

Payment for Performance and Affect – The Emotional Consequences of Unmet Bonus Expectations

Bachelor of Science

11.01.2024

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Purpose/Motivation:

The COVID-19 pandemic has drawn renewed attention to the critical importance and demanding nature of healthcare work. Employees have been asked to perform above and beyond the call of duty. Consequently, the question arises of whether and how this demanding effort has been rewarded or incentivized. According to Milkovich et al. (2014, p. 11), it is important that both employers and employees see compensation as an earned return for the work performed. From this, it could be concluded that additional remuneration should have been paid for the overtime worked and the exceptionally challenging circumstances during the pandemic. In reality, it appears that in several cases no such payment was made. Building on this reasoning, the key research question guiding this thesis is:

What are the emotional consequences of under-met bonus expectations?

Theories:

Affect Events Theory (AET) (Weiss and Cropanzano 1996) and Decision Affect Theory (DAT) (Mellers et al. 1997) were chosen as theoretical frameworks, as both theories treat emotional states as an outcome. AET predicts that work events can evoke emotional responses that may be an interplay of several separate emotions. For this thesis, anger, fear, sadness, guilt and envy were selected as the most important emotions in response to an under-met bonus expectation. In addition, some of the most likely action tendencies of these emotions were summarized. The second theory this thesis relies on, DAT suggests that emotional responses to decision outcomes are not only influenced by expectation (expected versus unexpected), but also by the counterfactual alternative (Mellers et al., 1997, p.428).

Approach/Methodology:

A structured and replicable literature review was conducted. To identify relevant publications, the main keywords used included: Payment for Performance; Bonus; Emotions; Affect; Expectation and more.

Findings:

The main part of this literature review is threefold. First, possible causes for mismatches between bonus expectations and actual pay were identified:

Bonus announcement: amount of promised bonus payment less than expected or wished for.

Ideal standard: expectation building relies more on wishful thinking than rational beliefs.

Self-evaluation: mismatch between self-perception and an observer ones' (overestimating one's own performance).

Past experiences: expectation building is also influenced by past experiences.

Second, possible concrete negative emotional reactions to under-met bonus expectations were suggested and their interactions illustrated with examples.

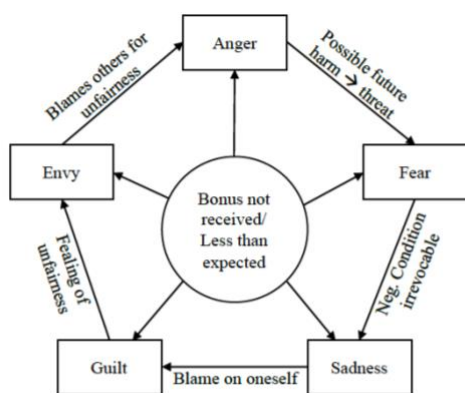


Figure 5: Proposed Model for the Interaction of Negative Emotions

Source: based on Lazarus (1991, p. 218).

Third, by synthesizing the theoretical findings and complementing them with empirical findings from relevant literature, it was analyzed how negative emotional reactions might differ depending on whether the outcome was expected or unexpected.

Research Limitations:

Due to the fact that this thesis was written as a bachelor thesis it is limited in time and scope. Therefore, certain content could not be dealt with, such as probable positive emotional reactions. Furthermore, this thesis provides only a broad overview of the variety of negative emotions, neglecting the existence of numerous others.

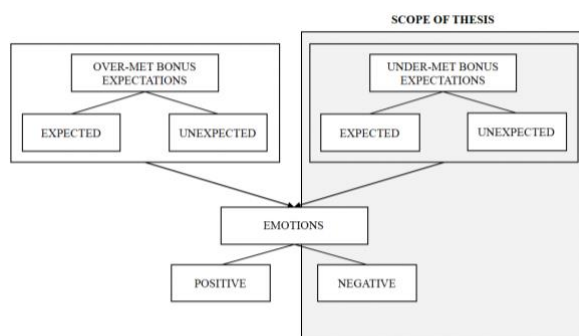


Figure 2: Visualisation of the Scope of this Thesis

Source: own illustration

Research Implications:

The majority of Payment for Performance papers focus on reactionary outcomes measured from the employer's perspective, but very few look at the employee's perspective, particularly in terms of emotional outcomes.

Practical Implications:

Understanding individual emotional responses to under-met bonus expectations can provide valuable recommendations for practical application. According to Ashkanasy and Dorris (2017) not only the employee's welfare, but also "the overall effectiveness of organizations" (p. 84) are influenced by emotions.

Contribution:

This paper contributed to the existing literature by specifically linking the two research areas of Payment for Performance and emotions.

Paper type: conceptual

Further readings:

Ashkanasy, N. M., & Dorris, A. D. (2017). Emotions in the workplace. *Annual Review of Organizational Psychology and Organizational Behavior*, 4, 67-90.

Mellers, B. A., Schwartz, A., Ho, K., & Ritov, I. (1997). Decision affect theory: Emotional reactions to the outcomes of risky options. *Psychological Science*, 8(6), 423-429.

Milkovich, G.T., Newman, J.M., Gerhart, B. (2014). *Compensation*. (11th. ed.). McGraw Hill.

Lazarus, R. S. (1991). *Emotion and adaptation*. Oxford University Press.

Weiss, H. M., & Cropanzano, R. (1996). Affective Events Theory: A theoretical discussion of the structure, causes and consequences of affective experiences at work. *Research in Organizational Behavior*, 18, 1-74.