

Investigating the impact of increased employee motivation on organizational performance

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Master's Thesis
2017



Tomas Bata University in Zlín
Faculty of Management and Economics

Tomas Bata University in Zlín
Faculty of Management and Economics
Department of Management and Marketing
Academic Year: 2016/2017

MASTER'S THESIS ASSIGNMENT

(PROJECT, ARTWORK, ARTISTIC PERFORMANCE)

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Degree Programme: **N6208 Economics and Management**
Degree Course: **Management and Marketing**

Thesis Topic: **Investigating the Impact of Increased Employee Motivation on Organizational Performance – A Study Project of Some Selected SMEs in Europe**

Thesis Guidelines:

Introduction

Define the objectives and the application methods used in the Master thesis.

I. Theoretical part

- Compile the theoretical information about employee motivation theories.

II. Practical part

- Analyze current motivation approaches selected companies apply.
- Prepare the project of investigating the impact of motivation on organizational performance.
- Submit the prepared project for Cost and Risk analysis.

Conclusion

Thesis Extent: cca 40 stran
Appendices:
Form of Thesis Elaboration: tištěná/elektronická

Bibliography:

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LATHAM, Gary P. Work motivation: history, theory, research, and practice. 2nd ed. Thousand Oaks, Calif.: SAGE, c2012, 424 p. ISBN 978-1-4129-9093-6.

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Thesis Due: 18 April 2017

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ABSTRAKT

Cílem tohoto projektu je prozkoumat vliv zvyšující se motivace zaměstnanců v malých a středních podnicích v Evropě na jejich výkonnost v rámci organizace. Byly vybrány dvě společnosti ke splnění cíle projektu, a to z Česka a Lotyšska. Přestože je obor pro tento projekt úzký, dá vodítko pro budoucí výzkumy ohledně motivace, a to zejména v malých a středních podnicích, kde každé chování zaměstnance může udělat rozdíl.

Teoretická část začíná definicí motivace, následuje přehledem některých z nejpopulárnějších teorií motivace zaměstnanců. Druhá část obsahuje analýzu údajů získaných z odpovědí na dotazníky a pohovory, které byly provedeny se zaměstnanci a manažery ve zkoumaných firmách. Na závěr je uveden seznam doporučení, jakož i potřebná logistická analýza času, nákladů a rizika projektu.

Klíčová slova: motivace zaměstnanců, pracovní spokojenost, motivační přístupy

ABSTRACT

The aim of this project is to investigate the impact of increasing employee motivation in SMEs in Europe on their organizational performance. Two companies were chosen to fulfil the project objective, from Czechia and Latvia. Although the field of study for this project is narrow, it will give a guideline for future researches about motivation, especially in SMEs where each employee behavior can make difference.

The theoretical part starts with a definition of motivation, then it goes with a summary of some of the most popular theories of employee motivation. The second part contains an analysis of data collected from answers of questionnaires and interview questions that were given to employees and managers in the researched companies. At the end there is a list of recommendation as well as the necessary logistical analysis of time, cost and risk of the study project.

Keywords: employee motivation, job satisfaction, motivational approaches

ACKNOWLEDGEMENTS

I would like to thank my professor Ing. Jiří Vaněk, PhD for his help and support during all the time of writing this research paper.

I would also like to thank my professors at University of Tomas Bata, Zlin, as well as my administrators who helped me a lot during the past two years, Pavla Bartošová and Silvie Pfefferová.

Finally, I would like to thank my family as well as my girlfriend for all the support and help they gave me, not just in this research paper, but in everything in my life.

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INTRODUCTION

Today in this global yet volatile economy, and with the massive growth of internet where the whole world now is wide-open, all individuals have access to all sorts of information. Thus with many available options for any product or service, and with the ease of a press of a button, more options became available to customers, this is why customer satisfaction is decreasing and we as customers are demanding more and more every day.

On the other part of the equation, businesses come with their diverse nature. Whether it's a restaurant, an oil company, a church, a hotel chain, schools, and a lot of other forms of businesses, the term business means that they all strive for one corporate mission to deliver a product or a service, and also means that they are challenged with financial limits which require the best use of these resources (TORRINGTON, HALL, & TAYLOR, 2008)

This made it more difficult for companies to become unique; to sustain competitive advantage in any market so as to achieve profits, or at least survive.

And in the same context, employees realized that there might be better conditions in different companies, and loyalty to a specific company decreased, this is why companies now focus on employees being the heart of any operation, and the main cause of competitive advantage for any successful organization. Employees now are regarded as the most important resource of any organization.

This thesis is dedicated to investigate the importance of motivating employees and how this can impact the performance of any organization. Two SMEs were chosen in Europe, mainly in Latvia and Czech Republic where the current motivational approaches were researched and employee satisfaction was measured through different techniques. Managers' perspective of motivation was also discussed during personal interviews to reveal the other part of the equation of motivation.

This is why this thesis is intended as a guideline for SMEs in Europe to realize what really motivates employees and how paying attention to small details can affect their companies' performance, and hence their sustainability in a great way.

Research aims and objectives

The primary aim of this research paper is to investigate the impact of motivating employees on the performance of organizations; two SMEs in Europe were chosen for this research.

Subsequent objectives of the master thesis are as follows:

- Compile the theoretical information about employee motivation theories.
- Analyze current motivation approaches selected companies apply.
- Prepare the project of investigating the impact of motivation on organizations performance.
- Submit the prepared project for Time, Cost and Risk analysis

I. THEORY

1 INTRODUCTION TO EMPLOYEE MOTIVATION

Employee motivation is under-estimated in many companies; yet it should be one of the main KPIs for any manager. Employees are the core of any business; whether they are workers in the production sector, or employees in the service sector. In general, it is said that employees are those people who work for a wage or salary in any organization aiming at producing a product or service.

Simply stated, employees might perform well at their jobs and work hard for two main reasons; the first is if the work itself is interesting for them “intrinsic motivation”, or the second which is if the job pays well “extrinsic motivation” (Frey, Osterloh, 2002)

If employees are any company's most important resource, as a manager, it is your responsibility to keep them satisfied so they can meet customers' expectations, and to become motivated to continue working with an active pace to delight customers which is the main focus of companies now. The fact that the number of companies are growing and the number of employees is growing as well, makes it on the one hand easier to recruit more people since the pool of available qualified individuals became bigger. Yet, on the other hand for these employed ones, there is a bigger chance of finding other jobs, and it became easier to leave the current ones. Now everyone can send their CVs online and have video interviews. The result is that it became equally important for companies not just to recruit the right staff, but also to motivate their current ones to stay in their current job, where terms like job-retention strategies as well as other Human Resources terminology appeared in action.

This is why Human Resource Management term arose in the recent years. It is clear then that the sustainability of any organization depends not only on the market and external factors, but also on their employees' performance.

The classic idea was that HRM would consist of selecting and hiring the right candidates to perform a specific job, and then the rest would stay within the hands of management to train their employees. But as companies noticed some of their employees are not working with the pace they started with, others lost their desire to work, let alone those who already left their companies looking for a better opportunity, they realized there should be a bigger role for HRM to motivate employees in a way that suits them, doesn't disturb or de-motivate other employees, or affect the companies' profitability. This is why investigating how to motivate employees starts with Human Resource Management.

According to Armstrong (2006) the term ‘Human Resource Management’ (HRM) describes the procedures used to manage employees in organizations. It is the systematic approach used to manage the most important resource of an organization which is people, who work as individuals or in teams to achieve the objectives of their organization.

HRM should not be confused though with other important terms such as People management, Human capital management and Personnel management. Despite all being aspects of how organizations deal with their employees, only HRM is our focus for this study. The following figure shows the relationship between these concepts.

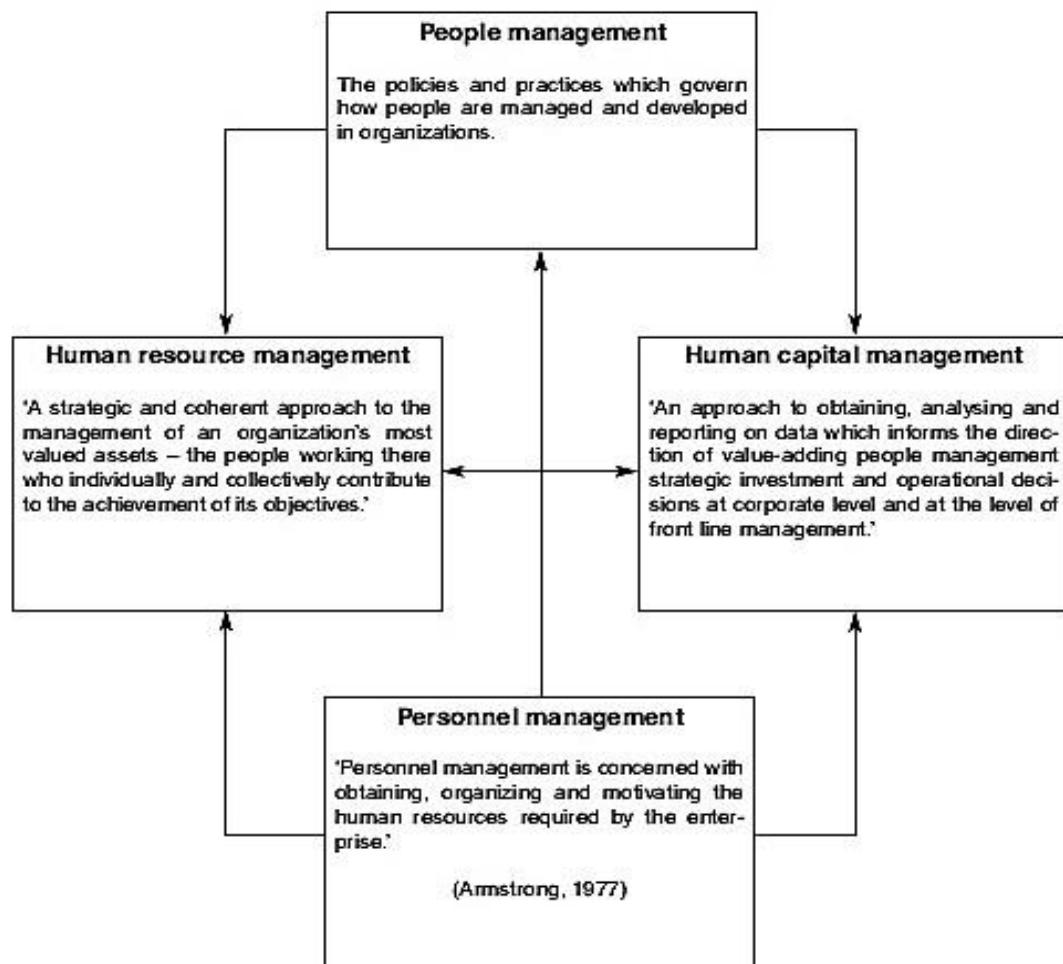


Figure 1: Relationship between aspects of people management (Armstrong, 2006)

Armstrong emphasizes that the main goal of HRM is to make sure that organizations not only employ, but also keep the talented, dedicated and hardworking staff. This means that companies should take considerable time and effort in the process of hiring the right employees for the jobs they are to perform, and then try to keep them satisfied and motivated so they can continue working in their organizations, rather than leaving for better opportunities.

The ideal situation then, would be for companies to perform different techniques to hire qualified professionals, train and motivate them to get the best out of them which will be reflected in the performance of these companies. Unfortunately, this is not the real case in many companies.

The first problem that arises within HRM is that everything is changing rapidly, which means planning a solution for a problem is not enough since in short time you can find things have altered in a way or another and your plans would become old-fashioned. (TORRINGTON, HALL, & TAYLOR, 2008)

Torrington adds a second problem which is the term that emerged by 1990s and early 2000 which is Globalization, and with globalization came the term Multinational Companies where companies were hiring people from different countries with different cultures and beliefs that required a more international approach of HRM to deal with their differences

1.2 Why do people quit their jobs

It has been said by most employers that there is no one reason for any action done by employees, yet since employees are so important to the success or failure of any company, many researches were made trying to figure out why employees would quit their jobs.

The problem is that in various industries, the costs of good employees quitting their job are increasing, especially with the modern style of team-based work where team harmony can affect the quality of the work produced which made it more difficult to change team members as frequently as before as mentioned in a Harvard Business Review study entitled why do people quit their jobs. (2016)

Heathfield (2016) clarifies that there are some personal factors that affect an employee's decision to leave his/her job, mainly with family commitments; where these are difficult for any employer to anticipate or respond to, however the main reasons for employees quitting their jobs are job-specific and are within the responsibility of employers.

Heathfield lists some reasons for why employees quit their jobs; the most important five factors are detailed below:

1.2.1 Relationship with boss

Employees and bosses should not be close friends as this might affect the discipline needed to produce quality jobs, however, the boss forms a basic part of the daily work-life of any employee in all organizations.

The boss is responsible for connecting his/her employees with upper management in any company; he/she acknowledges the work done by the employee, engages in daily meetings, controls the work load, and more importantly, has the power to reward or penalize employees for their performance. Thus it was established over the past years that the boss-employee relationship is the number one reason, for many cases, causing people to quit their jobs.

1.2.2 Boring, Unchallenging job

Spending at least third of their day between working and transportation to and off work, employees care about the nature of the work they do. When employees lose passion about what they are doing and everyday seems similar to the day before, then they would start looking for a different “interesting” job.

1.2.3 Relationships with colleagues

Relationships with colleagues at work are as important as the relationship with a boss; especially in the current work conditions where more work is focused into teams, that is why work clashes have to be eliminated as the simplest way for some employees would be to quit their jobs if they were faced with a lot of tension from certain colleagues.

1.2.4 Ways to apply special skills

Many employees want to apply the skills they gained through their past experience, to add something new or just add value to their job, and when they do, they get a great sense of self-actualization and fulfillment. If the job doesn't give them this opportunity to show their skills, and add to it, they are most likely to search for a different company and a different employer who will appreciate these skills and aim at increasing them for his employees.

1.2.5 Contribution of work to the bigger image

Employees need to feel that what they are doing in business is related to the bigger image and the main strategic goals of the company. If they don't get this feeling, they are likely to leave the company whenever a smallest opportunity arises elsewhere. It is the manager's responsibility to ensure that employees know how their contributions are linked to the overall business goal of the firm.

1.3 The Sears Roebuck model

While five reasons of many revealed why employees quit their jobs, on the other hand, many researchers were also interested in the impact of motivating employees on the profits of companies. One of the most popular models that changed how business was done and developed the financial results of many companies is the Employee-Customer-Profit Chain.

The Sears Roebuck model (Rucci, Kirn, & Quinn, 1998) showed how changing the logic of strategic thinking can alter a company's culture which was reflected in a transformation of the way business was done and lead to a big success on all of the Sears business functions.

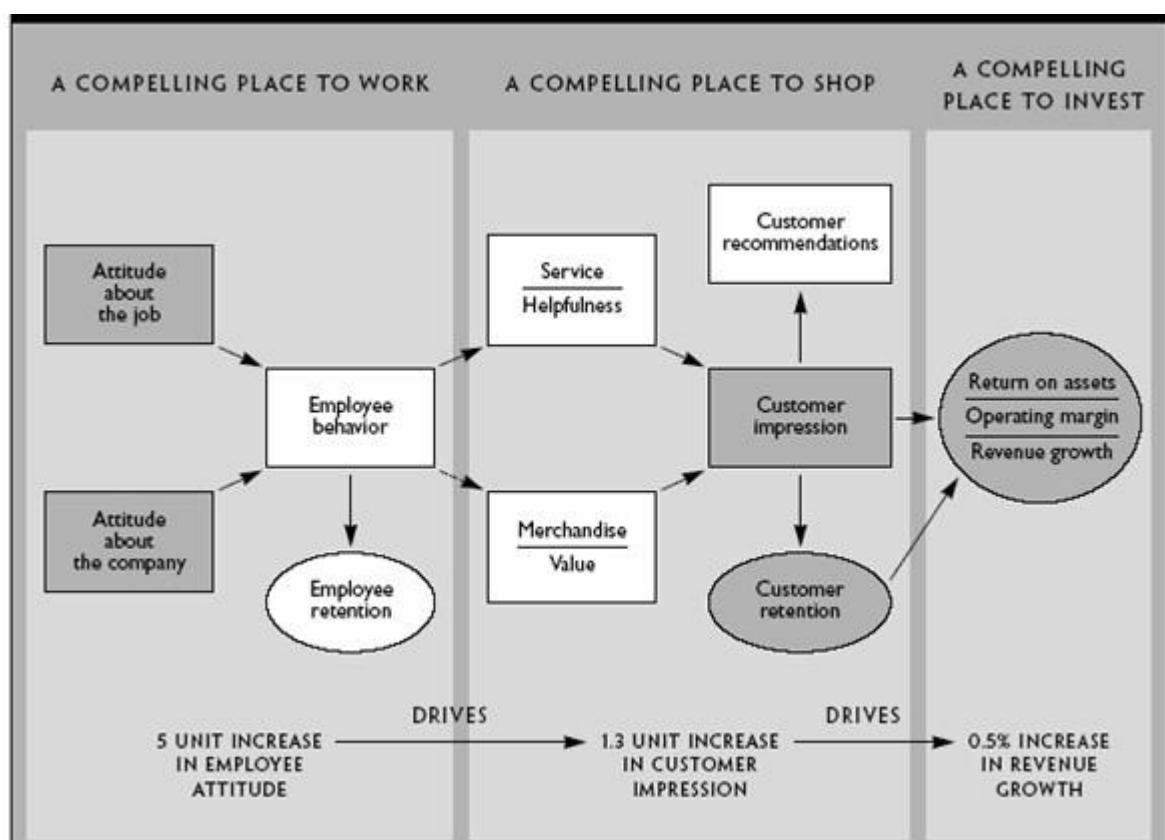


Figure 2: The Sears Roebuck Model: Employee Customer-Profit chain (1998)

The CEO of Sears; Arthur Martinez, lead 100 of his top managers to spend around 3 years to develop a business model that could track success from their behavior through employees' approaches to satisfy customers which led to improved financial performance.

Martinez added that Sears know the factors that drive employee attitude, which lead to employee motivation, which is directly related to customer satisfaction, hence company profit.

Another creation of Sears was the TPI, where building on the data they collected, along with the analysis of data, modeling and experimenting, this TPI corresponding to KPI, is a set of measures that tells management how good are they in relation to their stakeholders; customers, employees and investors.

It didn't stop at that end; in 1995 Sears developed a leadership-skills model where they rated all their managers for selection, evaluation and hence promotion, through a model that comprises the main values for Sears, and which incorporates all the elements that affect the success of business in their view.

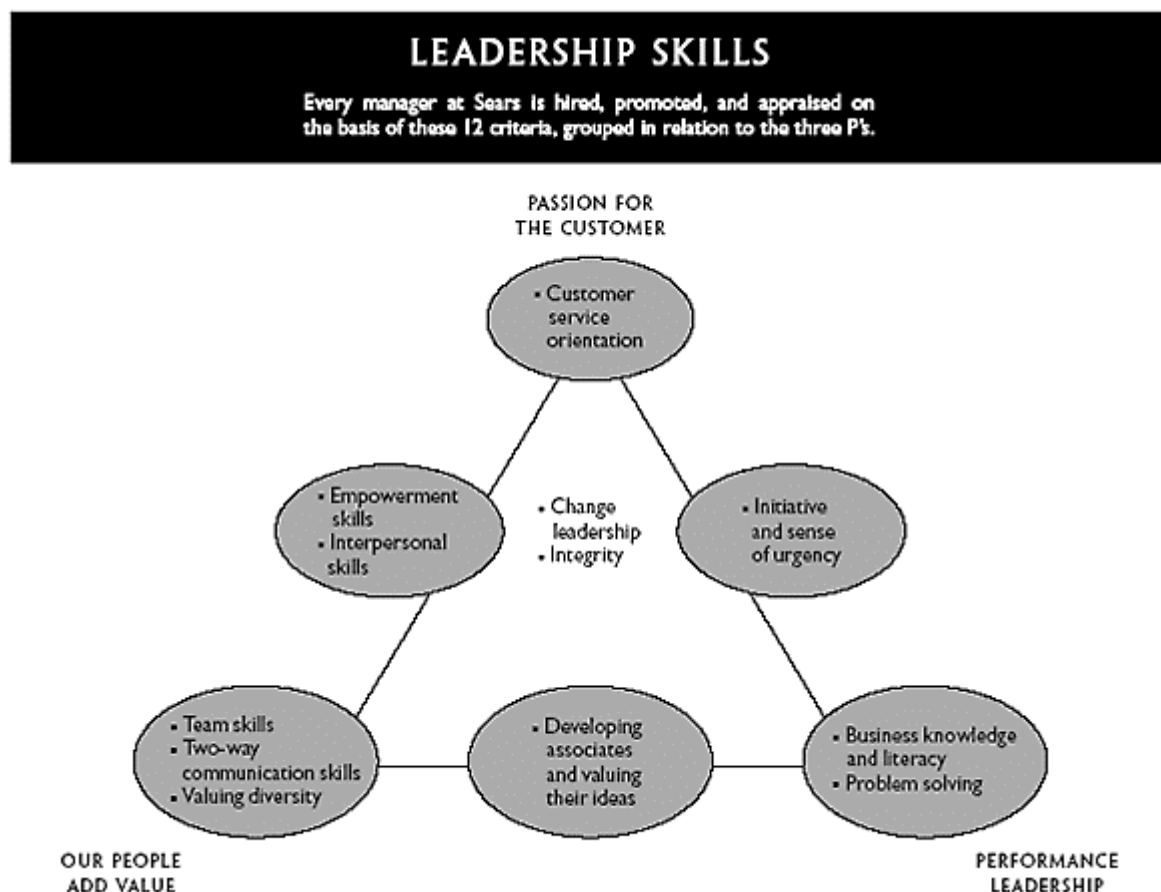


Figure 3: Sears Leadership-skills model (Rucci, Kirn, & Quinn, 1998)

2 THE CONCEPT OF MOTIVATION

For the past years, researchers came out with many definitions of motivation. Since this thesis is not going deep into psychology, the main focus for motivation would be that power that managers need in order to give their employees the desire to perform their tasks efficiently.

Consequently, in its simplest form, motivation is “the process of giving someone a reason for doing something” (Merriam-Webster, 2016). In this sense, to motivate someone is to give him/her a reason to do the effort and accomplish a task or act in a certain desired behavior.

Self-motivated people then, will be those who have clear goals to achieve and they are in a continuous process of aiming to achieve them, while most of employees will need direction and require a lot of efforts from their companies to be motivated. This is usually the task of managers where they need to make the best use of the motivational tools provided by companies to motivate their employees; for example through financial and non-financial rewards.

Porter, Bigley, and Steers (2003) describe motivation as a process which is concerned with what gives the energy to human behavior, what gives the directions for this behavior, and finally who we can keep or maintain this behavior. The combination of all these factors play an important role in the study of human behavior.

2.1 The process of motivation

Armstrong created a needs-related model showing the process of motivation. It proposes that motivation is created by unsatisfied needs that drive people to establish goals to satisfy these needs, then the behavior to achieve this goal is followed. Finally, if the goal is achieved, the same action will be repeated whenever the need or desire emerges until the need is satisfied.

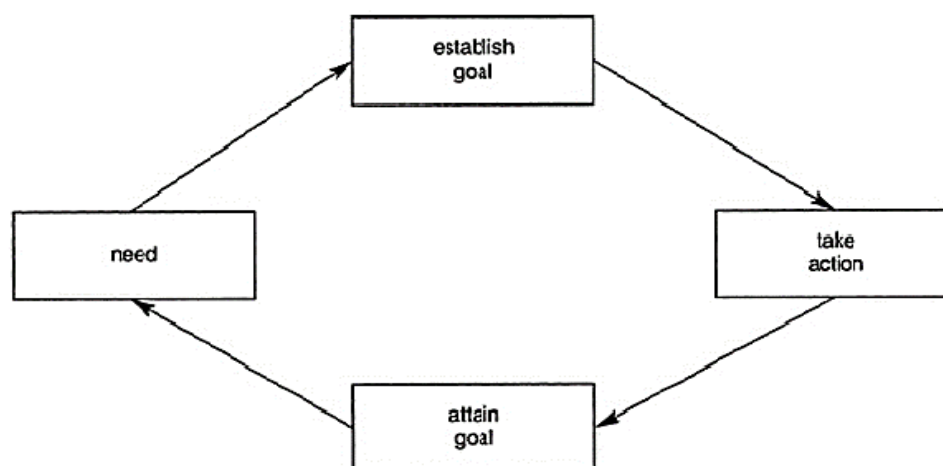


Figure 4: The process of motivation (Armstrong, 2006)

2.2 Theories of motivation

Since the emergence of the sciences of psychology as well as that of organizational behavior, all psychologists and non-psychologists have been trying to explain why people do what they usually do.

Wagner (1999) illustrates this idea by saying that the fact that some people are spending the majority of their time and effort to build a successful business, others dedicate their lives to create beautiful pieces of art. This difference gave a pathway to the thinking that there are different types of motivation; what motivates one is not suitable to motivate another.

According to Wagner, it is almost impossible to separate the classifications from the explanations of motivation, hence in the coming section, some of the existing theories of motivation will be explained to reveal how scholars and academics viewed motivation and how it affects human behavior.

2.2.1 Maslow's hierarchy of needs

Maslow (1943) introduced his motivation theory that he named the hierarchy of needs where he created a five tier pyramid that listed human needs. His conclusions were based on the observation of those who came to him as a psychologist to help them with problem in their personal life.

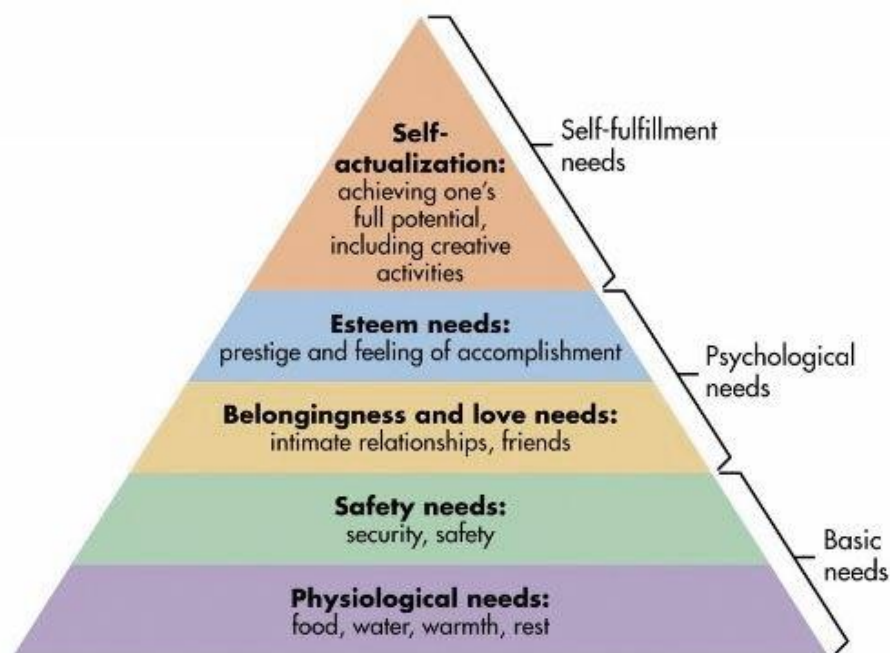


Figure 5: Maslow's hierarchy of needs pyramid (1943)

Maslow believed people are motivated to achieve certain needs which come in a hierarchy; a person will be motivated to fulfil the first level need before going for the next one.

Maslow's five levels hierarchy of needs includes:

1. Physiological needs: These include the basic human needs like food, sex and sleep.
2. Safety needs: After a person secures his/her shelter, he/she should aim for a shelter for protections from danger.
3. Affiliation needs: The 3rd level in needs is about belonging. Everyone according to Maslow in this stage needs friendship, trust, acceptance and love by others.
4. Esteem needs: This is the need for achievement, sense of independence and appreciation, and most importantly respect from others as well as from own self.
5. Self-actualization needs: the last need which lies on the top of the pyramid is seeking personal growth and the sense of great achievement.

Although Maslow's theory was not meant to be related to work and was trying to justify human behavior in general, Porter and Steers also tried to apply it for work-related situations by stating the organizational rewards that serve as needs at work and correspond to the general needs as per Maslow's pyramid. (R. Steers, L. Porter, 2002)

Table 1: applying Maslow's hierarchy of needs (R. Steers, L. Porter, 2002)

Needs levels	General rewards	Organisational factors
1 Physiological	Food, water, sex, sleep	a Pay b Pleasant working conditions c Cafeteria
2 Safety	Safety, security, stability, protection	a Safe working conditions b Company benefits c Job security
3 Social	Love, affection, belongingness	a Cohesive work group b Friendly supervision c Professional associations
4 Esteem	Self-esteem, self-respect, prestige, status	a Social recognition b Job title c High-status job d Feedback from the job itself
5 Self-actualisation	Growth, advancement, creativity	a Challenging job b Opportunities for creativity c Achievement in work d Advancement in the organisation

2.2.2 Criticism to Maslow's theory

Since Maslow published his theory of needs in the *psychological review* journal, many psychologists criticized it and revealed some negative downsides for this theory, which made Maslow review his theory and issue amendments in the subsequent years, of these criticisms:

- Wahba and Bridwell (1976) issued a thorough review about Maslow's theory and the result they reached is that the evidence of the order needs were set in a hierarchy is weak. Although they did acknowledge that humans have needs that should be met, yet to classify each set of need according to a set hierarchy is not true for every individual.
- Hofstede (1984) built on Wahba and Bridwell work and emphasized that Maslow's pyramid was more directed towards the western society and that it can't be generalized to all people in the world. Hofstede's claim was based on the idea that the hierarchy of needs pyramid on its own does not account for the different cultures that exist in other societies and how every culture has its own unique intellectual and cultural needs that differ and do not follow the hierarchy pyramid. He related this to his studies of Collectivism and individualism where in individualistic societies people are more interested in the self-actualization needs whereas in collectivistic ones, people focus more on belonging to a group and acceptance by others, hence affiliations needs will be met first.
- Cianci and Gambrel (2003) continued the work of Hofstede (1984) and after re-discussing and comparing individualism to collectivism, they concluded that Maslow's theory is too basic and hence for example doesn't apply to certain times as the cases of war and economy recession.

All these criticisms and more didn't stop Maslow's theory of needs to be one of the most popular motivation theories that is widely taught and accepted until recent years.

2.2.3 Herzberg's Two-Factor Theory

A two-factor model or theory developed by Herzberg (1957) differentiated job satisfactory as well as dissatisfactory factors. After analyzing the feedback of two hundred accountants and engineers in the USA about how they felt regarding their working conditions.

An assumption was made then that employees have the ability to accurately give feedback about the conditions that caused them to feel happy or sad about their jobs. It was discovered that these employees felt good about the job in the areas of the job content including the sense

of achievement and advancements, while at the same time they felt bad concerning the work policy, administration and salary, that is to say, their working conditions.

Thus Herzberg named his theory the two-factor theory where he classified the factors that satisfy employees into intrinsic along with extrinsic motivation factors.



Figure 6: Herzberg Two-Factor theory (Herzberg, 1957)

Extrinsic Motivators (Hygiene factors)

Extrinsic motivators are factors that are generally basic to employees. For example salary, working conditions and supervision. An article on boundless.com psychology webpage states that managers should take care of these factors as ignoring any of these factors will lead to the dissatisfaction their employees. (2016)

They are called extrinsic since they are tangible, and are done to employees to increase their external motivation.

Intrinsic Motivators (Motivation Factors)

Intrinsic motivators according to Herzberg (1957) are those factors that are self-generated, hence the name "intrinsic". These factors direct people to in a certain way and affect their motivation in a great way. For example responsibility which is the feeling that one's work is important and has an effect in the achievement of his company's goals and objectives.

Armstrong (2006) claims that the difference between Extrinsic and Intrinsic motivators is clear; while extrinsic motivators have an instant effect but they usually do not continue for a long time since they come from others. Intrinsic motivators in return have a more solid and durable effect since they come from within the employee himself.

2.2.4 Criticism to Herzberg's theory

Herzberg's two-factor theory is still alive to date, yet it has been attacked frequently, while Herzberg stated in 1968 that 16 other studies from different countries in the world used different samples and found similar results to the ones he got, according to leadership-central (2015).

Among the criticism was the sample of Herzberg's study, in addition to the fact that his study linked happiness or satisfaction of employees to increased production. One more criticism was the study didn't account for personal traits of employees where a different reaction would be produced from different people in response to the same motivation factor.

At the end, it should be mentioned that although many scholars criticized Herzberg's theory, it is still continues to survive, especially because it is linked to the work of the highly respected Maslow and other popular scholars.

2.2.5 McGregor Theory X and Theory Y

Douglas McGregor built on the ideas of Maslow and developed Theory X and Theory Y in 1960 in *the human side of enterprise*, As per Boone & Bowen (1987), McGregor as a behavioral scientist, in his time period, was the most popular by all managers till he died in 1964.

McGregor drew certain assumptions about how employees are motivated to work based on their managers' style. He named two management styles as Theory X and Theory Y.

Theory X:

Mullins (2010) describes Theory X as the traditional approach of carrot-and-stick which is kind of pessimistic and is related to average workers. It assumes that:

- The normal worker is lazy and has a natural tendency not to like work

- Most of the workers have to be controlled, and threatened by sanctions whether financial or non-financial in order to make them perform their tasks so the organization can achieve its goals.
- The normal worker tends to escape responsibility; they prefer to do a routine job, they don't have any ambitions to grow or achieve anything at work, what they care about most is, (building on Maslow's work), satisfying their basic physiological needs and security needs, which in work relevance would mean not to be fired.

Thus, the main principles of Theory X is that managers should be authoritative, work through a centralized system, and follow a traditional way of strict control over workers.

Theory Y:

Theory Y is the complete opposite of theory X; instead of controlling employees who are not motivated to work and care only about their basic needs, Theory Y focuses on the modern ways of management that coincides with current finding of research knowledge, and it assumes that:

- Work is a normal activity for workers; the same as playing or resting.
- Being committed to their objectives, workers will perform the necessary self-discipline and self-control to enable them reach their desired goals.
- These objectives they are committed to, are usually linked to special rewards that workers will receive when they accomplish some desired specific tasks.
- The average employee or worker will seek to gain responsibility, given the appropriate circumstances, hence the room of creativity is more available and spread between most workers.
- Instead of the two bottom levels of Maslow's hierarchy of needs pyramid, motivation according to Theory Y occurs at the higher three levels of motivation that are associated with affiliations, self-esteem and self-actualization.

McGregor concludes that the best way to deal with workers is theory Y, where they would be motivated to achieve their set goals by linking them to the goals of the organization. It is the responsibility of management to develop the procedures and strategies that can enable workers to become motivated as this will have a direct impact on the entire organization.

2.2.6 Expectancy theory

Vroom (1964) developed another motivation theory which he named expectancy theory. This theory was different from the preceding ones of Maslow and Herzberg that suggested certain reasons and ways to motivate employees, instead, Vroom's theory recognizes some initiatives concerning the value of rewards and the expectancy of rewards as per the efforts done.

Expectancy is the third component in Vroom's theory, along with valence and instrumentality. Valence means value, while instrumentality is the faith that some actions will lead to a certain result, and finally expectancy is the probability that these actions will accomplish something.

So, expectancy theory is a process theory of motivation which is based on the principle that workers believe that there is a relationship between the efforts they do at work, the result of this work they do, and then the expectation that they will be rewarded for their effort as well as for the contribution their efforts made to work.

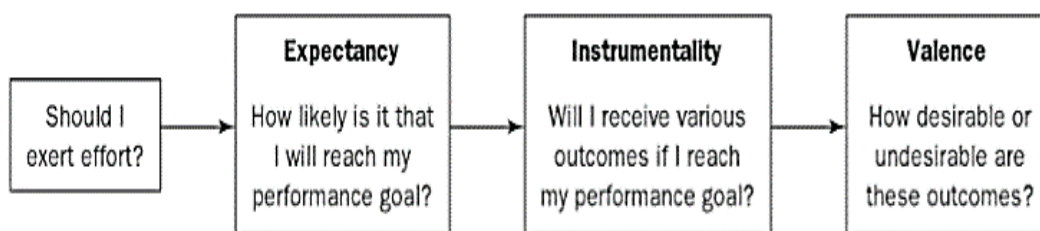


Figure 7: Vroom's expectancy theory (J. M. Werner, R. L. DeSimone, 2009)

Werner and DeSimone (2009) simplify the expectancy theory by an example, where the manager of a bus company wants to motivate his safe-driving drivers by providing them more days of vacation. Whether workers will be motivated by this depends on whether:

- The driver believes he can enhance his safety driving to the level required by the boss (Expectancy).
- The driver believes the boss will stick to his word and provide these vacation days for safe drivers (Instrumentality).
- The driver wants and has a good value for these extra vacation days (Valence).

Isaac et al. (2001) discuss the expectancy theory from the perspective of leadership where they state that leaders should spend more time with their employees enhancing their self-confidence, in addition to improving their abilities by training. Finally leaders have to present their followers by attainable goals to motivate them to do their best at work.

2.2.7 Motivation model (Porter-Lawler)

Porter and Lawler (1968) developed the motivation model which built on the work of Vroom's concepts yet with more comprehension of motivation as they used this model for their study of management and managers. The motivation model discusses the relationship between job attitudes and the resulting job performance from these attitudes.

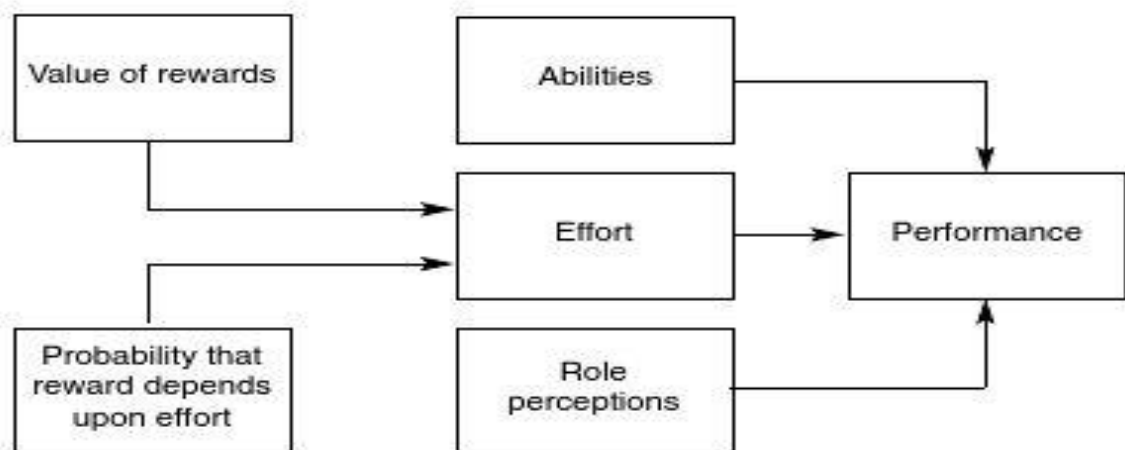


Figure 8: Motivation model (Porter and Lawler, 1968)

As per the above figure, the motivation model proposes that there are two factors that affect the effort that employees put into the job they do:

1. The value of rewards: which is the valence factor according to Vroom's theory; these values are the basic motivational aspect that drive employees' effort.
2. The probability that rewards depends on the effort: as in Vroom's expectancy; the expectations the workers have linking their effort to the resulting rewards.

Yet Porter and Lawler suggest that effort is not enough to reach the desired performance, hence they added two more variables to their model:

3. Abilities: individual traits that differ according to each person (e.g. intelligence)
4. Role perceptions: what the worker believes he/she is supposed to do; this will affect the quality of the job performed and all these variables should lead to the desired performance.

Significance of the motivation model:

Porter and Lawler model is more of a comprehensive model of motivation and suggests that a combination of factors is required to get the desired performance from workers. It should be an important tool for managers to realize how to motivate their employees (your article library: Porter and Lawler model of motivation, 2015):

- a. Since abilities are part of Porter & Lawler model, it is part of the manager's job to match the abilities and personal traits of workers to the write jobs where they can excel and produce the requested results.
- b. Role perception is important; so workers should be told exactly what is expected from them and how it contributes to the success of the company.
- c. Set measurable and actual goals so that workers know which level of performance is required from them (this will lead to higher motivation as per the Goal theory to be discussed in this context).
- d. The set rewards should have significance value by workers. Money is not the sole reward and managers should look into what workers value as interesting rewards and provide these rewards as appropriate.

2.2.8 Goal-Setting theory

Latham and Locke published their Goal setting theory in 1979 but followed it by an empirical research about the findings (2002). This theory states that individuals will have higher motivation as well as better performance is they are set solid goals. Latham and Locke published their core findings after about four decades of research; their first finding was based on the work of Ryan in 1970 (as cited in Latham and Locke 2002) that *conscious goals affect action*. This means that to reach a specific goal within a specific time limit, actions and a measurable level of performance is expected as goals are able to direct the effort of people to achieve to the right direction.

Latham and Locke (2002) stated that goals affected performance in four ways:

1. Goals act as a directive function as they cause individuals to focus their efforts on those activities that related to the task and ignore other non-important activities that might waste their time or not lead them to their goals.

2. Goals have an energizing function; in the sense that the higher the goals, the higher the efforts that should be done to achieve them. This is related more to physical efforts that can be measured.
3. Goals affect persistence; when people are allowed to have some control of the time they need to achieve a hard goal, it is probable that this goal will require more effort to be achieved.
4. Goals have an indirect effect on action; when individuals are confronted by hard goals, it might lead them to the discovery and use of task-related strategies that will help them achieve these hard goals.

Cherrington (1994) believes that the goal-setting model shows that people's needs and values have a great effect on their desires. Although it affirms Maslow's hierarchy of needs principles that all individuals have the same basic needs, yet people differ in their values which are these attitudes that determine if an outcome or goal is worth going for or not. Cherrington then assumes that people compare their present conditions to the desired ones, and if there is a difference, then goals-setting is the way to achieve these goals.

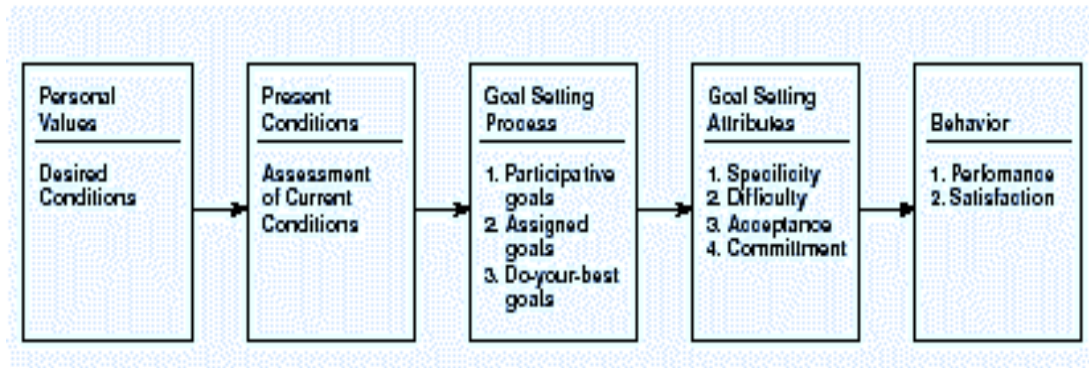


Figure 9: Goal-Setting Theory (Cherrington, 1994)

Goal-setting theory has been researched by Mullins (2010) where he assured Locke's assumptions and added the difficulty of the goal in addition to the level of commitment as supporting factors that lead to the desired outcome or consequence, and both will regulate the level of the exerted effort by individuals.

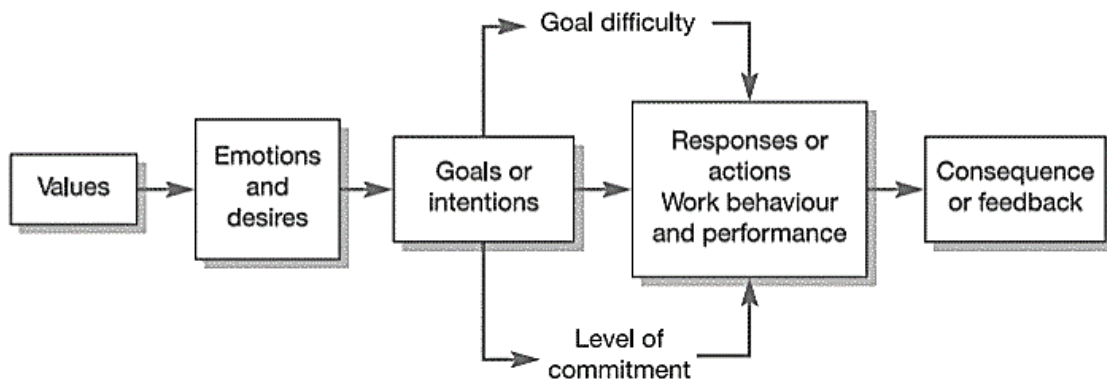


Figure 10: Illustration of Goal-Setting Theory (MULLINS, 2010)

Mullins (2010) therefore concludes that setting measurable goals affect performance positively; his opinion is that people with *specific quantifiable goals* or set deadlines, will perform better in their tasks than those who were told, for example, ‘do your best’. Another idea also that people who are set difficult goals will exert more effort and achieve better results than those who were set easier goals.

The most important contribution from Mullins (2010) is the practical application of goal-setting theory for managers, which are:

1. Employees or workers who are de-motivated are probably left without specific set goals. As a manager, you should always set precise goals to guide the employees’ behavior and keep them motivated.
2. The goals set by managers should be hard, yet realistic. Although difficult goals result in better performance, if the goals are set too high or are considered impossible to attain then employees will be stressed and lower performance will be expected.
3. Timely feedback that is provided in a proper way, as well as knowledge of results, is usually linked to high performance. When employees check their progress towards achieving their goal they can take corrective actions and better direct their efforts towards achieving them.
4. Goals can be set either by managers or by the employees themselves; both ways can be effective, but talking about the goals set by managers, they can be more accepted if the employee participated in the setting of his/her goals.

2.2.9 Criticism of Goal-Setting Theory

Some limitations of goal-setting theory were researched and discussed by scholars and are worth mentioning as per studypsychologyonline.com (2013):

1. When two different goals are set at the same time, stressing on one goal will put all the focus on it and might lead to ignoring the second one. (Latham, 2004)
2. Another limitation was concerning goals and risks; in a study following a computer game made by Knight, Durham and Locke (2001) (as cited by studypsychologyonline.com) found that individuals who were given hard tasks and goals to achieve, used more risky strategies to achieve these hard goals.
3. A third limitation is what is known as tunnel vision; when employees completely focus on some goals, they are probably to ignore other sides of their jobs.
4. An important limitation is that goal-setting theory doesn't account for subconscious actions (Locke, E. Latham, G. , 1979) meaning that sometimes, an individual may perform an action without knowing or being aware of why he did it, and this is not covered by the goal-setting theory.

2.3 Relationship between motivation and job satisfaction

Some of the main requirements of job satisfaction may include relatively higher pay, opportunities for growth and promotion, participative not authoritative management style, an agreeable level of social interaction, as well as an interesting nature of work tasks and various responsibilities. (Armstrong, 2006)

However, whether an employee would be satisfied with his/her job depends also on his/her own needs and what constitutes a valuable reward as multiple theories suggested.

2.3.1 Job Satisfaction

Since 1950s, researches were inclined to link employee motivation to morale, and the results shown from surveys and questionnaires carried out in this era were similar to the findings from the Hawthorne studies which concluded that workers who are highly productive are those who acquired positive attitudes towards their job, hence psychologists were interested in employee morale or in a more simple way job satisfaction (LATHAM, 2012).

2.3.2 Factors affecting job satisfaction

There is no one way to measure which specific factors can affect job satisfaction as previous studies showed that people are different, and what motivates one doesn't necessarily motivate the other, yet Purcell et al (2007) concluded in their study paper "understanding the people and performance link" that the behavior that aid organizations and companies to succeed in business will probably occur when employees are motivated, have a sense of commitment to the organization, and finally when the jobs themselves give employees satisfaction. The key factors their research concluded were career growth opportunities, the influence of job, teamwork, and how challenging is the job.

2.3.3 Job satisfaction and performance

It has been said and always believed by many, that increased job satisfaction will probably lead to better performance, nevertheless most researches couldn't prove this link. Brayfield and Crockett (1955) had a comprehensive review of all the literature on this topic and came up to the conclusion that there is little or unmeasurable evidence suggesting there is a relationship between the attitudes of employees and their job performance.

Vroom (1964) followed their steps and updated their review, covering 20 studies, where he tried to correlate a measure of job satisfaction with one criteria of job performance. The resulting median after all his trials was 0.14, which is not enough to suggest there is a relationship between job satisfaction and performance.

Judge et al (2001) made another comprehensive survey which they called 'The Job Satisfaction-Job Performance Relationship: A Qualitative and Quantitative Review' also working on many previous researches and surveys, with a population size of 50,000 employees and working on seven different models of job satisfaction-performance to try finding an answer to whether they are correlated or not. The resulting true median correlation between job satisfaction and job performance was 0.30, which was higher than what Vroom (1964) got.

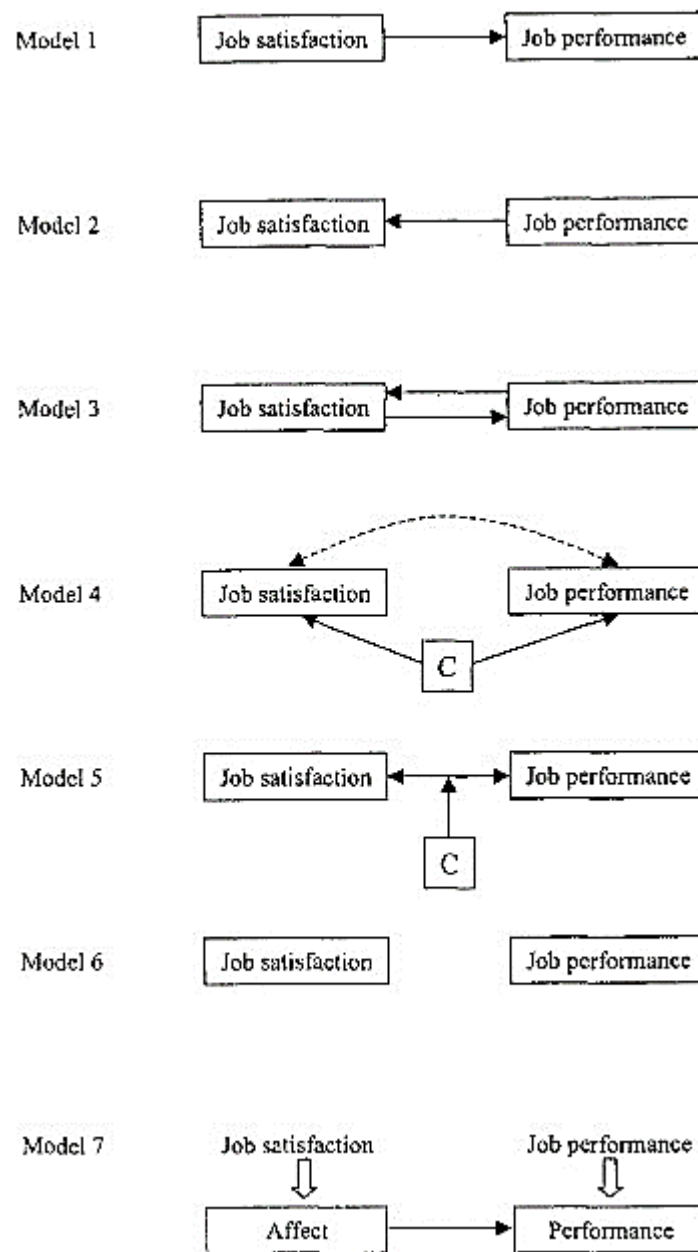


Figure 11: 7 models of satisfaction-performance (Judge et al, 2001)

Model 1: Job satisfaction causes job performance:

This assumption builds on the oldest assumptions in psychology about the causal relationship between satisfaction and performance.

Model 2: Job performance causes job satisfaction:

This model originated from the assumption that when individuals perform certain tasks, it leads to valuable outcomes that are satisfying for these individuals.

Model 3: Job Satisfaction and Job Performance Are Reciprocally Related:

This assumption has no specific theoretical background, however, it is a mix of the two previous approaches.

Model 4: The Relationship between Job Satisfaction and Job Performance Is Spurious:

This means that the relationship between these 2 variables is affected by a 3rd unmeasured one. Scientists tested a 3rd factor of self-esteem, job involvement as well as other factors.

Model 5: The Relationship between Job Satisfaction and Job Performance Is Moderated by Other Variables:

The most common way of assessing this relationship would be using moderators, and the most used one was reward contingency. The meaning is that job performance would cause job satisfaction only if it included a sort of reward or pay for employees doing the tasks.

Model 6: There Is No Relationship between Job Satisfaction and Job Performance:

Some of the studies as well dealt with job satisfaction and job performance as two distinct variables that have no direct relationship between each other.

Model 7: Alternative Conceptualizations of Job Satisfaction and/or Job Performance

This model suggests that, instead of viewing the relationship between job satisfaction and job performance in a traditional way, there is a merit in accepting the general concept that attitude leads to performance, yet only when they are re-conceptualized.

To summarize, they concluded that it is time to consider that there is a relationship between job satisfaction and job performance, yet they acknowledge that nowadays this topic is taking less interest, and finally they believe even if there are different findings, researches should notice that there are many variables and magnitudes to come up with a single conclusion.

2.3.4 Employee benefits: Now and Then

Since there were many changes to how employers tried to retain and motivate employees over the past years, a comprehensive study was conducted by the SHRM as the Society of Human Resource Management in the United States. This study that was recently published compared employee benefits in the US over the past 20 years and showed how they changed in favor of employees: (SHRM, 2016)

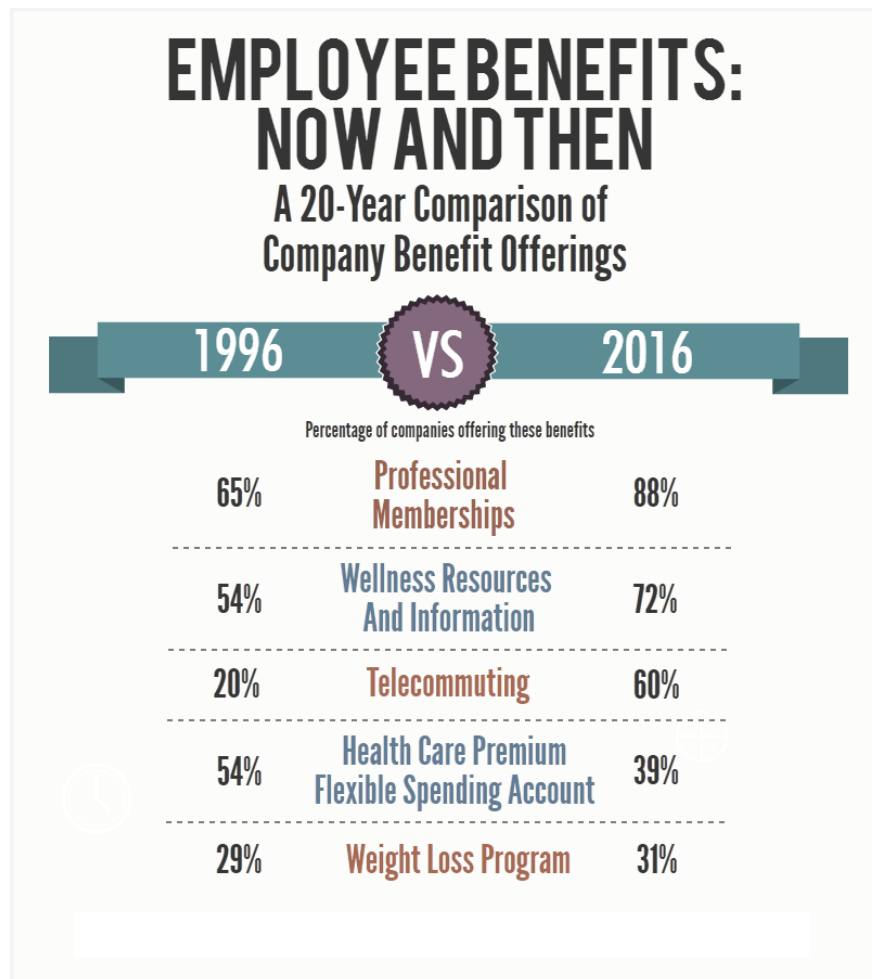


Figure 12: Employee Benefits Now & Then (SHRM, 2016)

1. Professional and career development benefits:

The survey found that more employers are now investing in their employees' professional development to fill in the skills gap they are finding while recruiting and training employees. The survey showed that 88 percent of employers in 2016 support professional training and pay for professional membership dues, whereas only 65 percent of managers did this in 1996.

2. Wellness benefits:

These are the benefits that relate to the wellbeing of employees; this is to say health care benefits. As per the survey, they include onsite seasonal flu vaccinations, health and lifestyle coaching, health care premium, weight loss programs, and a 24 hour nurse-line. In 1996, 54 percent of employers offered their employees packages of wellness benefits while in 2016, the percentage rose up to 72 percent.

On the other hand, the survey summary grouped the health care premium with the flexible spending account and separated the weight loss programs, so the percentage dropped from 54 percent in 1996 to 39 percent in 2016, which makes sense since there is more control and internal as well as external audits on the financial expenditures of companies recently.

3. Flexible working arrangements (Telecommuting):

This condition has changed dramatically over the past 20 years, especially with the spread of internet and the ease of use of mobile phones and laptops, hence it was mentioned as Telecommuting. Employers nowadays are willing and sometimes asking employees to work remotely, a term which is now commonly used and well known as “flexi hours”. While only 20 percent of employers accepted flexible working arrangements and working from home conditions, now in 2016, 80 percent of employers support and allow this practice.

4. Financial and compensation benefits:

The situation here is different as it seems the interests and what constitutes valuable rewards for employees has changed over the past 20 years. Where several monetary bonuses have increased recently, the report states, such as employee referral bonuses, spot bonuses and awards, retention bonuses for nonexecutives, discounts of company products or services offered by employers to their employees dropped from 42 percent in 1996 to 32 in 2016.

2.3.5 Measuring job satisfaction

The degree of job satisfaction for employees or workers can be measured using attitude surveys; where Armstrong (2006) identifies four ways of conducting these surveys:

1. Structured questionnaires: these can be given to a sample of employees or all of them. The word structured means that questions are standardized, which gives an advantage of the availability of norms and measures where answers can be compared to results.
2. Interviews: some interviews are open-ended while others are in-depth interviews, but in general, they allow employees and workers to speak freely and the discussion enriches the answers obtained from the interviewees.
3. A combination of questionnaire and interview: this should produce better results since it combines both the quantitative data from the questionnaires and the qualitative data gathered from the interviews.
4. Focus groups: a focus group is a sample of workers and employees who are gathered in a group to be asked about their opinions and attitudes towards some issues that concerns the company or organization.

2.4 Summary

The purpose of this section was to provide a detailed theoretical review of some of the literature that discussed motivation, job satisfaction, and whether they are related or not.

It seems that the word “Motivation” had a lot of research done by a lot of academics, yet, it was mainly referred to as in relation to work, which is not true. Motivation is a basic need for all humans to fulfil their daily actions, whether work or non-work related. There is no clear agreement on what constitutes motivation because humans are all different; what motivates one doesn’t motivate the other, this is why many theories that have been proposed in the past were re-discussed and criticized by other behavioral scientists. The result the researcher can get also out of all these theories is that there are mainly two factors when talking about employee motivation, not exclusively but they constitute the principle way to detect what motivates employees to work:

Employee Needs; which deals with what the employee considers as important factors that would push him/her to give his best at work in a consistent way. There are many factors that can be listed and as stated before, they are different and dependent on each individual's case, personality, gender, social and economic conditions.

Examples of employee needs then would include; pay, career aspiration, life-work balance, feeling of safety, and other fringe benefits that are dealt by HR professionals when making contracts for employees.

The other factor in employee motivation would be the **Work Environment**; employees generally get the necessary motivation to work when the nature of the work itself is appealing to them, when they feel that they are producing a good or service that is beneficial to the world, or at least the community they live in. In addition, employees are motivated when they are praised for their good work, and when they work in a friendly environment where colleagues respect each other and agreed-on ways of communication prevail.

It is no surprise then that in most of the job announcements at the present time you notice the sentence "friendly environment" listed as a main benefit to attract employees since it seems managers now admit that this is a main factor for employee motivation.

Sears Roebuck model was chosen for a reason; over a period of 3 years, more than 100 top-level executives and managers in Sears worked on evaluating its profitability around the company's customer experience. Even though it is clear how an employee's behavior can and does affect customers' attitudes, and hence sales, measuring this data is difficult. Contrasting to the results of solid numerical data such as sales and expenses, measuring soft data, like satisfaction, requires a different set of parameters. Before Sears, few companies were willing to spend the time, effort and resources to develop new measurement tools, Therefore Sears Roebuck model was the first of its kind.

The next chapter will present the research methodology which shows the appropriate application of relevant techniques to analyze the study project.

II. ANALYSIS

3 RESEARCH METHODOLOGY

3.1 Introduction

This chapter aims at providing an overview of the methodology deployed in this research and how data was collected and evaluated. Furthermore it clarifies how the research problem has been solved. It started with the research approaches and research design, data collection methods as well as a description of how the data is analyzed.

3.2 Research purpose

The major focus of this study project is to follow a descriptive research study since it is dealing with qualitative data concerning employee motivation, and the different variables related to them. In the same concern, the study project is going to be explanatory and exploratory as different processes and concepts will be described aiming at getting a clearer image of the researched field.

3.3 Research design

Saunders et al. (2007) define research design as the broad plan outlining the way in which the research questions can be answered. It constitutes the blueprint for all data processes including data collection, measurement and finally analysis. The importance of research design is to ensure that market research project is conducted successfully and efficiently.

Malhotra, et al. (2003) similarly regard research design as a framework or blueprint for making a project for market research, yet he adds that a research design stipulates the details of how to implement the project in hand.

A good research design then, will involve the following components: (Malhotra, et al., 2003)

1. Definition of the required information
2. Designing of the exploratory, descriptive or different phases in the research.
3. Specifying the way of measuring data.
4. Creating a questionnaire or other forms to collect the needed data.
5. Specifying the sample size and the process of sampling.
6. Finally, developing a data analysis plan.

In this study project, mostly qualitative research will be conducted, which is based on converting observations to words instead of just numbers, hence it is better for describing the research topic, and it is usually linked to researches with small population size since it allows the researcher to focus on the researched topic with deeper understanding yet few number of units.

Alam (2005) suggests that qualitative methods of research are not the best understood ways of research and that they have been criticized a lot these days, this is why a study of two projects from two different companies can better help exploring the diversity of the social setting and gives a clearer image of the study project.

3.3.1 Descriptive Research

Descriptive Research is designed to provide further insight into the research problem by describing the variables of interest (Malhotra, et al., 2003). The major difference between exploratory and other research designs is that descriptive research is characterized by the prior formulation of specific hypotheses. Thus, the information needed is clearly defined. As a result, descriptive research is pre-planned and structured. A descriptive research design specifies the methods of selecting the sources of information and for collecting data from those sources.

Table 2: A Comparison of Basic Research Designs (Malhotra, et al., 2003)

	Exploratory	Descriptive	Causal
Objective:	Discovery of ideas and insights	Describe market characteristics or functions	Determine cause and effect relationships
Characteristics:	Flexible, versatile Often the front end of total research design	Marked by the prior formulation of specific hypothesis Preplanned and structured design	Manipulation of one or more independent variables Control of other mediating variables
Methods:	Expert Surveys Pilot Surveys Secondary Data Qualitative Research	Secondary data Surveys Panels Observations	Experiments

Marsh and White (2000) describe a qualitative content analysis as one that has a major focus on capturing the meaning, emphasis, and theme of the message. First, a contact is established with people in focus, where the role of the researcher would be to capture an overall view of the case. Qualitative data in general are forms of words that are based on questionnaires, observations, interviews, and other documents, and which occur over a certain period of time. It is worth mentioning that the accessibility of data needs to be processed before any conclusions can be drawn. Few researchers suggested using CVI but due to the population size in reference to the number of questions, CVI was not used, instead respected researchers were asked about their opinions about the used questions and statements.

Malhotra, et al. (2003) suggest there are several reasons to use Descriptive Research:

1. To describe the traits of some kind of groups, like consumers, sales people, and organizations as well as market areas.
2. To estimate the percentage of certain elements in a specific population that demonstrates a specific behavior.
3. To define the perception of product traits. For example how do people perceive various stores as for their factors of choice for these stores?
4. To define the extent to which marketing variables are correlated. For example to what extent is eating out correlated to shopping in department stores?
5. To make specific estimations, for example about a specific store in a specific region.

3.4 Population and sample size

All the items under focus when conducting a field research constitute the population. Where the population is defined as the totality of cases that follow some selected specifications, which could be individuals, events, or things of interest to the researcher or research topic.

Cooper and Schindler (2001) in their book about business research method, describe population sample as a part of the selected population that is designated to represent total population.

This case study is focused on two SMEs from Latvia and Czech Republic as different countries in Europe with growing economy in the past few years. These two companies were chosen because they have similar working conditions as well as a modern managerial approach towards motivation. The selected companies are similar in their size as SMEs, both employ less than 100 employees, have similar turnover and hence a combined look to their approach towards motivation and how their employees perceive it will be helpful to the study in hand.

Since the population size is small, all of the candidates will be asked and some will be interviewed where the high percentage of sampling is presumed to lead to high level of accuracy.

3.5 Data analysis

The data collection methods for this research would be a combination of qualitative as well as quantitative methods, and this means that the research methods would be used are questionnaires and interviews. The main topics of interest to the researcher are job motivation and job satisfaction and therefore these variables are analyzed after analyzing the demographic description of the respondents.

Most variables were analyzed by using a Likert response scale as it is suitable for establishing clear perception of respondents to the variables surveyed.

3.6 Questionnaires

Malhotra, et al. (2003) defined questionnaire as “formalized set of questions for obtaining information from respondents”. There are three main objectives of any questionnaire.

First; it should translate the required information into set of specific questions that respondents can answer it. This objective is a challenge for the researcher because two apparently similar ways of posing a question may yield different information (Malhotra, et al., 2003).

Second; the questionnaire should encourage and motivate the respondents to become involved in the interview, to co-operate with the researcher to complete the data gathering. It is recommended for the researcher to minimize the respondents’ exhaustion, and put more effort to minimize the incomplete interviews (Malhotra, et al., 2003).

Third; the researcher should strive to minimize the response error. The response error is defined as the error that may occur when the respondents give wrong answers to the posed questions or their answer not recorded or analyzed in appropriate way (Malhotra, et al., 2003). A questionnaire may be the main reason for the response error. Thus, minimizing these errors is essential objective of designing questionnaires.

3.6.1 Questionnaire development

The questionnaires that were used in this research have been designed by taking examples from previous researches that concentrated on similar topics. In addition, the experience, knowledge

and internet research were used in the development of the questionnaires. Certainly, questionnaires have been formulated in order to get an overview of the impact of employee motivation on the profitability of the companies under research, through greater customer satisfaction and loyalty. Questionnaires were comprised of mostly close-ended questions to avoid confusion and to ensure that responses were kept short and manageable. Two respectful university lecturers were shown the list of questions to be listed in the questionnaire and their suggestions helped the questionnaire to be more representative of the study topic.

3.6.2 Questionnaire administration

The questionnaires were administered to the target groups, which were comprised of employees from both C.co as well as L.co and were handed the questionnaires in person by the researcher. Before providing the questionnaires, the respondents were informed briefly about the academic goal of the questionnaire and were assured about the non-disclosure of their responses to any of the officials in their companies.

3.7 Interviews

Frey and Oishi (1995) defined interviews as "a purposeful conversation in which one person asks prepared questions (interviewer) and another answers them (respondent)".

Interviews can be considered as the most challenging and useful measurement tool to gain information about particular topic and can be considered as the most widely employed method within the realm of qualitative research (Trochim, 2006). Interviews require staying with the designed protocols as well as personnel sensitivity and adaptability (Trochim, 2006).

Trochim (2006) clarified that there are few issues should be considered when conducting interviews in relation to the completeness, accuracy, existence of bias and confidentiality of interviews. It is crucial for the interviews to be taken down on paper just like it was recorded and it must also be analyzed as was stated by the participant (Trochim, 2006). It is also essential that there is no additional information that flows from the interviewers assumptions is added to the interviews. In addition, participants should also be aware of the purpose of the interview and not to be tricked in giving an interview. As far as qualitative interviewing is concerned, Interviews can be classified into two styles which are (structured (closed interview style) or unstructured (open interview style)).

3.7.1 Interview development & administration

The data collection includes in-depth interviews. The nature of interviews is semi-structured, and have been administered to target managers in both companies. These respondents had been approached personally by the researcher and they were asked whether they would be willing to participate in the interviews. These respondents were given a briefing on what the interview will comprise of and other important information about the interview and they all agreed to participate, and were given a suitable time and place for which the interviews were to take place. The main focus of the interviews was related to motivation, how these managers see it, their approaches in motivating their employees and whether they are willing to adopt new or different ways of motivating their employees.

3.8 Problems encountered during research

Participants might not be willing sometimes to answer the questions for reasons such as the sensitivity of questions, legitimate purpose of questions, and other factors. Malhotra (2003) suggests ways of increasing the willingness of respondents:

1. To put the sensitive topics' questions at the end of the questionnaires. By this time, the lack of trust will have been overcome, and rapport would have been created, thus the respondents would be more willing to answer any questions and give more information.
2. The questions should be prefaced in a way that is common with the behavior that is researched. For example by adding "recent studies show" at the statement beginning.

Some of the participants in the study were suspicious and refused at first to reveal their true opinion about their motivation, thinking the goal of the researcher was to advise management of both companies on how employees perceive their management's performance and how actually do they appreciate management of both companies. However, all of the respondents agreed to participate freely and give their true opinion once they were assured the survey and interview had only pure academic goals.

As for managers, they all approved having short interviews with the researcher after knowing the purpose of the research, yet the timing was difficult to manage due to their operational schedules, so the interviews were held separately, in different times and over several days.

4 RESEARCHED COMPANIES

*The companies, as per their legal rights and signed data disclosure agreements prefer to keep their identity undisclosed and will be referred to as **C.co** which is the SME in **Czech Republic** and **L.co** as the SME operating in **Latvia**.*

4.1 Background of researched companies

L.co is specialized in developing local exporters internationally. Located in Riga, Latvia, It was established in 2004. Their mission is to boost their customers' export sales by introducing them into new markets and discovering vital market information. Throughout the years they have carried out projects for more than 1000 customers across various industries. Their clients are individual local exporters, trade promotion agencies and clusters. They work in any market where their clients wish to grow, as close as the Nordics and Europe and as far as Mexico and China.

L.co have been trusted by several trade promotion organizations, such as Innovation Norway, Enterprise Estonia, the World Bank, the Latvian Investment and Development Agency, Moldova Investment and Export Promotion Agency, Enterprise Ireland, Enterprise Lithuania and Enterprise Georgia, as well as the Turkish kitchenware cluster, Turkish textile association, Turkish Electric cluster among others.

C.co is in the same industry yet in Czech Republic, and is a partnership established by a team of professionals with diverse experience in international consulting companies, entrepreneurial initiatives, leading private sector companies, and government organizations. Established in 2002, where they had 8 employees, in 2017 they are 67 professionals in the service industry.

C.co cover a wide range of services, including management consulting, grants and project management, market research and customer data analytics, entrepreneurship support and startups, public policy and development.

Both companies are successful in their current field of management consultancy and project management, and they have a big potential for growth, especially with the widespread idea of outsourcing where companies use their help to communicate and get in connection with international companies from all around the world aiming at getting specialized services and products cheap yet with high quality.

Since both companies depend on their project consultants to deliver the service of communicating with clients as both are service providers and their end product is the quality service they offer to their clients, personnel is the core of both companies and this is why management in both companies should make all their best efforts to keep employees motivated as this is a main point in the sustainability of both companies.

4.2 Current motivation approaches in researched companies

The current economic conditions have made it very difficult for SMEs to increase their employees' salaries, this is why an urging need arose to develop more employee benefits so as to motivate and retain these employees.

The mistake that many companies make is that management think that there is an approach to motivation that is suitable for all employees, but as per the theories and studies discussed earlier, people have different valuation of what constitutes a reward, and that what motivates someone does not necessarily motivate the other. Here are some of the currently approached employee benefits as motivational approaches used by C.co and L.co:

4.2.1 Granting employees more freedom

It is a basic part of human nature for any person to try to control his/her environment, this is feeding the need for autonomy which is a fundamental intrinsic motivation factor. While there is an eminent need to have discipline and respected business relations at the workspace, Employees in both C.co and L.co are free to wear casual forms of clothing, since most of their work is done over the phone, while they only have to dress formally during scheduled business meetings.

4.2.2 Pet-friendly environment

A thorough study was made by Banfield pet hospital (2016) where they asked more than 1200 employees and HR managers about the effect of applying a pet friendly workplace, and the results were impressive where respondents agreed with 75-95% of the time that the pet friendly morale improved employee morale, provided better work life balance, improved work relationships and helped employees work longer hours.

C.co has a pet-friendly workplace, where employees are allowed to bring their pets like dogs and cats. Like all pet-friendly companies, they advise their employees to bring only well trained pets, and follow all hygienic measures to keep the workplace neat and tidy.

The fact that many employees nowadays have pets and consider them part of their family, imposes a kind of pressure on them for where to leave their pets when they go to work, and by solving this issue, many companies are motivating employees to work in their companies, and pet-friendly workplace is put on their website as part of the employees benefits' package.

4.2.3 Fruits and refreshments

While having basic refreshments like tea and coffee was a basic part of many companies' back-space as employees need some refreshments to be hydrated and be able to continue working in a regular pace, yet nowadays some companies are bringing fruits as part of their employee motivation approaches.

For managers, promoting a healthy work environment is a win-win strategy both for employees and managers; for managers, it means more effective work, better employee morale, and less absenteeism rate and sick leaves. For employees, having daily fruits at their disposal helps boost their energy, and help them better focus on work issues while leading a healthy lifestyle. This is why managers in both researched companies cut part of their companies budget, as part of the administrative expenses, and dedicate it to buying fruits, In L.co, an employee is assigned every month to choose the fruits that his/her colleagues prefer and agree with any nearby fruit seller to provide the company with adequate amount of fruits.

4.2.4 Employee of the month

Employee recognition is known to be one of the main approaches to motivate employees. While informal recognition is usual in almost all companies such as thank you emails and verbal appraisal of the work done, formal recognition also plays an integral part in motivating employees; this is where some companies apply the employee of the month motivation tool. In this sense, employees are set certain criteria for achievement, including customer satisfaction, number of phone calls and emails handled, amount of sales generated, and other similar measures. At the end of each month, it is announced officially where all employees would see that this employee was awarded employee of the month, and rewarded with either a financial or a non-financial award, in addition to the formal recognition and appraisal from management and colleagues.

C.co and L.co apply the employee of the month principle, and they award a non-financial award for the top performer. Rewards range between spa cards, train tickets, and sometimes gift cards from popular stores in the city. The fact that the reward is changing every month adds more motivation and value to the employees earning them and foster a healthy competitive environment between employees in both companies.

4.2.5 Team activities

Team building activities are seen now by managers in many companies as more than just a tool for releasing pressure and tension between employees, in addition, these activities help improve communication between employees as well as their ability to work together. The result is more work efficiency and better productivity.

Another aspect of team activities is that they increase the sense of belonging to the organization which is known as organizational commitment. Moreover these activities foster an environment of innovation, and a direct way to improve skills and abilities.

This is why C.co and L.co use team building activities, sometimes naming them as games, as a way to motivate their employees. Team managers in both companies meet every beginning of the month and agree on a specific team building activity where teams are mixed and asked to do certain tasks in a fun atmosphere outside the office. Some of the team building activities for 2016 included orientation games, escape rooms and biathlon shooting, and as a reward for their performance in one quarter, L.co employees were invited for a hiking journey in one of the Scandinavian countries.

4.2.6 Common employee meals

As per a recent survey that was carried out by “Seamless” which is an online food provider that is popular in the US and UK (2017), 1200 employees of SMEs were asked about how food at work affects their motivation and happiness, and the survey results were:

- 60% of the respondents stated that having food in the office that is provided by the company, makes them feel more appreciated and valued.
- More than 50% of the respondents said that having a free lunch (in some companies now called meal vouchers), will strongly affect their decision of accepting a job offer.
- One third of the respondents said that they would be more willing to attend optional meetings if free food was included in these meetings.

In this sense, and as a way of encouraging their employees to bond with each other informally, and make them feel that they are appreciated by their companies, L.co have common employee meals, whether lunch or even dinner from time to time, with the only reason of rewarding employees or taking some of the work pressure away. In these events all employees and managers share the same table and do not talk about work matters.

4.2.7 Monday breakfast

For decades, Monday has been one of the worst working days for many employees; it means that the weekend is over, and a whole working week with all its duties and pressure is starting. This is why C.co and L.co adopt an interesting way of motivating their employees by having a group breakfast after the end of the weekly business meeting that they have on Monday morning. While refreshments and drinks are available all week days, Monday is special for employees in both companies because one of them is assigned an employee on rotation basis each Monday to buy a rich breakfast for all the employees in the company. On one hand, it means empowering even newly recruited employees to have the responsibility of providing something meaningful to their colleagues, and on the other hand, it is an effective way to motivate employees to start their working week with a common breakfast that would give them a feel of appreciation as well as more energy and motivation to work.

4.2.8 Seasonal Bonuses

Companies can have as many approaches to motivate employees as they can think of, yet money remains the basic motivation tools of employees. Thus, many companies recently have developed bonus systems to improve their employee satisfaction and guarantee their continuous motivation in the workplace by creating a win-win situation for both the business and the employee.

A survey was carried out in 2014 by a famous outplacement consultancy company in the USA (challengergray, 2017) where 100 Human Resource managers were surveyed, and 78 percent of the surveyed managers said that their companies will provide their employees with bonuses, where the percentage was only 53 in 2013.

To make it more appealing for employees, companies are applying seasonal bonus systems such as quarterly and mid-year bonuses, which are based on certain targets that are agreed on between managers and their employees at the beginning of each year.

Both researched companies C.co and L.co adopt this strategy for motivating their employees, and based on a bonus system as well as agreed KPIs, high performers and hardworking employees can expect and calculate their bonuses that they receive at the end of each quarter, which adds to their job satisfaction and motivation to work longer hours and achieve better results. It is worth mentioning that bonus systems are also described in any job ad to attract qualified employees to join bonus-offering companies.

5 ANALYSIS AND FINDINGS

5.1 Introduction

This chapter is provided to analyze the data that was collected via quantitative and qualitative techniques. The results of the questionnaires will be discussed and analyzed first. Analysis of in-depth interviews with managers in the researched companies will follow. The aim is that the data collected from target respondents would be used to satisfy the objectives of this research.

5.2 Empirical Analysis of Questionnaire findings

Responses of the questionnaires were collected from a total of 152 respondents in both researched companies, aiming to investigate how motivating employees can affect their performance in their organization and hence their organizations' performance. To avoid data collection bias, the respondents were asked to fill in the questionnaires personally, and in different days of the week (Monday, Wednesday, Friday) and in different times of their working day (Morning, Afternoon).

The analysis of the collected questionnaires will be classified into the following sections:

- a. The profile of the respondents.
- b. How respondents perceive the motivational benefits they are given.
- c. The impact of increasing motivational approaches on employees and hence their organizational performance.

Then a short analysis of a summary of the interviews held with some of the managers will clarify how managers see motivation, hoping to get the second part of the image and complete the picture of motivation from both sides; employees and managers.

5.2.1 Profile of respondents

Table 3: Profile of respondents (own source)

Q1. Please indicate your gender:			
	Male	Female	Total
C.co	42	25	67
L.co	25	60	85
Total	67	85	152

As mentioned, the total number of employees where the questionnaires were collected from are 152. It can be noticed that although more males work in C.co in Czech Republic, more females work in L.co in Latvia, which makes the combined evaluation of the respondents' answers more representative of the research topic. The percentage of males in both companies is about 44 %, where females represent 56%, which is a balanced percentage.

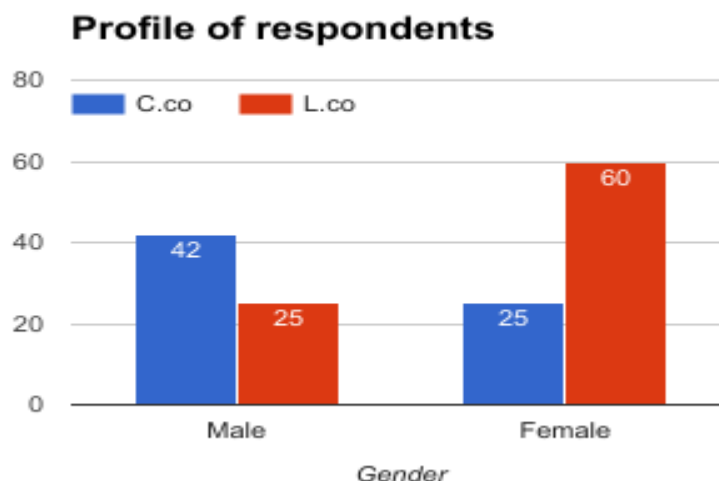


Figure 13: Respondents' profile (own source)

Table 4: Age group of respondents (own source)

Q2. Please indicate your age category:			
	C.co	L.co	Total
18 - 29	45	70	115
30 - 40	22	15	37
Total	67	85	152

Table shows the demographics of the respondents of the questionnaires. An option of 40+ years was removed since it resulted in 0 response. This means that in these 2 companies, all employees are aged below 40 years old, and the percentage of 18 – 29 years old employees of 75% of the employees shows how young these companies' environment are, and reveal a requirement for adequate motivational approaches that match the needs of young employees. Managers were not included in this questionnaires; they are asked about other perspective of motivation in separate personal interviews.

Table 5: Duration of employment for respondents (own source)

Q3. For how long have you been working for your company:			
	C.co	L.co	Total
Less than 1 year	40	51	91
1 – 4 years	24	30	54
More than 4 years	3	4	7
Total	67	85	152

This table shows the duration of employment of the employees taking the questionnaire. While about 60% of the employees are newly appointed (91 of 152), only 35% have been working for a duration of 1 – 4 years, and only 5% continued working for more than 4 years. The fact that both companies have been operating for more than 10 years post a question on how management used to motivate their employees with only 5% of them continuing to work for more than 4 years. Turnover is different in companies, industries and even in countries but for the sake of this research, the information listed in the table will suffice.

5.2.2 Perception of employee benefits received

As mentioned before in the literature review of the most popular motivation theories; scientists classified motivation into Extrinsic and Intrinsic factors. The aim of these set of questions will be to assess how employees in SMEs in Europe perceive the benefits and packages their managers give to them, and whether these benefits are what employees really want or there are different motivation approaches managers should look for.

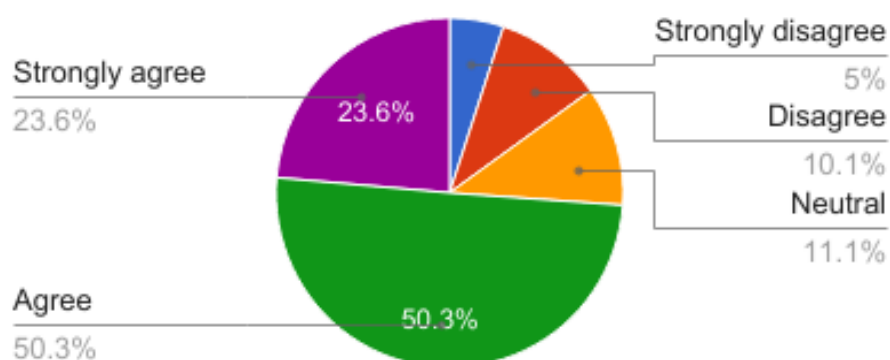
The 30 item work preference inventory evaluation that was created by Amabile et al. (1994) was used to measure the intrinsic as well as the extrinsic motivation orientation for employees, where intrinsic motivation to Amabile included self-determination, competence, task involvement and other intangible benefits, whereas extrinsic motivation included all tangible benefits such as money, recognition and non-monetary tangible benefits. Due to the scope of the study, only 6 of the 30 questions were used in the questionnaire. Likert scale was used in these set of questions, thus respondents were to choose from answers indicating least possibility or dissatisfaction (Never, highly dissatisfied, highly disagree) to answers that indicate complete acceptance (Always, highly satisfied, highly agree). The respondents' answers are listed below.

Table 6: Perception of management support for respondents (own source)

Q4. You believe top management are interested in motivating their employees:			
	Males	Females	Total
Strongly Disagree	4	4	8
Disagree	7	8	15
Neutral	7	10	17
Agree	30	46	76
Strongly Agree	20	16	36
Total			152

The first question was set to introduce the respondents to the idea of the perception of the motivational approaches management use in these companies. The goal of this question was to test if employees recognize that management care about motivating them or if the fringe benefits they receive were just for them common rights provided by all the companies.

The first interesting finding from this data is that while there are small differences between the opinions of males to females as of perception of management support, there is a big difference in the Agree answer where 30 female employees agree that management are interested in motivating them while 46 males agree with the same statement. It seems that males look at the bigger picture and see all the benefits offered by management while females look at some small details which make them less agreeing with the idea of management care.

Perception of management support**Figure 14:** Chart of management support perception (own source)

From the above pie chart, we can see that about 50% of the respondents agree that top management are looking to motivate them to work better, with 23% strongly agreeing and seeing how management care to motivate employees. The total of about 73% agreeing that management care about motivation gives a good indication of the good work they are doing, and that almost 73% of their employees perceive the motivational approaches provided to them. These approaches were mentioned earlier and included team activities, employee of the month awards, as well as other incentives. There is a reasonable number of 11% of respondents who are neutral; some respondents do not wish to choose a side in this criteria or they feel it is normal to have motivational approaches. Those who disagree and strongly disagree constitute together 15% of the respondents. This is a considerable amount yet do not pose a big issue on management performance. Some employees are rarely satisfied and always ask for more. Some employees also compare their companies to other ones that they hear about from friends, and do not recognize that management have limited budgets and they can't give all employees very high salaries for example. Line managers can discuss dissatisfaction of employees in the end of year evaluation where employees get the opportunity to speak freely about what they don't like in their companies.

Table 7: Influence of incentives of performance (own source)

Q5. Do you think incentives and other benefits influence your performance:			
	Male	Female	Total
Influence	55	65	120
Do not influence	5	7	12
Neutral	12	8	20
Total			152

This question, though looks simple, but is very important to the research project. Employees are asked as a beginning of assessment of their motivational trends, if they believe that incentives and other benefits whether tangible or intangible affect and direct their performance and their motivation to work. It is interesting to see that answers from males and females have similar values with small differences, which corresponds to the modern notion that males and females are equal, at least in administrative jobs that require mental capabilities, and this makes the researcher's job easier to focus on the real meaning of the respondents' answers regardless of their gender.

When assessing the answers from respondents, a majority of about 80% of the respondents agreed that the practices done by management to motivate employees do affect their performance, and this posts an important note to managers to take care about the packages of benefits they provide to their employees if they want their companies to succeed in achieving their objectives and keep them from leaving their companies. There is a relatively small percentage of about 13% (20 of 152) employees who do not alter their efforts to work because of incentives. They are just satisfied with what the company offers as salaries and the type of work itself. The finding of this question is correspondent with a meta-analysis that was made on 145 U.S organizations by the Incentive Research Foundation and found out that incentive programs, if selected carefully, implemented in the right way, and monitored, will increase employees performance by 22% as individuals while it will increase team performance by as much as 44% which is a big number for managers to ignore as per the article in the Incentive Research Foundation (2010)

Table 8: satisfaction with company's incentives (own source)

Q6. How far are you satisfied with the incentives provided by your company :			
	Male	Female	Total
Highly Dissatisfied	5	10	15
Dissatisfied	20	10	30
Neutral	17	20	37
Satisfied	20	25	45
Highly satisfied	15	10	25
Total			152

This question is different from the previous ones as after acknowledging the existence of efforts from management to motivate their employees, and confirming the fact that these incentives affect their performance, these employees were asked if they are satisfied and content with what management offer them. Sometimes dissatisfaction comes not from getting rewarded, but from the fact that the reward is not valuable to the person receiving it.

Satisfaction with incentives provided

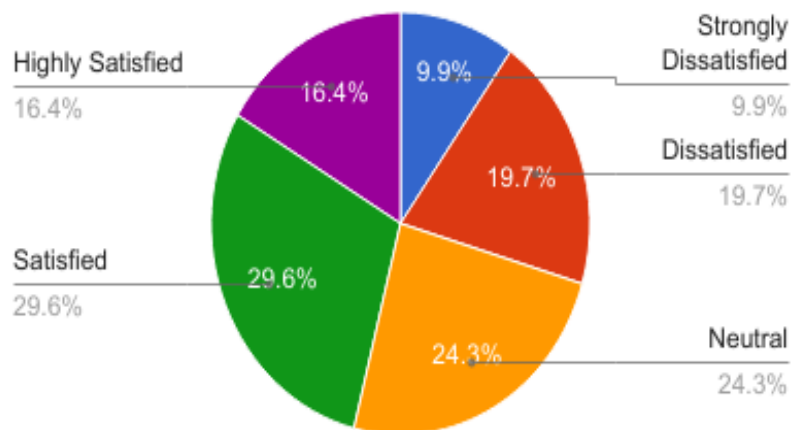


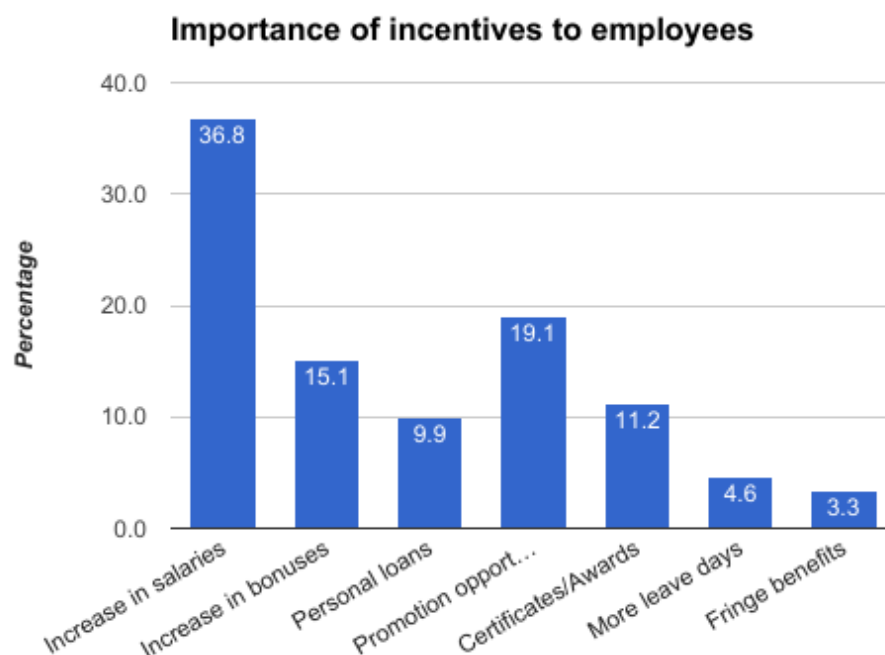
Figure 15: Satisfaction with incentives provided (own source)

This pie chart shows different values from the one assessing employees' perception of management empathy; although almost 73% of the respondents agreed that management care about motivating them, only 46% now, ranging between 29.6% satisfied and only 16.4% highly satisfied, are content with what management is offering them as means of motivation. There is a neutral amount of about one quarter of the population; these are employees who work for basic needs and probably do not care about specific motivation approaches and their main motive to work would be mainly salaries. A total value of 30% of employees are not happy with management's incentives, hence management should re-evaluate their current incentives approach. It was mentioned in Vroom's expectancy theory (1964) as well as in that of Porter and Lawler (1968) that it is difficult to motivate all employees since the value of rewards differ from one person to another, yet management should find a way to tailor their incentives to their employees. Perhaps management is doing well at providing employees with the benefits management think will motivate employees, but they need to ask employees about what do they value. This is why the next question will try to assess what are the priority motives for employees in the selected companies.

Table 9: priority of incentives' importance (own source)

Q7. Please arrange the following incentives by importance (1 is most important) :			
	Frequency	Percent	Cumulative percent
Increase in salaries	56	36.8	36.8
Increase in bonuses	23	15.1	52.0
Personal loans	15	9.9	61.8
Promotion opportunities	29	19.1	80.9
Certificates/Awards	17	11.2	92.1
More leave days	7	4.6	96.7
Fringe benefits (fruits...)	5	3.3	100.0
Total	152	100.0	

In this question, the researcher tries to understand how employees value the incentives provided to them since they are the main causes of satisfaction and dissatisfaction at work. Motivation would stem from these reasons in addition to personal traits of employees, yet the first step to assess motivation is to understand how the rewards managers provide their employees are valuable to them and how they affect their motivation to work.

**Figure 16:** Importance of incentives to respondents (own source)

From this bar chart, what most researchers said about motivation can be acknowledged; money remains the most important motivating factors for employees in general. Although people are different, but they all use money to purchase products and services. The importance of money as means of acquisition has been and will always remain at big value to everyone. Extrinsic benefits or tangible benefits were grouped in the first 3 incentives of Increase in salary, Increase in bonuses, and the ability to get personal loans from companies, these constitute together about 62% of priority importance for employees. So, it is deduced that 62 percent of employees are more interested primarily in financial benefits.

An interesting point to notice is that bonuses do not come second in priority to employees, but promotional opportunities come 2nd in importance with almost 20%. It makes sense that employees would want to get promoted to higher positions to attain higher salaries, yet most of them know that higher positions means also bigger responsibilities.

It can be concluded too that if management could combine relatively high salaries with clear promotional path for employees, they would generate high levels of satisfaction as well as motivation to these employees.

It is also worth mentioning that Awards/Certificates had 11% of priority importance. This means that a considerable number of employees greatly value formal recognition. These employees might have already covered their basic needs for money and shelter according to Maslow's pyramid of needs theory, and that is why these employees are trying to satisfy the higher level of needs which are esteem and self-actualization. Thus, management should also care about formal recognition of performance since it feeds the inner motivation of employees as well as stimulating competitiveness in the workplace between employees. These awards and certificates should be targeted at both best performing employee as well as best performing teams.

Table 10: Satisfaction with work culture (own source)

Q8. How far are you satisfied with the work culture in your company :			
	Frequency	Percent	Cumulative percent
Dissatisfied	20	13.16	13.16
Neutral	40	26.32	39.47
Satisfied	92	60.53	100.00
Total	152	100.00	

This question was aiming at assessing the soft part of work; the work culture. This is related to the previously mentioned problem by Torrington (2008) who stated that because of globalization, it is becoming more difficult to have a stable work culture since companies nowadays are multicultural and there is no one definition of culture that employees can agree on. To see a total of 87% percent between satisfied and neutral reveals two important findings on the researched companies:

- Although both companies are multicultural with employees of different backgrounds and countries, management have done a good job in setting a stable international work culture where employees can work without conflicts or sensitivity issues that occur because of misunderstandings between employees against managers or even against each other, especially when cultures clash for a reason or another.
- Whether employees are content, motivated with the current benefits and motivational approaches their managers provide them, or not, doesn't interfere with the fact of how they perceive the work culture. Work culture and the satisfaction coming from working in a nice culture and having good relations with colleagues seems to be attributed to other colleagues and the personality traits of others, rather than because of management's efforts to plant this culture, this is why the percentage of accepting the work culture (87%) is different from the percentage of satisfaction with the incentives provided in general by management (46%). This sheds the light on the probability that managers are not showing clearly their role in providing a stable culture for employees to work smoothly without any problems.

Table 11: Perception of fair work appraisal (own source)

Q9. To what extent do you agree/disagree with this statement: My manager evaluates my work fairly			
	Frequency	Percentage	Cumulative percent
Strongly disagree	14	9.2	9.2
Disagree	15	9.9	19.1
Neutral	25	16.4	35.5
Agree	71	46.7	82.2
Strongly agree	27	17.8	100.0
Total	152		

This question tackles the issue of fairness which is one important factor in the motivation and job satisfaction of any employees. As mentioned by many researchers and experts in human resources, employees leave their manager not their jobs. It is interesting to see that about 47% agree and 18% strongly agree with the fairness of their managers when evaluating their work. With a total of 65% of employees satisfied with the fairness of their appraisal by managers, this can be related to the advanced systems of performance appraisal that includes open discussions between employees and their managers, 360 degree feedback between employees and their colleagues, and upward feedback from employees to managers. Only 10% are strongly dissatisfied with the evaluation of their work, which is an acceptable percentage because some employees do not admit when they make mistakes and their behavior would require disciplinary actions from their managers which employees usually consider as unfair.

Table 12: Perception of employee empowerment (own source)

Q10. To what extent do you agree/disagree with this statement: Top management involve me in decisions that are connected to my department			
	Frequency	Percentage	Cumulative percent
Strongly disagree	40	26.3	26.3
Disagree	52	34.2	60.5
Neutral	28	18.4	78.9
Agree	20	13.2	92.1
Strongly agree	12	7.9	100.0
Total	152		

The final question in this area is about employee empowerment and involvement. The above table shows only 20% of employees who believe their management engages them in decision making, while the majority of 61% think they are disconnected from their management when it comes to decision making. This is one of the reasons of job dissatisfaction for many employees and managers should always ask for the input and feedback of the real performers of tasks as they are more probably to know the real causes of the problems and how to solve them. The 19% of neutral respondents are assumed to be these employees who do not care about decision making and policies, they just would do what they are asked to do regardless of the effect on the job, as long as it gets them their salaries at the end of each month.

5.2.3 How increased employee motivation can affect organizational performance

In this final part of the questionnaire, employees were asked about the main objective of this research study project, which is: if management increased their employees' motivation, how employees would react to this; what changes would appear on their dedication to work, productivity, and performance. Since organizational performance is the result of their employees' performance, then answering this question will hopefully lead to answering the study project main question.

Being familiar to the respondents, the researcher continues using Likert scale questions aiming at assessing the impact of motivation on employee performance. The questions first assume that management will listen to their employees and will motivate them and provide adequate incentives that would make employees satisfied and motivated to work, then asks these employees about their reaction to these moves in their work performance.

In this section, please assume that your manager agreed to provide you with adequate incentives and benefits that suit you and motivate you to do your best at work. And then please answer the following questions:

If I receive these benefits ...

Table 13: Impact of motivation on performance (own source)

Q11. I would increase my performance level to 100% or more			
	Frequency	Percentage	Cumulative percent
Strongly disagree	8	5.3	5.3
Disagree	10	6.6	11.8
Neutral	14	9.2	21.1
Agree	28	18.4	39.5
Strongly agree	92	60.5	100.0
Total	152		

This first question in this section is about productivity and performance. While few employees can stay motivated for a long time, most employees because of routine and repetition of tasks tend to work with a slower pace than they used to when they started the job.

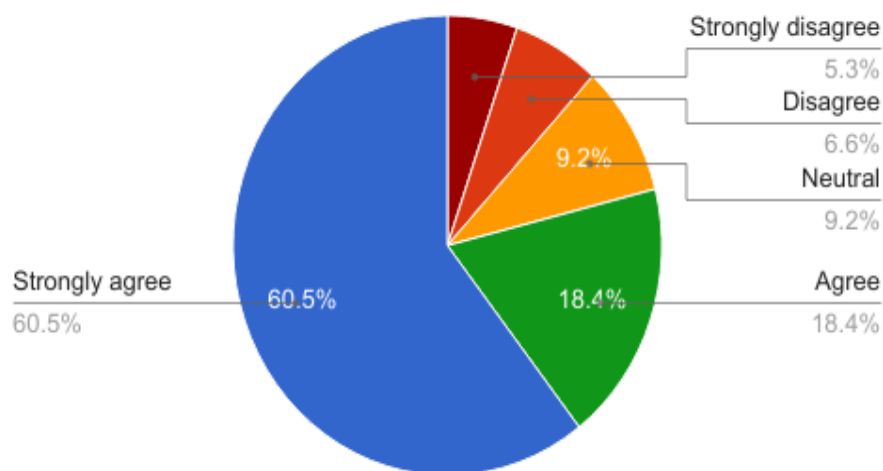
Increased performance resulting from increased motivation

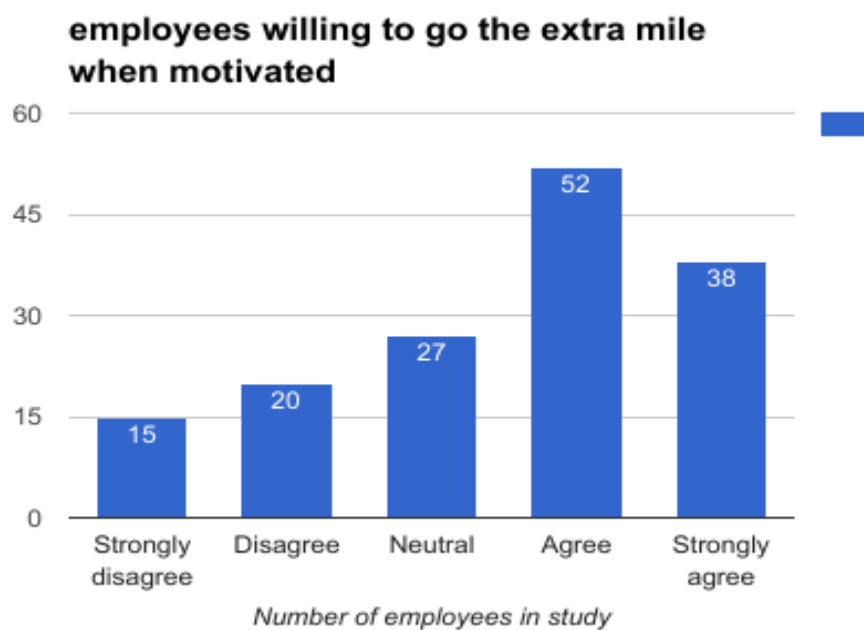
Figure 17: Impact of motivation on performance (own source)

As per the above chart, a combined percentage of about 79% of the respondents would increase their performance level if their motivation was increased by their managers. The 61% who strongly agree with this question show how much important motivation is, and how companies would gain a lot more by focusing on motivating their employees as it seems it will directly affect their productivity levels. While there is a neutral 9% of respondents, the researcher presumes that these are either employees who don't value motivation and work only to satisfy their basic needs of salaries and employment, or those employees who believe that they are already doing their best and they can't increase their productivity level. The combined percentage of almost 12% of the respondents who disagree and strongly disagree with the question in hand, can be either demotivated already because of work or personal problems, or can be added to the neutral respondents who believe there are at the top of their productivity and it can't be increased more.

Table 14: Employees going the extra mile (own source)

Q12. I will work beyond what is required so as to help my company grow more.			
	Frequency	Percentage	Cumulative percent
Strongly disagree	15	9.9	9.9
Disagree	20	13.2	23.0
Neutral	27	17.8	40.8
Agree	52	34.2	75.0
Strongly agree	38	25.0	100.0
Total	152		

This question tackles the concept of going the extra mile. While there are many aspects of increased productivity levels, yet going the extra mile is one big indicator of a motivated employee.

**Figure 18:** Motivated employees going for extra mile (own source)

This bar chart shows that the majority of the respondents agree with this statement with 34% (52 of 152). If this number is combined with those who strongly agree with the statement, we get a total percentage of about 60% of the respondents. This simply means that if management focus on motivating their employees in the way these employees want, they can have about 60% of them exceeding customers' expectations by going the extra mile, and customer satisfaction is the main goal of all for-profit companies and organizations.

The rest of the respondents who are either neutral or not willing to do more than they are required to, are assumed to be either those employees who like to stick to their job description; whether motivated or not they prefer to work according to rules, and they exist in every company and organization.

The other possibility is that they are intrinsically motivated; these self-starters need no one to tell them to give help to a colleague (as an internal customer) or make an extra phone call for an external customer (HBR, 2016).

Table 14: Employees willingness for extra responsibilities (own source)

Q13. I will take extra responsibilities at work.			
	Frequency	Percentage	Cumulative percent
Strongly disagree	29	19.1	19.1
Disagree	33	21.7	40.8
Neutral	25	16.4	57.2
Agree	42	27.6	84.9
Strongly agree	23	15.1	100.0
Total	152		

This question has more than one purpose; firstly, it tackles the issue of job rotation, a term that is widely used in organizations. It is useful and profitable for many companies for employees to do more than one job, and to have enough knowledge to do their colleagues' tasks when they are absent either because of sick leaves, trainings, or other reasons.

Secondly, taking more responsibilities for employers means better productivity levels and less wasted time, in addition to a better level of teamwork and communication.

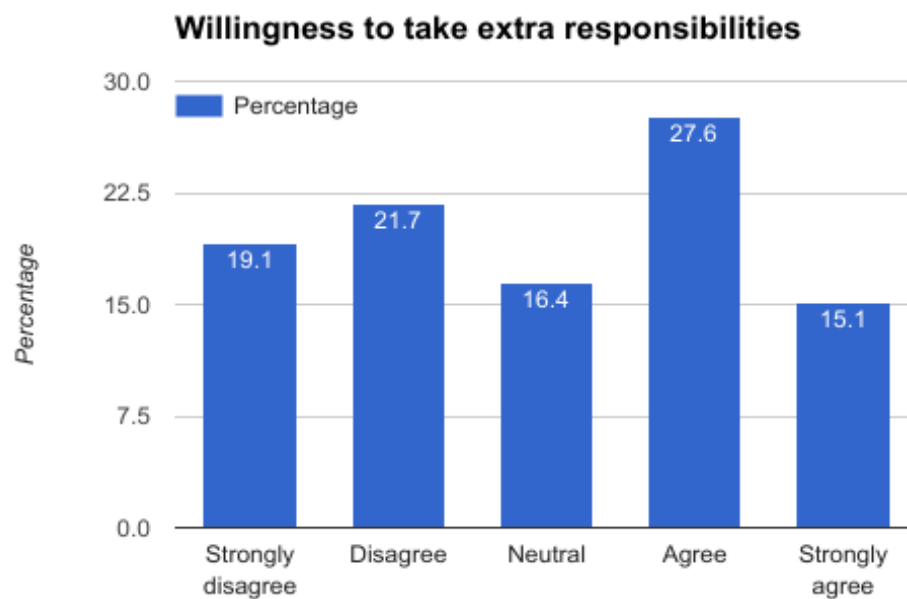


Figure 19: Employees willingness to take extra responsibilities (own source)

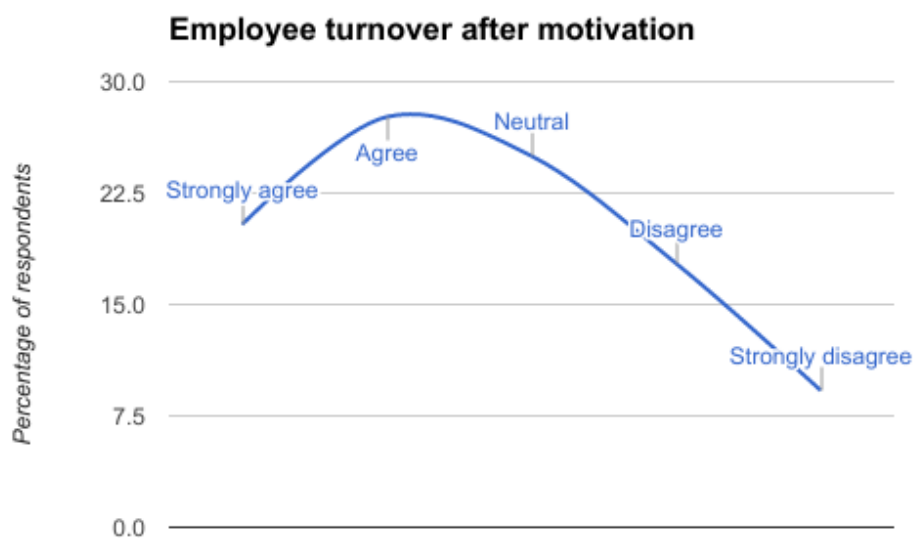
The results from this chart show the respondents' percentage of approval and disapproval for the act of willingness to take extra responsibilities at work when motivated. It is noticed that while those who agree represent a majority among others with 27%, yet the combined approval rate of 42.7% for those who agree and strongly agree, represent less than 50% of the population. There are more than one possibility of why about 41% of the respondents are not willing to take extra responsibilities at work:

- Life-work balance; taking more responsibilities means doing more work than before, which might mean for some employees that they would need to work more hours, and in these times where many people already work more than 8 hours per day, and this is already causing health problems like high blood pressure, stress, unhealthy diets, as per the American Journal of Epidemiology as per forbes.com (2012).
- Personality traits; some employees prefer to work within set rules and guides, and follow the classic school of job specialization where everyone does his/her job only, as this will increase production by gaining expertise from performing certain tasks many times (LEWIS et al., 2007).

Table 15: Expected employee turnover after motivation (own source)

Q14. I will not be looking for other jobs for a while.			
	Frequency	Percentage	Cumulative percent
Strongly disagree	14	9.2	9.2
Disagree	22	14.5	23.7
Neutral	45	29.6	53.3
Agree	40	26.3	79.6
Strongly agree	31	20.4	100.0
Total	152		

This statement tackles the very important issue of employee turnover. The first article in this study project was taken from a recent Harvard Business Review journal with a title why do people quit their jobs. As per Heathfield (2016), other than personal reasons and family commitments, there were some reasons that related to work itself and would probably cause the employee to quit his/her job.

**Figure 20:** Employee turnover after motivation (own source)

The graph shows in a reversed way that employee turnover would take the usual go when motivation increases; the highest percentage of 26% comes from those who agree with the statement, and wouldn't think about quitting soon, added to them 20% more of the respondents who strongly agree with staying in the job if motivation increases. Employee turnover is sometimes healthy for companies to introduce new blood to their organizations, and with a combined percent of about 47% of respondents who are willing to stay at work, and about 30% who are neutral, and would stay in work unless something changes in the workplace, then a company can assume that after motivating its employees, about 80% of the staff would be willing to stay at work. This is important for companies that spend time, effort and money to train employees and then they would leave to other organizations, and worse sometimes to competitors.

Table 16: Employee WOMM for the company (own source)

Q15. I will recommend my company to others as a good place to work			
	Frequency	Percentage	Cumulative percent
Strongly disagree	8	5.3	5.3
Disagree	12	7.9	13.2
Neutral	18	11.8	25.0
Agree	86	56.6	81.6
Strongly agree	28	18.4	100.0
Total	152		

The last question in the interview deals with the word of mouth. Word of mouth marketing or WOMM as written by researchers currently, is one of the most powerful ways of marketing of companies as per an article on Forbes.com (2016). The article continues with a suggestion that since people trust it above other means of marketing, it is the one that is most probable to drive sales up. This is why it is very important for managers to motivate their employees and plant the feeling of belonging to the company so that wherever they are, they paint a good picture of the company.

It is shown from the table above that motivated employees are very likely to give out a good word of mouth for their company. With only 13% of respondents who disapprove the statement in question, 87% would be either neutral or willing to recommend their company for others. This is a very good percentage and a very important note for managers to take; employees relate not only to their management but to their companies as well. A major change in sales would come then from the reputation of the company, which would drive customers to use their products/services or not. It is management's role to preserve good relations with their employees as it is directly linked to the image of the company, its marketing efforts and then sales and profits.

Summary of questionnaire:

The past questions were related to the employees' point of view concerning motivation; the researcher, after gathering information about the demography of the respondents, started by asking them if they believed management is interested in motivating employees. Then followed by asking if the respondents believed incentives affect performance. After establishing this, respondents were asked about their level of satisfaction with the current incentives and motivational approaches provided by their management and how important these incentives are to them. They were also asked about the work culture, how fair their work appraisal systems were, and if they were involved or not in decisions taken by management.

After assessing their motivation, the respondents were asked a series of questions about what would they do if they were motivated the way they wanted; with appropriate incentives that they value as rewarding. This is the part which dealt with assessing how increasing motivation can affect the performance of employees and thus their organizational performance.

They were asked if they would increase their performance to a level of 100% or more, if they were to go for the extra mile, if they were to take extra responsibilities at work, if they continue working in their company and not look for other jobs, and finally if they would recommend their company to friends as a good place to work in.

5.2.4 Managers' perspective for employee motivation

The main objective of conducting interviews with some of the managers in C.co and L.co is to try to look at the other part of the picture; how managers see themselves as well as their employees, and how did they manage to motivate them at work.

In particular, eight in-depth interviews were conducted, 4 in each company, with the HR manager, Sales manager, Customer Relationship manager, and the General Manager. The interviews lasted 15-20 minutes each due to operational reasons and the questions asked are listed in Appendix 2.

Since both companies operate in similar conditions, answers will be combined to give a general understanding of their objective which is managers' perspective of motivation.

Firstly, when asked about how did they choose their employees, managers said that they follow a structured HR process where ads were put on the company website, and after receiving CVs, two interviews were held with each applicant, one with the HR manager and the other with the reporting manager. There was no specific field of study or work-related experience required to apply for most jobs. The aim of this question was to check the background of the employees in the company and how diverse and multicultural the work environment is.

Secondly, when asked about how did they define and understand motivation as a word, managers varied their answers but the overall agreement was that motivation is an essential way of helping employees achieve their best at work and give 100% of their capacity to their job. Some of them said that there are two ways of motivation, from within the employee to help him/her as well as from the employee to the manager. This is done by the employee by reporting to work in time, fulfill most of the duties asked, not taking too many sick leaves, and finally having a positive attitude of work with colleagues and managers. The aim of this question was to investigate the meaning of motivation for managers, and if it is different from what employees perceive. Yet, it raised a different point that is not researched enough; which is that managers sometimes need motivation from their employees. Managers are also humans, employees with bigger responsibilities, and they get affected too by the behavior of their employees and it affects their performance, and hence they would require a different type of motivation from their employees as mentioned earlier.

Thirdly, when asked about how do managers motivate their employees; managers said that they use a variety of ways to motivate their employees, including these mentioned in the previous chapter including the pet-friendly environment, seasonal bonuses, fruits, and others. They said

that these techniques were given to them from the HR managers, where HR managers said they researched, asked their follow colleagues, and thought of the best ways that their companies can afford, and at the same time, will motivate employees and create a pleasant work atmosphere to help employees focus on work duties and reduce stress. The aim of this question was to assess how did management choose their motivational approaches, and it can be concluded, that although they did a good job in getting the most feasible and modern motivational approaches in similar industries and companies, employees' opinions were not taken into consideration. Not a single manager has said that they asked employees about what would they like as a motivational technique to help them work better and cope with work pressure and problems. This will be mentioned again in the findings as it seems to be part of the problem of management in the researched companies, and maybe in other companies too where management do not involve employees even in events or decisions that affect them directly.

Fourthly, when asked about how do they measure the motivation and job satisfaction of their employees, most managers said that they follow the usual HR process as suggested by HR managers; these would include performance appraisal, whether quarterly, mid-year and end of year appraisal evaluation, where employees are free to talk to their managers about their concerns, what they liked as well as what they didn't like, and both the manager and the employee sign the evaluation form where it is kept at HR files. In addition, at the end of year, managers use upward feedback where they write their feedback on their managers in specific points, and these go directly to the general manager and managing director. As for the HR managers, their upward feedback forms would go to the managing director. They also stated that they started recently the use of 360 degree feedback, where employees report their feedback on their colleagues that they are dealing with, and this feedback constitutes part of the overall rating of the employee as well as his/her bonus package. The aim of this question was to investigate how do managers acknowledge the motivation or demotivation of their employees. While the mentioned forms are helpful means for employees to express themselves, many of the employees would be rather reluctant to tell their true opinion directly to their managers or the managing director because in SMEs everyone know everyone, words travel fast and employees would think that they might be affected negatively by their opinion or feedback. Management should find better ways for employees to speak freely and express their opinion, even it involves hiding their identity, for example, through online questionnaires which should be open for employees to write their comments and feedback without revealing their identity.

The fifth question was about the willingness of managers to change their methods of motivation and implement new ones, and all managers said they are open to change as they believed change is healthy, but they said that they are mostly restricted by budgets, whether for training provided, or for the benefits they can grant their employees. They said that through a structured plan, agreed with the managing directors, the benefits package can be altered to better suit more employees. They also said that it is very hard to motivate and please every single employee in any company, and this goes in hand with Vroom's Expectancy theory (1964) where it was mentioned that the value of reward depends on each person and it is difficult to generalize a set of motivating factors that apply to everyone. The aim of this question was to investigate the willingness of managers to change their motivation packages as this what showed also in the results collected from employees, which is that some motivational approaches might need change so they can fit to more employees.

The last question was about the level of empowerment managers give to employees, and the aim of this question is clear; empowerment is an important notion that many managers ignore. The managers answered that in general they have certain responsibilities as per the nature of their jobs, and this is why they guide employees and tell them what to do, from their own expertise as well as knowledge. They stated that they listen to their employees' ideas whenever they would tell them, but then they would choose the best decision, from their perspective as managers, since they are the ones who are responsible for results, whether good and bad, and this puts a pressure on them to make the best possible decisions for their companies.

It seems that although these managers are experienced in their role, but they don't empower their employees enough. Employees are the ones who face the clients directly and they are more probable to find better solutions for some problems based on their direct relations with the problems. Management should put into consideration giving more power and decision making tools for employees, and to encourage a more open approach of problem solving. This has to be implemented through a systematic approach, being guided by directors, and planted as part of these companies' cultures. Management in C.co and L.co don't know that as per question no. 10 in the questionnaire, about 34% of their employees do not see them as empowering employees or involving them in decision making in their department. The questionnaire and interview data should be put together so directors can see the problem and one big cause of dissatisfaction of their employees.

5.3 Time Analysis

The purpose of the time analysis is to predict a time frame for the project goal to be achieved. The study project of increasing motivation for employees and then enhanced productivity levels and organizational performance is not easy to measure, yet the following phases aim to give an overall view of the process management should follow to achieve this objective:

a. New software or online system

Management should agree on purchasing a software or an online system where employees can provide feedback on anyone working in the company freely, and list all what they would like to have as benefits or motivational approaches.

This process can take from 1-2 months.

b. Management prepare motivations' list

As employees record what they really like or dislike with their company, management and systems, management should collect data and meet to prepare a list of motivational approaches or benefits, what is similar to a basket of benefits for employees to choose their individual basket of benefits that constitute valuable rewards for each of them.

This process can take from 2-3 months

c. Website development

To further develop a healthy work culture in the workspace, and increase loyalty of employees to their company, the current website has to be developed to reveal the culture in the workplace that supports free opinion, teamwork, and appreciation of each employee where, as mentioned before, each employee should post his/her picture statement with a brief summary about why he/she likes the company.

This process can take from 2-3 months but can go in parallel with step b.

d. Management meeting with staff

After management have collected the data and agreed on specific lists of benefits that would motivate employees, and how choosing any combination of benefits will not differ an employee from another one, and that these benefits are related directly and indirectly to performance, then they can meet employees on one-to-one meetings and discuss with them the new system of benefits and ask employees to choose their most preferred list of benefits, and then agree on a time-frame to start applying them.

This process can take 2-3 months.

The overall duration of the project then is estimated to be 7-8 months.

5.4 Cost Analysis

In this section, the table below analyzes the expected costs of executing the study project for both researched companies. For ease of reading, the currency was unified as the European Euro. In addition to the discussed costs during the analysis chapter, website development was advised to promote the culture of employees in the workplace. The listed costs constitute an average estimation based on data collected online for SMEs in Europe, yet costs in Latvia are higher than in Czechia as per the difference in CPI.

Table 17: Costs of project (own source)

Description	T. Cost/year (€) C.co	T. Cost/year (€) L.co
Personnel Costs:		
• Personal development trainings/year	2000	2000
• Company online trainings	1000	1000
Software Costs:		
• Updated software for employees' feedback	800	1000
Operational Costs:		
• Budgeted increases in bonus / year	9,000	10,000
Website Costs:		
• Website development	700	800
• Content development	300	400
• Content translation	200	200
Team benefits:		
• Increased fruits/refreshments (50 € x 12 months)	600	600
• Increased team activities (100 € x 12 months)	1200	1200
Total Costs	15800	17200

5.5 Risk Analysis

The goal of the risk analysis is to identify the potential risks that exist for this study project, to determine the probability that they will occur, the impacts these risk might have on the project, then finally the significance of these risks, ranking from Low, Medium to High risks. The overall goal then would be to reduce the probability or eliminate risks for the study project. The following risks were identified for the study project in hand:

External Risks

These are the risks that occur in the external environment of the business and their occurrence is beyond the control of management, they include:

- Economic risk: Economies always have ups and downs, and any economic cycle that a country passes means that its economy will experience booms as well as recessions.
- Political risk: The political world is not stable these days; and other than wars and political problems between countries, sudden acts of terrorism may cause problems in the demand on the companies' services or more strict measures for service selling or even difficulty in the transportation of clients from certain countries.
- Natural risk: These include all sudden actions done by nature that affect countries; they include earthquakes, floods, and other ecological problems that might cause difficulties for companies to work naturally.
- Competition: In an open market, it is easy for any business to enter the market and compete with any company, especially when the barriers to entry are low.

Internal Risks

These risks happen within the internal environment of the business, and management has a cause or a way to control most of them, they include:

- Human risks: they include mistakes done by employees or talent management problems when talented employees leave the company.
- Operational risks: they include cutting in costs as per owners' decisions, or problems in revenues when clients do not pay, and other risks related to operations.
- Fire/Theft risks: These are common and are basic risks for any business.
- Technological risks: technology is ruling the new world. As companies use specific software and store most of their data on computers; either these data can be damaged because of technological problems.

The table below list the analysis of expected risks of the researched companies.

Table 18: Risk analysis (own source)

Risk	Risk Type	Impact Rate			Probability of Occurrence			Results	Risk Level
		Low (0.1)	Medium (0.3)	High (0.7)	Low (0.2)	Medium (0.5)	High (0.7)		
1	Economic			x		x		0.35	High
2	Political			x		x		0.35	High
3	Natural		x		x			0.06	Low
4	Competition			x			x	0.49	High
5	Human		x			x		0.15	Med
6	Operation		x		x			0.06	Low
7	Fire/Theft	x			x			0.02	Low
8	Tech	x				x		0.05	Low

- **Risk intervals:**
 - **Low Risk:** 0.01 – 0.09
 - **Medium Risk:** 0.1 – 0.29
 - **High Risk:** 0.3 – 0.99

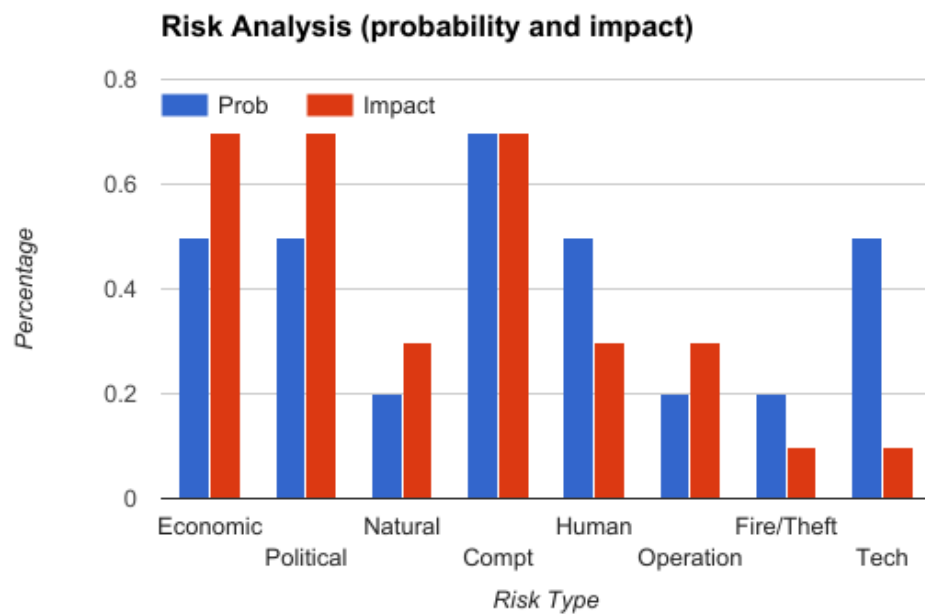


Figure 21: Risk analysis (own source)

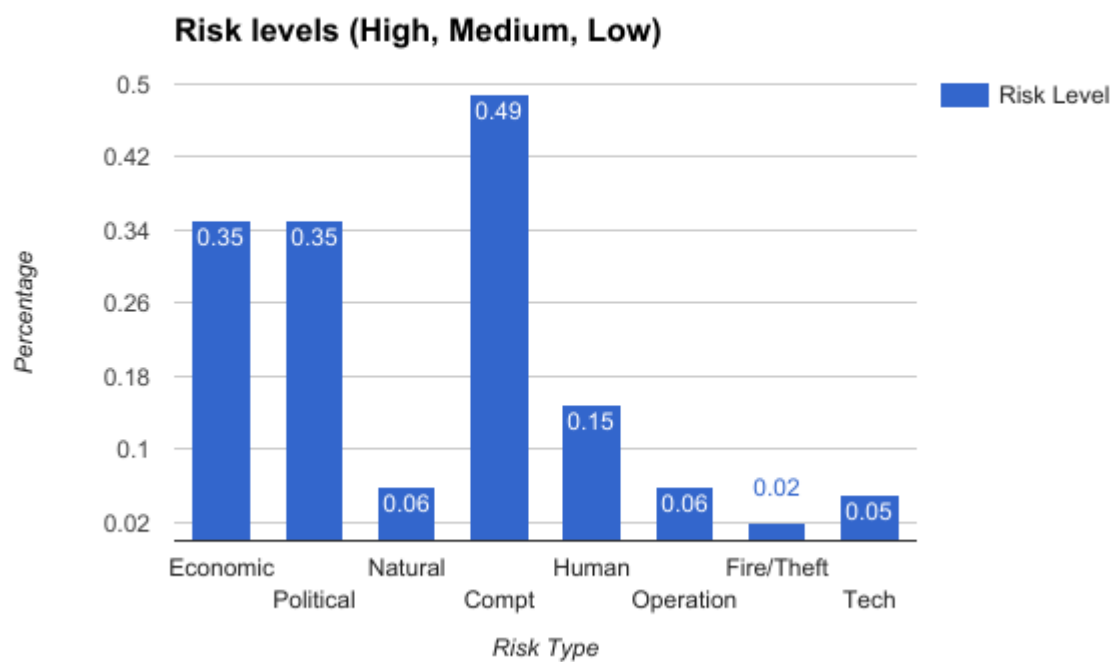


Figure 22: Risk levels (own source)

To ease analysis of the above tables and figures, the following table will deal with risks and measures to prevent them or at least reduce their possibility. Only risks with score above **0.05** will be analyzed. Risks will be prioritized according to level, starting from high to low.

Table 19: Analysis of Identified Risks (own source)

Risk	Prevention measures
1. Competition (High, 0.49)	Competition was analyzed as the highest risk; since the market is open to any company, both researched companies should always strive to provide added value to their clients to assure their loyalty, and on the same side, management should motivate employees to give their best at work, and exceed customers' expectations.
2. Economic (Medium, 0.35)	Economic problems are out of companies' control, thus companies should have a diversity of their activities and focusing on more than one service to provide, and finally, prepare emergency plans.
3. Political (Medium, 0.35)	It is difficult to predict political actions by government, so companies should research the countries they are planning businesses in, and make most of the business online, since the cloud space is mostly safe.
4. Human (Medium, 0.15)	To prevent human mistakes, systems should be designed to have dual ownership of any tasks where an employee checks his/her colleague's work. As for talents leaving the company, management should motivate employees to stay by increasing their rewards and interest, while at the same time make online systems to show all procedures clearly for all employees.
5. Operational (Low, 0.06)	Since both companies work in consultancy, they are not highly in risk by clients' business. Companies should make sure they provide a high quality service, and have enough backup revenue to use when things are going down in their companies.
6. Natural (Low, 0.06)	Natural risks occur everywhere, there is no way to prevent them. Companies should have a backup plan for employees to work from home if any sudden event happens in their operating company. This is easy now with the use of internet and laptops.

6 CONCLUSION

6.1 Recommendations

There are a number of recommendations that can be given to management in SMEs to help them better motivate their employees which will directly feed into their productivity level and hence will boost the performance of their companies. The first recommendation is for management to make an effort to understand what their employees really value as rewards; as mentioned and found out during research, there is no one way to motivate everyone, therefore it might be a good practice for management to ask employees about what would motivate them, management can even create a list of benefits that employees would choose from, thus increasing the probability of satisfying and motivating more employees.

The second recommendation is for management to empower their employees. With time, many employees get stuck in the routine of work and lose interest. Management have a task to make the jobs interesting for employees by empowering them to more duties, as well as other common techniques as job rotation and job enrichment.

The third recommendation is to invest more in the company culture; communication between colleagues has proven to affect their performance, which coincides with the result of the famous old Hawthorne effect study (GILLESPIE, 1993). Since the website of the company is the first image that shows to the public, it is advised to invest in developing the website to better show the culture of the company. This is a trend now in some young companies where images and short statements of each employee is published on the main webpage of that company.

6.2 Limitation of the research

1. The research used questionnaires with Likert scale which don't allow the respondents to freely express their opinions, short interviews were conducted while this research topic requires more in-depth analysis.
2. The research was conducted on employees and managers of only 2 companies, one in Eastern Europe while the other is in Central Europe, with a total number of 160 respondents between employees and managers. This limited number of respondents was because of time and financial constraints for the research. Countries in Europe are different and even different industries in the same country might generate other responses from what the research obtained, hence this limits the extent that the findings of this study project can be generalized.

6.3 Conclusion

Motivation is a broad word that has been undervalued by many managers although it is one of the main reasons why business survive or go out of their markets. The aim of this study project was to investigate how increasing motivation of employees, will affect their performance and productivity at work and hence their organizational performance.

The researcher began by reviewing the theories and hypothesis that were made about employee motivation in the past theory, then showing how employee benefits changed over the past years, and then analyzing two companies in similar conditions being SME in the field of management consultancy in Europe.

The researcher used questionnaires for employees and interviews for managers, and collated data for all together to analyze the effect of motivation in these companies, by investigating the effect of employee motivation on performance and at the same time asking managers about the possibility of applying different motivational approaches and how they saw motivation. After analyzing their answers, several recommendations were deduced; employees differentiated between the company culture and their management, the feeling to belonging to the company seems to affect motivation and management should increase the efforts and costs to enhance a socially-healthy environment for employees to better cope with work duties and increase the loyalty of employees to their company. Money, in the sense of bonuses remains a basic motivator for employees; this should focus management's efforts on increasing the bonuses' levels to better motivate their employees. Since bonuses are linked to productivity and revenue generated by companies, it should not be a problem to improve the bonus system. With work pressure employees need to be given interesting and diverse tasks; it was shown by theory and analysis that employees need empowerment; more challenging tasks and duties would give employees a sense of importance and will motivate them to work more and take extra responsibilities. And finally, management should know that there is no one approach to motivate everyone in the company, even when in SMEs; therefore it is advised to make a list of benefits that an employee would choose from, since there is a limited budget for benefits and employees' valuation of rewards is different.

At the end, a time analysis for the estimated duration of the project, a cost budgeting plan as well as a risk analysis on the potential risk and measures to prevent them, were done on the study project.

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LIST OF ABBREVIATIONS

CPI	Consumer Price Index
CVI	Content Validity Index
HRM	Human Resource Management
KPI	Key Performance Indicators
ROI	Return on Investment
SHRM	Society of Human Resources Management
SMEs	Small and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities, Threats
TPI	Total Performance Indicator
WOMM	Word of Mouth Marketing

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APPENDICES

APPENDIX 1: EMPLOYEE QUESTIONNAIRE

Employee Motivation Questionnaire

This questionnaire is aiming at trying to assess the effect of motivating employees on the performance and profitability of SMEs in Europe, and is for academic purpose only.

1. 1. Please indicate your gender:

Mark only one oval.

- ☐ Male
☐ Female

2. 2. Please indicate your age group (in years):

Mark only one oval.

- ☐ 18 - 29
☐ 30 - 40
☐ 40 +

3. 3. For how long have you been working for your company?

Mark only one oval.

- ☐ Less than 1 year
☐ 1 - 4 years
☐ More than 4 years

4. 4. You believe top management are interested in motivating their employees

Mark only one oval.

- ☐ Strongly disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly agree

5. 5. Do you think incentives and other benefits influence your performance?

Mark only one oval.

- ☐ Influence
☐ Do not Influence
☐ Neutral

6. How far are you satisfied with the incentives provided by your company?*Mark only one oval.*

- ☐ Highly Dissatisfied
- ☐ Dissatisfied
- ☐ Neutral
- ☐ Satisfied
- ☐ Highly Satisfied

7. Please arrange the following incentives by importance (1= most important, 7= least important)*Check all that apply.*

- ☐ Increase in salaries
- ☐ Increase in bonuses
- ☐ Personal loans
- ☐ Promotion opportunities
- ☐ Certificates/Awards
- ☐ More leave days
- ☐ Fringe benefits (Fruits, Team meals,)

8. How far are you satisfied with the work culture in your company?*Mark only one oval.*

- ☐ Dissatisfied
- ☐ Neutral
- ☐ Satisfied

9. To what extent do you agree/disagree with this statement: My manager evaluates my work fairly*Mark only one oval.*

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

10. To what extent do you agree/disagree with this statement: Top management involve me in decisions that are connected to my department*Mark only one oval.*

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

Skip to question 11.

If I receive these benefits,...

In this section, please assume that your manager agreed to provide you with adequate incentives and benefits that suit you and motivate you to do your best at work. And then please answer the following questions:

If I receive these benefits,

11. I would increase my performance level to 100% or more.

Mark only one oval.

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

12. I will work beyond what is required so as to help my company grow more.

Mark only one oval.

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

13. I will take extra responsibilities at work.

Mark only one oval.

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

14. I will not be looking for other jobs for a while.

Mark only one oval.

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

15. I will recommend my company to others as a good place to work.

Mark only one oval.

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

APPENDIX P II: INTERVIEW QUESTION FOR MANAGERS

List of the questions asked in the interview with managers:

1. How do you choose your employees? What are the procedures of recruiting and hiring your employees?
2. What is your concept / definition of employee motivation?
3. How do you motivate your employees?
4. How do you measure your employees' motivation and job satisfaction?
5. Are you willing to implement new/ different motivation techniques?
6. What is the level of employee-empowerment Company... (Name of company) has for its employees?