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**The Impact of Performance and Reward Management System on Employees'
Motivation to Develop New Competencies – Case Herman IT**

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<p>This thesis is commissioned by Herman IT, the data centre services provider based in Kajaani, Finland. In the foreseeable future, the company is planning to establish the competency-based organizational model. This should be done in order to reinforce the culture of continuous learning in the corporation, where employees are responsible for taking the ownership of acquiring new competencies. However, employees of Herman IT may not be motivated to learn new competencies, and this results in the learning gap. The study aims to close the gap by creating a competency-based model linked to performance management. Thus, the research problem of the study is to explore whether a competency-linked performance and reward system will motivate the Herman IT's employees to develop new competencies.</p> <p>The research is mainly based on the motivational theories, namely the MARS model, Goal-setting Theory, Need Theory and Expectancy Theory. Also, the study reveals the basic concepts of competency, performance management, reward system, the concept of motivation and learning organizational culture. The theoretical findings are systemized in a way relevant for the commissioning company.</p> <p>The research is based on the quantitative method. The data collection method is the questionnaire, which was designed in the Digium Enterprise survey software. The answers were analysed in the SPSS software.</p> <p>According to the research findings, the competency-based organizational model is effective for reinforcing the learning culture in the organization.</p>	
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PREFACE

This thesis is accomplished in autumn 2015 and is fulfilling the requirements for the Bachelor`s Degree in International Business at the Kajaani University of Applied Sciences. I owe a debt of gratitude to several individuals for support and help in writing the thesis. First and foremost, I would like to thank my parents for moral support during my research.

Secondly, many thanks are addressed to my teachers, who have been providing me with valuable knowledge of International Business environment for all years. In particular, I would like to express gratitude to my supervisor Ruey Komulainen for immense contribution to my research. Ruey provided me with sufficient knowledge base in management disciplines relevant for the thesis. Besides, I would like to thank Simo Määttä for teaching research methods. Great thanks to Auno Paivi for assistance in translation to the Finnish language.

Thirdly, special thanks belong to the CEO of the commissioning company. I would like to thank the CEO of Herman IT Kimmo Rusanen for his help in the implementation of the research.

This study provided me with a chance to apply existing abilities and skills in the real case. Moreover, I gained valuable experience regarding writing academic papers, which I will use in my future career. Also, the research taught me how to control time-management, which is of utmost importance in the contemporary business field.

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1. INTRODUCTION

This thesis was written for Herman IT, which is an information technology company based in Kajaani, Finland. The firm has recently undergone a reorganization and, as a result, the company is exploring to implement the competency-based HRM (Human Resource Management) model. This model can be described as an approach to human resource management that integrates and examines all human resource management activities against competencies. The competency-based HRM model will reinforce the culture of continuous learning in the corporation, where employees are responsible and empowered for taking the ownership of self-development. However, once an organization is willing to accomplish the new model, it faces a set of challenges. In the particular case, Herman IT may face the situation where some employees are not motivated to develop their existing competencies or learn new ones when the need arises. Employees may not be motivated enough to attain alignment against the competency needed to perform the job. This way, the change may be temporary and superficial, and this results in the learning gap.

This study aims to close the gap by creating the competency-based HRM model linked to performance management. Competency linked to performance and reward results in an increased level of motivation for employees. When workers realize that competency-development may be rewarded accordingly, their motivation rises.

1.1. Industry background

Herman IT's operations are mainly connected with data centres. As a starting point, the author presents the data centre industry in Finland in general. Currently, the competition for large data centres is severe. Right now, Finland has the advantage of being an exciting and competitive location for data centre facilities in Northern Europe. (Ministry of Employment and the Economy 2015) Several leading IT companies have powered up their presence in this Scandinavian country. In particular, in 2009 the global search giant Google announced it will launch a data centre in Eastern Finland (Why Finland - Investors Cases 2013). Another player – TelecityGroup - acquired Tenue Oy, one of Finland's leading providers of carrier-neutral data centres in August 2012. As part of the acquisition, TelecityGroup killed two birds with one stone - gained one of the most connected data centres in Finland and acquired a new data centre currently under construction. (TelecityGroup looks to Finland

for future growth 2012). Global IT company Atos has also established one of its global cloud services in Finland in September 2012 (Finland is the strategic move for Atos' next-generation data centres 2012). The last but not the least, Russian company Yandex has located its data centre in Mäntsälä, southern Finland (Yandex to locate data centre in Finland 2013). Thus, the industry presents a lot of opportunities for Herman IT to expand its business operations. The company has a brilliant opportunity to power up their presence in Finland.

This thesis focuses on the business from the Kainuu region, and thus it is crucial to specify this region as a hot hub for data centre industry. Kainuu has several distinct features, which make the area a premium location for data centres in Europe. Firstly, cool climate is ideally suitable for such facilities. The data centres can be air cooled year around with the cold air outside. Therefore, Kainuu is the optimal environment for energy efficiency. The PUE (Power Usage Effectiveness) value 1,06 is top-level in the world and makes Kainuu attractive for data centre investors outside of Finland as well. (One of the world's most energy efficient datacenters in Kajaani has been extended 2014) Secondly, access to established European markets as well as the gateway to Eastern European and Asian emerging markets are other key factors affecting the decision to situate operations in Kainuu. The region has proximity to Russia, which is seen as a lucrative business opportunity. (About Kainuu 2012). In November 2014, 50 Russian executive-level business people joined the event "Invest in Kainuu" to show their interest in the Data Center Industry in Finland. Thirdly, according to Commerce (2011-2013) Kainuu is positioned as one of the safest and cost efficient regions (p. 68). Besides, the region is regarded as a secure and sustainable location. Sustainability approach lies at the core of Kainuu business. All the above stated reasons foster development of Kainuu as a data centre location. The involvement is on the ongoing basis. For instance, Germany's Hetzner Online AG invests in the current Cinia project to construct a submarine cable connection between Finland and Germany. The cable construction will demonstrate Kainuu's potential as a data centre spot. (Germany's Hetzner invests in Baltic cable, 2015) Another indication of empowering local expertise of the region is Pioneering data centre training programme, which has started in Kajaani in 2014. The programme combines eco-efficiency, data communications and IT know-how with specialist knowledge concerning heating, water and ventilation. The one-year programme aims to attract more data centre services that are produced with the smallest possible carbon footprint. (News - ICT - Data center 2014) Thus, the regional

resources create suitable environment for boosting the development of Herman IT's operations. The company has a great opportunity to attract foreign investors as well as improve international collaboration.

1.2. Herman IT's background

Besides, it is important to describe the company, which the author researches. Herman IT Oy (Ltd.) established its data center in Kajaani, Kainuu in 2011. The firm has approximately 40 employees. It is a technology company, which is owned by KPO (Kainuun Puhelinosuuskunta Oy) Group. For today, the firm positions itself as a solution and service provider in the area of data centre services and other assistant products and services connected with the core business. Its headquarters are located in Kajaani in Renforsin Ranta business area. With the slogan "Stable – Secure – In Finland", Herman IT intends to bring their customer the most reliable, cost-efficient services provided by Finnish citizens. In December 31st, 2014, Herman IT has merged with its sister company Ebsolut Oy. The latter was founded in 2000 and based in Kajaani. Ebsolut Oy is a software development company which designs and develops information systems and offers subcontracting services. The purpose of this merger is to pave the way for new Herman IT, which transforms into a new significant data center and cloud service provider in Finland.

After the merger, the structure of merged companies was re-organized. Currently, there are three main business areas of Herman IT:

- **Colocation:** Located in a former UPM paper mill site, the data centre utilizes power grids (about one mega-watts) from existing buildings and infrastructure. By doing this, Herman IT offers data centre and colocation services. The plan is to expand the power grids up to five mega-watts in order to become top-five in the data centre services industry in Finland by 2018.
- **Capacity:** Herman IT provides cost-effective and reliable technology services where they offer IT outsourcing and data centre services based on existing capabilities (i.e. server environments, virtual environments, capacity services and storage services, network, security).
- **Concepts:** This business division offers tailored services in accordance with customers' needs. Services include Web solution and software development services, Office 365 from Microsoft's global cloud (with three packages to choose from depending on customer's needs and firm's size), Web-conferencing services (can satisfy diversified customer needs ranging from simple video communication tool to interactive online event).

(Herman IT. Stable. Secure. In Finland 2015)

The organizational chart of Herman IT is illustrated in figure 1.

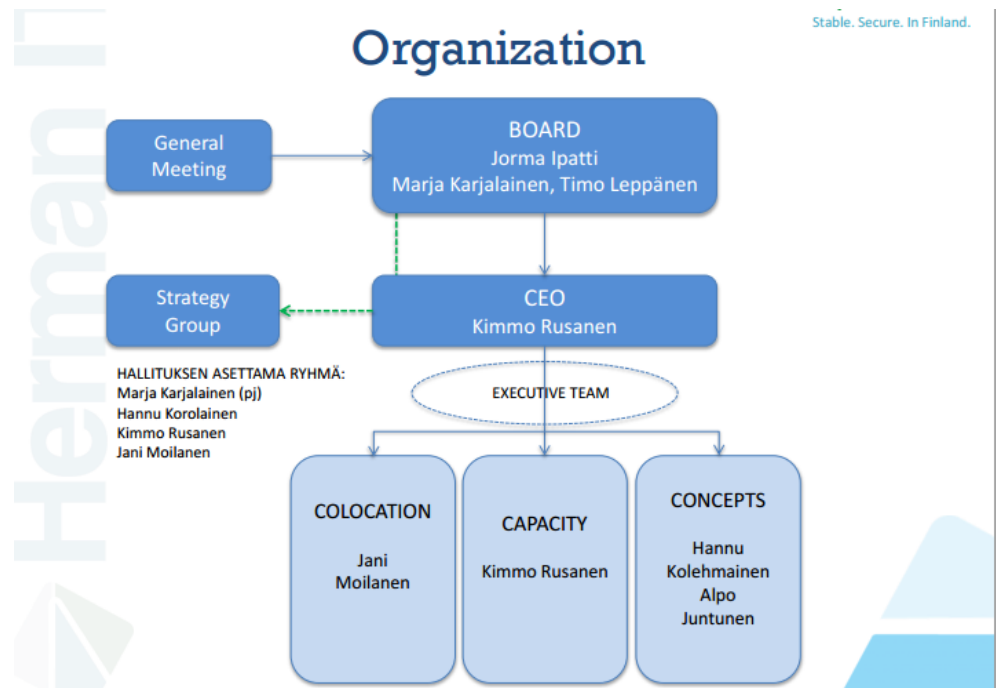


Figure 1. The organizational chart of Herman IT (Herman IT CEO's presentation March 2015)

After the merger, most of the staff from Ebsolut Oy was placed in the Concept business area. Several employees have been re-trained and placed in the Capacity division. The plan for the future is to consolidate the sales team across three divisions to acquire more synergies across the businesses. In addition, the plan is to explore the possibility to mobilize people between the Capacity and Concept areas.

In the upcoming three years, the company is planning to expand co-location businesses. Three-fold growth is expected in this division. Moreover, the capacity area is supposed to grow two-fold. The increase in concept area will be moderate.

IT colocation sector will experience the significant increase in terms of revenue. The growth is expected to constitute 66 % from 2015 to 2017 years (Herman IT. Stable. Secure. In Finland 2015). Besides, in the next two years the company is willing to enlarge their revenue up to 57%. IT capacity will grow steadily at around 50%; IT concepts will have a slight

improvement of approximately 21%. Furthermore, Herman IT aims to expand their influence along the Nordic countries in the foreseeable future.

Ideally, for all the above stated factors to be realized, some adjustments should be made to the human resource management system of Herman IT. The concept division managers should acquire new competencies and set of skills to provide clients with customized solutions taken from two other business areas. Also, increasing of revenue combined with the expansion of Nordic presence is supposed to present more challenges in the human resource management. The company needs to present the new performance review system based on the competency. However, the staff number remains the same. Thus, it is formidable to provide new performance review and competency standards to adapt to changes. The company needs a solution from an external party.

This research is supposed to expand the knowledge of what motivates people to gain new competencies. The study will be based on the motivational theories. The influence of the motivational theories on the competency-based model, performance and rewards will be matched respectively. Additionally, the goal is to identify the effectiveness of the competency-based criteria in the performance evaluation as a factor fostering motivation to the competency-development. Moreover, the linkage of the performance outcome and reward system as a drive for motivation to self-growth will be studied. The last but not the least, the research aims to find out which types of rewards are appreciated by Herman IT's employees for creating the effective reward system. Such reward programme will encourage employees to develop themselves according to the changing needs of their job and the business strategies. This will ensure that they are not just developing themselves according to their hobby or interests. All above mentioned steps will result in the learning culture in the organization.

The research objective is to examine the effectiveness of the competency-based criteria by linking these criteria to employees' performance management and reward system for their motivation to develop themselves. The author also aims to determine if such link can reinforce a positive learning culture in Herman IT.

Thus, **the statement of the problem** of this thesis is to explore whether a competency-linked performance and reward system will motivate the Herman IT's employees to develop new competencies needed for their current or future roles in the organization.

Based on the aforesaid research objective and problem, **the research questions** are:

1. What factors should be considered when designing a competency-based performance and reward system in order to create positive influence on employee motivation to acquire new competencies for self-development?
 - a. Will perceived ability to accomplish the job motivate the employees?
 - b. Will attaining of a goal to learn new competencies encourage employees for self-growth?
 - c. Will the concern over competition foster the learning attitude?
2. Will competency-based performance appraisal impact the employee's desire to acquire new competencies?
3. Will employees be motivated to gain new competencies if their achieved performance outcome (acquisition of new competencies) leads to desired rewards?
4. What type of rewards are perceived as valuable for Herman IT's employees to motivate them to develop new competencies?

This thesis contributes to the development of the human resource management of Herman IT. The findings of the study will help Herman IT to support a more efficient implementation of the new HRM model for creating the learning organizational culture when people are motivated to foster self-development attitude. This way, the study will contribute to the development of Herman IT corporate culture, performance, and management system. Besides, the study is beneficial for the scientific environment. Academic researchers may find useful insights in the area of human resource management in this work. To be more precise, the study deepens the knowledge in the motivation theories. The research will be based on some of the motivation theories, namely MARS model, goal-setting theory, need theory and expectancy theory. According to Stotz & Bolger (2011) the expectancy theory has not been verified through any researches which is considered to be the gap. This study will close the gap by applying this theory in the real case of Herman IT. The last but not the least, the work expands the author's knowledge base in terms of human resource management. Therefore, it contributes to the self-development of the researcher.

Chapter two will describe the literature review and the relevant theoretical findings. Chapter three will outline research methodology including data collection method, permission for the research, validity, reliability and limitations of the study. The fourth chapter will present research findings, and the final parts will denote conclusion and recommendations.

2. LITERATURE REVIEW

The research is based on the theory concerning human resource (HR) management practices and the organizational psychology practices. Major HR management topics of this project are the competency-based model (CM), the performance management (PM), the reward system (RS) and the learning organizational culture (LOC).

Regarding the organizational psychology, leading motivational models and theories will be applied. All motivational theories will be studied and applied to the development of the author's research framework.

2.1. The concept of competency

First and foremost the author will review a few definitions from the prominent literature to define competency. A vast variety of definitions can be found in the literature. Draganidis & Mentzas (2006) present different definitions of competencies derived from several authors and sources in the consolidated table (p. 52). Some definitions can be taken from this table in order to explain different aspects which this term comprises. For instance, according to Marrelli (1998) "Competencies are measurable human capabilities that are required for effective work performance demands" (as cited in Draganidis & Mentzas 2006, 53). Also, Dubois (1998) clarifies that "Competencies are those characteristics - knowledge, skills, mindsets, thought patterns, and the like-that, when used either singularly or in various combinations, result in successful performance" (as cited in Draganidis & Mentzas 2006, 53). Besides, Perrenaud (2000) defines competency as "A capacity to mobilize diverse cognitive resources to meet a certain type of situation" (as cited in Draganidis & Mentzas 2006, 53).

Basically, it is clearly visible from these definitions that the competency has a direct influence on the performance. Indeed, the competency is linked with the performance management. Armstrong (2006) mentions that "The concept of competency has achieved this degree of prominence because it is essentially about performance". As far as a person has relevant competencies, he or she can apply them to a certain level of performance. Successful demonstration of competencies is expected to result in significant job performance (Hawkes & Weathington 2014, 192).

Historically, the concept of the competency is not new. Even early Romans used a form of

competency profiling in order to identify a “good Roman soldier” (Draganidis & Mentzas 2006, 54). David McClelland is credited with introducing and popularizing the concept of competency into HRM literature. He came up with the idea of competency while assisting United States information Agency in improving their selection procedures. Since those times, competency-based models have become vital organizational tools. (Draganidis & Mentzas 2006, 54)

The competency-based approach has gained a huge popularity among contemporary companies. For instance, companies such as The Boeing Company, Microsoft and U.S. department of State apply competency models for different aspects of operations, including selection, appraisal, promotion, and training. (Hawkes & Weathington 2014, 193) Increased popularity is caused by the fact that companies realize the benefits of competency models and try to leverage them. In fact, there are several advantages of using the competency approach. Campion, Fink, Rugeberg, Carr, Phillips, & Odman (2011) found out that competencies can be useful for classifying top performers from average performers. Besides, Lawler (1994) noted that organizations using the competency-based approach acquire a more flexible workforce due to recruiting, selecting, and training people with the relevant set of skills (as cited in Hawkes & Weathington 2014, 194). Moreover, the proper management of competencies decreases communication, training, and administration time. Managers have to learn only one set of competencies for each position. There are some major concepts, such as focusing on behavior, which are used in different positions simultaneously. Thus, there is no need to create a new program or subsystem for each position. Therefore, operational time is decreased. Last but not the least, organizations applying the competency-based approach can foster the learning of new skills. As long as competencies are connected with personal potential and development they are highly attractive to employees who pursue learning and growth ideology in the organization. (Hawkes & Weathington 2014, 195) The last advantage is fundamental for Herman IT as the company aims to create the learning organizational culture.

The key takeaway from this section is the definition of the competency. This will be used in the questionnaire addressed to the employees of Herman IT. The staff members should clearly understand the definition of the competency in order to provide clear answers for the research. This part also has the connection with the research framework. The part “motivation to learn new competencies” is depicted in the research framework. Thus, this part of the thesis explained what the competency is.

2.1.1. Perceived ability to develop new competencies

One of the motivational theories influencing the concept of competency is MARS model, which is an important study about employees' motivation and engagement in their jobs. It stipulates that MARS is the model of personal behaviour, which consists of four factors. In particular, they are motivation, ability, role perception and situational factors. (Thin 2011, 2). This research uses an element from the MARS model, Ability. Another three parts of the model (motivation, role perceptions and situational factors) will not be discussed because they do not constitute the part of the conceptual framework for the research. "A" (ability) is defined by Thin (2011) as "the competence or talent of individual to perform the task successfully" (p. 3). In other words, competency is perceived as the ability of employees to conduct work. This research presents competency and ability as equal terms.

The MARS model is depicted graphically in the following illustration.

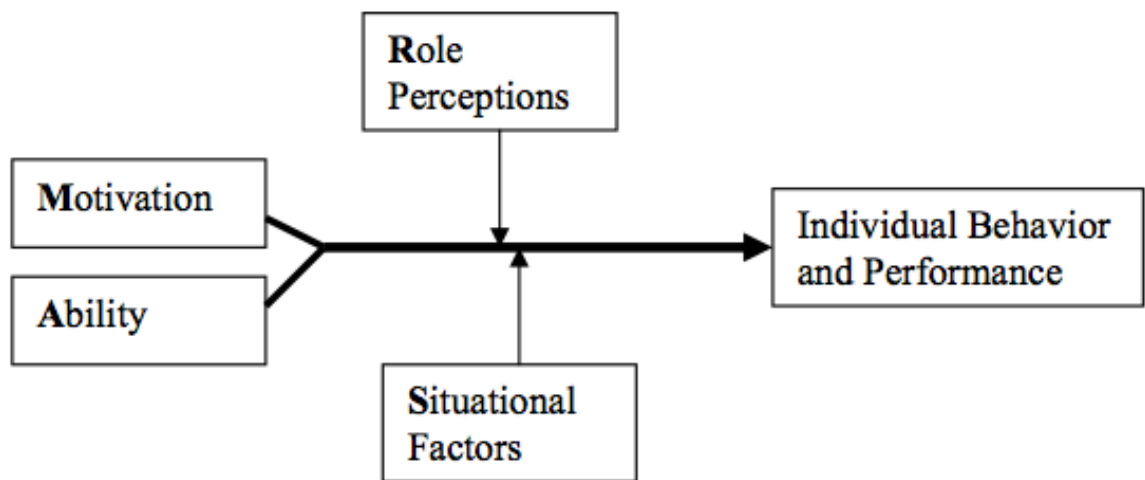


Figure 2. MARS model (Job satisfaction, needs and motivation 2010)

Pinder (2008) had stated that the effectiveness of job performance is affected by the natural aptitude or abilities that a person has and constantly develops (as cited in Thin 2011, 3). Hence, task related abilities and competencies influence performance result. It is crucial for managers to ensure that all employees have relevant competencies (abilities) to perform the job successfully (Thin 2011, 4). Additionally, it is vital to give an employee work in accordance with his or her competencies. High performance will not be achieved in case employees have not enough abilities to perform the job, and they are assigned to perform a

task, which is inappropriate to their abilities. The "A" will be used in order to explain how perceived ability can increase the motivation of an employee to acquire new competencies. On the one hand, employees may desire to develop themselves when they lack sufficient abilities or skills. On the other hand, people may struggle to self-growth even they have enough abilities to perform successfully in an attempt to broaden the outlook. (Thin 2011, 4)

Based on the aforesaid literature, the author hypothesized as follow:

H₁: Perceived ability has positive impact on the employee's motivation to develop new competencies.

2.1.2. Performance objectives related to the competencies development

Another motivation theory relevant to competency approach is the goal setting theory. Generally, the goal-setting theory states that goals have the primary effect on high performance. When an individual is committed to the aim and simultaneously has the prerequisite ability to reach it, there is a positive linkage between goal difficulty and task performance (Locke & Latham, *New Directions in Goal-Setting Theory* 2006, 265). On the one hand, a reader can notice the link of ability with a goal. On the other hand, the strong linkage between goal and performance exists. The relationship between goal and performance is explored in details by Locky (1996) in journal *Applied & Preventive Psychology*: "Goals that are both specific and difficult lead to highest performance" (p. 119). In case of Herman IT, performance is presented as the acquisition of new competencies. The Goal-setting technique is often used in organizations as part of performance appraisals and other performance management operations. (Bipp & Kleingeld 2011, 306).

The goals, in this case, are presented as the inner driven motivation for the employees. According to (Locke & Latham, *New Directions in Goal-Setting Theory* 2006) goals are the major element in self-regulation (p. 265). Besides, the goal-setting theory is closely related to the concept of intrinsic motivation. Deci and Ryan (1985) argue that individuals have the innate need for self-autonomy or self-determination (as cited in Locke & Latham, *New Directions in Goal-Setting Theory* 2006). This is especially regulated when a person is challenged and is free from external circumstances.

Thus, according to the literature above, the researcher hypothesized the following.

H₂: Commitment to the goal positively impacts the development of new competencies.

2.2 Performance management

Secondly, the research concentrates on performance management literature. At first it is relevant to describe the meaning of performance. Diversified definitions can be found in literature. Grönfors (1996) provides a series of definitions taken from different authors. Generally, performance is seen as the difference between input and output, in other words as a measure of efficiency. It is believed that certain inputs provide certain outputs. (Grönfors 1996, 42). Kast and Rosenzweig (1985) depict performance in equation format: Performance = f(ability, effort, opportunity) (as cited in Grönfors 1996, 42). Thus, correlation of ability (and equally competencies) with performance is visible. Hultman (1998) agrees with input-output approach and considers that another four factors should also have the presence in any type of performance, namely they are: competence, confidence, commitment and contingencies (as cited in Grönfors 1996, 42). Again, the ties of competencies and performance are proven.

Several authors described the understanding of performance management in various perspectives. Armstrong (2006) mentions that “Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams” (p. 495). Stephen Williams suggests that “Performance management is the integrated process of objective setting, appraisal and pay determination which supports the achievement of company’s business strategies” (as cited in Grönfors 1996, 49). Lockett (1992) defines PM as “a description approach to management, which should ensure that the whole organization is committed to and capable of providing a quality product or service” (as cited in Grönfors 1996, 50).

The major aim of performance management is to improve organizational performance by proper management of people. (Grönfors 1996, 50) Specifically, PM focuses on aligning individual objectives to organizational objectives and simultaneously ensuring that individuals work in accordance with core corporate values. (Armstrong 2006, 496) Performance management is a holistic scope of three dimensions, which are role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviors (expected to be) (Armstrong 2006, 496).

The performance management is applied in the research framework because it connects the

competencies with other parts of the research framework (perceived ability, goal commitment, concern over competition, performance appraisal, valued rewards).

2.2.1. The need to achieve the performance of the development of the new competencies

Simultaneously, a dimension from the need theory will be embodied in the research framework. The theory was introduced by McClelland and according to Lussier & Achua (2007) it explains behavior and performance from the perspective of a person's need for achievement, power, and affiliation (as cited in Moore, Grabsch, Rotter 2010, 25). The theory is also titled as the Acquired Needs Theory, or the Learned Needs Theory.

However, only need for Achievement (N-Ach) will be integrated into the research framework because of the context to other factors of the framework. Another two dimensions of the theory - power and affiliation will not be incorporated into the conceptual framework. For some individuals, it is of utmost importance to be successful in terms of some established standards. A person may not always reach an objective, but the concern over the competition is a primary achievement goal. According to Lussier and Achua (2007), "N-Ach is the psychological concern to be prosperous in accomplishments through individual efforts" (as cited in Moore, Grabsch, Rotter 2010, 25). Besides, Daft (2008) described the need for Achievement as "the desire to accomplish something difficult, attain a high standard of success, master complex tasks, and surpass others" (as cited in Moore, Grabsch, Rotter 2010, 25). These definitions contend that if an individual pursues need for achievement, he or she will be likely to reach realistic but challenging goals. Hedberg, Hirth, & Petzold (2002) mention that n-Ach comprises three drives: the drive to transcend, the drive to accomplish in relation to a set of standards, and the drive to endeavor to succeed (p. 4).

Figure 3 pinpoints a human with a high need for achievement, but little need for affiliation as well as some need for power. In fact, everyone can place a mark on such a triangle representing his or her tendency toward the certain dimension of the theory.

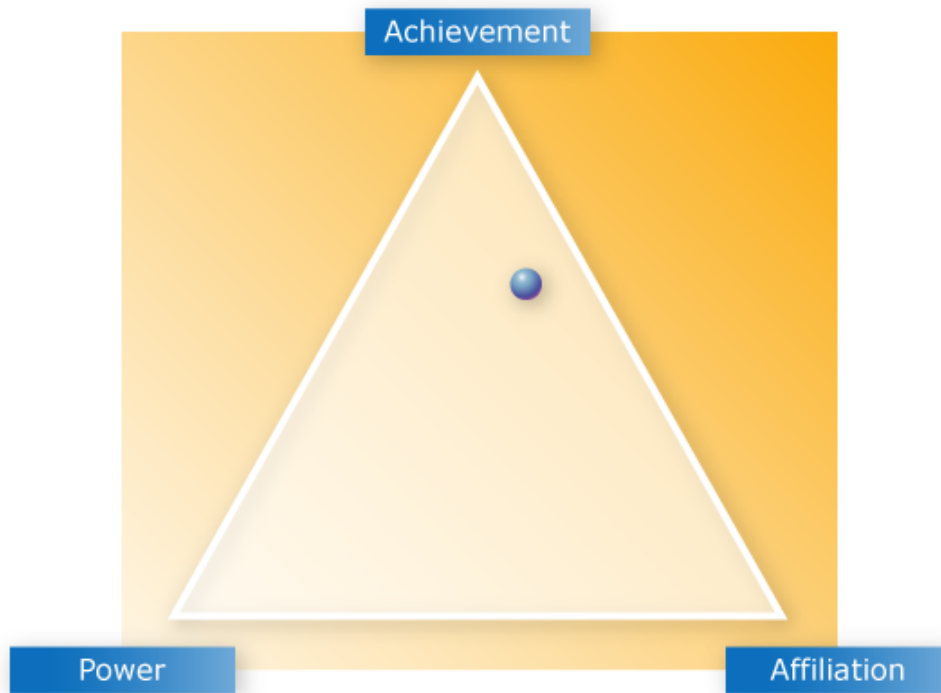


Figure 3. Need theory (David McClelland 2006-2015)

Based on this theory, the competition approach has a direct impact on the motivation of workers to learn new skills. The following hypotheses are presented in this aspect.

H₃: Concern over competition positively impacts the motivation of employees to develop new competencies.

2.2.3. Competency-based performance appraisal criteria

Performance appraisal is the formal evaluation and rating of people by their supervisors. Such assessment processes are usually done in annual review meetings. (Armstrong 2006, 500). It can involve multiple goals. For instance, performance appraisal can provide data for personnel decisions such as salary increases, promotion, and employee development. (Cleveland, Murphy & Williams, 1989, 50) As a rule, performance appraisal management provides the structured process to review employees' performance. A regular performance review (perhaps one or two times per year) is a prerequisite for every company for measuring the extent to which assigned goals have been met. (Torrington, Hall, Taylor & Atkinson 2014, 195) This aspect of performance appraisal is the most important for Herman IT case.

Performance appraisal management is included in this research because the author aims to identify whether competency-based performance appraisal will fuel the employee's desire to acquire new competencies. Basically, the competency-based performance appraisal is based on the assessment of performance criteria against performance (Torrington, Hall, Taylor & Atkinson 2014, 204). In the particular case the performance criteria of Herman IT's employees – the extent of successful learning of the new competencies. Thus, the agenda of review meetings could be assessing the degree of acquiring certain competencies by certain employees. When a competency profile is created for the particular job beforehand, the appraisal will be more accurate. (Torrington, Hall, Taylor & Atkinson 2014, 204)

This concept should be distinguished from the goal commitment. The latter is seen as the inner motivation of the workers. On contrary, the performance appraisal drives the employees externally because supervisors are responsible for the evaluation of the performance. Townley (1989) perceived the performance appraisal as “solely a means of managerial control” (as cited in Armstrong 2006, 500).

Performance appraisal management has several drawbacks. Longenecker (1997) pinpointed three common reasons for failure of this system: “unclear performance criteria or an ineffective rating instrument; poor working relationships with the boss; and that the appraiser lacked information on the manager's actual performance” (as cited in Torrington, Hall, Taylor & Atkinson 2014, 205). Other downsides include lack of performance feedback and limited concentrating on employees' development or improvement, lack of appraisal skills, and unstructured review process (Torrington, Hall, Taylor & Atkinson 2014, 205). Managers are trained to conduct such type of performance evaluation otherwise, it would be a limitation for the success (Benefits of appraisal, 2010). Therefore, senior management should implement strategies that can help to avoid above stated limitations to happen during appraisal. The limitations can be diminished when a set of conditions is maintained. These are: setting reasonable and achievable targets; providing objective assessment; accepting judgments across the whole organization; fair and trustful supervisors (Torrington, Hall, Taylor & Atkinson 2014, 206).

This way, when performance appraisal is based on the extent of the acquisition of the certain competencies, the workers tend to be more motivated to learn new skills. The researcher hypothesized the following.

H₄: Competency-based performance appraisal positively drives employees to develop new

competencies.

Performance appraisal has a tight linkage with the reward system to be effective. For instance, the study conducted by Cleveland, Murphy & Williams (1989) revealed that appraisal systems had the greatest impact on salary administration. Besides, Thomson & Mabey (1994) provide the case study of the Northelectro which introduced performance-related pay system. The system was based on the annual appraisal of employees against objectives that had been jointly set before. As a result of the evaluation, each worker was graded on a scale of 1 to 6, meaning exceptional and unacceptable performance respectively. Furthermore, the grade determined the increase in the pay of an employee. Therefore, the performance appraisal is directly linked with rewards, which will be studied in the next section.

3.3. Reward system

The third section denotes on reward system literature findings. The primary objective there is to highlight definition and types of rewards as well as how rewards affect employee's motivation.

According to Armstrong (2006) reward management has to do with strategies aimed to pay people fairly and in accordance with their contribution to an organization (p. 623).

3.3.1. Rewards given for the successful development of the new competencies

Researchers define two types of rewards: extrinsic and intrinsic ones. (Chelladurai 2006, 233). Intrinsic rewards result directly from the performance without the participation of an intermediary. Such rewards emerge from within the person. Intrinsic rewards are psychological incentives the employees receive from doing valuable work and performing it at a high level. They include intangible things, such as

- Interesting work,
- Responsibility,
- Recognition,
- Achievement,
- Task variety,
- Task significance,
- Job feedback,

- Self respect,
- Sence of achievement,
- Sense of meaningfulness,
- Sense of choice,
- Sense of competence,
- Sense of progress,
- Feeling of having learned something,
- Feeling of having done something of great value,
- Feeling of having completed a job well,
- Feeling of contribution to accompany.

Adopted from (Thomas 2009, 233; Thomson & Mabey 1994, 147).

Extrinsic rewards arise from outside an individual and can be categorized into two types: financial and non-financial rewards.

The following table depicts financial rewards, which can increase motivation at work.

Table 1. Financial rewards

Financial reward	Definition
Payment by time	Payment is calculated according to the number of hours at working place.
Payment by results (PBR)	In PBR systems workers the rate of pay is linked to quality. It is assumed that once employees are paid exclusively for their efforts, they will work much harder.
Collective bonus	Collective bonus includes payments or non-financial incentives addressed to members of a formal team and linked to the performance of that group (Beardwell & Holden 1997, 570).
Profit sharing	According to IDS Study 520 (1992: 6) profit sharing is “a part of an employee’s pay normally linked to the profits of the business in which the employee works” (as cited in

	Beardwell & Holden 1997, 571).
Performance-related pay (PRP)	PRP is a system in which a person's increase in salary depends on his/her appraisal or merit rating (Beardwell & Holden 1997, 575). Merit rating comprises factors such as punctuality, adaptability, attitude.
Employee benefits:	<ul style="list-style-type: none"> • Company cars • Subsidized meals • Holidays entitlements • Foreign travel • Telephone costs • Discounted or totally free insurance • Healthcare (dental treatment, eye tests) • Sabbatical (paid holiday) • Sport facilities • Assistance with housing (i.e., assistance with house purchase) • Educational courses • Cafeteria-style benefit plans—special incentive systems that allow employees to choose benefits from a given menu of available variants. Each benefit has the price and employees are allocated the definite level of budget to spend on preferred benefits. • Pension schemes

Adopted from (Beardwell & Holden 1997; Thomson & Mabey 1994; Lunenburg, Expectancy Theory of Motivation: Motivating by Altering Expectations 2011).

Non-financial extrinsic rewards comprise:

- Praise (e.g. appreciation letter from Director);
- Opportunity for promotion;
- Opportunity to transfer to another department;
- Opportunity for internal transfer e.g. to another sister company or group office;
- Pleasant working conditions;
- Free time/ flexitime (flexible work time);
- Status within the company;
- Status outside the company.

Adopted from (Beardwell & Holden 1997; Thomson & Mabey 1994).

Types of rewards were adapted to the case study of Herman IT. This was done to ensure that all rewards are in compliance with the ones used in the company. This will enable more coherent results of the practical part of the research. The following list will be included to the practical part:

Financial reward (Performance related pay)

- Competence-based bonus, i.e. once-off bonus payment linked to successful acquisition of a new competency;
- Competence-based pay increment, i.e. increment in salary linked to successful acquisition of a new competency;
- Competence-based promotion, i.e. promotion upon acquiring of a spectrum of competencies (however, this must also be linked to other performance factors / criteria);
- Points accumulation resulted from achievement of an agreed competency for flexible benefits redemption. Consider the situations when every successful competence acquisition results in some points. These points collected can be used to redeem benefits from a cafeteria-style menu, for example, shopping voucher, lunch voucher, spa treatment.

Non-financial reward

- Recognition through praises (verbal and/or written praises by email, certificate of achievement, etc.)
- Recognition in the company's annual event (e.g., an award ceremony)

- Increase opportunity for promotion
- Increase opportunity to perform more significant tasks
- Increase opportunity to transfer to another department
- Time allocation to support the acquisition of a new competence
- Increase opportunity to participate in 'talent management program' (i.e. more opportunity for training and development, a prospective candidate in succession planning and participation in key projects, etc.)

Intrinsic factors

Motivation will increase if the acquisition of competency will

- Increase sense of self-confidence
- Increase sense of competence
- Increase sense of achievement
- Increase sense of objective accomplishment
- Increase sense of knowledge progressing

Modified from (Beardwell & Holden 1997; Thomson & Mabey 1994; Lunenburg, Expectancy Theory of Motivation: Motivating by Altering Expectations 2011).

3.3.2. An employee's preference for the reward given for the development of the new competencies.

Expectancy theory is one of the motivational theories, which states that there is a positive correlation between three variables. The first variable is the effort employees put at a job. The second one is the performance achieved from the effort. The last variable is considered to be the rewards, which employees receive from effort and performance. (Lunenburg, Expectancy Theory of Motivation: Motivating by Altering Expectations 2011, 2). Sometimes the theory is referred to as Valence-Instrumentality-Expectancy (VIE) theory (Broedling 1975, 65). Expectancy theory constitutes several implications: Effort-to-Performance Expectancy (E-P), Performance-to-Reward Expectancy (P-O) and Valences of Rewards (Isaac, Zerbe, Pitt 2001, 212). This research will use Valences of Rewards implication. The E-P and P-O will not constitute the part of the research framework. The key idea of this theory is that the individual's behavior determines the degree to the attainment of some outcomes and the assuming of achieved outcomes (Reinhardt & Wahba 1975, 522). Vroom (1964) made a suggestion that people consciously stick to certain courses of action, based on beliefs and perceptions that consequences of their desires will bring pleasure and avoid pain.

Porter and Lawler (1968) later on developed a theoretical model based on Vroom concepts (pp. 482–503). They proposed that expenditure of a person’s effort would be determined by two factors: belief that an outcome may be achieved and the extent of the value of an outcome. (as cited in Isaac, Zerbe, Pitt 2001, 214) The expectancy theory is presented graphically in the below illustration.

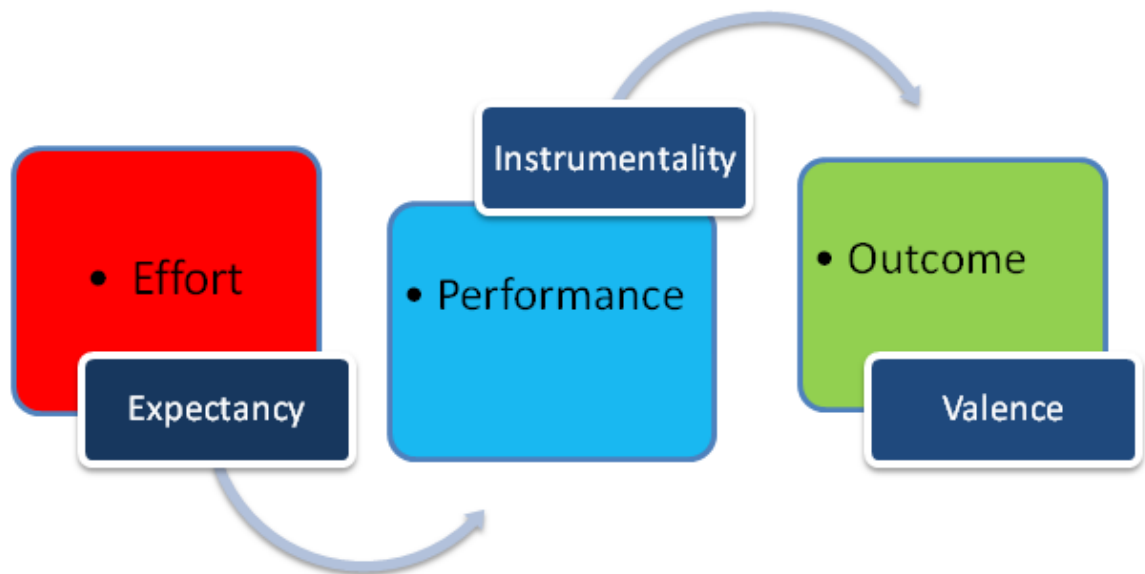


Figure 4. Expectancy theory (Miller 2013)

The valence of reward will be crucial for this section in the research framework. *Valence* is the degree of an employee’s preference for a certain reward (Lunenburg, Expectancy Theory of Motivation: Motivating by Altering Expectations 2011, 3). According to Isaac, Zerbe, Pitt (2001) an employee will be motivated if attained outcome is personally valued (p. 215). Thus, diversified types of intrinsic and extrinsic rewards might have more or less importance to individual employees.

According to Lunenburg (2011) “Leaders should try to increase the expected value of rewards resulting from desired performance” (p. 6). This can be done, example, by distributing rewards that employees value and individualizing rewards. The last point is vital there because not all employees appreciate the same kind of rewards. Some workers may prefer to have promotion, another will be satisfied with additional vacation days, and the third type of employees may have a positive attitude to improved insurance benefits. (Lunenburg, Expectancy Theory of Motivation: Motivating by Altering Expectations 2011,

6) Thus, this part is important to identify desired rewards of employees in Herman IT, which can increase their motivation to learn.

The value of reward is positively correlated with the motivation of employees to learn new competencies. This way, the author hypothesizes the following.

H₅: The value of rewards positively impacts the motivation of employees to develop new competencies.

3.4. The motivation of employees to develop the new competencies

In today's world, all organizations are concerned with what should be done to motivate employees to perform at a high level. Well-motivated people have the clear understanding that their actions will lead to a specific performance. As a rule, such employees have a high level of self-motivation. Besides, the motivation is initiated by the recognition of unsatisfied needs. A worker should clearly see that the present level of performance needs to be improved. Such way of thinking drives employees to do their best in a workplace.

(Armstrong 2006, 251-253)

There are two types of motivation:

- Intrinsic motivation. It comprises the self-generated factors that impact people's behavior in a particular way or drive individuals to move in a particular direction. The prerequisites for this type of motivation include several features. First and foremost, a person should gain satisfaction from the process of accomplishing the mission. Besides, it is crucial to realize that the assigned task is valuable and fruitful for a person. Moreover, the right environment should be presented to a person to enlarge the motivation. The proper environment could be ensuring that an employee has an autonomy (freedom to act). The last but not the least, it is vital that a staff member has control over own resources, such as enough amount time and equipment to perform. All these things in consolidation increase the inner motivation of a person.
- Extrinsic motivation. This is basically what is addressed to people from external party to motivate them. It includes extrinsic rewards and punishments.

Adopted from Armstrong (2006, 254)

Besides, there are two broad categories of motivation theories - content and process theories. The content theories answer questions of **what** motivates people; the process ones answer questions of **how** to motivate people.

The content theories focus on the factors within a person that trigger certain behavior. They concentrate on the specific needs that motivate people to perform. When individuals are not receiving what they perceive they need, they will do their best to satisfy that need. Content theories include need theory (David C. McClelland) which constitutes a part of the research framework in this thesis. The theories also comprise Abraham Maslow, Clayton P. Alderfer and Frederick Herzberg researches, however, they will not be discussed because they are not a part of the conceptual framework.

Process theories aim to explain how behavior is energized, directed and stopped. One of the predominant theories relating to the process theories is goal setting and expectancy ones which are a part of the research framework. Process theories also include reinforcement and equity theories which are not used in the research framework in this thesis. The expectancy theory has not been verified through any researches. This study will apply the expectancy theory in the real case which differentiates this research.

Adopted from (Stotz & Bolger, 2011, 16-27)

Thus, the research combines bits of both types of motivation theories to formulate the framework. All theories have been helpful in discussing motivation, however, not all of them have been supported by research. This research will verify some of the theories (need, goal setting and expectancy theories) in the case of Herman IT.

3.5. Learning organizational culture

Finally, all previous stages in combination are expected to result in learning organizational culture (LOC). Major concerns of the following stage comprise finding out the definition of LOC, the need for the concept, and different approaches to the process of learning.

3.5.1. Definition of learning culture in an organization

First and foremost it is necessary to render an account of the learning process in general. According to Kim (1993) 'Learning is the process of increasing one's capacity to take action'

(as cited in Armstrong 2006, 549). Learning should not be confused with training. The later tends to concentrate on the particular state of being or operating, whereas learning has to do with improving current knowledge or skill. (Armstrong 2006, 550)

Bates and Khasawneh (2005) declare the learning culture in an organization as a consensus among a company's members regarding the value of learning and the culture that supports the acquisition of information, the distribution and sharing of learning (2005: 98) (as cited in Bishop, Felstead, Fuller, Jewson, Lee & Unwin 2006, 16). Moreover, Gill (2009) states that learning helps the organization constantly and continually progress and advance, attain goals, and obtain new possibilities and capacities (p. 31).

3.5.2. The importance of learning organizational culture

The literature provides with various factors regarding the need for learning culture in the organization. According to Schein (1993) firms need learning organization due to "increasing rate of change in the environment" (p. 27). The same author also suggests that other reasons include explosive growth of technology and improving communication across all company's departments (Schein 1993, 27-28). Similarly, Gill (2009) proposes that "the complexity and rapid change of work today require collective learning" (p. 31). Thus, such culture is vital to the rapidly changing environment in the industry Herman IT is operating. This industry faces the technological development as well as the rapid change of work. Consequently, the workers should be motivated to develop new competencies in order to adapt to the changes in the industry.

The concept of learning organizational culture begun to be widely used in the 1980s – 1990s and is still applied in the majority of companies nowadays (Bishop, Felstead, Fuller, Jewson, Lee & Unwin 2006, 16).

3.6. Research Framework

All theoretical findings were systemized in the single conceptual framework. The following figure visualizes the research framework.

Learning organizational culture

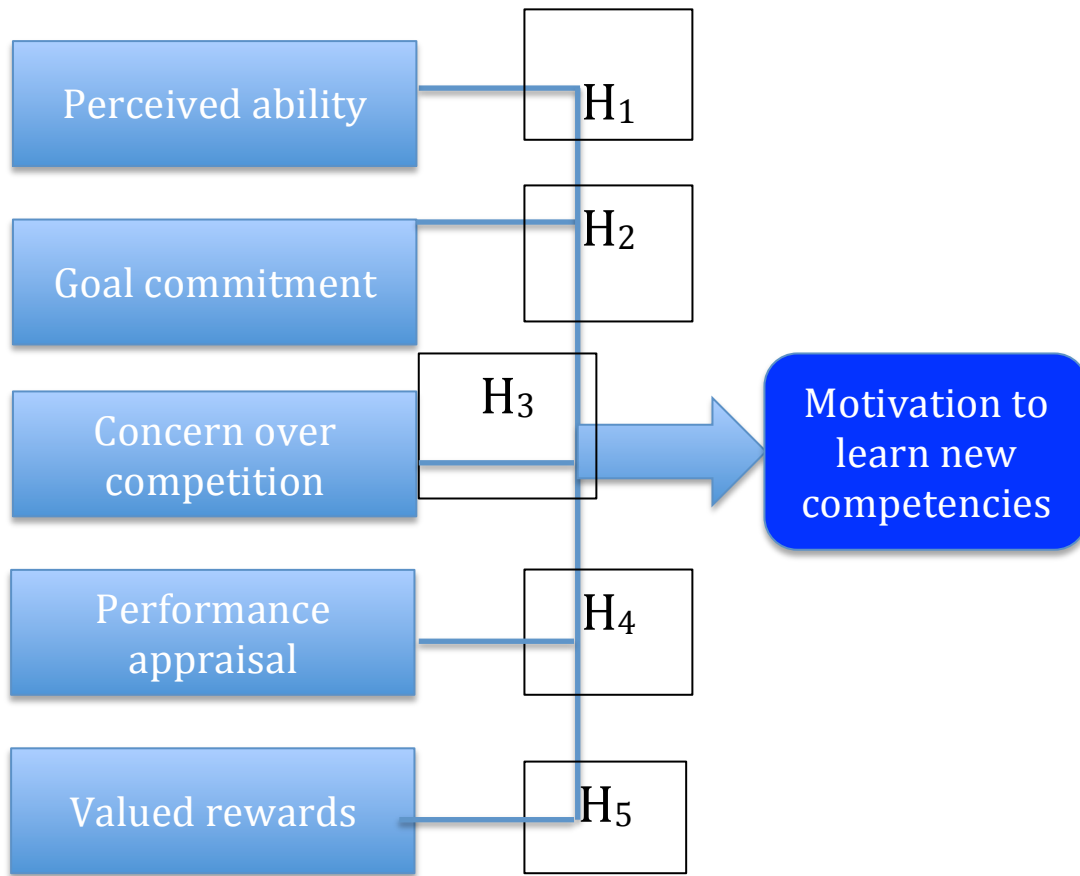


Figure 5. Research framework

Besides, the next table shows how research questions are consistent with hypotheses. This step summarizes the section of literature review.

Table 2. Research questions and hypotheses

Research questions	Hypotheses
1. What factors influence employee motivation to acquire new competencies for self-development?	H ₁ : Perceived ability has positive impact on the employee’s motivation to develop new competencies.
a. Will perceived ability to accomplish the job be motivational for employees?	

b. Will attaining of a goal to learn new competencies encourage employees for self-growth?	H ₂ : Commitment to the goal positively impacts the development of new competencies.
c. Will concern over competition foster learning attitude?	H ₃ : Concern over competition positively impacts the motivation of employees to develop new competencies.
2. Will competency-based performance appraisal impact the employee's desire to acquire new competencies?	H ₄ : Competency-based performance appraisal positively drives employees to develop new competencies.
3. Will employees be motivated to gain new competencies if their achieved performance outcome (acquisition of new competencies) leads to desired rewards?	H ₅ : The value of rewards positively impacts the motivation of employees to develop new competencies.
4. What type of rewards are perceived as valuable for Herman IT's employees to motivate them to gain new competencies?	

4. RESEARCH METHODOLOGY

This part of the study elaborates on the research method. In particular, the author describes data collection method, permission issues, validity and reliability of the work, and limitation of the research.

4.1. Data collection method

This research is based on quantitative method. This method was chosen due to existing theoretical base and pre-understanding of the theory. (Kananen 2011, 73). The purpose of the quantitative method is “to test hypotheses, look at cause & effect, & make predictions” (Johnson 2008, 34). The questionnaire was used as the data collection method. “Questionnaire is a set of questions designed to generate the data necessary to accomplish the objectives of the research project; it is a formalized schedule for collecting information from respondents” (McDaniel & Gates 2010, 370). The primary reason for choosing questionnaire as the data collection method in the thesis is because the content of questionnaire is very logical. It is supposed to provide essential answers to research questions without additional effort. The survey was designed in Digium Enterprise electronic engine. The questionnaire was administered by email since it does not require physical attendance and thus do not disturb respondents a lot. The e-mail was accompanied by covering letter containing the description of the purpose of the survey and introduction of the researcher.

Validity issues are addressed in different ways. Firstly, the CEO of Herman IT has appointed a manager responsible for directing questionnaire to all employees, keeping results and sending them back to the researcher. Secondly, each employee had a choice to stay confidential when completing the questionnaire. Anonymous approach is more comfortable for some employees, and thus answers are expected to be more sincere. Thirdly, the questionnaire was translated into Finnish language, which makes questions more comprehensible and thus participants can provide clear and precise answers.

When it comes to the reliability issues, the research has low level of reliability due to the low response rate. Therefore, the results can be used as the guideline rather than the actual model in the working life.

The questionnaire was split into two parts: background data and answers to research questions. Privacy issues relating to background data were ensured and explained to respondents in the cover letter. Therefore, the researcher abides by ethical principles. The questions aiming to find answers to research questions were placed at the beginning. They proceeded from general to more specific. Such approach was intended to concentrate respondent on research gradually instead of overwhelming at first stages. Likert-scale questions were applied in this section. Likert scale comprises a series of statements expressing either a favorable or an unfavorable attitude toward the concept under study (McDaniel & Gates 2010, 345). Secondly, background data questions were designed to find out gender, position, and years of experience of a respondent. This made classifying of research results more concrete. Multiple-choice questions were applied in this part of the questionnaire. Also, one dichotomous question was used for determining the gender statistics of the respondents. This section was placed at the final part of the survey.

Firstly, the participants were given the set of questions, which directly helped to find out the answers to the research questions of the study. The questions were grouped in accordance with hypotheses design. The series of questions corresponded to the perceived ability, commitment to the goal, concern over competition, competency-based performance appraisal, and the value of reward. These groups acted as independent variables for the study. The respondents indicated their attitude toward each independent variable in five-point likert scale questions (from strongly disagree, disagree, neutral, agree to strongly agree). Besides, eight likert-scale questions corresponded to the motivation of Herman IT employees to acquire new competencies. The questions were:

- “I believe I can achieve the performance of acquisition of new competencies.”
- “I believe that my present level of competencies needs to be improved.”
- “I gain satisfaction from the process of learning new competencies.”
- “I find the opportunity to learn new competencies useful for my work.”
- “I am willing to learn new competencies.”
- “I am ready to learn new competencies.”
- “I have the right environment to learn new competencies.”
- “I have enough resources to learn new competencies.”
- “Overall, I am motivated to learn new competencies in my job.”

These questions were the dependent variable in the research. The main goal in this stage was to find out whether there is statistical correlation between independent and dependent variables. The mean for the eight questions regarding the motivation was calculated in the SPSS software. Besides, the mean for each of the group of the questions representing independent variables was calculated. Thus, the researcher found out the mean for the perceived ability, commitment to the goal, concern over competition, competency-based performance appraisal, and the value of reward separately. Afterwards, the level of both variables' correlation was measured by calculating Spearman's rank correlation coefficient.

Besides, the respondents ranked the preference for different rewards, which can be received after the successful acquisition of new competencies in Herman IT. The researcher has only selected the rewards that are suitable for the Finnish labor environment and for the Herman IT's circumstances. Also, these are just exploration type of rewards, and not all of the rewards in the research are offered now. The answer from the survey aims to compare if there are any gaps between what Herman IT employees' expectations versus what they are receiving now. The choices of the rewards were quite different depending on an individual. In the last part of the survey, the employees of Herman IT provided some information concerning demography, work experience and the name of the department they worked in. The questionnaire is presented in Appendix 1.

The population of the survey under study includes all employees of Herman IT. In statistics, the population is the target group of the research (Kananen 2011, 94). Since the new organizational model is supposed to be designed for workers of Herman IT, it is important to conduct questionnaire among low and middle management level of the company. Therefore, the sample of the questionnaire includes low and middle-level employee staff. The sample is the group selected among the population (Kananen 2011, 94). Sixteen out of forty employees responded to the questionnaire. The following table illustrates the hypotheses, developed survey questions and the academic source of the questions.

Table 3. Hypotheses, survey questions and sources of the questions

Hypotheses	Survey questions	Sources of the questions
H ₁ : Perceived ability has positive impact on the employee's motivation to develop new competencies.	<p>I believe I can achieve the performance of acquisition of new competencies.</p> <p>I feel that I have enough abilities to perform my job successfully.</p> <p>I believe I have the required ability to achieve my desired performance.</p>	Self-formulated: Thin (2011, 2-3)
H ₂ : Commitment to the goal positively impacts the development of new competencies.	<p>The acquisition of a new competency can be set as a performance goal by my supervisor.</p> <p>It is possible to achieve the goal of learning new competencies in my job.</p>	<p>Self-formulated: Locke & Latham, New Directions in Goal-Setting Theory (2006, 265).</p> <p>Self-formulated: Locky (1996, 119)</p>
H ₃ : Concern over competition positively impacts the motivation of employees to develop new competencies.	<p>Acquisition of new competency will help me to become more competitive in my job.</p> <p>Acquisition of new competency will help me to surpass others.</p>	<p>Self-formulated: Hedberg, Hirth, & Petzold (2002, 4)</p> <p>Moore, Grabsch, Rotter (2010, 25).</p> <p>Adopted: Bipp & Kleingeld, (2011, 316)</p>
H ₄ : Competency-based performance appraisal positively drives employees to develop new competencies.	<p>My performance can be appraised against my objectives by my supervisor.</p> <p>I believe that my performance of learning new competency can be evaluated by my boss.</p>	<p>Self-formulated: Armstrong (2006, 254 - 500)</p> <p>Self-formulated: Atkinson (2014, 204)</p>
H ₅ : The motivation of employees to learn new competencies depends on the value of reward.	<p>I will receive a reward after successful acquisition of a new competency.</p> <p>I value the reward I receive after successful acquisition of a new competency.</p>	<p>Self-formulated: Isaac, Zerbe, Pitt (2001, 214)</p> <p>Self-formulated: Lunenburg, Expectancy Theory of Motivation: Motivating by Altering Expectations (2011, 3).</p>

<p>H₅: The motivation of employees to learn new competencies depends on the value of reward.</p>	<p>You will see a list of examples of rewards, which you may be awarded once you have gained necessary set of competencies.</p> <p>Please, choose three of the most desirable rewards for you (from top 1 to top 3). You should not mark all rewards.</p> <p>You will see a list of rewards which can arise inside from you. Please, choose three of the most desirable rewards for you (from top 1 to top 3). You should not mark all rewards.</p>	<p>Self-formulated: Beardwell & Holden 1997;</p> <p>Self-formulated: Thomson & Mabey 1994;</p> <p>Self-formulated: Lunenburg, Expectancy Theory of Motivation: Motivating by Altering Expectations 2011.</p>
<p>The motivation questions</p>	<p>I believe that my present level of competencies needs to be improved.</p> <p>I gain satisfaction from the process of learning new competencies.</p> <p>I find the opportunity to learn new competencies useful for my work.</p> <p>I am willing to learn new competencies.</p> <p>I am ready to learn new competencies.</p> <p>I have the right environment to learn new competencies.</p> <p>I have enough resources to learn new competencies.</p> <p>Overall, I am motivated to learn new competencies in my job.</p>	<p>Self-formulated: Armstrong (2006, 251-267)</p>

It is crucial to mention the permission issues of the research. The thesis is a part of the Open House Project. The parties involved are KAMK's sustainability in academic contributions, its continuous workforce developments, and the internationalization of the key industries and businesses in the Kainuu region. The primary goal of the project is to cooperate lecturers and students of KAMK with local companies in Kainuu region. Such combination is supposed to provide systematic research, development activities and successful business products to Kainuu. Herman IT is one of the participants in the project.

This thesis is commissioned as a part of the Kajaani University of Applied Sciences Open House Project with Herman IT which also includes among others permission to conduct the research among the company employees. Hence, the researcher is assured of permissions issues of the study.

The major limitation of the research includes low respondent rate. The topic of the questionnaire is connected with work of the interviewees. Therefore, the respondents were supposed to be interested in participating in research. The participation rate was expected to be higher. One research estimated that the likelihood of people to take part in the survey rises by 40 percent when the topic is of great interest for them (McDaniel & Gates 2010, 375). However, the situation was different in this particular case.

The small number of answers created challenges in the statistical analysis of the study. In particular, it was quite challenging task to analyze Spearman's rank correlation coefficients. Nevertheless, the research findings were analyzed, and appropriate conclusions were made. This is described in details in the next chapter.

5. FINDINGS AND ANALYSIS

This section presents research findings. The answers to the questionnaire were analyzed and systemized. The above stated actions helped to provide the overview of the correlations, to find out answers to the research questions and the research problem.

5.1. Background information about the respondents

Appendix 2 provides the output from SPSS system regarding background data of the participants. As it was mentioned previously, the number of the respondents is 16. Among them, one person aged from 51 to 60; two persons aged from 41 to 50; five individuals aged from 18 to 30 and eight persons are from 31 to 40 years old. In percentage metrics, it constitutes 6%, 12%, 31% and 50% respectively. The figure below illustrates the proportion of age's ranges and the number of the respondents.

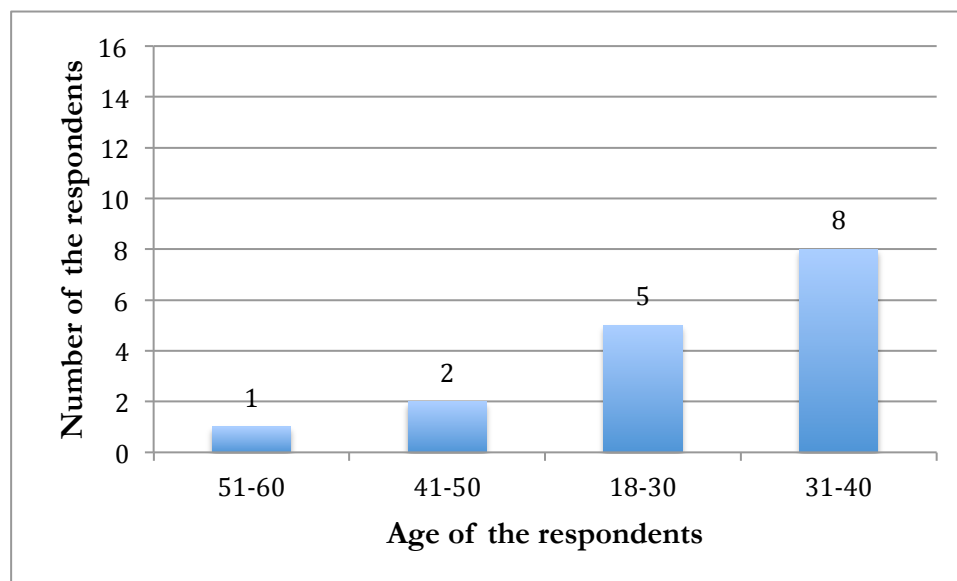


Figure 6. Age of the respondents (n=16)

The number of men was significantly greater than the number of females. Fourteen men and two ladies participated in the survey. In other words, 12% of females and 87% of males responded to the questionnaire (Figure 7).

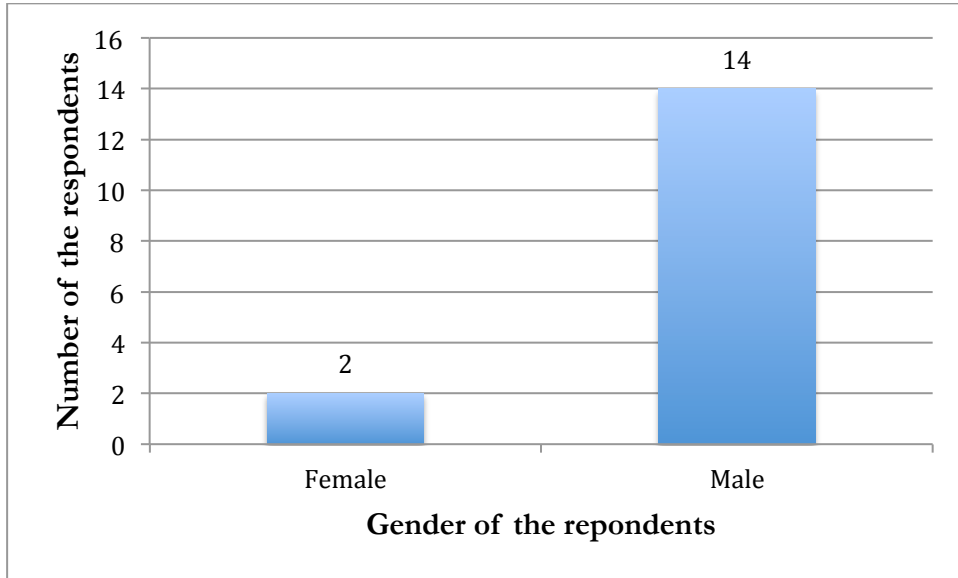


Figure 7. Gender statistics of the respondents (n=16)

The questionnaire also aimed to find out how many years a respondent has been working in his or her professional area. According to Figure 8, the majority of the respondents have been working in the professional field for the period of 9-14 years.

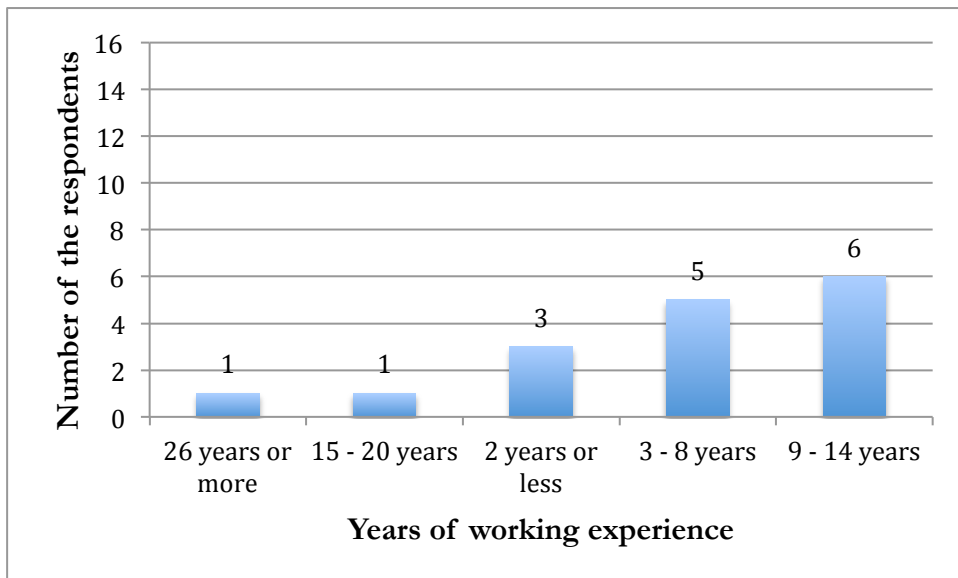


Figure 8. Years of respondents' working experience (n=16)

The last but not the least, the respondents had an optional question, where the name of the department they worked in could be indicated. Since the question was non-obligatory, only ten out of sixteen participants answered this question. Thus, five of them work in Concepts; four operate in Capacity, and one is employed in Colocation (Figure 9).

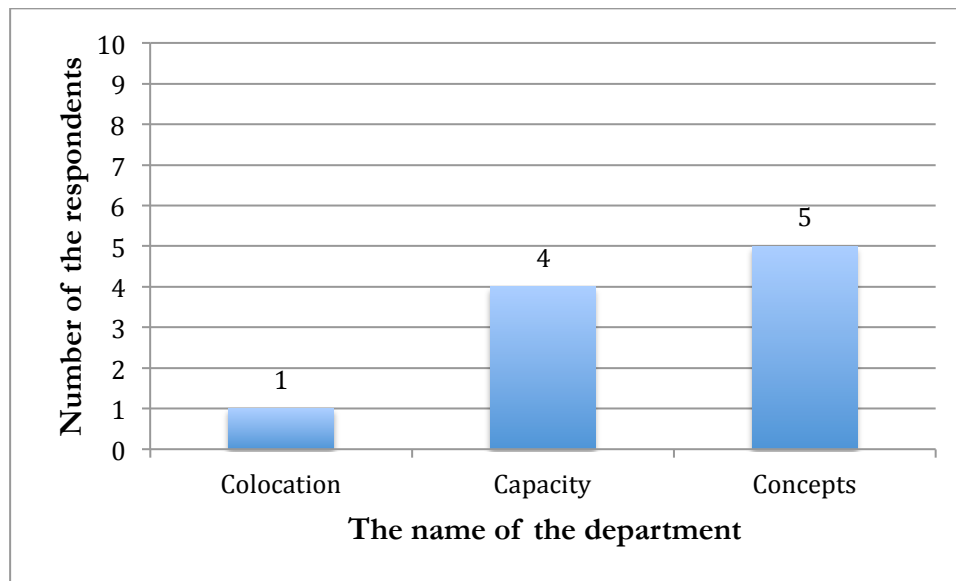


Figure 9. Herman IT's departments (n=10)

5.2. The correlation between the perceived ability and the motivation

The respondents indicated the attitude toward personally perceived ability by replying to the questions “ I feel that I have enough abilities to perform my job successfully” and “I believe I have the required ability to achieve my desired performance” in the likert scale format. The mean for the above questions was calculated in the SPSS. Furthermore, the correlation between the perceived ability and the motivation of the employees to develop themselves was found via Spearman’s rank order correlation coefficient.

According to the SPSS output (Appendix 3), it is visible that the correlation coefficient equals to 0,3. Thus, there is a positive relation between the perceived ability and the motivation to develop new competencies in Herman IT’s management. If an employee's awareness of being able to learn a new competency grows, their motivation to accomplish it increases as well and vice versa.

5.3. The correlation between the goal commitment and the motivation

The participants of the research expressed their attitude towards the commitment to the goal by replying to the questions “The acquisition of a new competency can be set as a performance goal by my boss.” and “It is possible to achieve the goal of learning new

competencies in my job.” in the likert-scale format. Similarly to the previous case, the questions representing the commitment to the goal were grouped as the single independent variable and the mean for them was calculated in the SPSS.

Appendix 4 illustrates the Spearman’s rank order correlation coefficient between the goal commitment and motivation. As a result, the coefficient is 0,7. Therefore, a positive association between the two variables (goal commitment and the motivation) is clearly visible. The correlation is very strong because the coefficient is close to 1.

Hence, a positive correlation between the goal commitment and motivation exists. The more a person from the company is committed to reaching the goal of attaining a new competency, the higher is the level of his or her motivation. This can be also expressed in the opposite way. The lower is the goal attitude, the lower is the motivation of an employee.

5.4. The correlation between the concern over competition and the motivation

Similarly to previous situations, the participants of the study replied to the questions concerning their preference for the concern over competition (“Acquisition of new competency will help me to become more competitive in my job.” and “Acquisition of new competency will help me to surpass others.”). The questions had the likert-scale format. The questions representing the concern over competition were grouped as the single independent variable and the mean for them was calculated in the SPSS. The software presented Spearman’s rank order correlation coefficient (Appendix 5) for the independent and dependent variables.

The coefficient amounts to 0,5. Therefore, a positive correlation between variables (concern over competition and motivation) is visible. The higher is the involvement in the rivalry between employees the more a worker is eager to learn new competencies and vice versa.

5.5. The correlation between performance appraisal and the motivation

The employees of Herman IT expressed their opinion towards performance appraisal in the company by replying to the questions “My performance can be appraised against my objectives by my boss.” and “I believe that my performance of learning new competency can be evaluated by my boss.” The questions had the likert-scale design. The questions representing the concern over competition were grouped as the single independent variable and the mean for them was calculated in the SPSS. The software presented Spearman’s rank

order correlation coefficient (Appendix 6) for the independent and dependent variables.

Spearman's Correlation Coefficient is approximately 0,4. Thus, there is a positive connection between the given variables. Once the performance of learning new competencies is evaluated by the supervisor the motivation to acquire new competencies increases and vice versa.

5.6. The value of reward given for the successful development of the new competencies

The respondents indicated in what degree they agree or disagree about the likelihood to receive a reward after the successful acquisition of a new competency in the company (Appendix 7). Most of the respondents choose "neutral" variants. Thus, as an overall trend the employees of Herman IT are in doubts whether they are eligible to receive a reward for the learning of the a new competency (Figure 10).

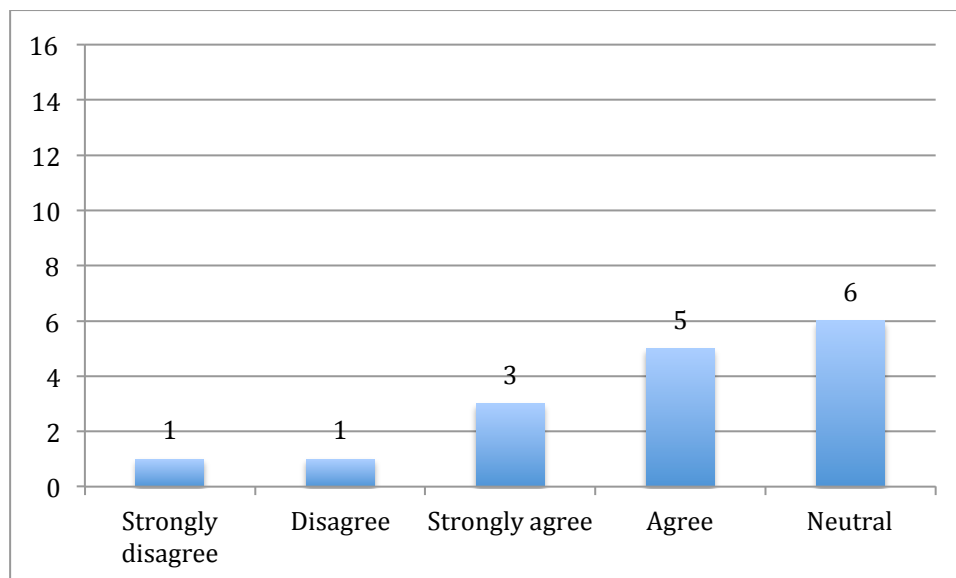


Figure 10. I will receive reward after the successful acquisition of a new competency. (n=16)

Besides, the correlation between the independent variable ("I value the reward I receive after successful acquisition of a new competency") and the dependent variable was calculated. The Spearman's Correlation Coefficient (Appendix 8) accounts for 0,2. Thus, there is a positive correlation between the two variables (the value of reward and the motivation). When the value of rewards increases for the employees of Herman IT, the motivation to learn new competency also has an upward trend and the other way round. However, the correlation is quite weak because it is close to zero.

The research also aimed to find out what rewards are valued by the employees of Herman IT. Both extrinsic and intrinsic ones were taken into consideration. The answers for the corresponding questions revealed the most appreciated types of rewards existing in Herman IT. The output from the SPSS regarding this issue is placed in Appendix 9. The below figure illustrates the results of the most valuable extrinsic rewards for the staff members in Herman IT.

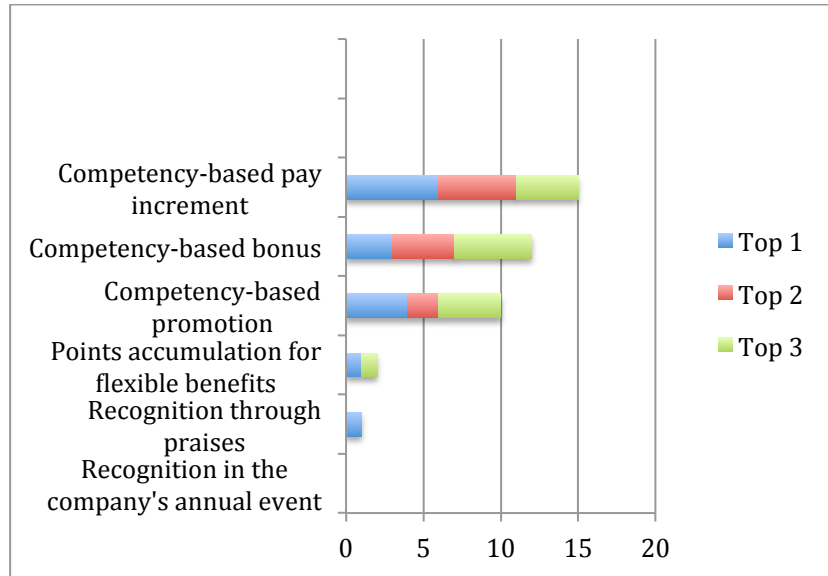


Figure 11. Extrinsic rewards appreciated by the employees of Herman IT (n=16)

In the above graph, the top 1 represents the most valuable reward; on contrary top 3 stands for the least popular one. All in all, the competency-based pay increment is a preferable type of extrinsic rewards among the target respondents. The competency-based bonus is considered to be the lowest in the rating. Surely, it must be added that none of the respondents choose “recognition in the company’s annual event”. Furthermore, the following figure depicts the same rating for intrinsic rewards in the firm.

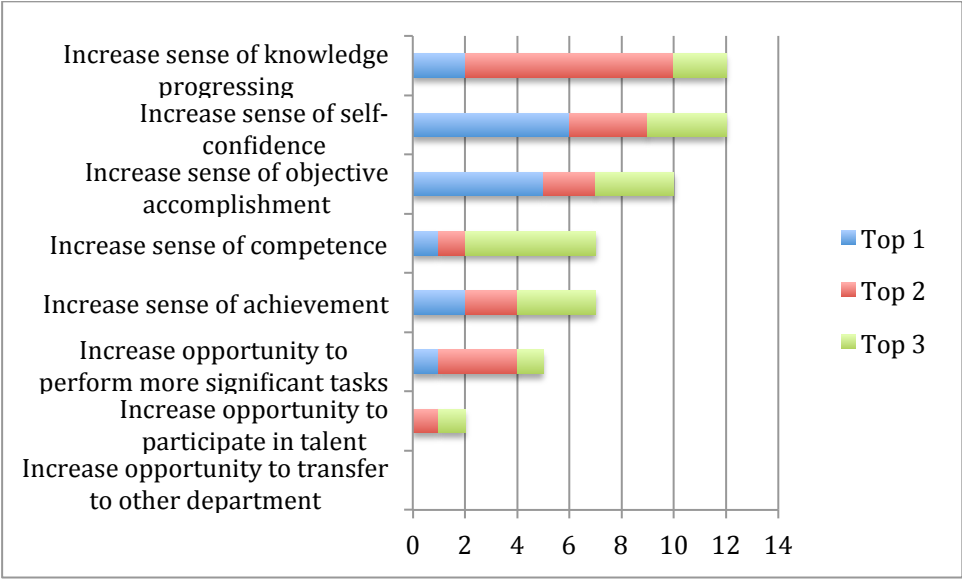


Figure 12. Intrinsic rewards appreciated by the employees of Herman IT

The SPSS output concerning these rewards is placed in Appendix 10. Similarly, the top 1 represents the most valuable reward and the top 3 determines the least popular one. According to the graph, the increased sense of self-confidence is of utmost importance for the people working in Herman IT. Additionally, the employees do not pay strong emphasis on increase sense of competence. None of the respondents marked the variant about transferring to other department.

Taken everything into consideration, the research findings present the overview of the correlations. The following table summarizes the hypotheses and findings of the study. It should be noted, that the sample of the research is very small, and thus it is impossible to generalize the results. The data can be applied exclusively to the working environment of the commissioning party.

Table 4. Hypotheses and Findings

Hypotheses	Findings
H ₁ : Perceived ability has positive impact on the employee’s motivation to develop new competencies.	There is a positive relation between the perceived ability and employee’s motivation to acquire new competencies.

<p>H₂: Commitment to the goal positively impacts the development of new competencies.</p>	<p>The positive association between commitment to the goal and the motivation to attain new competences exists.</p>
<p>H₃: Concern over competition positively impacts the motivation of employees to develop new competencies.</p>	<p>There is a positive link between the concern over competition and the motivation of employees to get new competencies.</p>
<p>H₄: Competency-based performance appraisal positively drives employees to develop new competencies.</p>	<p>There is a positive connection between competency-based performance appraisal and the motivation of employees to learn new competencies.</p>
<p>H₅: The motivation of employees to learn new competencies depends on the value of reward.</p>	<p>The value of reward has positive connection with the motivation to obtain new competencies.</p>

6. DISCUSSION AND RECOMMENDATIONS

This section provides the recommendations and suggestions for the commissioning party based on the research findings. If Herman IT applies the recommendations properly, the new HRM model in the organization will work smoothly.

This thesis examines the effectiveness of using the competency-based criteria by linking these criteria to employees' performance management and reward system for their motivation to develop themselves. The study also aims to find out whether such a link can reinforce a positive learning culture in Herman IT. The questions in the survey focused on factors which should be considered when designing a competency-based performance and reward system to impact on employee motivation to acquire new competencies for self-development. The questionnaire's responses provided useful information to answer the following research questions:

RQ1. A. Will perceived ability to accomplish the job be motivational for employees?

RQ1. B. Will attaining of a goal to learn new competencies encourage employees for self-growth?

RQ1. C. Will concern over competition foster learning attitude?

RQ2. Will competency-based performance appraisal impact the employee's desire to acquire new competencies?

RQ3. Will employees be motivated to gain new competencies if their achieved performance outcome (acquisition of new competencies) leads to desired rewards?

RQ4. What type of rewards are perceived as valuable for Herman IT's employees to motivate them to develop new competencies?

- **RQ1. A.** Will perceived ability to accomplish the job be motivational for employees?

Perceived ability to perform a task is motivational for the employees of Herman IT. This is supported by the theoretical findings (literature section 2.1.1) and the research findings (research findings section 5.2). The positive correlation between the perceived ability to develop competencies and the motivation to do it is proven to exist in Herman IT. Thus, a set of recommendations should be presented so that this approach can be useful for the organization.

Workers should be aware of having the ability to cope with certain task or performance in the organization. The performance is presented in the development of the new competencies in the corporation in this case. If employees have awareness of being able to develop new competencies, they are likely to be motivated to do it. It is vital for top managers to ensure that all employees have relevant abilities to perform the job successfully. Additionally, it is vital to give an employee work in accordance with his or her competencies. In case an employee realizes that he or she is not capable of developing certain competency, the level of the motivation will be low.

- **RQ1. B.** Will attaining of a goal to learn new competencies encourage employees for self-growth?

There is a positive link between the goal commitment and the motivation of Herman IT's employees to develop new competencies. This is supported by the theoretical findings (literature section 2.1.2) and the research findings (research findings section 5.3). Thus, some recommendations should be provided so that this approach can be useful for the organization.

The development of new competencies should be set as a performance goal for the employees of Herman IT. This will ensure that workers are motivated to develop the new competencies required for the job. "Under the right conditions, goal setting can be a powerful technique for motivating organization members" (Lunenburg, Goal-Setting Theory of Motivation, 2011, p. 2). These conditions include:

- **Goals should be specific**

"Organization members perform at higher levels when asked to meet a specific high-performance goal" (Lunenburg, Goal-Setting Theory of Motivation, 2011, p. 2). In the case of Herman IT, the development of certain competencies can be listed in the concrete set of goals. Additionally, the explanation of the goals (the development of certain competencies) should be provided in a clear way.

- **Goals should be framed properly**

The goal may be seen as either a threat or a challenge. When a task is gradually presented new challenges (but with goal difficulty held constant), people who perceive the situation as a threat (focus on failure) achieve more poor performance than those who consider the situation to be a challenge (focus on success and the usefulness of effort). Therefore, leaders in Herman IT should make sure that the goals of the development of the new competencies are set as a challenge (not a threat). This way, the employees will focus on success and usefulness of the effort to develop the required competencies.

- **Goals should be difficult but attainable**

The organization members will do their best to achieve the goal only if it fits their capabilities. Therefore, the supervisors of Herman IT should be aware that the development of the certain competencies fits the capabilities of an employee. Otherwise, the employees will not be able to develop the required competencies.

- **Goals must be accepted**

“Simply assigning goals to organization members may not result in their commitment to those goals, especially if the goal will be difficult to accomplish” (Lunenburg, Goal-Setting Theory of Motivation, 2011, p. 3). One of the best methods of obtaining acceptance in Herman IT could be to allow employees to participate and contribute in the goal-setting action. Participation in the goal-setting process is supposed to result in goal commitment. (Lunenburg, Goal-Setting Theory of Motivation , 2011, p. 3)

- **Feedback on goal attainment must be provided**

The top managers of Herman IT should help employees to determine the level of the development of the new competencies. The employees should have a clear understanding of how much effort they still need to put in order to develop the competencies successfully. Besides, leaders in the company should provide proper feedback regarding the level of the development of the new competencies.

- **Setting deadlines improves the effectiveness of goals**

In Herman IT, the leaders may assign the deadlines for the development of certain

competencies for the employees to boost their motivation. However, it should be emphasized that if deadlines are too tight, especially for complex tasks, the quality of work may be decreased. (Lunenburg, Goal-Setting Theory of Motivation , 2011, p. 4).

- **Group goals**

Some group goals of the development of the new competencies may be created in Herman IT. The employees may share the knowledge among the peers and to provide assistance in the development of new competencies.

Thus, the above mentioned conditions should be taken into consideration to ensure that the goal commitment has positive impact on Herman IT's employees motivation to develop new competencies.

- **RQ1. C.** Will concern over competition foster learning attitude?

There is a positive link between the concern over competition and the motivation of Herman IT's employees to develop new competencies. This is supported by the theoretical findings (literature section 2.2.1) and the research findings (research findings section 5.4). Thus, a series of recommendations should be set so that the competency-based performance appraisal works smoothly in Herman IT.

The development of new competencies can be set as a competition among the employees of Herman IT. This way, the workers will be more motivated to perform this task (the development of new competencies). Such approach will be especially useful for high need achievers in the company. The leaders should be able to identify such need achievers in Herman IT. High need achievers are categorized by responsibility, possessing a moderate risk, and the need for feedback (Grönfors 1996, 102). Additionally, Thomson & Mabey (1994) listed the following features related to people with a strong need to achieve in details (p.144):

1. They are gifted with good memories, especially when it comes to unfinished tasks; they have negative attitude toward uncompleted things.
2. If they realize that some external factors interfere with their performance, they can be unfriendly, inhospitable and antagonistic.
3. They are hard working people who always stick to deadlines and devote a little time

to relaxation.

4. They prefer to be involved in challenging tasks, where they have to be out of comfort zone instead of simple and routine tasks.
5. They appreciate feedback so that they can improve results based on it.
6. They dislike both tasks with high level of risk and low-failure level activities.
7. As a rule, they wear dark colors.

However, the competition approach may have its downsides. The negative working environment can be developed in the company due to the desire to compete with the peers. Thus, leaders should control the level of competition.

- **RQ2.** Will competency-based performance appraisal impact the employee's desire to acquire new competencies?

There is a positive link between the competency-based performance appraisal and the motivation of Herman IT's employees to develop new competencies. This is supported by the theoretical findings (literature section 2.2.2) and the research findings (research findings section 5.5). Thus, a set of recommendations should be set so that the competition approach can be useful for the organization.

The competency-based performance appraisal will fuel the employee's desire to acquire new competencies. In the particular case the supervisors should establish the performance criteria for Herman IT's employees – the extent of successful development of the new competencies. The company should set the review meetings for evaluation of the performance criteria. Thus, the agenda of review meetings could be assessing the degree of acquiring certain competencies by employees. The competency profile should be created for the particular job beforehand, otherwise the appraisal will not be accurate. The set of conditions should be maintained to improve the performance appraisal process. These include setting reasonable and achievable targets, providing objective assessment, accepting judgements across the whole organization, and fair and trustful supervisors (Torrington, Hall, Taylor, & Atkinson, 2014, p. 206).

- **RQ3.** Will employees be motivated to gain new competencies if their achieved performance outcome (acquisition of new competencies) leads to desired rewards?

- **RQ4.** What type of rewards are perceived as valuable for Herman IT's employees to motivate them to develop new competencies?

There is a positive link between the value of the reward and the motivation of Herman IT's employees to develop new competencies. This is supported by the theoretical findings (literature section 3.3.2) and the research findings (research findings section 5.6). Thus, a set of recommendations should be set so that the reward system of Herman IT is adjusted properly.

Employees of Herman IT are likely to be motivated to develop the new competencies if this performance is rewarded with desired rewards. Leaders should try to increase the expected value of rewards resulting from the performance expressed in the development of the new competencies. The rewards should be individualized if possible because not all employees appreciate the same kind of rewards in Herman IT. The competency-based pay increment is the preferable type of extrinsic rewards (physically given by a company) among the employees of the company. This is an increment in salary linked to successful acquisition of a new competency. The competency-based bonus is considered to be the least popular and desired reward. This is the once-off bonus payment linked to successful acquisition of a new competency. When it comes to the intrinsic rewards (those arising within a person), the increased sense of self-confidence is the most desirable one for the people working in Herman IT. Additionally, the employees do not pay strong emphasis on increased sense of competence. The employees of the corporation are not absolutely aware of the opportunity to receive the desired reward for the successful development of the new competencies. Thus, leaders should ascertain the employees in such opportunity, otherwise the motivation to develop the competencies will decrease.

All in all, the usage of the competency-based criteria by linking these criteria to employees' performance management and reward system for their motivation to develop themselves proves to be effective in this organization. Such competency-based HRM model will lead the organization to the learning culture. The learning culture is crucial for the company as its industry faces the technological development as well as the rapid change of work.

7. CONCLUSION

This chapter summarizes the key results and presents answers to the research questions and to the research problem.

The first research question has to do with finding out whether perceived ability motivates employees to learn new competencies. Indeed, the perceived ability to complete the task influences the motivation of employees to learn new competencies. Besides, the author studied whether attaining of a goal to learn new competencies encourages employees for self-growth. Once the attainment of a new competency is set as a goal for the employees of Herman IT, they are definitely eager to achieve the goal and thus the required competencies will be attained. Moreover, this research question deals with the concern over competition as a drive to foster the learning attitude. Concern over rivalry is also motivational for the employees of the company to obtain a new set of competencies.

Additionally, the second research question was to figure out whether the competency-based performance appraisal impacts the employee's desire to acquire new competencies. If the performance of learning a new competency can be evaluated by a supervisor, it will drive the employees to have new competencies.

Answering the third research question, when attainment of a certain competency is linked to desired reward of a worker, he or she will be definitely inspired to learn and develop required competencies.

Taking everything into consideration it is possible to present the answer to the research problem. Undoubtedly, the competency-based criteria linked to employees' job goals, performance evaluation, and reward system is effective for their motivation to develop themselves. The research findings affirm that such model will foster the notion of the positive learning culture in Herman IT. In consolidation the model works significantly. However, it is vital to operate with each factor of the model diligently. Some factors have less impact on the motivation of the management staff of the firm than others. The most motivational factor for the employees of the company is the commitment to the goal due to the highest Spearman's rank order correlation coefficient.

Most of the employees are not aware of the possibility to receive desired reward after the successful achievement of new competencies. Thus, it is recommended to make the representatives of the firm confident in this aspect. Besides, the leader should take into account that competency-based pay increment and increased sense of self-confidence are the most desirable reward among the research participants. The managers should be guaranteed to receive the above stated rewards for the effective work of the competency-based HRM model.

All in all, the competency-based HRM model will reinforce the learning environment in the organizations. However, the model is the most effective when all motivational factors are implemented in combination. Due to the small sample in the research, the study has low level of reliability. Therefore, the results should be regarded as the guidelines and applied exclusively to the sample of the study.

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APPENDICES

APPENDIX 1/1. Questionnaire

APPENDIX 2/1. Background data about the respondents

APPENDIX 3/1. Spearman's rank order correlation coefficient perceived ability and motivation

APPENDIX 4/1. Spearman's rank order correlation coefficient goal commitment and motivation

APPENDIX 5/1. Spearman's rank order correlation coefficient concern over competition and motivation

APPENDIX 6/1. Spearman's rank order correlation coefficient performance appraisal and motivation

APPENDIX 7/1. Attitude toward reward for the successful acquisition of new competency

APPENDIX 8/1. Value of reward and motivation

APPENDIX 9/1. Extrinsic rewards valued by the employees of herman IT

APPENDIX 10/1. Intrinsic rewards valued by the employees of herman IT

Herman IT

Minä olen Elena Bezborodova ja olen tradenomi opiskelija KAMK:ssa.

Tällä hetkellä kirjoitan opinnäytetyötä tulospalkkoista ja -palkkioista, jotka riipuvat työtuloksista ja joiden tehtävänä on motivoida työntekijöitä hankkimaan uusia taitoja, kykyjä ja pätevyyskykyjä.

Tämän kyselyn tavoitteena on tutkia tekijöitä, jotka voivat motivoida Herman IT työntekijöitä hankkimaan uutta osaamista (taitoja, ajattelutapoja, ajatusmalleja). Uuden oppiminen varmistaa tehokkaan työnteon ja työurien kehittymisen tulevaisuudessa.

Te olette tulleet valituksi tähän haastatteluun, koska olette tämän yrityksen työntekijöitä ja teillä on kokemuksia aihepiiristä.

On hyvin tärkeää, että Herman IT yrityksenä saisi tietää, mitkä asiat motivoivat henkilöstöä uusien taitojen omaksumiseen. Osallistamalla tähän kyselyyn annatte Herman IT:n johdolle hyödyllistä tietoa palkkiojärjestelmän kehittämistä. Lisäksi kyselyyn osallistumisenne auttaa minua tekemään opinnäytetyöni. Kyselyyn vastataan nimettömästi.

Vastaajan henkilöllisyys ei tule esille missään vaiheessa. Kiitän teitä etukäteen! Terveisin Elena.

My name is Elena Bezborodova and I am an International Business student in KAMK. I am currently writing a thesis about the use of performance linked rewards to encourage employees to acquire new competencies. The thesis is conducted using Herman IT as a case study.

The purpose of this questionnaire is to research the factors which can motivate employees (using Herman IT as a case study) to acquire new competencies in order to perform their job more effectively now or prepare themselves for further career progression in the future.

You were selected to participate in this questionnaire because you work in the company, and you are directly connected with this topic.

It is important that employees of Herman IT let the company know what exactly can be motivational for acquisition of new competencies. Your participation in this questionnaire will provide useful insights to the management of Herman IT to enhance their reward system. Your support will also help me to complete my bachelor thesis thus a big step forward for my graduation.

This questionnaire is anonymous. Therefore, you may be assured that neither your name nor any identifying designation will be associated with your responses.

Thank you in advance for your cooperation. Yours sincerely, Elena Bezborodova

Kajaani University of Applied Sciences

Seuraavana on väitteitä, jotka koskevat osaamista ja osaamisen kehittämistä. Valitkaa, missä määrin olette samaa tai eri mieltä väittämän kanssa./ You will be given five situations connected with acquisition of new competencies in your work. Please indicate in what degree you agree or disagree with each statement.

Minulla on tarpeeksi osaamista tehdä työni onnistuneesti.

I feel that I have enough abilities to perform my job successfully.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Minulla on osaamista saavuttaa tavoitteet työssäni.

I believe I have the required ability to achieve my desired performance.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Pystyn kehittämään tarvittavaa uutta osaamista työssäni.

I believe I can achieve the performance of acquisition of new competencies.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Nykyisessä osaamistasossani on kehitettävää.

I believe that my present level of competencies needs to be improved.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Esimieheni asettaa minulle osaamisen kehittämisen tavoitteita.

The acquisition of a new competency can be set as a performance goal by my boss.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Työssäni voin saavuttaa uuden osaamisen tavoitteita.

It is possible to achieve the goal of learning new competencies in my job.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Saan tyydytystä kehittäessäni uutta osaamistani.

I gain satisfaction from the process of learning new competencies.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Hankkimalla uutta osaamista pidän huolta siitä, että asemani työelämässä paranee.

Acquisition of new competency will help me to become more competitive in my job.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Hankkimalla uutta osaamista pidän huolta siitä, että asemani työyhteisössäni paranee.

Acquisition of new competency will help me to surpass others.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä

- Samaa mieltä
- Täysin samaa mieltä

Oppimismahdollisuudet työssäni ovat hyödyllisiä.

I find the opportunity to learn new competencies useful for my work.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Esimieheni pystyy arvioimaan osaamistani suhteessa tavoitteisiini.

My performance can be appraised against my objectives by my boss.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Esimieheni pystyy arvioimaan oppimisen kehittymistäni.

I believe that my performance of learning new competency can be evaluated by my boss.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Haluan oppia uusia osaamisia.

I am willing to learn new competencies.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Olen valmis oppimaan uusia oppimisia.

I am ready to learn new competencies.

- Täysin eri mieltä

- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Työyhteisössäni kannustetaan uuden oppimiseen.

I have the right environment to learn new competencies.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Työyhteisössäni resurssoidaan (aika, muut resurssit) uuden oppimiseen.

I have enough resources to learn new competencies.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Olen motivoitunut oppimaan uutta työssäni.

Overall, I am motivated to learn new competencies in my job.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Saan mielestäni palkkioita, kun olen oppinut uutta.

I will receive a reward after the successful acquisition of a new competency.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Arvostan saamiani palkkioita, joita saan uuden osaamisen hankkimisesta.

I value the reward I receive after successful acquisition of a new competency.

- Täysin eri mieltä
- Eri mieltä
- Ei samaa eikä eri mieltä
- Samaa mieltä
- Täysin samaa mieltä

Alla on esimerkki yrityksessänne käytössä oleva palkkioluettelo. Teillä on mahdollisuus saada palkkioita, kun olette hankkineet uusia kykyjä. Olkaa hyvä, valitkaa ja merkitkää mielestänne 3 tärkeintä palkkiota (1 = tärkein, 2, 3). **Valitkaa vain kolme.**

You will see a list of examples of rewards, which you may be awarded once you have gained necessary set of competencies. Please, choose **three** of the most desirable rewards for you (from top 1 to top 3). You should not mark all rewards.

- BONUS - Kerran maksettava bonus, jonka saa, kun olet hankkinut sovitun osaamisen.
- PALKAN KOROTUS, kun olet hankkinut sovitun osaamisen. Esimerkiksi, lisää palkkaa uuden osaamisen hankkimisen takia.
- URALLA ETENEMINEN, kun olet hankkinut tarvittavaa osaamista.
- ERIKOISPISTEIDEN SAAMINEN, joita voi vaihtaa erilaisiksi etuuksiksi, vouchereiksi, kuten kauppojen tarjoukset lounassetelit, kylpyläpäiviä, jne.
- PALKINTO HUOMIONOSOITUKSENA (Esimerkiksi suullisia ja kirjallisia huomionosoituksia jne.).
- HUOMIONOSOITUKSET YRITYKSEN JOKAVUOTISISSA TILAISUUKSISSA.
- Mahdollisuudet TEHDÄ TÄRKEMPIÄ JA MIELENKIINTOISIMPIA TYÖTEHTÄVIÄ.
- Mahdollisuudet SIITRYÄ TOISEEN OSASTOON.
- Mahdollisuudet OSALLISTUA LAHJAKKUUKSIEN JOHTAMISEN OHJELMAAN (Esimerkiksi, saada enemmän mahdollisuuksia osallistua työharjoiteluihin, tärkeisiin projekteihin).

Olkaa hyvä, valitkaa ja merkitkää mielestänne 3 tärkeintä omista tuntemuksistasi nousevaa palkkiota (1 = tärkein, 2, 3). **Valitkaa vain kolme.**

You will see a list of rewards which can arise inside from you. Please, choose **three** of the most desirable rewards for you (from top 1 to top 3). You should not mark all rewards.

- Itseluottamuksen tunne lisääntyy.
- Kyvykkyyden tunne lisääntyy.
- Saavutuksen tunne lisääntyy.
- Tavoitteen saavuttamisen tunne lisääntyy.
- Tietämyksen tunne lisääntyy.

Lopuksi, merkitse vaihtoehto (tai alue), joka kuvaa sinua.

Finally, please mark the variant (or the range) which refers to you.

Ikä:

Age:

- 18-30
- 31-40
- 41-50
- 51-60
- 61 ja enemmän

Sukupuoli:

Gender:

- Mies
- Nainen

Työkokemus:

Years of working experience in your professional area:

- 2 vuotta tai vähemmän
- 3 - 8 vuotta
- 9 - 14 vuotta
- 15 - 20 vuotta
- 21 - 26 vuotat
- 26 vuotta tai enemmän

Osaston nimi, jossa työskentelet tällä hetkellä (vapaaehtoinen täyttää):

Name of the department you are currently working in (you may not reply if you choose to stay confidential):

- Concepts
- Capacity
- Colocation
- Management

APPENDIX 2/1. BACKGROUND DATA ABOUT THE RESPONDENTS

Age of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	51-60	1	6,3	6,3	6,3
	41-50	2	12,5	12,5	18,8
	31-40	8	50,0	50,0	68,8
	18-30	5	31,3	31,3	100,0
	Total	16	100,0	100,0	

Gender of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Nainen	2	12,5	12,5	12,5
	Mies	14	87,5	87,5	100,0
	Total	16	100,0	100,0	

Years of working experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	26 vuotta tai enemmän	1	6,3	6,3	6,3
	15 - 20 vuotta	1	6,3	6,3	12,5
	9 - 14 vuotta	6	37,5	37,5	50,0
	3 - 8 vuotta	5	31,3	31,3	81,3
	2 vuotta tai vähemmän	3	18,8	18,8	100,0
	Total	16	100,0	100,0	

Name of the department you are currently working in

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Management	1	6,3	10,0	10,0
	Capacity	4	25,0	40,0	50,0
	Concepts	5	31,3	50,0	100,0
	Total	10	62,5	100,0	
Missing	System	6	37,5		
Total		16	100,0		

APPENDIX 3/1. SPEARMAN'S RANK ORDER CORRELATION COEFFICIENT
PERCEIVED ABILITY AND MOTIVATION

Correlations

			Mean_Perceived_Ability	Motivation_Mean
Spearman's rho	Mean_Perceived_Ability	Correlation	1,000	,309
		Coefficient		
		Sig. (2-tailed)	.	,244
		N	16	16
	Motivation_Mean	Correlation	,309	1,000
		Coefficient		
		Sig. (2-tailed)	,244	.
		N	16	16

APPENDIX 4/1. SPEARMAN'S RANK ORDER CORRELATION COEFFICIENT
GOAL COMMITMENT AND MOTIVATION

Correlations

			Mean_Goal_Commitment	Motivation_Mean
Spearman's rho	Mean_Goal_Commitment	Correlation	1,000	,729**
		Coefficient		
		Sig. (2-tailed)	.	,001
		N	16	16
	Motivation_Mean	Correlation	,729**	1,000
		Coefficient		
		Sig. (2-tailed)	,001	.
		N	16	16

** . Correlation is significant at the 0.01 level (2-tailed).

APPENDIX 5/1. SPEARMAN'S RANK ORDER CORRELATION COEFFICIENT
 CONCERN OVER COMPETITION AND MOTIVATION

Correlations

			Mean_Competition	Motivation_Mean
Spearman's rho	Mean_Competition	Correlation Coefficient	1,000	,531 [*]
		Sig. (2-tailed)	.	,034
		N	16	16
	Motivation_Mean	Correlation Coefficient	,531 [*]	1,000
		Sig. (2-tailed)	,034	.
		N	16	16

*. Correlation is significant at the 0.05 level (2-tailed).

APPENDIX 6/1. SPEARMAN'S RANK ORDER CORRELATION COEFFICIENT
PERFORMANCE APPRAISAL AND MOTIVATION

Correlations

			Mean_Performance appraisal	Mean_Motivation
Spearman's rho	Mean_Performance appraisal	Correlation Coefficient	1,000	,426
		Sig. (2-tailed)	.	,100
		N	16	16
	Mean_Motivation	Correlation Coefficient	,426	1,000
		Sig. (2-tailed)	,100	.
		N	16	16

APPENDIX 7/1. ATTITUDE TOWARD REWARD FOR THE SUCCESSFUL
ACQUISITION OF NEW COMPETENCY

I will receive a reward after the successful acquisition of a new competency.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	6,3	6,3	6,3
	Disagree	1	6,3	6,3	12,5
	Neutral	6	37,5	37,5	50,0
	Agree	5	31,3	31,3	81,3
	Strongly agree	3	18,8	18,8	100,0
	Total	16	100,0	100,0	

APPENDIX 8/1. VALUE OF REWARD AND MOTIVATION

Correlations

			Value of reward	Motivation_Mean
Spearman's rho	Value of reward	Correlation Coefficient	1,000	,288
		Sig. (2-tailed)	.	,279
		N	16	16
	Motivation_Mean	Correlation Coefficient	,288	1,000
		Sig. (2-tailed)	,279	.
		N	16	16

APPENDIX 9/1. EXTRINSIC REWARDS VALUED BY THE EMPLOYEES OF
HERMAN IT

Competence-based bonus

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	3	18,8	25,0	25,0
	2,00	4	25,0	33,3	58,3
	3,00	5	31,3	41,7	100,0
	Total	12	75,0	100,0	
Missing	System	4	25,0		
Total		16	100,0		

Competence-based pay increment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	6	37,5	40,0	40,0
	2,00	5	31,3	33,3	73,3
	3,00	4	25,0	26,7	100,0
	Total	15	93,8	100,0	
Missing	System	1	6,3		
Total		16	100,0		

Competence-based promotion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	4	25,0	40,0	40,0
	2,00	2	12,5	20,0	60,0
	3,00	4	25,0	40,0	100,0
	Total	10	62,5	100,0	
Missing	System	6	37,5		
Total		16	100,0		

APPENDIX 9/2. EXTRINSIC REWARDS VALUED BY THE EMPLOYEES OF
HERMAN IT

Points accumulation for flexible benefits redemption

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	1	6,3	50,0	50,0
	3,00	1	6,3	50,0	100,0
	Total	2	12,5	100,0	
Missing	System	14	87,5		
Total		16	100,0		

Recognition through praises

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	1	6,3	100,0	100,0
Missing	System	15	93,8		
Total		16	100,0		

Recognition in the company's annual event

		Frequency	Percent
Missing	System	16	100,0

APPENDIX 10/1. INTRINSIC REWARDS VALUED BY THE EMPLOYEES OF
HERMAN IT

Increase opportunity to perform more significant tasks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	1	6,3	16,7	16,7
	2,00	4	25,0	66,7	83,3
	3,00	1	6,3	16,7	100,0
	Total	6	37,5	100,0	
Missing	System	10	62,5		
Total		16	100,0		

**Increase opportunity to transfer to other
department**

		Frequency	Percent
Missing	System	16	100,0

Increase opportunity to participate in talent management program

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2,00	1	6,3	50,0	50,0
	3,00	1	6,3	50,0	100,0
	Total	2	12,5	100,0	
Missing	System	14	87,5		
Total		16	100,0		

APPENDIX 10/2.

INTRINSIC REWARDS VALUED BY THE EMPLOYEES OF HERMAN IT

Increase sense of self-confidence

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	6	37,5	50,0	50,0
	2,00	3	18,8	25,0	75,0
	3,00	3	18,8	25,0	100,0
	Total	12	75,0	100,0	
Missing	System	4	25,0		
Total		16	100,0		

Increase sense of competence

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	1	6,3	14,3	14,3
	2,00	1	6,3	14,3	28,6
	3,00	5	31,3	71,4	100,0
	Total	7	43,8	100,0	
Missing	System	9	56,3		
Total		16	100,0		

APPENDIX 10/3. INTRINSIC REWARDS VALUED BY THE EMPLOYEES OF HERMAN IT

Increase sense of achievement

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	2	12,5	28,6	28,6
	2,00	2	12,5	28,6	57,1
	3,00	3	18,8	42,9	100,0
	Total	7	43,8	100,0	
Missing	System	9	56,3		
Total		16	100,0		

Increase sense of objective accomplishment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	5	31,3	50,0	50,0
	2,00	2	12,5	20,0	70,0
	3,00	3	18,8	30,0	100,0
	Total	10	62,5	100,0	
Missing	System	6	37,5		
Total		16	100,0		

Increase sense of knowledge progressing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	2	12,5	16,7	16,7
	2,00	8	50,0	66,7	83,3
	3,00	2	12,5	16,7	100,0
	Total	12	75,0	100,0	
Missing	System	4	25,0		
Total		16	100,0		