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The Effectiveness of Establishing an Inter-Organizational Incentive System in the Makkah Region: (A Case Study of Al-Rajhi Bank and Millennium Hotel Group)

فعالية إنشاء نظام حوافز تبادلية بين المنظمات في منطقة مكة المكرمة (دراسة حالة: مصرف الراجحي وسلسلة فنادق ميلينيوم)

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Abstract:
Objectives: The main objectives are to evaluate the effectiveness of exchange incentives in enhancing employee satisfaction and productivity, examine the differences between current incentive systems and the proposed model, and provide a structured framework to support organizational advancement.
Methods: This study adopted a descriptive, analytical, and case study approach. It focused on describing the current situation regarding incentive systems analyzing their effects on employee performance and using a case study method involving Al-Rajhi Bank and Millennium Hotels to collect and interpret data.
Results: The results suggest that such systems can improve satisfaction, strengthen collaboration between organizations, and reinforce national motivation.
Conclusions: The study recommends aligning incentive offerings with employee needs in each sector to maximize satisfaction and impact.
***Keywords**: exchange incentives; employee's performance; human behavior; social exchange theory.*

الملخص:
الأهداف: تهدف الدراسة إلى تقييم فعالية الحوافز التبادلية في تعزيز رضا وإنتاجية الموظفين، والتعرف على الفجوات بين الأنظمة الحالية والنموذج المقترح، واقتراح إطار منظّم يدعم تطور المنظمات.
المنهجية: اعتمدت هذه الدراسة على المنهج الوصفي التحليلي ومنهج دراسة الحالة، حيث ركز على وصف الوضع القائم فيما يتعلق بأنظمة الحوافز، وتحليل آثارها على أداء الموظفين، إضافةً إلى توظيف أسلوب دراسة الحالة من خلال تناول مصرف الراجحي وفنادق ميلينيوم لجمع البيانات وتفسيرها.
النتائج: أظهرت نتائج التحليل الوصفي تأييدًا كبيرًا من قِبل الموظفين لفكرة الحوافز التبادلية، مما يشير إلى دورها في تعزيز الرضا الوظيفي، وتفعيل التعاون بين المنظمات، ودعم الدوافع الوطنية.
الخلاصة: توصي الدراسة بمواءمة الحوافز المقدمة مع احتياجات الموظفين في كل قطاع، وذلك لتحقيق أقصى قدر من الرضا والتأثير.
***الكلمات المفتاحية:** الحوافز التبادلية؛ أداء الموظف؛ السلوك البشري؛ نظرية التبادل الاجتماعي.*

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1 Introduction

The human being is an important factor that depend on institutions to implement its activities and programs and to achieve its objectives. Management organizations are still looking for how to make the human being provides the best performance for the organization.

Undoubtedly, incentives are among the means which make workers give their best to achieve the goals of the organization with other administrative departments.

Therefore, our study was designed to exchange incentives idea between organizations.

1.1 The Problem of Study

This study seeks to examine the effectiveness of implementing an exchange incentive system between organizations in the Kingdom of Saudi Arabia. Specifically, it evaluates how such a system can improve job performance among employees in the banking and hospitality sectors. The research problem focuses on the need to explore whether mutual incentive arrangements between institutions can address limitations in traditional incentive programs, enhance employee motivation, and foster improved organizational outcomes.

1.2 Study Aims

The study addresses to deeply investigate the incentives management in organizations as a vital matter which should be studied by those concerned as modern organizations need more specialized researches in this field in order to benefit from them in organizational development.

- To identify the extent of the importance of the availability of exchange incentives in the organizations and its success in raising the employee's performance and production efficiency.
- To identify the extent of differences between the existing incentive system and the hypothetical system under study (exchange incentives between organizations).
- To provide an incentive system that helps in the success of organizations' development.

1.3 Importance of the Study

- To identify the concept of exchange incentives system and the extent of effect on raising the employee's performance efficiency.
- The study may lead to contribute to finding solutions for some problems relating to motivating employees in organizations.
- The study provides perspectives for new researchers and employees who concern about incentives and its relationship to human resources management, and to prepare new and more specialized research.

1.4 Study Hypothesis

This study relied on a set of hypotheses that aim to answer its questions and to achieve its goals, as following:

- Improving the current incentive system increases employee satisfaction.
- Exchange incentive systems improve employee performance and productivity.
- Exchange incentives strengthen national motivation by enhancing social relationships between organizations.

1.5 Study Limits

- Spatial limits: all branches of Al Rajhi Bank and Millennium Hotel.
- Temporal limits: 2019 AD - 1441 A.H.
- Human limits: Al-Rajhi Bank employees, and employees of the Millennium Hotel group.

2 Literature Review

Several studies have examined the impact of incentive systems on employee performance and motivation. Deci and Ryan (2000) emphasized the critical role of intrinsic motivation in enhancing performance, arguing that effective incentive systems should fulfill psychological needs to sustain long-term productivity. Boukhamkham and Azion (2008), studying institutions in Algeria, confirmed that structured and clear incentive models significantly improve employee engagement and job satisfaction.

Cropanzano and Mitchell (2005) introduced social exchange theory as a key framework for understanding how reciprocal interactions between employees and organizations drive performance. This theory provides a solid foundation for interpreting how mutual incentives influence employee behavior and organizational outcomes.

Allen and Smith (2021) discussed how collaborative incentive strategies between institutions can enhance workplace culture, foster cooperation, and promote innovation. Parker and Wright (2017) also found that exchange-based incentive systems increase inter-organizational performance by strengthening partnership networks.

Doualbait and Mohamed (2018), focusing on Nile Bank in Saudi Arabia, identified a direct link between performance-based incentives and institutional success. Karnakah (2018) supported these findings by emphasizing the role of incentives in achieving excellence within the banking sector. Robbins and Judge (2022) further highlighted how aligning incentives with both employee and organizational goals leads to sustained performance improvements.

Kim and George (2020) showed that non-monetary incentives play a vital role in enhancing employee commitment, especially in multicultural environments. Similarly, Jones and Brown (2019) demonstrated how inter-unit reward exchange builds a sense of appreciation and loyalty across organizational structures.

Despite these valuable contributions, most existing studies are limited to internal incentive frameworks within single organizations. Little attention has been paid to inter-organizational exchange incentive systems, a gap this study addresses by examining the mutual incentive practices between a banking institution and a hospitality organization—an emerging partnership model with significant implications for cross-sector collaboration.

2.1 Exchange Incentives System between Organizations

The idea of exchange incentives extracted by social exchange theory.

2.1.1 Social exchange theory concept

Human behavior: human behavior included activity, interaction and emotion carried out by an individual, and it differs from animal behavior because it possesses a social heritage, an inclusive culture, and a high mental ability.

Social rewards: i.e. the price for an individual to acquire knowledge by society asks him to do, it is motivated as much as a goal to obtain it.

Benefit: i.e. The ability of human activity to provide benefit to others and the possibility of exchanging it for another human activity.

Social cost: means the amount of activity that an individual is required to do in return for a prospective or expected benefit.

Interests: means self-aspirations - material or moral - that the individual was inspired to achieve.

Exchange: is the provision of social activity by the first party involved in the exchange process to the second party in exchange for the first obtaining a previous activity in the second.

Competition: is the competition to obtain the largest possible number of social activities at the lowest cost and highest value in the exchange process.

Social investment: means developing social activities for the benefit of their practitioners (Omar, 2013).

2.2.2 The main issues of exchange theory

First: Humans aspire in their social relationships to avoid costly behavior that does not benefit them and exchange based on the basis of cost-benefit calculation.

Second: Human behavior is based on a comparison between the different alternatives according to the cost and returns principles, and then social life is a different series of choices and understanding the interaction between people accordingly on the basis of the exchange which defined in commercial relations and unclear limits in friendship relations.

Third: The exchange is not including the economic only, but it is related to the psychological and social aspects, so life runs according to a series of exchanges that increase and decrease the stock of individuals or groups of strength or reputation. On helping others he hopes to get the same when he needs it, a theory based on the interpretation of interactive behavior between individuals as well as the interpretation of group operations (Strangely, 2018).

2.2 The most important pioneers of social exchange theory

Gouldner (1960) expanded on social exchange theory by introducing the norm of reciprocity, which asserts that individuals feel obligated to return benefits received from others. In organizational settings, this norm explains how employees who perceive fair treatment and support from their employers tend to respond with increased commitment and productivity. This concept is central to understanding exchange incentives, as it implies that mutual benefit strengthens organizational loyalty and long-term engagement.

2.3 Exchange incentives concept

Exchange incentives are a strategic partnership between two commercial establishments such as (the banking and hotel sector), where they take the formal nature by concluding a contract between them, but do not amount to forming a legal partnership. Normally, these establishments form a strategic partnership when each of them possesses distinguished services which help another party to facilitate their operations which emerge between two establishments to create a more productive work environment. The first party provides distinguished services in banking transactions for the members of the second party, while the other party specializes in providing all kinds of incentives to the members of the first party in exchange for the distinguished services that provided by the first party.

One of the main reasons that drive all parties to establish a system of exchange incentives is to seek to increase their revenues, which are considered the main advantage of successful partnerships, in addition to increasing market share, easy access to new markets, expanding the geographical scope of their products and raising the efficiency of employee's productivity and satisfaction.

3 Methodology of the Study

This research adopted a descriptive, analytical, and case study approach It focused on describing the current situation regarding incentive systems analyzing their effects on employee performance and using a case study method involving Al-Rajhi Bank and Millennium Hotels to collect and interpret data.

3.1 Study Population and Sample

The study population includes employees from Al-Rajhi Bank and Millennium Hotels operating within the Kingdom of Saudi Arabia. However, for the purpose of this research, the focus was limited to branches located in the Holy Makkah region. A simple random sample of employees was selected from 17 Al-Rajhi Bank branches and 3 Millennium Hotel branches within this region.

3.2 Study Sample

The study sample was drawn from branches located in the Holy Makkah region. For Al-Rajhi Bank, the sample was taken from 17 active branches within the region. For Millennium Hotels, although the institution operates 20 branches nationwide, the study focused on the 3 branches located in the Holy Makkah region. A simple random sample of employees was selected from these branches to participate in the field study.

3.3 Data collection method

3.3.1 Primary Data

Primary sources consisted of two questionnaire, the first belonging to the study sample in Al-Rajhi Bank, which includes paragraphs according to the specific sectors (material - moral – social sector), which reflect evaluation of population study sample for the impact of incentives on job performance, while the second questionnaire concerns the study sample in the Millennium Hotel, which reflects evaluation the study sample for the effect of incentives on job performance.

3.3.2 Secondary sources

Data and information collected that related to the impact of incentives on improving performance through reading the motivational policy literature and job performance represented by books, periodicals and previous studies connected to the subject of the study, in addition to the Internet to obtain information on the study subject.

4 Findings and Discussion

Firstly: Al-Rajhi Bank profile
Al-Rajhi Bank is one of the largest Islamic banks in Saudi Arabia. It was selected for this study due to its structured incentive system and its operational scale in the Makkah region.
Secondly: The Millennium Hotels group profile
Millennium Hotel is a major hospitality provider in Makkah. It was included in this study because of its formal incentive policies and active human resource environment.
Thirdly: Field study procedures

4.1 Population Study

The researchers distributed 60 questionnaires to a randomly selected group of employees from Al-Rajhi Bank and Millennium Hotels branches located in the Holy Makkah region. A simple random sampling method was applied to ensure that participants represented different roles and departments within the organizations.

4.2 Questionnaire Description

The questionnaire consisted of four main sections:

- **Section One:** Focuses on financial incentives and the extent to which they are applied to motivate employees in the banking and hospitality sectors.
- **Section Two:** Addresses non-financial (moral) incentives and their use in motivating employees within both sectors.
- **Section Three:** Contains items that assess employee satisfaction with the functional work environment in banks and hotels.
- **Section Four:** The most essential section, which evaluates employee responses to various forms of exchange incentives between the banking and hotel sectors based on the proposed system. The items were distributed according to the study hypotheses and measured using a five-point Likert scale (Strongly agree, Agree, Neutral, Disagree, Strongly disagree).

4.3 Data questionnaire analysis

4.3.1 First Hypothesis: The development of the current incentive system will lead to a high level of satisfaction of workers.

To assess this hypothesis, descriptive statistics were used to evaluate employees' perceptions regarding financial and moral incentives and overall job satisfaction.

According to Table 1 (Al-Rajhi Bank) and Table 2 (Millennium Hotels), financial incentives are more consistently available at Al-Rajhi, while moral incentives and reported satisfaction levels are notably higher among Millennium employees. Specifically, 53.6% of Al-Rajhi employees reported that financial incentives are "always" used, yet only 20.1% indicated they are always satisfied. In contrast, 41.3% of Millennium employees reported being "always" satisfied despite lower access to financial incentives (32.37%).

This suggests that job satisfaction is influenced not only by financial but also by moral incentives, confirming the need for a balanced approach. While these descriptive results support the hypothesis to some extent, inferential statistical tools such as Pearson correlation or regression analysis would further clarify the relationship. Still, the data trends suggest a positive link between improved incentive systems and job satisfaction, consistent with Deci & Ryan (2000) and Robbins & Judge (2022).
See Table 1 – Al-Rajhi Bank Responses and Table 2 – Millennium Hotels Responses below.

Table 1: Al-Rajhi Bank Responses

Item	Always	Often	Sometimes	Rarely	Do not use at all
Financial incentives	53.6	6.8	9.5	8.5	21.6
Moral incentives	26.1	17.0	18.75	17.0	21.15
Job satisfaction	20.1	16.2	22.2	27.0	14.5

Table 2: Millennium Hotels Responses

Item	Always	Often	Sometimes	Rarely	Do not use at all
Financial incentives	32.37	14.37	14.0	12.6	26.66
Moral incentives	24.25	26.5	16.0	14.0	19.25
Job satisfaction	41.3	18.5	14.8	16.1	9.3

4.3.2 Second Hypothesis: The exchange incentives system between organizations is one of the effective systems to improve employees' performance and to increase productivity.

Tables 3 and 4 display employees' perceptions of exchange incentives between banks and hotels. Results show a strong agreement from Al-Rajhi Bank employees regarding receiving hotel-based incentives. For example, 76% strongly agreed on the benefit of free hotel stays, and 73% favored global hotel booking discounts.

Likewise, bank employees expressed high satisfaction when receiving appropriate services from their organization. 41% strongly agreed that such services enhanced their job satisfaction (Table 4).

Although descriptive, these results indicate a high perceived value in inter-organizational incentives. For rigorous validation, inferential analysis such as t-tests or ANOVA could confirm significance levels. Nevertheless, findings support the hypothesis and align with social exchange theory, which highlights mutual benefit as a performance driver.

See Table 3 – Al-Rajhi (Hotel Incentives) and Table 4 – Al-Rajhi (Bank Incentives) below.

Table 3: Al-Rajhi (Hotel Incentives)

Exchange Incentive	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Free hotel stay (local/international)	76	22	2	0	0
Invitation for 2 to hotel buffet	69	24	4	2	0
Hotel booking discount (worldwide)	73	20	0	7	0
Facility discount (e.g., event hall)	71	22	2	2	2

Table 4: Al-Rajhi (Bank Incentives)

Exchange Incentive	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Bank opening times suitable	24	29	29	12	6
Employees respond immediately	35	35	29	0	0
Bank provides info about new services	24	35	29	12	0
Bank services increase work satisfaction	41	35	24	0	0

4.3.3 Third Hypothesis: The exchange incentives have a positive impact on promoting the national motivations of employees through expanding social relations between organizations.

Tables 5 and 6 reflect the extent to which exchange incentives support national motivation among employees. In Millennium Hotels, 64% of respondents strongly agreed with National Day invitations enhancing their sense of social involvement. Similarly, 58% appreciated ceremonial involvement with other institutions.

On the banking side, while the numbers were lower, 41% of Al-Rajhi Bank employees agreed with participation in cross-institution events, and 35% agreed that services met their needs.

These responses suggest that socially-driven exchange incentives can strengthen employees' national motivation by fostering a sense of recognition and inter-organizational belonging. The hypothesis is therefore supported by the patterns in participant responses.

See Table 5 – Millennium Hotels (National Motivation) and Table 6 – Al-Rajhi (National Motivation) below.

Table 5: Millennium Hotels (National Motivation)

Exchange Incentive	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
National Day celebration invitation	64	22	13	0	0
Participation in ceremonies/openings	58	31	9	2	0

Table 6: Al-Rajhi (National Motivation)

Exchange Incentive	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Bank services meet my requirements	18	35	29	18	0
Bank invitation to ceremonies/openings	24	41	29	6	0

5 Conclusion

All three hypotheses are supported by descriptive findings. However, to meet academic standards fully, inferential statistical tests such as Pearson correlation, t-tests, or ANOVA are recommended for future research to confirm the relationships between variables more robustly.

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