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Basanti Lama

# EMPLOYEE'S MOTIVATION THROUGH PERFORMANCE MANAGEMENT

 a case study: Shree Nishchal Saving and Credit Co-operative Ltd



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### Basanti Lama

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-A case study: Shree Nishchal Saving and Credit Co-operative Ltd.

Employees are the most valuable asset of any organization. Any organizational success largely depends on the performance of the employees and the achievement of organizational goals. A manager can develop a work environment that enables both employees and the organization to succeed by focusing on employee development and aligning organizational goals with team and individual goals. Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams.

This thesis aims to identify how employees are motivated to perform through a performance management process at Shree Nischal Savings & Credit Co-operative Ltd. The thesis objective is achieved by answering the following research questions; what factors motivate the employees at Shree Nishchal Saving and Credit Co-operative Ltd? and what performance management activities are currently carried out at Shree Nishchal Saving and Credit Co-operative Ltd?

An exploratory study was applied to conduct the research. Both primary and secondary data had used to conduct the research. The source of secondary data was a literature review. Both quantitative and qualitative research method was used as the primary data collection method. Data were collected through a questionnaire and in-depth interviews with the manager and four employees of the organization. The researcher had applied the mix-method to obtain the perspective of both manager and employees on the subject matter.

The study found that employees are motivated by salary/monetary compensation, promotion opportunities, interpersonal relationship with managers, feedback, and recognition and appreciation. In addition, the findings revealed that all of these motivation factors are influenced by the performance management practices performed in the organization. Although the current performance management process in the organization serves the purpose of performance management, the researcher recommends improvements in dealing with an underperformer, providing feedback, and providing recognition and rewards based on performance.

### **KEYWORDS**:

Employee motivation, Performance management, performance management process

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# LIST OF ABBREVIATIONS (OR) SYMBOLS

PM	Performance Management
HRM	Human Resource Management
AGM	Annual General Meeting

### **1 INTRODUCTION**

In this globalized world, some companies are more successful than others despite offering similar products or services to their customers. Customers appreciate the information given to them at the right time, right place, and accurately which increases the competitive advantages and leads the company to a better place than its rivals. Employees are behind the success and growth, who perform per the company's mission, vision, and goal. Former Chairperson and CEO of Xerox, Mulcahy, stated(2013), "Employees are a company's greatest asset-they are your competitive advantage. Motivated and engaged employees drive an organization. You want to attract and retain the best; provide them with encouragement, stimulus, and make them feel that they are an integral part of the company's mission. Employees who believe that management is concerned about them as a whole person, not just an employee, are more productive, more satisfied, more fulfilled. Satisfied employees mean satisfied customers, which leads to profitability." There is a direct relation between employees' motivation and customer satisfaction as well as companies' success.

Discussion on employees' engagement, employees' productivity, and employees' performance is a common theme among H.R. and management. Therefore, to keep employees focused and in line with the company's values and goals, performance management (PM) practice is necessary. PM is a part of human resource management (HRM). It is handled by human resource management or the line manager in the organization. The solitary objective of the PM is to assure that employees are executing tasks which they are responsible for effectively and desirably, and the performed tasks are contributing to achieving the organization's overall goal. PM does this by engaging and motivating employees for high productivity. (Juneja, 2015)

PM is not a new concept in today's scenario. Companies/organizations have been reviewing their employees' performance back from World War I period when the U:S military created a merit-rating system to flag and dismissed poor performers (Cappelli and Talvis, 2016). However, it was not the same as what it is today. Traditional PM was nothing more than reviewing the employees' performance once a year as the part of work to complete. Instead of providing development and improvement opportunities in the future, the traditional PM approach focused on rewarding and punishing employees based on their past behavior. (Cappelli and Talvis, 2016) The time has changed now.

Today companies cannot afford to let go of their employees based on their past performance and hire new ones as there is a shortage of skillful talents. As a result, the companies are shifting their performance review process from the traditional to the modern one. Current PM focus on employees. It emphasis that employees are the core of an organization/companies and their PM process has to assist employees' needs and desires.

#### 1.1 Research Motivation

The researcher has two reasons behind commencing this research. Firstly, there is a growing demand for performance management in an organization. Today Performance management has become an integral part of human resource management more than it was before. People have realized the significance of the performance management process in the success of an organization. Since the researcher aims to work in the Human Resources Department in the future, the literature review, case study, and data analyzing process will broaden the researcher's knowledge of performance management which will be helpful later. Secondly, for understanding the performance management process and its effectiveness in motivating the employees in a small organization. The study takes the form of a case study and looks at Shree Nishchal Saving and Credit Cooperative Ltd. The researcher worked at the case company for three years and still has a good relationship with the former colleagues and the manager. This has benefited the researcher in collecting data through in-depth interviews.

#### 1.2 Research Objective and Research Question

The thesis aims to study the relationship between performance management and employee motivation in Shree Nishchal Saving and Credit Co-operative Ltd. This study is carried out to determine the performance management activities performed in Shree Nishchal Saving and credit Co.Ltd company and their role in employees' motivation. Thesis objectives will be supported through the following research questions:

• What factors motivate the employees?

- What are the key components of performance management in Shree Nishchal Saving and Credit Co-operative.Ltd?
- How do the performance management activities carried out in Shree Nishchal Saving and Credit Co-operative Ltd match the motivational factors of employees?

1.3 Introduction of Shree Nishchal Saving and Credit Co-operative.Ltd

Shree Nishchal Saving and Credit Co-operative.Ltd is a financial institution based in Kathmandu, Nepal. It was established under the Co-operative Act and the Co-operative Regulations 1992. It has been working in the financial sector for 13 years. The main objective of Saving and Credit is to encourage saving habits of the low and middle-level income people and mobilize those saving as a loan to those who need capital to run their business. Today, the Interim Constitution of Nepal has considered the co-operative sector as one of the three pillars for national development. It is believed that some 6 million people are already affiliated with approximately 34,512 co-operatives, and more than 60,517 people are employed directly in Co-operative business. (NEFSCUN, 2015)

The concept of Saving & Credit is popular among the public in Nepal for financial services such as making a deposit in various accounts, taking a loan, collecting interest, etc. Usually, Saving and Credit Co-operative provides a higher interest rate in saving accounts and fixed deposits. Similarly, the loan process is easier and quicker than in the bank. So, many people are attracted to Saving and Credit Co-operative organization for their financial transactions. Saving and Credit Co-operative organization provides door-to-door service. The organization has employees who go to customers' addresses to collect the saving amount and loan installments. There are already a vast number of these organizations in the market, making the tough competition. The organization must build trust, personal relationships with customers, and quality customer service to stand out from the competition. These factors can only be developed when the manager manages employees' performance and make them perform at their best.

#### 1.4 Research Structure

The research has five chapters. The first chapter introduces the brief background of the study, the research objective and research question, and the researcher's motivation to conduct the study.

The second chapter presents the relevant literature review on performance management and employee motivation. The research methodology and data collection process are presented in the third chapter. The reliability and validity of the research are also discussed in this chapter.

The collected data are analyzed in the fourth chapter. In the same chapter, findings are presented. The fifth and last chapter is the conclusion. In this chapter, the overall findings of the research are presented. Similarly, the researcher's recommendation is also included in this chapter.

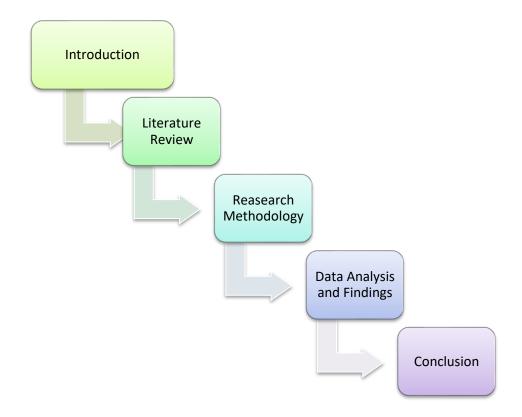


Figure 1: Research Structure

### **2 LITERATURE REVIEW**

As the competition arises, companies are finding it difficult to gain a competitive advantage over their competitors. Thanks to our modern technologies and techniques, everything the companies have created, including products, procedures, marketing techniques, and business models, will be copied if not today but tomorrow. However, the people who are behind these ideas cannot be copied. Hence, today many companies have put their employees in the center of the process and have considered them a competitive advantage. Furthermore, performance management is the tool to shift this competitive advantage into a company's success.

### 2.1 Performance Management

Performance management is one of the concepts in human resources management. Generally, performance management can be described as the process that aims to ensure effectiveness and efficiency in employees' performance aligning with the organization's goal (Towler, 2019). An organization achieves success when its goals are met, and goals are met when the employees make their best effort. This means that organizational success and performance are directly related to its employees' attitude and motivation towards performing the task (Bianca, n.d).

In the words of John Lockett (1992), the purpose of performance management is to develop individuals with the commitment and competencies necessary to work towards shared meaningful objectives within an organizational structure. Walter (1995) stated, " Performance management is the process of directing and supporting employees to work as effectively and efficiently as possible in line with the organization's needs."

Performance management makes sure that employees are familiar with the mission and vision of the organization and everyone is performing their task in the best way they can. Nielsen and Hunter (2013, p.10) stated that performance management is an organization's ability to achieve its goals and objectives measurably, reliably, and sustainably through intentional actions. Performance management, then, is the set of self-correcting processes, grounded in real-time data measuring, monitoring, and analysis, that an organization uses to learn from its work and to make tactical (front line, quotidian) and strategic adjustments to achieve its goals and objectives. In general,

performance refers to the execution of the action to fulfill the given tasks. Employees' performance has a significant role in organizational performance. (Vosloban, 2012) Hence, the organization needs performing employees. However, getting the job done is not everything for success. The performed task should align with the organizational goal and add value. In addition, the organization has to monitor the process that employees have adapted while performing the task to ensure sustainability. Thus, managing employees' performance is essential in any organization, and performance management is the approach to deal with it.

Similarly, Caldwell (2002, p.2) stated, "performance management is defined as a proactive partnership between employees and management that helps employees perform at their best and align their contributions with the organization's goals, values, and initiatives." Caldwell has defined performance management as a proactive partnership between management and employees, which means that, unlike performance appraisal, where without any engagement in employees' workplace performance; management review their performance once in a year, performance management is engagement and interaction between the management and employees throughout the year. Both parties are involved in getting the job done in every step. Through two-way communication, providing feedback and following the employees' strengths and weaknesses, providing the opportunities for growth and development of skills needed for effective performance, management works to achieve the organizational goal and improve overall organizational performance.

Aguinis also has a similar perception of performance management as others. According to him (2013, p.2), "Performance management is a continuous process of identifying, measuring and developing performance in organizations by linking each individual's performance and objectives to the organization's overall mission and goals." Aguinis has emphasized two components in his definition. The first one is a continuous process, and the second is a linkage to the organization's overall goal and mission. Thus, performance management is not a work of reviewing employees' performance once a year; instead, it is an ongoing process of setting goals, developing strategies, evaluating employees' performance, providing necessary training, and giving and taking feedback for further development. Similarly, confirming that the activities performed by the employees are in the best interest of the organization's overall goal and vision is another vital task of performance management.

To sum up, performance management is an ongoing process of monitoring, managing, and evaluating employees' workplace performance throughout the year, providing feedback and support to develop the skills needed to deliver effective and efficient performance in the organization while aligning organizational and individual goals.

### 2.1.1 Purpose/Aim of Performance Management

Performance management is an approach to creating a shared vision of the purpose and aims of the organization, helping each employee understand and recognize their part in contributing to them, and in so doing manage and enhance the performance of both the individual and the organization (Fletcher, 2001).

One of the important performance management purposes is to align the individual employee's goal to organizational goals. This means performance management ensures that whatever employees are doing at work contributes to achieving the organizational goal. When the goals of individual employees are in sync with the company's broader goals, workers tend to feel more engaged. (Creative Business Resources, 2015) Performance management clarifies what they are expected to do and how they are expected to perform the given duties and responsibilities. As performance management is a proactive partnership between employees and management, it aims to develop a two-way communication system in the organization(Cadwell, 2002). Performance management aims to make management familiar with the employees' strengths and weaknesses in the work performance by engaging them together in every step of the performance. It helps management to provide appropriate training and coaching to the employees based on their strengths and weaknesses so that they could perform at their best possible level. Performance management aims to serve as a tool to reward and recognize high-performing employees and empower and motivate low-performing employees to improve their performance. (Dorsey and Mueller-Hanson, 2017)

### 2.1.2 Performance Management Process/Cycle

Performance management is not a one-time task in an organization. It is a continuous and repetitive activity. According to Caldwell (2002), performance management is an ongoing process of five essential elements. These elements are interconnected. This means that if any of these elements are ignored or incompetently performed, it negatively

affects the entire performance management process. Therefore, managers should keep a close watch on every element of the process. These elements are briefly described as follows:

a) Planning Performance

The first step is performance planning. This is an early stage where managers present the organization's mission, vision, and goals to employees. At the same time, managers are responsible for familiarizing them with their roles, responsibilities, and job descriptions that contribute positively to the organizational goal. Performance planning includes the consideration of results and behavior as well as a development plan (Aguinis, 2013).

In the presence of both the manager and employees, goals are set, and expectation is made. When employees are well informed about the performance outcome, the standard of performance, required skills, and competencies, along with the process to be followed, they get a clear operating charter so that they can go about doing their job with the total certainty that they are working on the highest priority responsibilities and operating in a way that the organization expects (Grote and Grote, 2002).

### b) Monitoring Performance

After presenting goals and expectations to employees, it is time to execute the performance. As performance management is a proactive partnership between managers and employees, both parties are responsible for implementing planned performance. Here, employees are responsible for following their job descriptions, performing accordingly, and being encouraged to communicate regularly with the supervisor/manager for feedback. Meanwhile, it is the job of managers to ensure that the process is on the right track. The manager performs several activities to ensure that the tasks are performed correctly. They collect performance data, measure, and observe performance. This is done to know

whether the current performance can achieve the target or changes must be made. It is always better to adjust the plan in the preceding stage than to fail in the end.

#### c) Analyzing Performance

In this step, employees' performance is analyzed to compare the actual performance with the standard performance. The manager keeps track of executed performance. When a manager finds out that the performed performance is not going towards the goal or off track, both the manager and employees come together to find out its cause. The performance gap is seen when the actual performance does not meet the desired performance. The main objective of performance analysis is to find out the factors contributing to poor performance. Typically, the performance gap occurs due to a lack of feedback, insufficient knowledge, and failure to communicate changes. When the actual factor causing the performance gap is discovered, the manager must address the factors with the right strategy or action to ensure performance efficiency and effectiveness.

#### d) Improving Performance

When the cause of poor performance is determined, the next task is to identify the correct course of action and implement them. At this point, both managers and employees should focus on improving the current performance and taking it on the right path. When employees collaborate with the manager to assess their performance, they realize their shortcomings. After holding meetings and deliberations, both sides should develop agreed strategies to eliminate the performance gap. Depending on the nature of the problem, the strategy can be in the form of training and development programs, coaching, timely and constructive feedback, and a change of plan.

#### e) Maintaining Performance

The last element in the performance management process is to have the same level of performance in the organization. After taking action to fill performance gaps, managers should aim to maintain the same standard of performance from the employees. To ensure continuity of employees' current performance levels, managers can use various tools that help to motivate them. Feedback and performance appraisal have become popular tools to motivate employees to maintain the same performance. Reward(financial & non-financial) and recognition also play an essential role in motivating the employees.

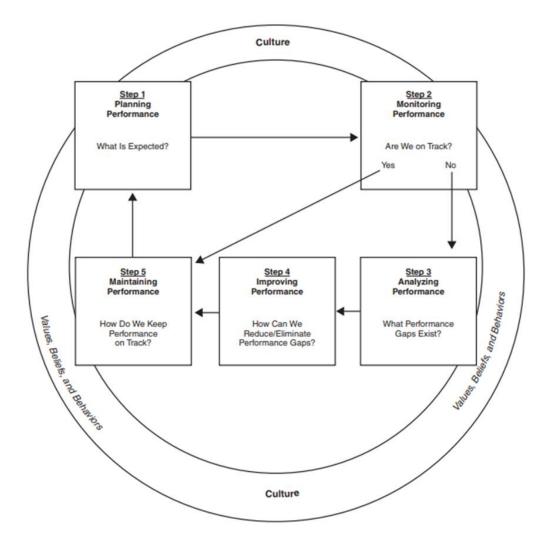


Figure 2 : Performance management process (Cadwell, 2002)

Effective implementation of the performance management process is directly related to organizational culture. An organization's culture is a combination of the values, beliefs, and behaviors displayed by the people in the organization (Cadwell, 2002). The culture

of the organization determines the way employees feel about the organization. When the organization's culture makes employees a part of the organization regardless of their position, employees feel motivated to work harder and vice versa. Since performance management is the active participation of both managers and employees at every stage of performance, effective implementation of performance management is possible only when the organization's culture values proactive partnership.

### 2.1.3 Benefits of effective performance management

The modern concept of performance management encourages managers to give employees feedback about the area they need to improve rather than point to their failure. Thus, performance management is not only what employees can do for the organization but also what the organization can do for employees to get the best from them. In this manner, performance management works to improve and achieve the desired performance of employees, which contributes to organizational success. Because of this, many companies have left the traditional performance management approach, which is performance appraisal, and shifted to the modern performance management approach. Google, Amazon, Deloitte, and Adobe are some of the companies that change their performance management approach and got better results than before (Dorsey and Mueller-Hanson, 2017).

Since performance management clearly states the role and responsibilities to the employees as well as the expected performance from them, the employees' engagement is increased. When employees have a clear understanding of what and how to accomplish, they are more likely to work more and put in an extra effort to meet the expected performance from them. (Dorsey and Mueller-Hanson, 2017) The effective performance management process included two-way communication between managers/supervisors and employees. When the communication flows both from top to down and down to the top, it decreases the chance of misunderstanding. One of the purposes of performance management is to give feedback regularly. When employees get feedback on their performances, it boosts their motivation. Both positive and negative feedback is essential. When employees' performance is recognized, it inspired them to perform better in the future. (Kettner, 2017)

When employees and managers work closely, managers acquaint with every employee's strengths and weaknesses. Knowledge of employees' strong and weak points helps managers determine the training and development program to improve their performance. Effective performance management focuses on the continuous development of the employee. Appropriate training and development opportunities given at the right time aids in increasing employees' competencies. These competent employees perform as per the expectation of the organization and even surpass them. (Pulakos, 2004)

When employees' performance is managed and evaluated throughout the year, managers can properly track performance, results, and improvement. When a decision on various merits, such as reward, promotion, transfer, or dismissal, are made based on this information, they are fair and credible to a greater extent. (Black et al., 2019)

### 2.1.4 Disadvantages/ Risks of poorly implemented Performance management

When the implementation of performance management goes according to plan, it contributes to achieving organizational goals, growth and development of employees, fair and credible personal merits, and proper communication in the organization. However, poorly executed performance management poses a financial risk to legal risk. Poorly implemented performance management fails to determine each employee's role and responsibility and expectations from them. When employees are unclear on their duties, they get confused, which leads to less engagement. Poor implementation of performance management is reflected in performance evaluation. When fairness is not seen in a decision on performance-based pay, reward, promotion, or transfer, employees become demotivated and may leave the organization.

Providing feedback is the fundamental objective of performance management. When managers fail to give timely and detailed feedback to employees on their performance, employees will not learn about their lack and the space needed for improvement. This hampers the learning and development process of employees as well as improved performance in the future. In addition, designing and implementing performance management is a time-consuming and expensive process.

The purpose of performance management is to get the best performance from the available resources. Conversely, when executed, performance management does not do what it should; it wastes time and money; instead of maintaining a healthy relationship between individual employees and managers, faulty performance management damage the relationship. Unfair performance evaluation, lack of constructive feedback, absence of proper training and development programs create resentment towards managers as well as between the employees. This brings to an unhealthy working environment in an organization. Company/organizational might face legal risk when false data is used firing or promoting employees. In this situation, job dissatisfaction in employees becomes high, and they might sue the company for the wrongful act. This can cost a company a large sum of money as well as its reputation. (Aguinis, 2013)

To sum up, weak performance management causes job dissatisfaction, demotivation, and an unproductive workforce that affects overall organizational performance and goals. Therefore, the organization should not run to implement the PM system without proper research; otherwise, the result will not favor the organization.

### 2.2 Motivation

#### 2.2.1 The definition of motivation

Motivation is a broad concept. The concept of motivation has been researched and described over the years by many scholars (e.g., Maslow,1946; Vroom, 1964; Adams, 1965; Herzberg,1987). In simple, the term motivation is what makes people behave as they do (Denhardt, et al., 2013). Motivation is the desire to do things to achieve the intended goal, need, or desire. It can simply be defined as a process that encourages, inspires, and guides people to take action to achieve their goals(Cherry, 2020). Mullins (2005) describes motivation as a driving force within the individuals who inspire them to fulfill the specific goal to satisfy their needs or expectations. According to him, motivation is a unique phenomenon where each person has a different driving force for their specific behavior according to their own need. Similarly, Kreitner (1995) has defined motivation as a psychological process that gives purpose and direction to the individual's behavior. It is an inner force that directs the action into the fulfillment of a specific goal.

Employees are the backbone of any successful organization as they are the ones who perform the task. The more employees are motivated, the more committed, energetic, productive, and creative they are. So, organizations' managers and leaders must learn and understand the factor motivating employees and work effectively with them. (Amabile, 1993) When the employees are motivated, they enjoy the work resulting in a high level of productivity and satisfaction. However, motivating employees has been a difficult task for a manager because motivation is a personal matter that constantly changes(Bowen and Radhakrishna, 1991), and the same motivational factor may not motivate the entire workforce of the organization.

### 2.2.2 Herzberg's Motivation-hygiene Theory

Herzberg's motivation-hygiene theory is also known as the Two factors theory. The theory proposed by Fredrick Herzberg in 1959 has divided the job factors into two categories: Motivational factors and Hygiene factors. According to him, motivational factors are those factors that directly motivate employees to work hard. In contrast, hygiene factors are those factors that demotivate employees if not present, but simply being present does not motivate employees to work harder. (Herzberg, 2003)

Two Factor Theory - Herzberg

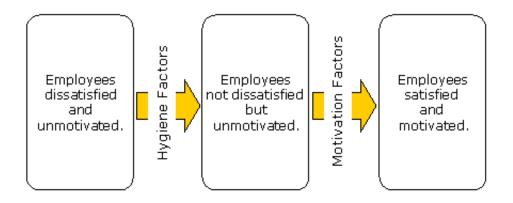


Figure 3 : Herzberg's Motivation-Hygiene theory/Two-factor Theory

Motivational factors are factors in the workplace that motivate employees and lead to positive work satisfaction. Conversely, the absence of these factors leads to no satisfaction but not to dissatisfaction. These motivational factors are related to intrinsic work elements where employees are motivated by the work itself. These factors include recognition, sense of achievement, opportunities for development and promotion, responsibility, and meaningfulness of work. (Herzberg, 2003)

Herzberg's hygiene factors are extrinsic elements of the job environment. These factors are also called dissatisfiers, as employees become unsatisfied if they are not present in the workplace. But when hygiene factor is present at the workplace, it does not motivate the employees, but employees become no dissatisfied. These factors are not controlled by the employees. Hygiene factors include salary, job security, interpersonal relationship with managers and co-workers, work condition, promotion opportunities, and leadership style. (Herzberg, 2003)

Herzberg two factor theory(1959) is related to Maslow's hierarchy of need theory(1943). According to Maslow's hierarchy of needs theory (1943), all humans have certain needs, and when those needs are not fulfilled, it will motivate us to take action towards trying to fulfill those needs. Moreover, these needs are pursued at a hierarchical level according to their importance. Maslow has categorized the needs in 5 different levels: physiological, safety, social, self-esteem, and self-actualization. He argued that to progress in the higher-level needs, the lower level or basic needs must be met first.

Figure 4 shows the comparison between Maslow's hierarchy of needs and Herzberg's motivators-hygiene factors. Herzberg's motivators are related to esteem needs and self-actualization needs of Maslow's hierarchy of needs, whereas hygiene factors are related to physiological needs, safety, and social needs. Herzberg indicated that most of the managers focus on the fulfillment of lower-level need, which is hygiene factors and give inadequate consideration to higher-level need, which is motivators. However, satisfying lower-level needs or hygiene factors by salary, benefits, or company policy will not ensure that it will influence the employee performance positively. The manager must make give attention to the motivators to influence the employees' motivation positively. (Mondy et al., 1980)

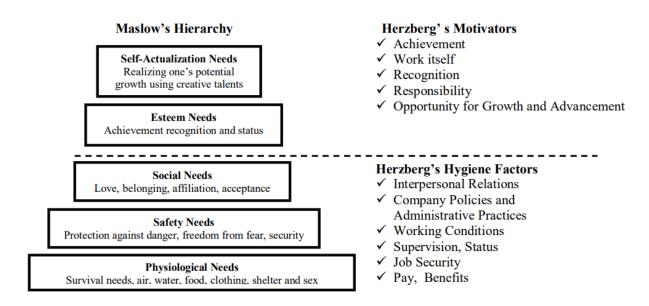


Figure 4 : Maslow's Hierarchy of Needs and Herzberg's theory compare (Mondy et al., 1980)

When Herzberg's two-factor theory is applied in the workplace, the manager can motivate the employees in two steps. The first one is eliminating the dissatisfaction factors, and the second step is creating the condition for satisfaction. At first, the manager should examine the hygiene factors in the workplace. As per Herzberg, hygiene factors do not motivate the employees but prevent dissatisfaction. The dissatisfaction can be eliminated by reassessing the company's poor policies, offering a competitive salary and monetary benefits, providing job security, creating a good manager-employee relationship, and improving working conditions. (Indeed Editorial Team, 2021)

The second step to motivate employees through Herzberg's two factors theory is to improve the motivators or satisfaction of the employees. The manager can improve employee job satisfaction by promoting recognition and appreciation, providing career growth opportunities, providing challenging responsibilities, and offering training opportunities. (Indeed Editorial Team, 2021)

### **3 RESEARCH METHODOLOGY**

An exploratory research was applied to conduct this thesis. The exploratory research is a process to investigate what is happening and gain new insights into a problem. The exploratory study is beneficial in clarifying the understanding of a problem when it is not clearly defined. (Saunders et al., 2016) Therefore, the researcher explores the current performance management process and its link with employee motivation at Shree Nishchal Saving and Credit Co-operative Ltd. There are various methods of data collection in an exploratory study. The researcher has used extensive literature reviews, interviews, and questionnaires to become more familiar with the research objectives. The study has not developed a new theory; instead, it has used already developed principles. In this sense, the researcher adopted a deductive approach to carry out the research process. In the deductive approach, based on existing theories, a hypothesis is formed. Furthermore, it is subsequently examined by collecting relevant data and analyzing them. (Snieder & Larner, 2009)

As a research strategy, the researcher chose a case study. A case study strategy is applied when an in-depth inquiry is required to fulfill the study's objectives. It gives a better understanding or insights into the phenomena in their real-life context. A researcher can use both qualitative and quantitative data in a case study research, which helps the researcher obtain mixed data for the study. (Yin, 2003)

### 3.1 Data collection and analysis

The researcher looked at the research questions from two different angles; one was from a manager, and another was from employees to get broader and more profound information. The researcher has used the mix-method to collect the data. The mixedmethod is an integration of qualitative as well as a quantitative method of data collecting (Tashakkori and Creswell, 2007). The data was collected in two-phase. In the first phase, a quantitative method was used to collect data from all employees of Shree Nishchal Saving and Credit Co-operative Ltd. Quantitative method is a data collecting method where the analysis of the data generates the numerical data. The quantitative data collection method is used to examine a certain theory; this means quantitative research is generally related to the deductive approach. (Saunders, Lewis and Thornhill, 2016) The data was collected through a questionnaire created on Webropol, and the link was sent to all employees via messenger as it was the most applicable option for everyone. A structured questionnaire was created based on the literature review in chapter 2 to understand the employees' motivational factors in the organization (Appendix 3). The questionnaire was sent to 11 employees and given a week to respond and return at the beginning of March 2021.

In the second phase of data collection, the researcher used the qualitative data collection method. The qualitative method is used to collect data that are related to perception, behavior, and motivation. These kinds of data can be observed and recorded but cannot be transformed into numerical data. The primary use of this method is when a researcher needs in-depth information about the subject matter. There are various ways to collect data in the qualitative method from which the researcher has used the interview. The use of interviews helps the researcher gather valid and reliable data relevant to the research questions and objectives (Saunders et al., 2016). The researcher has conducted a semi-structured interview with the manager and selected four employees of the organization. Interviews were conducted to gain a complete picture of the performance management process in Shree Nishchal Saving and Credit Co-operative Ltd from both manager's and employee's perspectives. In addition to this, interview questions were designed to understand the impact of performance management activities on employees' motivation (Appendix 1& 2).

The researcher had an informal conversation with the manager at the end of March 2021 on conducting interviews. Interview questions were made available to both manager and employee beforehand to avoid any misunderstanding and ensure the relevance of the questions. Among the 11 employees, 4 employees were selected for the interview. Among them, 3 were market representatives, and 1 was from the administration department. The interviews were held between 7<sup>th</sup> April-15 April 2021. The interview dates were set prior to the interview based on the manager's and employees' availability. Interviews were held on Zoom and Skype. Interviewees were requested to spare an hour for the interview, but most of the interviews came to an end in 45 minutes. The interviews were recorded and later transcribed in English.

#### 3.2 Reliability and validity

Reliability and validity are the concepts that evaluate the quality of the research. Validity refers to the accuracy of the research. Validity explains to what extent the collected data covers the actual area of investigation(Ghauri and Grønhaug, 2005). The validity of the research can be assessed by examining how well the result matches the established theory(Middleton, 2019). To ensure the validity of the research, the researcher had designed the questionnaire based on Herzberg's two-factor theory. Similarly, the interview questions were developed based on Charles Cadwell's performance management process framework. Both the questionnaire and the interview questions were designed in such a way, that they were not only precise but also on point.

Reliability refers to the consistency of results when research is performed by different individuals at different times using the same data collection methods and data analysis procedure. The research is considered reliable when the same outcome is produced when repeated under the same condition. There are four key threats to data reliability: participant error, participant bias, observer error, and observer bias. (Saunders, Lewis and Thornhill, 2016) To eliminate the threats to data reliability from the participants, the researcher provided enough time to respond to the questionnaire. Similarly, respondents were informed that their identity would be kept confidential and no opinions would be disclosed linked with the specific name and role in the organization. Similarly, to prevent observer error and bias to the data, the researcher focused on the literature review and the respondent's opinions.

### **4 DATA ANALYSIS AND FINDINGS**

This chapter presents the research results that contained in-depth qualitative interviews and questionnaires which were conducted to examine how employees are motivated through the organization's performance management process. The research findings are analyzed and interpreted using the literature review on performance management, performance management process, and employee motivation as reviewed in Chapter two.

4.1 Employee motivation factor at Shree Nishchal Saving and Credit Co-operative Ltd.

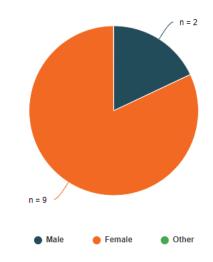
In this subchapter, the findings from the questionnaires are presented. The questionnaires were sent to all the employees of Shree Nishchal Saving and Credit Cooperative Ltd, which is 11. All the questionnaires were duly filled and returned. The questionnaires were sent to find out the employee motivation factor in the organization.

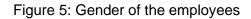
### 4.1.1 General information of Employees

### Gender of the employees

Figure 4 represents the gender of employees currently working at Shree Nishchal Saving and Credit Co-operative Ltd. The figure shows that out of 11 employees, 9 were females and 2 were male.

Number of respondents: 11





### Age of the employees

Figure 5 indicates the age group of the employees. There were 3 employees in the age range 20/25, 2 employees in the age range 26-30, 3 employees in the age range 31-35, and 3 employees in the age range 36-40.

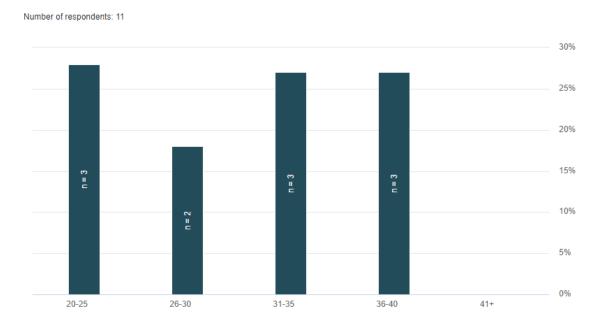


Figure 6: Age of the employees

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### Work department

Number of respondents: 11

Figure 6 represents the employees' work department. 4 employees worked in administration, and 7 employees were market representatives.

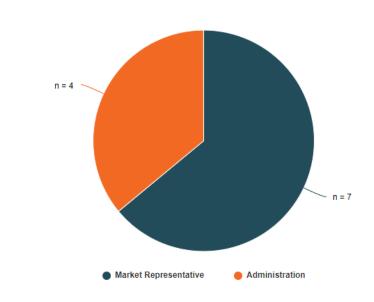


Figure 7: Work department

### Number of working years

Figure 7 indicates the employee's years of service at Shree Nishchal Saving and Credit Co-operative Ltd. Out of 11 employees, 4 employees were in the organization for between 2-4 years, 4 employees worked between 4-6 years, and the remaining two employees were in the organization for 7 years and more.

Number of respondents: 11

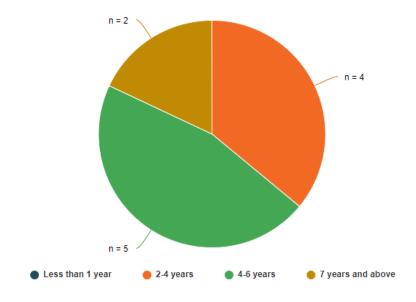


Figure 8 Number of working years.

#### 4.1.2 Extrinsic Factors that influence employee motivation

Table 1 represents the extrinsic factors that affect the motivation of employees at Shree Nishchal Saving and Credit Co-Ltd. 11 statements were presented to the employees to indicate their level of agreement with the extrinsic motivation factors. Out of 11 employees, 7 strongly agreed, and 4 agreed that salary/monetary compensation influences their work motivation. Similarly, 2 employees strongly agreed, and 7 employees agreed that the manager's leadership style affects their motivation to work, while 2 remained neutral. When asked about effective communication between managers and employees, 9 employees agreed that it affects their motivation, whereas 2 neither agreed nor disagreed. All the employees agreed that the manager's feedback influences their motivation to work.

When asked about interpersonal relationships, most of the employees agreed that the manager-employee relationship has a positive effect on their motivation. Whereas 3 employees agreed, 4 employees disagreed, and 4 neither disagreed nor agreed that their relationship with other co-workers impacted their motivation level. Out of 11, 2 employees strongly agreed, and 5 employees agreed that job security has a positive effect on their work motivation, while 4 employees neither agreed nor disagreed.

Similarly, 5 employees indicated that work flexibility influences the motivation level, but 5 employees neither agreed nor disagreed, and the remaining 1 employee disagreed. When asked about promotion opportunities as a motivation factor, 7 employees strongly agreed, and the remaining 4 agreed. Out of 11, most employees agreed that their work motivation is affected by the organization's policy, whereas 3 employees remained neutral.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Total	Mode
Salary/ monetary compensation influences my motivational level.	0	0	0	4	7	11	Strongly Agree
My manager's leadership style affect my motivation to work.	0	0	2	7	2	11	Agree
Effective communication between the manager and me in the organization positively affects my motivation level.	0	0	1	8	2	11	Agree
Manager's feedback influence my motivation to work.	0	0	0	5	6	11	Strongly Agree
My relationship with my manager has a positive effect on my work motivation.	0	0	3	4	4	11	Agree;Strongly Agree
My relationship with other co-workers has an impact on my motivation level.	0	4	4	2	1	11	Disagree;Neither Agree nor Disagree
My job security has a positive effect on my work motivation.	0	0	4	5	2	11	Agree
Flexibility of work has positive effect in my motivation level	0	1	5	5	0	11	Neither Agree nor Disagree;Agree
Work condition has an impact on my motivation level.	0	0	1	10	0	11	Agree
Promotion opportunities have a positive impact on my motivation.	0	0	0	4	7	11	Strongly Agree
My motivation to work in affected by my organization's policy.	0	0	3	8	0	11	Agree

Table 1: Extrinsic factor influencing employee motivation

### 4.1.3 Intrinsic Factors that influence employee motivation

Table 2 demonstrates the intrinsic factors that influence employee motivation. 7 employees strongly agreed, and the remaining 4 employees agreed that they are motivated when the organization recognizes and appreciates their contribution to the organization. Similarly, 5 employees strongly agreed. The remaining 6 agreed that they are motivated when they feel that fairness in the treatment of the employees in the organization. The majority of the employees agreed that the organization's trust

influences their motivational level, whereas 2 employees remained neutral. When employees were asked about the work motivation through empowerment and employee autonomy, 2 employees strongly agreed and 6 employees. The remaining 3 employees neither agreed nor disagreed.

Interestingly, out of 11 employees, only 5 employees indicated that the challenging job positively influences the motivation to work. The other 3 employees disagreed, and the remaining 3 employees neither agreed nor disagreed. Out of 11 employees, 9 agreed that training and skill growth opportunities influence their motivation level, 2 employees neither agreed nor disagreed.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Total	Mode
I feel motivated to work more when I am praised and appreciated for my contribution to the organization.	0	0	0	4	7	11	Strongly Agree
I feel motivated when there is fairness in the treatment of employees in the organization.	0	0	0	6	5	11	Agree
The organization's trust influences my motivation level.	0	0	2	5	4	11	Agree
My work motivation is directly proportional to the level of empowerment and employee autonomy in my organization.	0	0	3	6	2	11	Agree
The challenging work positively influences my work motivation.	0	3	3	4	1	11	Agree
Training and skill growth opportunities provided by the organization influence my motivation level.	0	0	2	9	0	11	Agree

Table 2 : Intrinsic factors that influence employee motivation

4.2 Performance management process at Shree Nishchal Saving and Credit Cooperative Ltd.

From the interviews with the manager and the selected employees of Shree Nishchal Saving and Credit Co-operative Ltd, it is found that performance management is implemented in the organization. Because the researcher is obliged and bound to protect the confidentiality of the employees that participated in the interview, the employees are labeled as interviewee 1, interviewee 2, interviewee 3, and interviewee 4. The components of the performance management process are described below.

#### 4.2.1 Performance Planning

The manager of the organization is a responsible person for managing the performance of employees. The performance management process in the organization lasts for one financial year. At the beginning of the financial year, organizational missions, goals, tasks, and products are determined through a board of directors meeting. The decision made by the Board of Directors served as the basis for performance management in the organization.

The organization has implemented several elements in the performance management process. The first one is performance planning. As soon as the board of directors defines goals and objectives for the year, the manager conducts a meeting with the employees. In this very first meeting, employees are informed about the organization's mission and vision, organizational goals, and new products. The manager made himself heard and discussed with the employees the action needed to achieve the organizational goal. In this phase, a work plan is created where the job description is written according to their area of work, i.e., market representative and administration. According to interviewee 2, the manager does not set any targets. They are free to set their own goal based on their ability. For example, managers do not determine the number of new customers to be brought into the organization per month or the number of fixed deposits.

### 4.2.2 Performance monitor and feedback

After setting performance goals, employees carry out their work according to the plan. While doing their job, sometimes employees face challenges or find the goals impossible to achieve. Regular supervision of the manager and two-way communication between the employees and the manager is essential to tackle the issue initially so that it does not affect the annual target of the employees. In Shree Nishchal Saving and Credit Cooperative Ltd, the manager monitors the performance on a monthly basis and provides feedback. Employees are encouraged to speak to the manager when problems arise. Employees feel that the communication process in the organization is very straightforward. Interviewee 4 said that when a performance problem is reported to the manager, the matter is taken seriously. The suggestions of the employees are also implemented to solve the problem. According to interviewee 4, the feedback they receive is mostly informal. Informal feedback is also effective if provided on a daily basis. However, employees indicated that constructive feedback should be provided once a month. Similarly, employees complained that performance review meetings do not happen regularly. They insisted that the meeting should be carried out monthly basis.

### 4.2.3 Performance evaluation

Employees' performance is assessed annually at Shree Nishchal Saving and Credit Cooperative Ltd. According to the manager, performance assessments are done fairly, and they do not have any influence on the achievement of the employees. However, interviewee 1 showed doubt about the fairness of the performance assessment process. In the organization, the top two performing employees are rewarded at the Annual General Meeting. The interviewed employees highlighted that barring one employee, no other employee has received the award for two consecutive years despite top performance.

The performance evaluation is only related to determining the employee who has contributed the most to achieve the organization's goal and reward the top performer. According to the interviewed employees, when a performance gap is found after comparing the actual performance and the desired performance, the manager fails to take the right action. An employee stated that the proper training and coaching would help her to perform better.

#### 4.2.4 Reward and compensation

Performance management is used to reward as well as compensate employees. Based on the interviews, in addition to the salary, employees get paid on the basis of their performance. For example, employees are given a 0.5%-1% commission on the fixed deposit amount and a certain amount given for a new account opening. Similarly, each year salary and allowance are raised based on performance. Recognization and appreciation are also part of the performance management in the organization. Every year 2 employees are awarded the employee of the year certificate at the Annual General Meeting. In addition to the employee of the year certificate, a monetary reward is also provided.

4.3 The match between performance management activities and employee motivation factors at Shree Nishchal saving and Credit Co-operative Ltd.

In this section, based on the results of questionnaires and interviews, the researcher sought a match between performance management activities and employee motivation factors. The questionnaire and interviews on employee motivation factors indicate that the employees' most significant extrinsic motivation factors are salary/monetary compensation, interpersonal relationship with the manager, feedback from the manager, and promotion opportunities. Similarly, as an intrinsic motivation factor, recognization and appreciation, and fairness of treatment influence motivation.

One of the contributions of performance management is to motivate employees to enhance their performance. The findings from the interview with the manager and employees of Shree Nishchal Saving and Credit Co-operative Ltd. shows the link between performance management activities and employee motivation factor in the organization. At Shree Nishchal saving and Credit Co-operative Ltd., salary and compensation is based on the job performance. Therefore, employees are given extra monetary compensation based on their work. One of the employees shared in the interview that she is willing to put extra effort into her performance when paid for the effort.

Similarly, the employee-manager relationship seems to motivate the employees at Shree Nishchal saving and Credit Co-operative Ltd. Throughout the performance management process, the manager and employee, work together. In the interview, employees stated that the communication process in the organization is two-way. Employees are encouraged to consult with the manager whenever a problem arises. The manager only not give the order to the employees, but also take the suggestion from them.

Providing feedback on employees' performance is a vital element of performance management. In Shree Nishchal Saving and Credit Co-operative Ltd., employees are given regular feedback. Employees at Shree Nishchal Saving and Credit Co-operative Ltd. seem to value the manager's feedback, either negative or positive. According to the interviewed employees, positive feedback from the manager makes them happy and

encourages them to maintain the same level of performance. However, employees seek constructive feedback over negative feedback, which the manager lacks to provide most of the time.

Promotion opportunities are another motivating factor for the employees in Shree Nischal Saving & Credit Co-operative Ltd. The performance appraisal process determines the promotion of the employee. Based on the employee's contribution towards achieving the organizational goal, the manager decides promotion. At present, most of the employees have temporary work contracts and do not have Employees Provident Fund. As management's policy is to promote one employee per year based on their performance, employees are motivated to increase their performance.

Although all intrinsic motivation factors influence the motivation level of employees at Shree Nischal Saving & Credit Co-operative Ltd, employees give the highest importance to recognition and appreciation and fairness in treatment. One of the interviewed employees claimed that recognition and appreciation by the manager give her more satisfaction than monetary reward. The manager stated that both formally and informally, they provide appreciation to the employees. Formal recognization is done once a year by declaring employee of the year at the Annual General Meeting (AGM). Informally employees are appreciated at the internal meetings.

### **5 CONCLUSION**

The objective of the thesis was to examine the current performance management practices carried out at Shree Nishchal Saving and Credit Co-operative Ltd and its relationship with employee motivation. The following research questions were answered to achieve the research objective:

- What factors motivate the employees in Shree Nishchal Saving and Credit Cooperative Ltd?
- What are the key components of performance management in Shree Nishchal Saving and Credit Co-operative Ltd?
- How do the performance management activities carried out in the organization match the motivational factors of employees?

To achieve the research objective, the researcher first found out the employee motivation factors by implementing a questionnaire. Secondly, the researcher interviewed the manager and selected four employees to gain in-depth information on the current performance management process in the organization. Finally, the researcher matched the employee motivation factors with the implemented performance management process in the organization.

### 5.1 Research findings

Based on the questionnaire implemented to determine the factor influencing employee motivation at Shree Nishchal Saving and Credit Co.operative Ltd, it is found that the employees of Shree Nishchal Saving and Credit Co-operative Ltd have a varied opinion towards extrinsic and intrinsic motivational factors. The finding indicates that the salary and other monetary benefits, manager-employee relationship, manager's feedback, and promotion opportunities in the organizations are the vital extrinsic factors that influenced employee motivation at Shree Nishchal Saving and Credit Co-operative Ltd. Extrinsic factors are job context factors that are related to the workplace environment. The employees have no control over these factors (Nidhi, 2019). According to Herzberg (2003), extrinsic factors are hygiene factors or maintenance factors that do not motivate the employees but prevent job dissatisfaction. In the absence of hygiene factors, employees will be dissatisfied, which will affect job performance. Therefore, the manager

has to ensure that extrinsic factors that influence employee motivation are present in the work environment. Similarly, the finding of the questionnaire indicates that most employees agree that all intrinsic factors influence their motivation level. It is seen that recognition and appreciation and fairness of treatment in the organization are the most valued intrinsic motivation factors at Shree Nishchal Saving and Credit Co-operative Ltd. Intrinsic factors are related to job content factors associated with the positive feelings of employees about the job (Nidhi, 2019). Herzberg (2003) stated that intrinsic factors are the motivators that increase job motivation and job satisfaction. When the hygiene factors are intact in the organization, the manager should focus on motivators to motivate the employees for better performance.

The finding based on the interviews with the manager and four employees of Shree Nishchal Saving and Credit Co-operative Ltd shows that the organization follows a systematic performance management process. The key performance management activities in the organization are performance planning, performance evaluation, providing feedback, performance evaluation, and providing a reward. Thus, Shree Nishchal Saving and Credit Co-operative Ltd. appear to fulfill the key aims of performance management outlined by Amrstrong and Baron(1998), which are aligning organizational objectives with individual objectives, outlining employee performance plans, defining high performance, motivating, and engaging employees.

It has been observed that the performance management process in Shree Nishchal Saving and Credit Co-operative Ltd has a link with the motivation factors that affect employee motivation. The organization has adopted a performance-based pay program. As a result, salaries, compensations, incentives, and rewards are provided based on the performance of the employees. Performance feedback is given time-to-time to motivate underperformers as well as maintain the motivation level of top performers. The organization has adapted two-way communication making the communication process straightforward. As a result, a positive manager-employee interpersonal relationship is created. Performance evaluation is done once a year, and the top performer is determined based on the performance. Employees are praised for their efforts and awarded as an Employee of the year at ANM of the organization, which encourages them to keep up their good work.

#### 5.2 Recommendation

While the performance management process at Shree Nishchal Saving and Credit Cooperative Ltd meets the goal of performance management, some improvements are still needed for effective performance management to motivate the employees.

Although the performance management process identifies the underperformer, the manager is unable to define the action plan. At first, the manager should examine the cause of poor performance, and based on the cause action plan should be made. The action plan could be reforming the performance plan, training, coaching, and motivating. Similarly, the manager provides primarily informal feedback to the employees at the moment. Informal feedback is immediate, and it can happen at any time in any place. Although this can impact the employee's day-to-day performance, constructive feedback should be provided occasionally. Constructive feedback should be corrective, not only critical. The guidance and suggestion should be provided so that the employees achieve a positive outcome. It is found that the employees have a trust issue regarding performance evaluation and reward in the organization. To ensure fairness of treatment among employees and to prevent any perceived bias with rewards and recognition, the manager should evaluate employees solely based on their performance.

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### APPENDICES

Appendix 1: Interview questions for manager

- 1. How is performance management implemented in the organization? What are the key components of performance management?
- 2. How do you conduct a performance plan for the employees?
- 3. How and when are employees' performances monitored?
- 4. How do you address employees who are not performing?
- 5. What elements do you focus on employees' development process?
- 6. How do you use work goals to improve employee motivation?
- 7. What performance incentives are provided to the employees?
- 8. Among those incentives, which one is important to keep the employees motivated to perform their best?
- 9. Is the remuneration related to the performance of the employees?
- 10. What is the importance of work environment and ethics in motivating employees?
- 11. How effective is the current performance management process in the organization?

Appendix 2: Interview question for employee

- 1. How is the PM carried out in your organization?
- 2. Planning performance:
  - How does the organization set the objectives?
  - Do you get to involved in goal setting process?
  - Does the expected performance clearly communicate to you?
- 3. Monitoring performance:
  - How often is your performance monitored?
  - Does your manager hold a performance review meeting?
  - Do you get critical feedback on your performance?
- 4. Analysing performance:

- Does your manager compare your performance progress with predetermined performance standard?
- In case of difficulty in meeting pre-determined performance standard, does your work plan get reviewed?
- Do you get all the necessary tools to perform the task to achieve the set goal?
- 5. Improving performance
  - Does your organization organize or provide training/coaching to improve your performance?
  - What factors motivate you to stay engaged and productive in the organization?
- 6. Maintaining the performance
  - Do you get recognition for your performance?
  - Does your organization provide reward/ incentive based on your performance?
- 7. Is any improvement needed in current performance management?

Appendix 3: Questionnaire (Factor affecting employee motivation at Shree Nishchal Saving and Credit Co-operative Ltd.)

Factor affecting employee motivation at Shree Nishchal Saving and Credit Co-operative Ltd

### 1. Gender \*

- O Male
- Female
- O Other
- 2. Age \*
- O 20-25
- C 26-30
- O 31-35
- O 36-40
- O 41+

### 3. Educational Background \*

- <sup>O</sup> Secondary level
- College (+2)
- <sup>O</sup> Uniiversity degree

### 4. In which department are you currently working? \*

- <sup>O</sup> Market Representative
- Administration

### 5. How long have you been working in this organization? \*

C Less than 1 year

- O 2-4 years
- O 4-6 years
- $^{\mbox{O}}$  7 years and above

### 6. Extrinsic Motivation Factor

### Choose the best option that best describes your opinion.

			Neither Agree		
	Strongly		nor		Strongly
	Disagree	Disagree	disagree	Agree	Agree
Salary/ monetary compensation influences my motivational level. *	0	0	0	0	۲
My manager's leadership style affects my motivation to work. *	۲	0	0	0	0
Effective communication between the manager and me in the organization positively affects my motivation level. *	0	0	0	0	0
Manager's feedbacks influence my motivation to work. *	0	0	0	0	0
My relationship with my manager has a positive effect on my work motivation. *	0	0	0	0	0

			Neither Agree		
	Strongly		nor		Strongly
	Disagree	Disagree	disagree	Agree	Agree
My relationship with other co-workers has an impact on my motivation level. *	0	0	0	0	0
My job security has a positive effect on my work motivation. *	0	0	0	0	0
Flexibility of work has positive effect in my motivation level *	0	0	0	0	0
Work condition has an impact on my motivation level. *	0	0	0	0	0
Promotion opportunities have a positive impact on my motivation. *	0	0	0	0	0
My motivation to work in affected by my organization's policy.	0	0	0	0	0

### 7. Intrinsic Motivation Factor

### Choose the best option that best describes your opinion

			Neither agree		
	Strongly		nor		Strongly
	Disagree	Disagree	disagree	Agree	Agree
I feel motivated to work more when I am praised and appreciated for my contribution to the organization.	0	0	0	0	0
I feel motivated when there is fairness in the treatment of employees in the organization.	0	0	0	0	0
The organization's trust influences my motivation level.	0	0	0	0	0
My work motivation is directly proportional to the level of empowerment and employee autonomy in my organization.	0	0	0	0	0
The challenging work positively influences my work motivation. *	0	0	0	0	0
Training and skill growth opportunities provided by the organization influence my motivation level.	0	0	0	0	0