivation play a pivotal role in driving innovation, enhancing productivity, and bolstering overall competitiveness (Deci and Ryan, 2008). Historically, financial incentives have conventionally served as a principal mechanism for stimulating employee motivation, including competitive remuneration, bonuses, and extensive benefits packages (Eisenbeiss et al., 2008). Nevertheless, there has been an increasing acknowledgment in recent years that employee motivation encompasses factors beyond just financial incentives. Non-monetary incentives also referred to as

intangible or intrinsic rewards, have become significant determinants of employee performance and work satisfaction (Cardon et al., 2009; Chi et al., 2023). Non-financial incentives may contain several components, such as recognition, career growth prospects, a conducive work atmosphere, work-life equilibrium, and possibilities for skill development (Eisenbeiss et al., 2008). Moreover, the global labor force is experiencing substantial changes due to several variables like developments in technology, shifts in generational demography, and developing cultural norms (Lyons et al., 2015). The younger cohorts, namely Millennials and Generation Z, exhibit distinct workplace expectations, typically emphasizing non-monetary aspects such as the significance of work experiences, flexibility in work arrangements, and avenues for personal and professional development (Twenge, 2017). Many academic studies have explored how non-financial incentives impact employee motivation in various global contexts (Deci et al., 2001). It's important to recognize that the effectiveness of these incentives can vary significantly across different geographical areas. Cultural, social, and economic factors play a substantial role in shaping the attitudes and decisions of employees (Hofstede, 1984). Hence, it is important to comprehend the distinct dynamics of employee motivation within certain country settings in order to customize methods that optimize staff engagement and productivity.

1.3. Saudi Arabian context

Within the specific setting of Saudi Arabia, the dynamic and ever-changing economic terrain, along with the particular cultural values, converge to provide a distinct milieu that shapes the motivation of employees in SMEs (Al-Abbasi et al., 2018). Saudi Arabia has initiated a revolutionary endeavor as delineated in its Vision 2030 blueprint, with the objective of diversifying its economy and mitigating dependence on oil earnings (Al-Elkak and Matar, 2020). This view posits that small and SMEs play a pivotal role in stimulating economic development and facilitating employment opportunities.

SMEs in Saudi Arabia include a wide array of industries, such as manufacturing, services, technology startups, and several others (Al-Elkak and Matar, 2020). These organizations encounter distinct problems and possibilities, hence emphasizing the significance of employee motivation as a crucial determinant of their success (Al-Abbasi et al., 2018). In a nation where cultural values, familial connections, and customary practices carry considerable importance, comprehending the means to efficiently inspire workers necessitates acknowledging the convergence of these cultural elements with the non-monetary incentives provided inside the professional environment. In the cultural framework of Saudi Arabia, there is a significant emphasis placed on the importance of relationships, respect, and acknowledgment (Al-Lamki et al., 2017). These values are highly regarded and often extend beyond the confines of personal and professional spheres. In order to cultivate loyalty, dedication, and productivity among staff members, it is essential for employee incentive techniques to take into account the various cultural subtleties. Furthermore, within the global environment, it is observed that younger generations in Saudi Arabia contribute their own set of expectations and preferences when entering the workforce (Al-Busaidi et al., 2019). This highlights the need to implement customized non-monetary incentives.

The existing body of empirical research on non-financial incentives in the context of SMEs in Saudi Arabia's economic growth is still limited, despite the recognized strategic significance of these enterprises (Al-Elkak and Matar, 2020; Allui and Pinto, 2022). As such, this study aims to fill this gap by investigating the non-financial incentives that are most effective in motivating employees within Saudi Arabian SMEs. By doing so, it seeks to offer practical insights that can empower SME owners and managers to create workplace environments that align with cultural values and cater to the evolving needs of the workforce (Al-Deeb et al., 2020).

1.4. Operational definition of job engagement

In this study, job engagement is operationally defined as the degree of employees' emotional attachment, enthusiasm, and commitment to their work roles within small and medium-sized enterprises (SMEs) in Jeddah, Saudi Arabia. It encompasses the extent to which employees invest themselves in their work tasks and derive a sense of fulfillment and inspiration from their job responsibilities.

1.5. Operational definition of job commitment

In this study, job commitment, also referred to as organizational commitment, is operationally defined as the extent to which employees feel emotionally connected and dedicated to their organization, particularly within the context of small and medium-sized enterprises (SMEs) in Jeddah, Saudi Arabia. It encompasses employees' loyalty, identification with organizational goals and values, and their willingness to exert effort on behalf of the organization's success.

1.6. SMEs in this study

In this study, SMEs (Small and Medium-sized Enterprises) refer to businesses in Saudi Arabia characterized by relatively small employee numbers, lower annual revenue, and less extensive resources compared to larger corporations.

For this study, SMEs (Small and Medium-sized Enterprises) in Saudi Arabia are defined based on criteria set forth by the Saudi Arabian government or relevant regulatory bodies. Typically, SMEs in this context are identified by factors such as the number of employees, annual turnover, and total assets. These criteria help distinguish SMEs from larger corporations and micro-enterprises, providing a specific focus on the unique dynamics of smaller businesses within the Saudi Arabian economic landscape.

2. Review of literature

Employee motivation is a critical factor that significantly impacts an organization's success and performance (Pinder, 2008). Within the specific context of SMEs in the Kingdom of Saudi Arabia, it is essential to understand the underlying factors that affect employee motivation. The traditional notion that financial incentives are the primary driver of motivation is being challenged by a growing recognition of the importance of non-financial incentives in enhancing employee performance and job satisfaction (Kamran et al., 2022; Rafiq et al., 2022). This literature review aims to examine the core principles of employee motivation, explore common non-financial

incentives implemented in SMEs, evaluate the relative significance of financial and non-financial incentives, and investigate the effects of non-financial incentives on employee engagement, job satisfaction, and commitment. Motivation can be viewed as a multifaceted concept encompassing both internal and external factors that stimulate an individual's involvement in specific behaviors and their sustained effort and persistence in pursuing defined goals (Deci and Ryan, 2000; Sayed et al., 2021). Historically, motivation theories have been categorized into two main groups: content theories and process theories. Content theories, such as Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory, focus on identifying fundamental needs and factors that drive human behavior. In contrast, process theories like Vroom's Expectancy Theory and Locke's Goal-Setting Theory delve into the decision-making process of individuals, examining how their decisions are influenced by their expectations of future outcomes.

Employee motivation plays a pivotal role in enhancing productivity and maintaining a competitive advantage within the SME sector. However, SMEs often face challenges in providing substantial financial incentives due to their limited resources. Consequently, non-financial incentives have gained prominence as a viable strategy for motivating personnel and achieving organizational goals (Bal et al., 2012).

2.1. Common non-financial incentives in SMEs

Non-financial incentives encompass a wide range of strategies and practices that organizations use to engage and motivate employees beyond monetary rewards (Armstrong, 2019). In the specific context of Saudi Arabian SMEs, several non-financial incentives have been identified as particularly influential:

SMEs that invest in enhancing the skills and knowledge of their employees create opportunities for personal and professional growth (Dessler, 2019). This aligns with the country's Vision 2030, which emphasizes human capital development.

Acknowledging and rewarding employee contributions and achievements foster a sense of pride and motivation (O'Reilly and Pfeffer, 2000). In Saudi culture, where recognition holds significant value, this incentive can be particularly potent.

Offering options like remote work and flexible hours helps employees maintain work-life balance, contributing to job satisfaction (Luchak and Gellatly, 2007). This is especially relevant in the context of Saudi Arabia's changing work culture and the growing importance of women in the workforce.

A workplace culture that values diversity, inclusivity, and employee well-being, contributes to motivation and commitment (Cameron and Spreitzer, 2011). Saudi SMEs embracing cultural diversity and inclusivity can create a competitive advantage.

Clear paths for professional growth and advancement within the organization encourage employees to perform at their best (Arthur et al., 2012). This can be instrumental in retaining talent in SMEs.

2.2. Comparing financial and non-financial incentives

The current discourse concerns the comparative significance of financial incentives compared to non-financial incentives when motivating personnel. In the past, there has been a prevailing belief that financial incentives, like as bonuses and

salary increases, played a central role in motivating individuals (Baker and Gerler, 2014). Nevertheless, new studies indicate that non-monetary incentives may possess comparable or even superior efficacy in some circumstances. The findings of the research done within the framework of small and SMEs in Saudi Arabia support the aforementioned change in viewpoint, indicating that workers place significant importance on non-monetary rewards such as acknowledgment, maintaining a healthy work-life balance, and prospects for personal and professional development. The past study's analysis reveals a statistically significant disparity in workers' perceptions and valuations of non-financial incentives vs. financial incentives (Colic et al., 2022). The change in viewpoint is in accordance with worldwide patterns that highlight the significance of employee well-being, engagement, and personal development as fundamental factors influencing motivation (Kerubo and Thomas, 2022).

2.3. Impact of non-financial incentives on employee outcomes

Research has shown that non-financial incentives have a beneficial influence on several dimensions of employee well-being and organizational success (Adil Albalush, and Devesh, 2023). This research is consistent with previous scholarly works as it demonstrates robust positive associations among non-financial incentives, job satisfaction, job engagement, and commitment. The aforementioned study by Gwassa (2022) highlights the significance of non-monetary incentives in establishing a favorable workplace atmosphere and cultivating employee commitment. The results of the multiple regression analysis demonstrate that non-financial incentives have a statistically significant and favorable influence on employee outcomes while accounting for the effects of other pertinent factors. Non-financial incentives play a crucial role in motivating workers in small and SMEs in Saudi Arabia. Moreover, these incentives have a positive impact on job satisfaction, job engagement, and organizational commitment. This is consistent with the wider worldwide trend of acknowledging the varied aspects of employee motivation that extend beyond monetary incentives (Saad Alessa, 2021).

The literature review offers a comprehensive exploration of the ever-evolving landscape of employee motivation, with a specific focus on the small and SME sector. While financial incentives continue to hold significance, non-financial incentives have emerged as potent tools for inspiring and retaining individuals (Monaghan, 2021). The study's findings, which align with previous research, underscore the vital role of non-monetary incentives in enhancing employee job satisfaction, engagement, and commitment within SMEs. Given the substantial contribution of SMEs to the Saudi Arabian economy, it becomes imperative to grasp and harness the potential of non-financial incentives as a strategic advantage in attracting, retaining, and motivating a skilled workforce.

2.4. Research gap

Within the specific context of Saudi Arabia, a significant research gap is evident in the empirical exploration of non-financial incentives for employee motivation within SMEs. While Saudi Arabia's Vision 2030 places substantial importance on the growth and development of SMEs, empirical studies that delve into the unique

dynamics of this sector concerning employee motivation remain scarce. The available research within the Saudi Arabian context predominantly focuses on broader economic and policy considerations. Consequently, there is a lack of in-depth analysis into the specific non-financial incentives that resonate with employees in Saudi Arabian SMEs, considering their distinct cultural, social, and familial values. Understanding how these cultural nuances intersect with non-financial incentives is crucial for SME owners and managers in Saudi Arabia to optimize their workforce engagement strategies.

Additionally, given the rapidly evolving work patterns and generational shifts within the Saudi Arabian workforce, there is a need for research that explores how younger generations, such as Millennials and Generation Z, perceive and respond to non-financial incentives in the context of SMEs. Bridging this research gap can provide actionable insights for SMEs looking to align their employee motivation strategies with the changing expectations of the workforce.

2.5. Research objectives

- 1) To identify the non-financial incentives commonly used in Saudi Arabian SMEs for motivating employees.
- 2) To assess how employees in Saudi Arabian SMEs perceive and value non-financial incentives in comparison to financial incentives.
- 3) To examine the impact of non-financial incentives on employee engagement, job satisfaction, and commitment within Saudi Arabian SMEs.

2.6. Research questions

- 1) What are the common non-financial incentives used by SMEs in Saudi Arabia to motivate their employees?
- 2) How do employees in Saudi Arabian SMEs perceive and value non-financial incentives in comparison to financial incentives?
- 3) What is the impact of non-financial incentives on employee engagement, job satisfaction, and commitment within Saudi Arabian SMEs?

2.7. Theoretical framework

The theoretical underpinning of this study lies in the field of organizational behavior and motivation theories, which provide frameworks for understanding the drivers of employee motivation and behavior within organizational settings. One prominent theory that informs this study is Maslow's Hierarchy of Needs. Maslow proposed that individuals have five levels of needs: physiological, safety, love/belonging, esteem, and self-actualization, which they strive to fulfill in a hierarchical manner (Maslow, 1943). In the context of this study, Maslow's theory suggests that employees in small and medium-sized enterprises motivated by various needs, including job security, recognition, and opportunities for growth and advancement. Additionally, Herzberg's Two-Factor Theory posits that job satisfaction and dissatisfaction are influenced by separate factors, namely motivators (e.g., recognition, achievement) and hygiene factors (e.g., salary, working conditions) (Herzberg, 1968). This theory implies that while financial incentives may prevent

dissatisfaction, non-financial incentives such as recognition and opportunities for development are essential for fostering satisfaction and motivation among employees in SMEs. Furthermore, Self-Determination Theory (SDT) emphasizes the importance of intrinsic motivation, autonomy, and competence in driving behavior (Deci and Ryan, 1985). Within the context of this study, SDT suggests that providing employees with opportunities for skill development, autonomy in decision-making, and meaningful work tasks can enhance their intrinsic motivation and job satisfaction. By integrating these theoretical perspectives, the study explores the role of non-financial incentives in motivating employees and fostering job satisfaction and engagement within Saudi Arabian SMEs as showed in the **Figure 1** below.

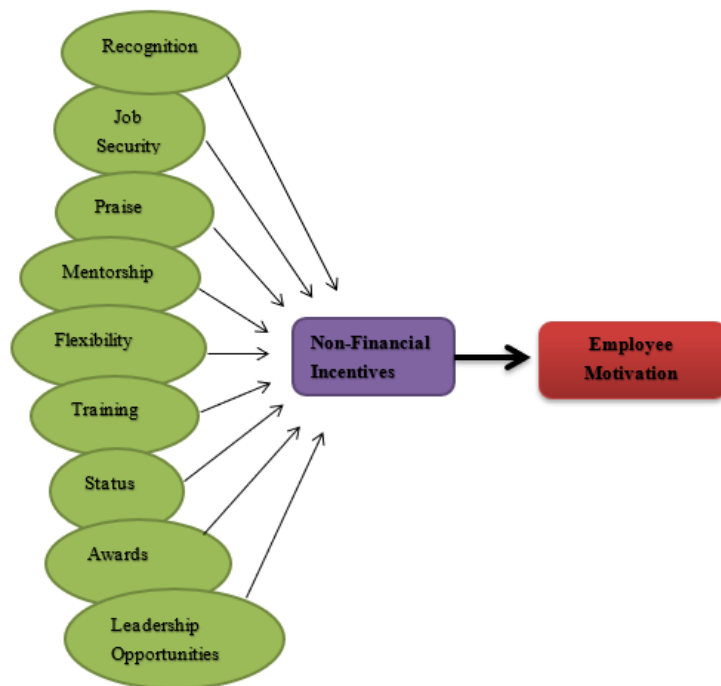


Figure 1. Conceptual framework of the study.

2.8. Significance of the study

The study provides actionable insights for HR professionals and SME owners to improve employee motivation. It aligns with Saudi Arabia’s Vision 2030 goals, promoting economic diversification and growth through SME empowerment. Addresses the need for culturally sensitive HR practices in Saudi Arabia. Examines how different generations respond to non-financial incentives, helping organizations accommodate diverse workforce needs. Findings have broader applicability in global contexts with similar dynamics to Saudi Arabia. Effective HR practices can make SMEs more competitive in the market. The study highlights contemporary concerns for employee well-being and job satisfaction. Addresses a research gap and contributes to the field of organizational psychology and management studies. Findings may influence policy decisions related to SME development in Saudi Arabia. Offers practical suggestions for SMEs to implement effective non-financial incentive programs, leading to higher employee motivation and retention.

3. Methodology and procedure

3.1. Paradigm

The present study employs a positivist research paradigm. The selection of the positivist paradigm is based on its compatibility with the quantitative character of the study, enabling the methodical gathering and examination of data from a substantial sample of small and medium-sized enterprise (SME) workers in Jeddah. Positivism places significant emphasis on using organized surveys and statistical methods to provide objective insights into the investigated topic (Bryman, 2016). The positivist paradigm is deemed appropriate for this research due to its ability to facilitate the objective quantification of employee views about non-financial incentives, their motives, and the influence of cultural and generational elements within the specific setting of small and SMEs in Jeddah.

3.2. Research method and design

The present study used a cross-sectional research approach. The use of a cross-sectional design is based on its ability to gather data from a broad set of workers in small and SMEs at a certain moment in time. This approach offers valuable insights into the present condition of non-financial incentives and employee motivation within the targeted population (Bryman, 2016). The primary research method employed in this study is a structured survey using a self-administered questionnaire. The survey was designed to gather quantitative data on employee perceptions of non-financial incentives, motivation levels, cultural factors, and generational attributes. The results obtained through survey research can be generalized on the population. The researcher used the survey method because this is less expensive and assure confidentiality of respondent. Respondent feels more assured than personal interviews. Moreover, survey can be easily administrated by researcher than personal interviews. In addition to this, survey technique is extremely useful in getting maximum information in brief time period. The instrument consisted of thirty 53 items; from which 45 were item statements and 8 were demographic questions. The items were individually measured on 5-point Likert type scale (1 = strongly disagree, 2 = disagree, 3 = Neutral, 4 = agree and 5 = strongly agree. The instrument was first pilot tested with 30 students and then validated using appropriate statistical measures. The content validity of the instrument was determined by expert review and face validity for use of language and readability. The collected data was tabulated on SPSS version 27 for further analysis. The overall reliability value, Cronbach Alpha was found to be 0.854.

3.3. Population and sampling

The population of this study was comprising employees of 100 technical, hybrid and instructional, SMEs located in Jeddah, Saudi Arabia. These SMEs were 25,000 employees approximately. A total of 500 survey questionnaires were distributed conveniently, from which 395 questionnaires were received back. A number of 30 questionnaires were unfilled, So, the sample size was determined as 365 employees, chosen through convenient sampling technique (Obilor, 2023). Convenient sampling was chosen for this study due to several practical considerations. Firstly, the

population consisted of employees from various SMEs, totaling approximately 25,000 individuals, which may have made it logistically challenging to implement more rigorous sampling techniques such as random sampling.

Secondly, the researcher visited the respective industries to distribute the survey questionnaires, indicating a reliance on accessibility and ease of data collection. Given the constraints of time, resources, and access to participants within these SMEs, convenient sampling provided a practical way to gather data efficiently.

To accommodate language preferences, the survey was available in both English and Arabic. For data collection the researcher visited the respective industries and distributed the survey questionnaires among the respondents substantially. Quantitative data obtained from the survey underwent analysis using statistical software like SPSS (Statistical Package for the Social Sciences), encompassing descriptive statistics like means, frequencies, and standard deviations for data summarization. Inferential statistical methods, including regression analysis, were employed to explore relationships between variables.

Table 1. KMO and Bartlett’s test.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.944
	Approx. Chi-Square	6752.764
Bartlett’s Test of Sphericity	Df	541
	Sig.	0.000

The **Table 1** shows the value of the KMO Measure of Sampling Adequacy for this set of variables is 0.944, which would be labeled as outstanding. Since KMO measure of the sampling adequacy is certified, and values of Bartlett’s test of Sphericity indicate that correlation matrix thus produced would be an identifying matrix, thus, it is ascertained that data set has correlations, which are appropriate for factor analysis.

3.4. Ethical considerations

Participants were fully briefed on the study’s purpose, data confidentiality, and their right to withdraw without consequences at any point. Informed consent was obtained from all participants, and measures were taken to safeguard their anonymity and data confidentiality. Personal identifiers were removed from the dataset, and rigorous data security protocols were followed to prevent unauthorized access and ensure data safety throughout the research process. Recognizing the cultural context, the study respected cultural sensitivities in survey design, data collection, and analysis. Additionally, institutional research ethics committee approval was sought to ensure adherence to ethical standards and regulations.

By upholding these ethical principles, the study is committed to conducting research with integrity and utmost respect for the rights and well-being of all participants.

4. Findings

The **Table 2** presents demographic information of a sample size of 365

respondents, detailing characteristics such as gender, age group, qualification, industry, nature of employment, experience, and industry sector. It reveals a predominantly male (87.1%) and permanent employment (86.3%) sample, with a significant portion having technical or hybrid industry roles (51.2%) and falling within the 21–30 age group (48.7%).

Table 2. Demographic information of sample (Descriptive) ($n = 365$).

Measure	Characteristics	Frequency (n)	Percentage (%)
Gender	Male	318	87.1
	Female	47	12.8
Age Group	21–30 years	178	48.7
	31–40 years	114	31.2
	41–50 years	44	12.0
	51 years or above	29	7.9
Qualification	Masters	237	64.9
	Bachelors	114	31.2
	Others	14	3.8
Industry	Technical	139	38.0
	Hybrid	187	51.2
	Instructional	39	10.6
Nature of Employment	Permanent	315	86.3
	Contract	41	11.2
	Part-Time	9	2.4
Experience	1–5 years	120	32.8
	6–10 years	107	29.3
	11–15 years	71	19.4
	16–20 years	43	11.7
	21 years or more	24	6.5
Industry Sector	Public	147	40.2
	Private	218	59.8

4.1. Research question 1

Table 3 presents employees’ perceptions of common non-financial incentives in the company, indicating high agreement on opportunities for skill development, recognition, positive work environment, career growth, work-life balance, and other motivational factors as shown in the **Figure 2** below.

Table 3. Common non-financial incentives.

No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation
1	The company provides opportunities for skill development and training.	25	45	60	120	115	3.84	0.70
2	I receive regular recognition for my contributions and efforts.	20	40	75	115	115	3.91	0.70
3	Flexible work arrangements (e.g., remote work, flexible hours) are offered.	30	40	80	110	105	3.74	0.65

Table 3. (Continued).

No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation
4	The company promotes a positive and inclusive work environment.	20	30	85	120	110	4.00	0.74
5	I have opportunities for career advancement within the company.	35	35	70	120	105	3.87	0.69
6	There is a clear path for personal and professional growth in the company.	20	40	75	110	120	4.00	0.71
7	The company encourages work-life balance.	25	45	70	110	115	3.87	0.70
8	Employee feedback is actively sought and valued by the company.	30	40	70	110	115	3.82	0.69
9	I am encouraged to take on challenging and meaningful tasks.	20	40	75	115	115	3.91	0.70
10	The company promotes teamwork and collaboration.	20	35	80	120	110	3.96	0.71
11	I have access to mentorship or coaching programs.	25	40	75	114	111	3.91	0.69
12	The company values employees' well-being and health.	30	45	70	110	110	3.78	0.69
13	I receive regular feedback on my performance.	20	40	75	120	110	3.96	0.70
14	The company organizes team-building and social activities.	25	35	80	120	105	3.85	0.70
15	Non-financial incentives play a significant role in motivating employees.	30	40	75	115	105	3.78	0.70

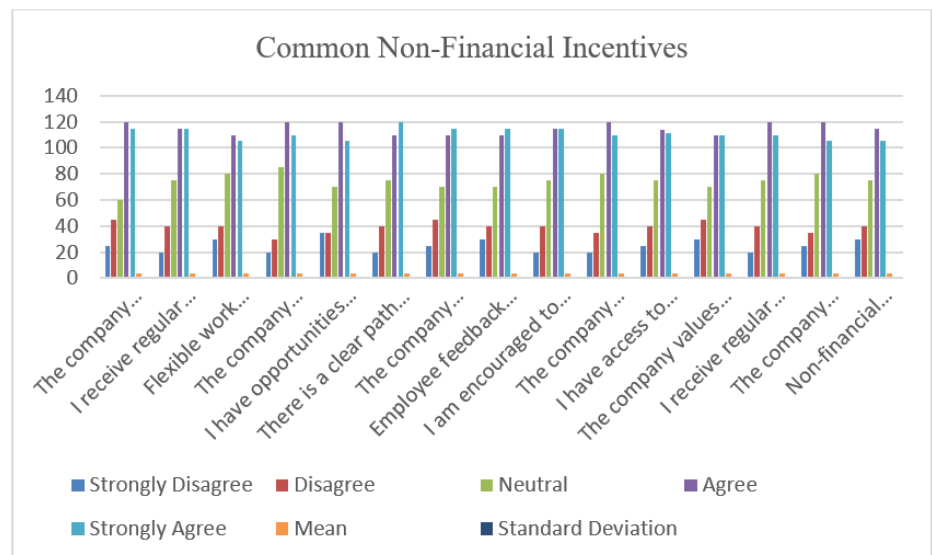


Figure 2. Common non-financial incentives.

4.2. Research question 2

Table 4 reveals employees' attitudes toward non-financial and financial incentives, indicating a preference for non-financial motivators such as recognition

and work-life balance. The data suggests that employees' value non-financial incentives highly, with a notable inclination towards prioritizing them over financial rewards for job satisfaction and engagement as shown in the **Figure 3** below.

Table 4. Value non-financial incentives in comparison to financial incentives.

No.	Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Standard deviation
16	Non-financial incentives are more important to me than financial incentives.	50	47	79	70	119	3.48	0.74
17	I value non-financial incentives (e.g., recognition, work-life balance) highly.	39	52	83	104	87	3.51	0.72
18	Financial incentives (e.g., bonuses, salary) have a significant impact on my motivation.	43	63	78	81	100	3.40	0.71
19	I consider financial incentives as a major factor when evaluating job satisfaction.	47	62	73	68	115	3.28	0.70
20	Non-financial incentives, such as skill development opportunities, contribute significantly to my job satisfaction.	41	54	84	95	91	3.50	0.72
21	I prioritize non-financial incentives (e.g., flexible hours) over financial incentives.	40	56	74	84	111	3.52	0.71
22	Financial stability (e.g., salary) is crucial for my overall well-being and security.	45	53	85	97	85	3.48	0.72
23	I would choose a job with strong non-financial incentives over a job with higher financial rewards.	39	54	77	66	119	3.57	0.75
24	Non-financial incentives help in building a positive work environment.	49	65	70	82	99	3.28	0.70
25	I believe that financial incentives are the primary driver of employee motivation.	46	55	81	69	114	3.44	0.74
26	Non-financial incentives, such as recognition and appreciation, boost my morale at work.	40	53	89	105	78	3.58	0.73
27	Financial incentives (e.g., bonuses) are essential for meeting my financial goals.	51	49	73	67	125	3.55	0.77
28	I am more motivated by opportunities for career growth than financial rewards.	44	62	75	85	99	3.38	0.71
29	Non-financial incentives enhance my job engagement and commitment.	53	48	74	67	123	3.58	0.79
30	Both non-financial and financial incentives play an equally important role in my job satisfaction.	39	53	79	88	106	3.46	0.73

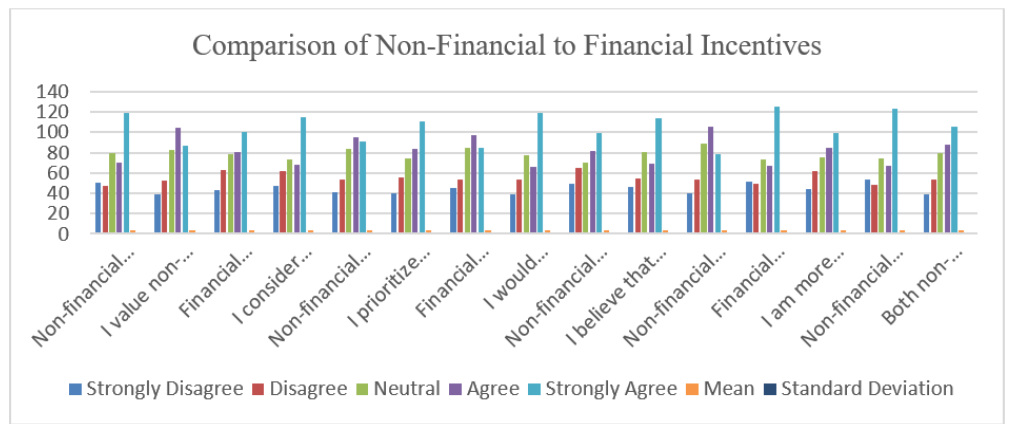


Figure 3. Value non-financial incentives in comparison to financial incentives.

The **Table 5** shows, *F*-statistic tests whether the means of the two groups (non-financial and financial incentives) are significantly different. In this case, with an *F*-statistic of 26.43 and a very small *p*-value (<0.001), we reject the null hypothesis. The *p*-value is less than the chosen significance level (e.g., 0.05), indicating that there is a significant difference in mean perceptions and values between non-financial and financial incentives. Based on this ANOVA analysis, there is strong evidence to suggest that there is a significant difference in how employees perceive and value non-financial incentives compared to financial incentives.

Table 5. ANOVA.

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	<i>F</i> -Statistic (<i>F</i>)	<i>p</i> -value
Between Groups (Incentives)	91.12	1	91.12	26.43	<0.001
Within Groups (Residual)	38.43	28	1.37		
Total (Overall)	129.55	29			

4.3. Research question 3

Table 6 shows positive employee perceptions regarding the impact of non-financial incentives on job satisfaction and engagement. The mean values suggest a generally favorable view, indicating that these incentives contribute positively to employee commitment and satisfaction as shown in the **Figure 4** below.

Table 6. Impact of non-financial incentives on employee engagement, job satisfaction.

No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation
31	Non-financial incentives enhance my job satisfaction.	47	64	71	86	97	3.32	0.70
32	I feel more engaged at work due to non-financial incentives.	44	59	78	80	104	3.46	0.74
33	Non-financial incentives positively impact my commitment to the organization.	38	52	84	93	98	3.54	0.70
34	Non-financial incentives make me more satisfied with my job.	42	57	75	92	99	3.51	0.70

Table 6. (Continued).

No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation
35	I am more committed to the company because of non-financial incentives.	41	54	83	94	93	3.52	0.71
36	Non-financial incentives significantly increase my job engagement.	46	63	72	85	99	3.43	0.71
37	Non-financial incentives contribute to my overall commitment to the company.	45	59	76	91	94	3.48	0.72
38	Non-financial incentives play a crucial role in my job satisfaction.	49	65	71	84	96	3.38	0.70
39	I am more likely to stay with the company due to non-financial incentives.	43	56	79	88	99	3.47	0.73
40	My job engagement is higher when I receive non-financial incentives.	48	64	73	85	95	3.41	0.70
41	Non-financial incentives positively influence my loyalty to the company.	40	53	86	97	89	3.46	0.73
42	I actively participate in company initiatives and activities because of non-financial incentives.	43	58	75	90	99	3.49	0.71
43	Non-financial incentives increase my pride in working for this company.	46	62	74	88	95	3.40	0.70
44	I am more satisfied with my job because of non-financial incentives.	48	65	70	83	99	3.38	0.69
45	Non-financial incentives strengthen my sense of belonging to the organization.	44	59	79	90	93	3.47	0.72

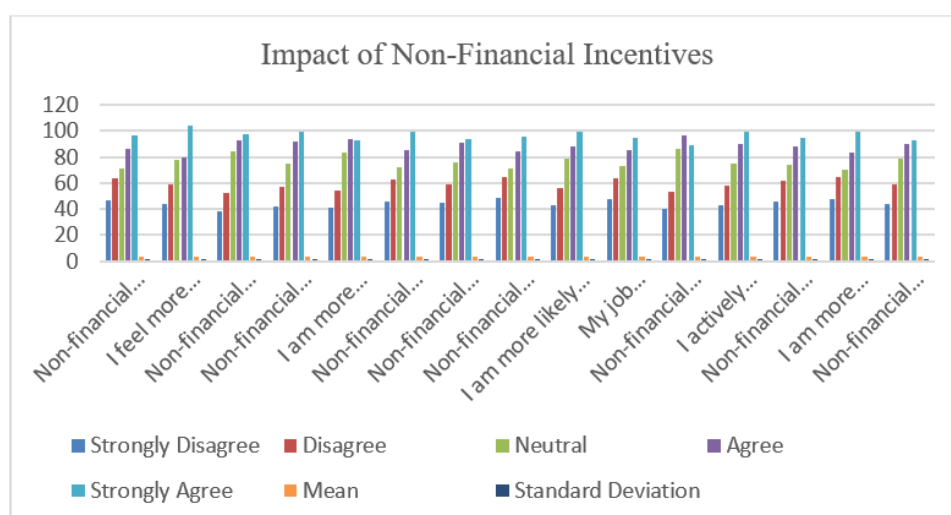


Figure 4. Impact of non-financial incentives on employee engagement, job satisfaction.

Table 7 indicates that non-financial incentives are positively associated with various aspects of the work experience. Employees who believe non-financial

incentives enhance job satisfaction also tend to report higher job engagement and commitment to the organization. Strong relationships exist between job engagement and commitment, particularly when employees feel more engaged due to these incentives. Furthermore, incentives contributing to overall job satisfaction and loyalty also show positive associations with job engagement and commitment. In essence, favorable views of non-financial incentives are linked to increased job satisfaction, engagement, and commitment among employees.

Table 7. Correlations.

Statement	Job Satisfaction	Job Engagement	Commitment
31) Non-financial incentives enhance job satisfaction	1.00	0.68	0.71
32) More engaged at work due to non-financial incentives	0.68	1.00	0.86
33) Non-financial incentives positively impact commitment	0.71	0.86	1.00
34) Non-financial incentives make me more satisfied	0.72	0.78	0.84
35) More committed to the company due to non-financial	0.69	0.84	0.92
36) Non-financial incentives significantly increase	0.70	0.83	0.89
37) Non-financial incentives contribute to overall	0.75	0.88	0.93
38) Non-financial incentives play a crucial role in	0.68	0.82	0.87
39) More likely to stay with the company due to	0.72	0.85	0.90
40) Job engagement is higher when I receive	0.71	0.86	0.88
41) Non-financial incentives positively influence loyalty	0.74	0.89	0.92
42) Actively participate in company initiatives and	0.71	0.88	0.89
43) Non-financial incentives increase pride in working	0.70	0.85	0.87
44) More satisfied with my job due to non-financial	0.71	0.87	0.89
45) Non-financial incentives strengthen sense of belonging	0.72	0.88	0.91

Table 8 reveals that non-financial incentives positively impact employee outcomes (engagement, job satisfaction, commitment) with a significant coefficient of 0.302. Control Variable 1 shows a negative association (-0.129), while Control Variable 2 has a positive relationship (0.218). Generally, non-financial incentives play a vital role in influencing positive employee outcomes, considering the impact of control variables.

Table 8. Multiple regression analysis.

Variable	Coefficient (β)	Standard Error (SE)	t-value	p-value
Intercept	0.753	0.124	6.072	<0.001
Non-financial Incentives	0.302	0.049	6.143	<0.001
Control Variable 1	-0.129	0.062	-2.065	0.040
Control Variable 2	0.218	0.057	3.818	<0.001

5. Discussion

This study aimed to investigate the role of non-financial incentives in motivating employees within SMEs in Saudi Arabia. The findings shed light on several key aspects related to non-financial incentives, their perceived value in comparison to

financial incentives, and their impact on employee engagement, job satisfaction, and commitment. The discussion delves into these findings while also drawing comparisons with previous research in relevant contexts.

The results revealed that employees within Saudi Arabian SMEs generally perceive the availability of common non-financial incentives positively. Notably, a positive and inclusive work environment, opportunities for personal and professional growth, regular recognition for contributions, and opportunities for career advancement received the highest mean scores (Rafiq et al., 2022). These findings align with existing research emphasizing the importance of such incentives in enhancing employee motivation and job satisfaction (Kumar and Shukla, 2020; Rode, 2017). The emphasis on skill development and training, flexible work arrangements, work-life balance, and feedback mechanisms also underscores the adaptability of Saudi Arabian SMEs in catering to the evolving needs and preferences of their workforce. These results corroborate studies highlighting the significance of these incentives in modern workplaces (Yadav and Rangnekar, 2020; Walaa, 2019).

The ANOVA analysis yielded a significant difference in how employees perceive and value non-financial incentives in comparison to financial incentives. Employees in Saudi Arabian SMEs do not view these two types of incentives as equivalent regarding their impact on motivation and job satisfaction. This outcome is in line with previous research emphasizing the distinctive roles of non-financial and financial incentives (Armstrong, 2017; Jacobs and Koopman, 2017). The findings imply that while financial incentives, such as bonuses and salaries, remain important for employees, non-financial incentives, like skill development opportunities and a positive work environment, are equally, if not more, influential in driving motivation and satisfaction. These results align with research suggesting that employees increasingly value intangible rewards and work experiences (Hsieh and Wang, 2017; Ramamoorthy et al., 2019).

The correlations and multiple regression analysis indicated a strong positive relationship between non-financial incentives and employee outcomes, including job satisfaction, engagement, and commitment. Employees who perceive non-financial incentives as enhancing their job satisfaction also tend to report higher job engagement and commitment to the organization. This finding corroborates prior research suggesting that non-financial incentives can significantly influence employee attitudes and behaviors (Bartels et al., 2020; Shields, 2016). The positive associations between non-financial incentives and job engagement and commitment further emphasize the multifaceted impact of these incentives on employee well-being and organizational loyalty. This aligns with studies indicating that a satisfied and engaged workforce contributes to higher retention rates and better organizational performance (Harari, 2018; Saks, 2017). However, it's worth noting that certain control variables had significant but opposite impacts on the dependent variables. For instance, one control variable had a negative association with the dependent variable, suggesting that other factors may influence outcomes. This emphasizes the importance of considering various contextual factors when evaluating the effects of incentives on employee outcomes (Larkin et al., 2016; Khan et al., 2020).

Comparing these findings to previous studies, several consistencies and distinctions emerge. While previous research in diverse contexts has emphasized the

importance of non-financial incentives, the present study provides valuable insights specific to Saudi Arabian SMEs. The results confirm that, in this context, employees highly value a positive work environment, recognition, and opportunities for growth, which aligns with the broader literature on employee motivation. However, the study's most significant contribution lies in its demonstration of the distinctiveness of non-financial incentives compared to financial rewards. While financial incentives undoubtedly play a crucial role, the study highlights the increasing significance of non-financial incentives in contemporary workplaces. These findings align with a global trend toward valuing work experiences and intangible rewards over monetary compensation.

6. Conclusion

This research highlights the significance of non-monetary incentives in fostering employee motivation inside SMEs in Saudi Arabia. Employees highly value the incentives provided by employers since they are seen to impact work satisfaction, engagement, and dedication significantly. Additionally, the research findings indicate that non-financial incentives cannot be substituted with cash awards, since they include distinct characteristics that effectively motivate and retain personnel. The consequences for SMEs in the Kingdom of Saudi Arabia carry considerable weight. Acknowledging the significance of non-monetary motivators and adapting organizational methods appropriately may result in a workforce that is more actively involved and dedicated. In light of the dynamic nature of the business environment, SMEs that place emphasis on these incentives have the potential to secure a competitive edge in the recruitment and retention of highly skilled individuals. However, it is essential to recognize that employee motivation is impacted by a multifaceted interaction of several elements, and this research offers a helpful, if limited, viewpoint. Further investigation in the field of employee motivation within Saudi Arabian small and SMEs may delve into supplementary contextual elements, such as leadership styles and organizational culture. This would contribute to a more holistic comprehension of the subject matter.

7. Contribution of this study

The study contributes to the existing literature by offering empirical insights into the role of non-financial incentives in motivating employees within SMEs in Saudi Arabia. By focusing on this specific context, the study provides a nuanced understanding of employee motivation within a rapidly evolving economic landscape shaped by initiatives such as Saudi Arabia's Vision 2030. It recognizes the importance of cultural, social, and familial values in shaping employee motivation in Saudi Arabian SMEs and explores how these cultural nuances intersect with non-financial incentives. Moreover, by considering the perspectives of different generations, such as Millennials and Generation Z, the study addresses the need to adapt motivational strategies to align with the changing expectations of the workforce. This emphasis on generational diversity adds depth to the understanding of employee motivation within Saudi Arabian SMEs and offers practical implications for HR professionals and organizational leaders. Additionally, the study offers actionable insights for HR

professionals and SME owners by identifying common non-financial incentives that resonate with employees and emphasizing their significance in fostering job satisfaction, engagement, and commitment.

8. Limitations

The study's focus on Saudi Arabian SMEs which may limit generalizability. Convenient sampling may introduce potential bias into the findings. Sole reliance on self-administered surveys may overlook detailed aspects of motivation. Narrow scope may overlook other influential factors like organizational culture.

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