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CASE STUDY: THE IMPACT OF FINANCIAL AND NON- FINANCIAL REWARDS ON EMPLOYEE MOTIVATION



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Rewarding and motivating employees are concepts which are widely studied in organizational settings. The impact of total rewards including financial and non-financial rewards have on employee motivation was chosen to be studied in this research because both of the concepts are important; for the employees and for the employers.

The aim of this thesis is to find out what are the reward practices in use in the chosen case study organization and how and why the rewards are impacting the employee motivation.

The research method chosen for this thesis is a mix of quantitative and qualitative approach as this was considered to be the most suitable research method for this case study allowing the extensive possibilities to collect and analyse data.

The findings of this research are various; the reward practices of the case study company are presented and analysed in depth, the reasons how reward practices can impact employee motivation were found. In the case study organization rewards in use are positively impacting employee motivation and the reasons why rewards are impacting motivation was explained through the use of grounded motivation and reward theories.

As the case study approach was chosen for this thesis the results and conclusions of this research are valid only to the case study organization and the conclusions should not be generalized outside the case study organization.

KEYWORDS:

Case Study Total rewards Motivation Employees Human Resources Organizational Behavior.

Lotta Laakso

CASE STUDY: PALKITSEMISEN KOKONAISUUDEN VAIKUTUS TYÖNTEKIJÖIDEN MOTIVAATIOON

Työntekijöiden palkitseminen ja motivointi ovat aiheita joita on tutkittu laajasti organisaatioissa. Tässä opinnäytetyössä tutkitaan palkitsemisen kokonaisuuden vaikutusta työntekijöiden motivaatioon. Tämä aihe valittiin tutkimuksen kohteeksi, koska palkitseminen ja työntekijöiden motivaatio ovat tärkeitä asioita; sekä työntekijöille että työnantajille.

Tämän opinnäytetyön tavoitteena on selvittää case study organisaation palkitsemisen eri keinot ja miten ja miksi palkitseminen vaikuttaa työntekijöiden motivaatioon.

Tutkimusmenetelmäksi valittiin piirteitä sekä määrällisestä että laadullisesta menetelmästä, sillä näiden koettiin soveltuvan parhaiten tähän työhön ja antavan tarvittavan vapauden kerätä ja analysoida tietoa.

Tämän tutkimuksen tulokset ovat monipuoliset. Case study organisaation palkitsemisen keinot esiteltiin ja analysoitiin kattavasti. Syitä miten palkitseminen voi vaikuttaa motivaatioon löydettiin. Case study organisaatiossa käytössä olevat palkitseminen keinot vaikuttavat positiivisesti työntekijöiden motivaatioon. Syitä miksi palkitseminen vaikuttaa motivaatioon esitettiin kattavien motivaatio- ja palkitsemisteorioiden kautta.

Tässä opinnäytetyössä tutkittiin vain yhtä organisaatiota ja siten tämän tutkimuksen päätelmät ovat valideja vain valittuun organisaatioon ja tuloksia tai päätelmiä tästä työstä ei voida soveltaa tämän case study organisaation ulkopuolelle.

ASIASANAT:

Case Study Palkitsemisen kokonaisuus Motivaatio Työntekijät Henkilöstöhallinto
Organisaatiokäyttäytyminen

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1 INTRODUCTION

1.1 The objective of the thesis

Companies are spending huge amounts of money on their reward programs which aim to motivate, retain, commit and attract new employees. Despite the great amount of money used in these reward practices only few of the human resource managers are able to justify and measure whether the reward practices in use are efficient and resulting the outcomes which the reward programs try to aim (Armstrong et al 2010). Brown (2008, 24) criticized the most commonly used reward practices in organizations: “—very few organizations seem to have any concrete evidence to evaluate or justify their reward practices.” He also concluded that many of the practices in companies are in use because those have always been in place, because others do so or because the companies simply lack the correct information, resources or measurement tools to evaluate whether their reward practices are efficient or not.

Markova and Ford (2011, 813) mentioned that the real success of companies originate from employees' willingness to use their creativity, abilities and know-how in favor of the company and it is organization's task to encourage and nourish these positive employee inputs by putting effective reward practices in place.

The importance of motivated employees cannot be highlighted enough in an organizational context. Motivated employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low levels of motivation. (Hunter et al 1990) Motivation has been studied for decades and the relation between rewards and motivation has been also widely studied.

The aim of this thesis is to find out how the financial and non-financial rewards are impacting employees' motivation in organization x. What makes this topic

interesting is the emphasis put on reward management but the complexity and lack of measurement skills when estimating the results of using these reward practices. Second purpose of this thesis is to provide practical guidance for the case study organization to reduce the knowing-doing gap when improving and implementing the reward practices. This study also offers significant insight to the employees' attitudes and satisfaction towards the rewards in use and the level of motivation the employees feel to have. The results can be used to develop the reward practices in right direction in company x and help the company x better motivate their employees according to their needs. The reduced dissatisfaction towards reward practices may result in better productivity, motivation, engagement and profitability of the company.

1.2 Research questions

This thesis will aim to answer the following questions:

1. What are the current reward practices in use in company x?
2. How are the rewards impacting the employees' motivation?
3. Why are the rewards impacting the employees' motivation?

1.3 The structure of the thesis

This thesis includes five chapters of which the first chapter has been already presented. The second chapter includes the most relevant theories in relation to motivating and rewarding employees. The theories are first introduced, explained and finally the practical applicability of the theories is evaluated.

In the third chapter the research methodology is presented and justified. Reliability, validity and generalization are acknowledged in this section. Data collection and the background of the questionnaire respondents is presented in the sub chapters.

The fourth chapter of the thesis will present the empirical part of the study. The questions appeared on the questionnaire sent to the company x employees are

analysed together with the results and some of the theories presented in chapter two are further explained.

The last chapter of the thesis will present the conclusion and solutions to the research questions. The future research and development needs will be also addressed in the final chapter.

2 THEORETICAL FRAMEWORKS

2.1 Motivation theories

Motivation was described by Robbins (2003, 155) as the result of interaction between individual and situation. Robbins acknowledged that people have different needs and the interaction of the situation and individual can be either reinforcing or hindering one's motivation.

Mitchell (1982, 82) said that motivation means "those psychological processes that cause the arousal, direction, and persistence of voluntary actions that are goal directed."

People are motivated when they believe that a certain need will be satisfied by achieving a wanted goal or reward which will satisfy their needs. (Armstrong 2009, 317) Nelson has criticized managers of forgetting to nourish motivation at workplaces until it is lost and after it harder and more costly to get back on place. (2004, 17)

Arnold et al. (2010, 310) found three components of motivation:

- Direction – what a person is trying to do
- Effort – how hard a person is trying
- Persistence – how long a person keeps on trying

There are two kinds of motivation as Herzberg et al (1987) described: intrinsic motivation which derives from the individual itself and one feels that he or she does not necessarily need external stimuli to obtain this motivation (e.g money). The second type of motivation is extrinsic which results from the external factors of the individual such as getting money. Individuals who are possessing extrinsic motivation will be motivated by the stimuli coming outside the individual and their motivation will be the sum of efforts made to motivate them in an organizational context in forms of rewards, promotion, pay increases and punishment (Armstrong 2009, 318). Armstrong concluded that the intrinsic motivation is more powerful in the long run and deeper in meaning as it is

integrated in the individual and not coming from the outside whereas the extrinsic motivation might have powerful and visible effects fast but these are not lasting long as the stimuli is coming outside the individual.

Osterloh and Frey (2000, 539) defined an individual to be extrinsically motivated when employee needs are indirectly met through the use of monetary rewards. They described pay for performance to be the ideal incentive for the extrinsically driven employees but blamed it to lack the long-term results. They described money to be a goal which provides satisfaction independent of the actual activity itself.

There are many theories explaining how motivation is created and how managers could take the best advantage of the literature they have about motivation. Still one of the hardest issues managers are facing is how to keep the employees motivated. Motivation theories are said to be complementary and the theories can support each others and if one theory is found to be valid it does not mean that the other would not be valid. (Robbins 2003, 176). Due to the amplitude of the motivation theories the presentation of all the motivation theories existing would have been irrelevant for this thesis. The selection of motivation theories is restricted to the most relevant ones to this thesis and the selection criteria is explained in the following sub chapters reviewing motivation theories.

2.1.1 Hierarchy of needs

According to the theory developed by Abraham Maslow human motivation is born by the emerged unsatisfied needs one tries to satisfy. (1943, 370-395). This theory is presented in this thesis as it is considered to be one of the fundamental motivation theories to which other need theories of motivation have been build on and it is still videly used and applied in organizational contexts. (Robbins 2003, 156).

The theory is based on five human needs; physiological, safety, social, esteem and self-fulfilment. The needs are arranged from the basic human needs to the

higher level needs in the shape of a triangle. The basic needs are the ones which can be satisfied externally i.e. physiological and safety needs. On the opposite the higher level needs including social, ego and self-actualization needs can be satisfied internally. (Robbins 2003, 157)

The idea behind this theory is that when a need is achieved, other, higher level needs emerge and the satisfied need no longer motivates an individual. (Armstrong 2009, 319) Before one tries to satisfy the higher level needs the basic level needs has to be satisfied first. It is not, however, impossible to reach for the higher level needs while neglecting the first basic needs but this kind of behavior will not be beneficial in the long run and eventually an individual has to satisfy the basic level needs such as hunger.

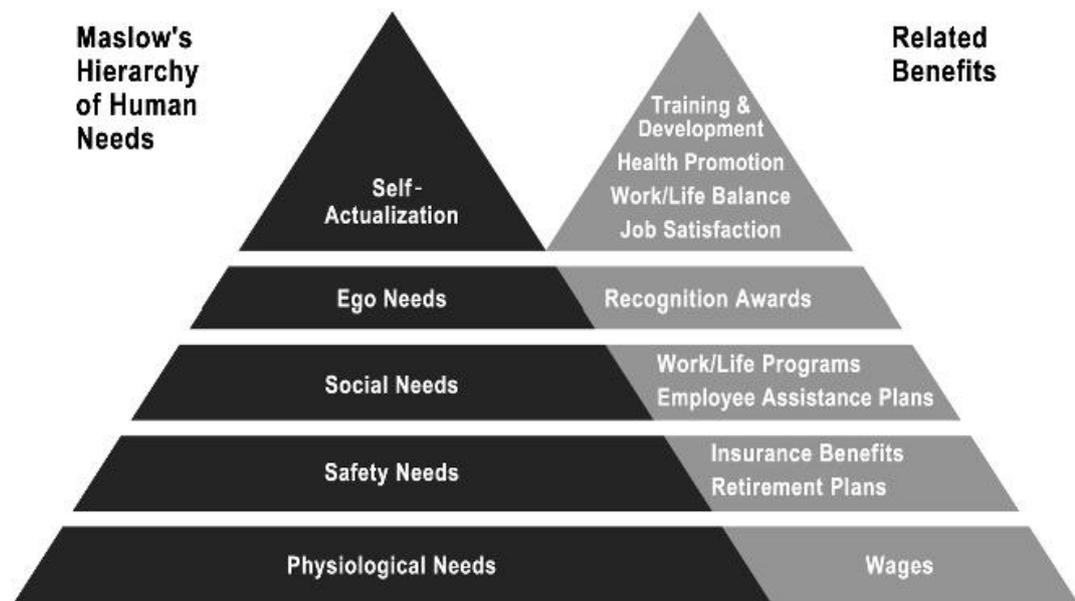


Figure 1. Maslow's hierarchy of needs and related benefits

The above picture demonstrates the link between employee needs presented by Maslow's theory and the corresponding rewards. In an organizational context even the higher level needs can be satisfied by offering recognition and growth opportunities in the organization in condition that the lower level needs are satisfied first by fair base pay and benefits offered to the employees. (Jensen et al. 2007, 72)

Ramlall (2004, 54) mentioned in his article that Maslow found that humans have unmet or emerging needs which should be satisfied as soon as possible and in an organizational context managers should try to motivate employees by providing rewards which could satisfy the arisen needs as soon as those emerge. Ramlall continued that Champagne and McAfee (1989) mentioned in their book that those managers who are able to understand the individual employee needs and how to satisfy those needs and arisen unsatisfied needs are the most successful ones and are able to create better work environments and better motivated employees.

Maslow's theory has not avoided criticism. Robbins (2003, 157) referred to Wahba and Bridwell (1976) who claimed that there is lack of evidence that the needs are organized as Maslow presented i.e. in an hierarchical manner and it is unclear whether the unsatisfied needs create any motivation or that once an individual has satisfied a need level does this activate an individual to seek for another, higher level need satisfaction? Hall & Nougaim (1968), Lawler & Suttle (1972) and Rauschenberger et al (1980) were unable to validate Maslow's theory in practice. (see Robbins 2003, 157)

2.1.2 Two-Factor theory

Theory which is also known as motivator-hygiene theory is developed by Frederick Herzberg et al in 1959. In reference to Maslow's theory Herzberg also emphasizes the importance of the human growth and self-actualization needs and according to him it must be the job characteristics which satisfy the individual growth needs once those emerge in an organizational setting. (Pinder 2008, 209) Herzberg's theory will be reviewed as it includes important aspects regarding motivators and demotivators in an organizational environment.

Hertzberg et al (1959) asked respondents in different countries, jobs, in small and big organizations to specify the factors which led to favorable job attitudes and which led to negative job attitudes. 16 factors which of 69 % were led to dissatisfaction and 81% of which were led to job satisfaction were found. The reason why the total percentage is more than 100 % is that the factors were

found to impact not only dissatisfaction but also job satisfaction therefore appearing in both job attitudes. It is important to highlight that for Herzberg there was no absolute job satisfaction which opposite would be absolute job dissatisfaction, he stated that the factors which led to satisfaction or dissatisfaction were distinguishable and distinct from each others and therefore different factors were leading to job satisfaction and to job dissatisfaction. As a result of this there would be only extreme satisfaction which opposite would be no satisfaction at all and repetively there would be job dissatisfaction which opposite would be no job dissatisfaction at all. The factors which lead to job satisfaction are called motivators and these are associated with the work itself. The factors leading to dissatisfaction are called hygiene factors and these are associated with the factors outside the job. (Herzberg et al 1967)

Motivator factors:

- achievement
- recognition
- work itself
- responsibility
- growth / advancement

Hygiene factors:

- company policy and administration
- supervision
- interpersonal relationships
- working conditions
- salary
- status
- security

In 1987 Herzberg presented criticism towards the blind use of hygiene factors as motivators as these factors were only moving the employee to wanted direction but not motivating them. Herzberg described movement as a fear of

punishment or failure to get extrinsic rewards such as salary. What comes to pay for example he concluded that money is a stimuli which helps employees to satisfy their primary needs such as hunger and therefore resulting as pain avoidance practice but when using salary as a motivator the employees are not actually motivated; employees are motivated only to get more salary, and the one who is actually motivated is the employer who is giving the reward to an employee. He also noted that when talking about salary increase one needs constant reinforcement of this practice and therefore higher expenses are resulted due to the factors which are not even motivating. Herzberg also concluded that the hygiene factors i.e the environmental factors were at their best resulting no dissatisfaction on the job and the absence of hygiene factors would create dissatisfaction. (Herzberg 1987)

Robbins (2003, 160) said that when managers are eliminating the factors which create dissatisfaction such as low salary they achieve “neutral” status but not necessarily employee motivation. Herzberg itself said that “improvement in these factors of hygiene will serve to remove the impediments to positive job attitudes.” (Herzberg et al 1967, 113)

Herzberg emphasises the need for achievement which results in psychological growth and can be gained at the work places through job content. It is the job enrichment which results motivation and brings the effective utilization of personnel to use in companies. He concluded that motivation is a function of growth from getting intrinsic rewards out of interesting and challenging work which is the most important. For Herzberg the solution to create employee motivation is found on vertical job loading which offers employees more challenges and demanding tasks than just proving the dull, repetitive tasks. (Herzberg 1987)

2.1.3 Expectancy theory

Mainly two theories by Vroom (1964) and Porter & Lawler (1968) will be presented. According to Robbins (2003) Vroom’s expectancy theory refers to the strength and attractiveness of individual’s expectation of the outcome

produced by performance. The attractiveness of expected reward for given input will determine one's motivational soundness according to this theory and whether that reward responds to individual's personal goals. (Robbins 2003, 173)

According to Vroom (1964) there are three factors directing human behavior which are valence, instrumentality and expectancy. Robbins (2003, 173) explained that there are three relationships; effort – performance, performance – reward and rewards – personal goals which will direct one's behavior.

The picture on the next page (Figure 2. Vroom's Expectancy theory) demonstrates the individual's expectation towards outcomes. In an organizational context employees are often evaluated by their performance. If an employee believes that the effort given will lead to performance which is acknowledged by the management they will try to put their best efforts into practice. This leads to the expectancy that great effort will lead to performance which is noticed and rewarded. Instrumentality is used to explain the suitability of the rewards to performance. If the outcome (rewards) are corresponding to individual's personal goals a positive emotional attitude towards the outcomes (rewards) will be developed. Ramlall explained that an individual estimates an outcome to be positively valence once the outcome is considered wanted in other words once the reward matches one's personal goals. (Ramlall, 2004)

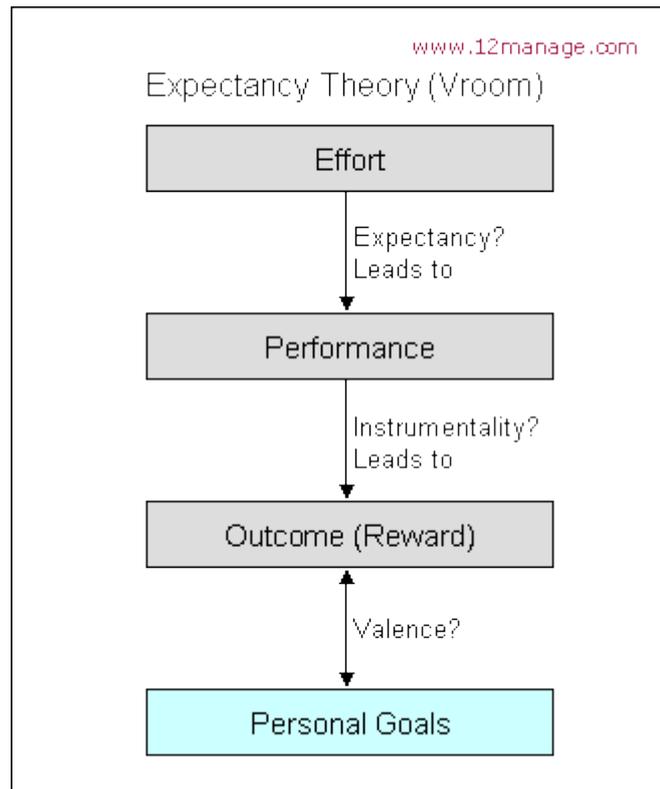


Figure 2. Vroom's expectancy theory

Robbins (2003, 174) said that the expectancy theory gives good explanation why employees are not motivated; they might feel that the excellent performance is not acknowledged in the organization due to several reasons. If the organization's performance appraisal system is created to evaluate non-performance related factors such as tenure, an individual may feel that no matter how much they work they will not be rewarded. Employees may also feel that the supervisor don't like them and therefore they are not given fair appraisals. Employees may think that they don't have the needed competencies to gain high performance levels which will be rewarded. The most pessimistic view is that the great performance will never be acknowledged in the organizational context.

Porter and Lawler (1968) found that the past and current rewards will direct one's behavior also in the future. They expanded Vroom's theory by presenting the note of employee's ability, traits and role perceptions affecting the level of performance. According to Porter and Lawler individuals who possess high

employee abilities outperform those who lack these abilities. (see Ramlall 2004, 56)

In conclusion according to the expectancy theory what motivates employees is the relatedness of the expected outcome. One's motivation can be influenced by providing rewards which are in accordance with individual's personal goals so that they will create valence. In condition to the aforementioned is that an effective evaluation system where the effort-performance relationship is well evaluated, visible and measurable is created.

2.1.4 Equity theory

Equity theory will be reviewed as it is relevant for this study providing explanation to the research questions such as how and why rewards impact motivation. The work of Adams (1965) about the exchange of social relationships is considered to be one of the most grounded work to which equity theory has been developed. (see Arnold et al. 2010, 322)

Equity theory deals strongly with the aspects of organizational justice, whether the individuals feel that they are treated fairly at work or not. The felt equity or inequity will impact their level of effort given in the work environment. (Arnold et al. 2010, 322) Ramlall (2004, 55) said that an individual on employee – employer relationship evaluates not only the benefits and rewards he or she receives and whether the input given to the organization is in balance with the output but also the relevance of inputs given and outputs received by other employees inside or outside the employing organization. Ronen (1986), Scholl et al. (1987), Goodman (1974), and Summers & DeNisi (1990) found four different referents employees are using when determining their state of experienced equity or inequity.

Individual inputs can be education, effort, experience, and competence in comparison to outputs such as salary, recognition and salary increases. If an individual notices an imbalance on the input - outcome ratio according to his or her own experiences and in comparison to the others, tension is accumulated.

The imbalance of equity is called equity tension and being underrewarded results feelings of anger and being overrewarded creates feelings of guilt. The tension resulted of these negative feelings make individuals to seek for fairness and equity. According to Adams (1965) the attempt to correct the equity tensions is the source of one's motivation according to this theory. (see Robbins 2003, 171)

In relation to equity theory what is important to note is that the individuals who feel underrewarded will have stronger, negative feelings than the ones who are overrewarded. (Arnold et al. 2010, 322) If inequity is met in the employee-employer relationship Walster et al. (1987) and Greenberg (1989) found that individuals are likely to change their inputs to correspond the outcomes i.e lower the work effort to equal the outcomes, change the referent to whom they are comparing the felt inequity or distort perceptions of self or others. In order to battle the inequity individuals may also see quitting as an exit to the situation. (see Robbins 2003, 171)

Equity theory has been further developed to theories including different aspects of organizational justice. As distributive justice refers much to the equity theory i.e. whether the reward allocation is fair, procedural justice refers to the felt fairness of decision making process concerning the resource allocation. (Arnold et al 2010, 323.) It can be said that even though the outcome of a decision would be considered as unfavorable but the process how the outcome has been reached is fair, this can be seen as moderating factor reducing the dissatisfaction towards the negative outcome of the decision.

2.1.5 Job characteristics

According to the job characteristics model the work motivation will be born as a result of interesting and challenging job content. (Ramlall 2004, 56) As Herzberg found the motivation to be born with the job enrichment the job characteristics model also refers to the job itself to be the main source of one's motivation. (Hackman and Oldham 1980)

According to Hackman and Oldham (1980) the strong internal motivation to work is born once three psychological states are reached; felt meaningfulness of the job, responsibility for the work done and knowledge of the results of one's work. These three states are not enough alone to create motivation, the work itself has to include enough skill variety i.e. the ability to use different skills, task identity i.e. the identification of the whole work and task significance i.e. the felt impact of one's work to others. In addition, the felt autonomy i.e. the freedom to decide how the work can be scheduled and done and the feedback received is important factors influencing one's motivation.

The already mentioned three psychological states are internal to individuals therefore not directly manipulable by the organizations but the work itself can be reorganized and reshaped in the organizations. Hackman and Oldham suggest that the organizations should try to impact the properties of the work and this way shape the internal psychological states producing the positive outcomes of one's work such as increased productivity.

2.2 Reward management

Rewards are said to signal the organizational values to the employees as Trevor (2008) describes them "as a means of aligning a company's most strategic asset – their employees – to the strategic direction of the organization". Ghoshal and Bartlett (1998) captured the essence of rewarding which is not only attaching value to the employees but also more importantly adding value to the people. (see Armstrong et al 2010, 35; 3.)

It can be said that people are the only scarce resource companies have which other competitors cannot copy. Based on this point of view investment on employees should be of high importance to the companies which have understood the real gains they can retain from their unique employees. (Jensen et al 2007, 61) Jensen et al also noted how companies are so hardly trying to distinguish themselves at the markets by their products, service and price but neglecting the possibility to stand out from others with their original employees. (2007, 3)

Markova and Ford (2011, 813) mentioned that the real success of the companies originate from the employees' willingness to use their creativity, abilities and know-how in favor of the company and it is the organization's task to encourage and nourish these positive employee inputs by putting effective reward practices in place.

The aim of rewarding employees for the work they have done is to motivate, commit, develop employees and attract new employees. Rewarding practices are not out of context; those are linked to the internal organizational culture, wider culture outside of the organization referring to the pay levels and benefits offered by the other companies, and the emphasis management is putting on reward practices. (Armstrong 2009, 737-739)

There seems to be challenges to determine which are the best practices of rewarding or the most efficient ones. Both Pfeffer & Sutton (1998) and Brown (2008) highlighted the difficulties companies are facing when trying to actually and reliably measure the impacts of rewards have on organizational outcomes such as performance, commitment, motivation and differentiation among the competitors. Also Armstrong et al (2010) noticed the problems companies are facing today when determining the efficiency of their reward practices.

2.2.1 Extrinsic rewards

Extrinsic rewards are the non-job related rewards such as pay, salary and work conditions. Gupta and Shaw (1998) concluded in their research that financial incentives are indeed effective. They took the point of view that not all the jobs are interesting and challenging in nature, if we would live in an ideal world everyone would be intrinsically motivated and rewarded, but in many work places this is not the reality. They concluded that money matters to most of us and it motivates us because of the symbolic and instrumental value it bears. Symbolic value of money recaps what we ourselves and what others think about it, instrumental value of money means the ends we can get for exchanging it.

When money is used to recognize the employees for the good work done according to Nelson this sends wrong signals to the employees; the emphasis put on monetary rewards drives employees to reach for individual gains and reduces team work. (Nelson 2004, 14) Gupta and Shaw (1998) also acknowledged the signals monetary rewards send to the employees but they appealed humans to be 'cognitive processors' who understand the signals management is sending by rewards; rewarding shows employees what kind of behavior is valued.

Armstrong et al. (2010, 5) said that the short-term solutions provided to solve the reward management programs might result in long-term problems referring to the use of extrinsic rewards when trying to motivate employees.

Kohn (1993) stated that monetary rewards are at their best creating temporary compliance meaning that money motivates us as long as we get another pay increase. Temporary compliance refers to the short sighted value it manages to add in individual's motivation. Once a pay increase is received it motivates for a short period of time until motivation is again declined and employees start to wait for another pay increase. He said that: "promising a reward to someone who appears unmotivated is a bit like offering salt water to someone who is thirsty." The criticism he presented against using money as a motivator is that money do motivate employees – to get more money.

2.2.2 Intrinsic rewards

Intrinsic rewards are the job inherent, intangible, non-financial rewards included in the job itself such as job tasks, challenging and interesting job and training possibilities offered to the employees. Nelson (2004, 14) noted that praise and recognition are the most efficient intrinsic rewards an employee wants to hear as employees want to feel that they are making a contribution at their workplaces. He quoted Elisabeth Kanter on his article who said that "Compensation is a right; recognition is a gift." Nelson also said that recognition, especially if showed in public in front of the other employees sends favorable

signals to the other employees of which kind of behavior is favoured and desirable by the management.

According to Jensen et al. (2007) it is the intangible rewards which determine why an employee would choose one company over another when tangible rewards are given the same. This is a way how companies can really stand out of the crowd by the use of the attractive rewards.

The main stream among the researchers believe that intrinsic rewards are more efficient while not neglecting the extrinsic rewards which are usually always present in organizational context. For example, Mottaz (1988, 478) emphasized the importance of intrinsic rewards but captured the significance of extrinsic rewards as follows: “- - few, if any, workers would continue to work on a job for very long if extrinsic rewards were completely inadequate.” Also Buckman (1991) argued that the monetary rewards act on the background but what really makes difference in employee’s organizational behavior is the intrinsic rewards.

2.2.3 Total rewards

The current focus among reward literature has moved from the emphasis put on financial rewards to total rewards approach. (Bowey 2005, 19) The presentation of total rewards approach is not actually a new concept. Armstrong et al. (2010, 2) refer to Adam Smith who already 1776 called for several identifiers which result as the total net advantages besides pay which are the agreeableness or disagreeableness of work, the difficulty and expense of learning it, job security, responsibility and the possibility of success or failure.

Total rewards are referring to both extrinsic (financial) and intrinsic (non-financial) rewards as a total an individual receives. (Armstrong 2009, 739) Armstrong continued that “essentially, the notion of total reward says that there is more to rewarding people than throwing money at them.”

	Common Examples	Reward Elements	Definition	
Intangible Internal value or motivation	<ul style="list-style-type: none"> • Work Culture & Climate • Leadership & Direction • Career/Growth Opportunities • Work/Life Balance • Job Enablement • Recognition 	Intangibles (typically intrinsically valued)	TOTAL R E W A R D	
	<ul style="list-style-type: none"> • Cars • Clubs • Physical Exams 	Perquisites		
Tangible Rewards to which an objective dollar value can be assigned	<ul style="list-style-type: none"> • Retirement • Health & Welfare • Time Off with Pay • Statutory Programs • Income Replacement 	Benefits	TOTAL R E M U N E R A T I O N	
	<ul style="list-style-type: none"> • Stock/Equity • Performance Shares 	Long-term Incentives		
	<ul style="list-style-type: none"> • Annual Incentive • Bonus/Spot Awards 	Short-term Variable	TOTAL C A S H D I R E C T C O M P E N S A T I O N	
	<ul style="list-style-type: none"> • Base Salary • Hourly Wage 	Base Cash		



Figure 3. Total rewards approach

Based on the literature review there is knowing-doing gap when implementing the reward practices in place (Pfeffer & Sutton 2006). It is common that the management is believing in certain rewards to be more efficient motivators than the others whereas employees' perceptions of the most significant rewards may differ highly from the reward practices which managers consider to be the most motivating. Nelson proposed managers to simply ask their employees what do

they want. (Nelson 2004, 14.) The conflict of interest may result in disengagement, job dissatisfaction and higher intentions to quit the employing organization.

Armstrong et al. (2010, 3) admit that reward management cannot never be totally 100 per cent scientific or 100 per cent right. The challenge is to find the best fit practice for your organization. They also emphasized the importance of tailoring the reward programs to suit individual needs at the organization as many of the reward programs fail if the 'one-size fits all' approach is used without careful consideration and implementation. Jensen et al. (2007, 3) said that the "best-practice" regarding the reward programs is simply the one which suits your organization.

2.2.4 Reward types

2.2.4.1 Pay for performance

Pay for performance means rewarding the employees according to their level of performance at the work. This practice is widely used in the organizations and the aim of this type of rewarding is to recognize the high levels of effort employees are contributing in favor of the organization.

Criticism has been presented towards pay for performance practices and why it actually does not work efficiently. Pfeffer (1998, 115) stated that this kind of reward practice has also negative impacts on employee performance: "Despite the evident popularity of this practice, the problems with individual merit pay are numerous. It has been shown to undermine teamwork, encourage employees to focus on the short term, and lead people to link compensation to political skills and ingratiating personalities rather than to performance."

The Hay group's study indicated that only 40% of the employees believed that increased efforts would result in increased compensation. If employees believe that the extra effort given will not pay off the employees' motivation to exert extra effort will suffer. The reasons why employees are so suspicious of the lack

of rewards for the increased efforts is that employees don't believe that they will be rewarded accordingly due to the lack of monetary resources allocated to reward employees, bad financial position of the company or simply the management's inability to recognize exceptional behavior. (Jensen et al. 2007)

Alternative model for pay for performance has been presented to emphasize more the collective rewarding than individual rewarding. As in many organizations, and also in the company x, team work has been emphasized. The supervisors are requesting people to work as a team but are the teams rewarded or is it the individual merits which are rewarded in these teams? Organizations who are able to reward the employees on collective level will have better committed and more productive teams than the teams which are not truly rewarded on a collective basis. (Pfeffer, 1998, 115)

2.2.5 Measuring the reward efficiency

Armstrong et al (2011) found on their research that HR managers in the UK were reluctant to measure the efficiency of their reward practices. The unwillingness to measure the reward efficiency was explained by the lack of analytic skills, lack of common measurement tools of the relationship between rewards and performance, lack of information, senior management indifference or the pure denial of admitting that the measurement results might prove totally different results than the reward practices are so hard trying to reach. They also noticed that recession and costs associated to rewards were highlighting the importance put on the reasoning why certain reward practices took place and whether these were efficient or not. (p. 112) Also the research made by Watson Wyatt in 2008/2009 concluded that at the time of economic downturn reward practices need to be carefully monitored and human resource managers should concentrate on increasing the efficiency of their current reward practices rather than starting to implement the new ones.

In Armstrong et al's research the majority of the survey respondents (79%) used employee attitude surveys as indicator of reward effectiveness followed by analysis of pay market positioning (72%), employee turnover (62%),

assessment against reward strategy objectives (42%) financial costs (41%), business financial performance (40%), impact on employee performance/productivity (30%), length of service (29%), absenteeism (29%), other business metrics, e.g. sales; customer service (27%), vacancy rates (26%) and job retention rates (12%) (Armstrong et al. 2010, 113)

Corby et al (2005) stated that many of the research papers made on personnel management has encouraged to evaluate the impact of changed pay systems has on costs, employee attitudes, behavior and business performance but few of the human resource managers in practise seem to evaluate or monitor the impact of the reward changes in the long run. The unwillingness to measure the efficiency among human resource practitioners was explained by the difficulty to measure the change and costs related to it, they had not received any managerial requirement on measurement or they didn't see the need to evaluate it as they hadn't received complaints regarding their pay structure from their employees. Corby et al questioned this kind of "no news is good news" attitude in their research paper.

81 % of "The Most Admired Companies" defined by Fortune magazine 2006 in the United States of America were found to evaluate the financial and non-financial rewards practices in use compared to 49% of the companies not included on Fortune's listing saying they were not evaluating their total reward practices. Scott et al. stated that when measuring the variable pay efficiency the most common criteria to measurement were impact on revenues, on cost savings and productivity, on employee satisfaction and attractiveness to new employees. They also noticed on their research that more needs to be done to develop better quality of measurement and the lack of using the most bold evaluation methods were met in many research organizations. (Scott et al 2006, 49-51)

When measuring human resource management input and output such as performance the embedding of cause and effect is a challenge. (Boselie et al. 2005) Armstrong et al. (2011,115) noted:

“Overall, the views of six of the case study organisations as set out in Table V were that it is difficult if not impossible to identify precise cause-effect relationships through evaluation. However, in two cases it was contended that a process of formal evaluation did bring them closer to understanding the impact of the rewards they offer.”

Furthermore Armstrong et al. (2011, 118) continued that the companies trying at least to some extent evaluate the efficiency of their reward practices resulted in better understanding what reward practices are trying to achieve, how to achieve better practices and where the company is at the moment with its reward practice and what more could be done.

Armstrong et al. (2010, 57) also dragged the attention to measure the costs of not taking active part of updating the reward practices and to measure the costs of employees' demotivation as a result of this act.

2.2.5.1 Benchmarking

Benchmarking means the monitoring and reviewing of case studies, researches and consultation reports on reward practices used by other organizations. It is a handy tool to determine where one is at the moment compared to the others but certain suspicionness needs to be addressed to benchmarking. The risk with benchmarking is to copy practices used in the other organizations which had proven to be efficient for them but at the same time neglecting the individual requirements one's organization possess. The underestimation of the own organization's needs and copying the ideas used by others is the easy way but may result in inappropriate fit to the organization and might do more harm than good. (Pfeffer & Sutton 2006)

Armstrong et al. (2010, 20) underlined the worrying characteristic attached to reward management which has been harmed more than 30 years by the “best-practice” approach which is falsely believed to apply notwithstanding the organizational culture different companies possess. This results as copying blindly the “best practices” such as merit pay, competence pay, team-pay and

pay for performance to another organizational context where not surprisingly the results of the practice are not complimentary. They further represented criticism towards the use of benchmarking as they said that it is used to measure the most measurable facts instead of the most meaningful facts regarding rewarding. (2010, 57)

2.2.6 Communication of reward practices

Kerr (1999) said that “Rewards should be the third thing an organization works on; measurements should be the second, clear articulation of desired outcomes should be the first.” (See Armstrong et al. 2010, 33)

Employees who are well aware of what is required from them will be able to also act in favorable manner. If the communication of reward practices is insufficient and the employees cannot know what is given for the high efforts they will not be willing to put extra efforts in place. Most of the companies have communicated their reward practices well as the importance of this action is acknowledged.

2.3 Reward practices in use in company x

Armstrong et al. (2010, 58) blamed organizations to base their reward and human resource practices on weak data, on beliefs of general truths instead of hard facts and they raised series of questions what organizations should ask themselves regarding their current reward practices. Questions which Armstrong et al. presented were kept as a framework for the interview researcher had with the company x’s human resource manager. The interview was kept on Thursday 29th of March 2012 at the office of the human resource manager in Espoo, Finland.

The company x has its headquarters in the United States of America and in Finland they have their European headquarters. The company is producing special displays and video walls for commercial, private and customer applications. The principal guidelines such as company mission and vision are coming from the US but the branch in Espoo is given freedom to decide on the

reward allocation, hiring and Espoo office specific issues. Certain amount of money is given for the HR activities in Espoo and the managers in Finland will decide together with the HR manager how to distribute and allocate these rewards.

As Jensen et al (2007) said that “For compensation to be effective, you need to identify what drives value in the organization and then relentlessly and consistently reward these outcomes” the human resource manager was first asked about the general background of the company’s values.

Last autumn the company introduced initiative program called 7 pillars of E4G (engaging for growth). The program is settled for financial years 2011 and 2012. The program has been developed by the managers in the US headquarters which is further communicated to Espoo HR manager and team managers who communicate the program further to their employees. The 7 pillars communicated to employees are:

- Debate, commit & support
- Perform with integrity and accountability
- win together
- go above and beyond for our customers
- drive improvement
- be bold
- act with urgency

Human resource manager was asked about the communication of the initiatives and she admitted that the communication has not been so far sufficient. This may be due to the novelty of the program implementation.

Based on the importance of aligning (Jensen et al. 2007) the rewards to support the wanted outcomes questions were presented to the human resource manager of the company x about how the rewards support and encourage employees to actively seek for the 7 pillars mentioned in relation to behavior and outcomes. As presented above if you want to emphasize employees to be team players but you reward only individual outcomes in fact the reward

practices are not efficient in use. The HR manager told that they want to reward strongly individual performance but there has been discussions whether team performance should be rewarded more in the company. At the moment emphasis is strongly put on individual performance and she believed that the rewards are encouraging employees to work towards these goals.

The reward practices which are in place in company x are rather various. According to the human resource manager the employees should be very well aware of the rewards available. Service awards are rewarding long tenure according to 5, 10, 15 etc. service years within the organization. When an employee is rewarded for tenure he or she is offered options to choose from jewellery to other products.

Key achievement award (KAA) is given for an employee who has performed extremely well. The key achievement award is given by the HR manager in Espoo and the closest supervisor of the rewarded employee. The KAA award is finally approved at the company vice president level and the KAA includes monetary recognition and a certificate which is given to the employee in public or face to face. The HR manager stated that it is typical for the Finnish culture that some of the employees do not like the extra attention rewarding in public gives to them and therefore some of the KAAs are not given in public. Spot awards are given to an employee who has performed better than on an average level but this award does not include monetary value. Spot awards are not necessarily given in public whereas key achievement awards are usually given in employee meetings kept every quarter end including attendance of all the Espoo employees.

The HR manager also considered the Christmas or summer parties as rewards for employees even though these are not offered without charge to the employees. She saw the parties rewarding the employees and the whole company and its teams.

The company offers Smartum vouchers which encourage employees to do sports or to go to culture events with discount. These vouchers are not given for

free but within 50% excess. The work is organized so that the office workers would have flexible working hours meaning that as long as the employees arrive to the work between 7-10 am and leave after 8 hours of work no one is going to ask when did you arrive to the work or when you left.

The morning seminars are organized every now and then and employees are offered a free breakfast while listening to the seminars about the relevant topics to the employees. This spring the morning seminars have included lectures about stress management, importance of sleeping, alcohol problems and healthy nutriment. The employees are offered to have sports massage services at the work place against payment.

Stock purchase plan offers the employees to buy company x's stock at lower price than the market price. The newest reward at company x is the Espoo CEO's award for innovativeness which is given to an employee who has stated innovative way of thinking or acting at work.

Salary at company x is determined by the market salary, they are reviewing the market salary regularly with the help of Radford consultancy company which is making compensation and salary surveys globally. They are reviewing the Finland's salary market and they are adjusting this to their salary policy. HR manager also said that she hopes that the employees feel that the salary ratings and classification is a fair system. The jobs are classified according to job families (marketing, sales, etc.) and pay range will be determined by the responsibility of the job level (1-6). The HR manager told that the aim is not to pay everyone the same salary but based on employee performance there will be differentiation. She also said that they have succeeded rather well with the salary policy as when new employees has been hired they haven't received salary requests outside of their salary tables which are coming from the consultancy company.

The last time the company has implemented an internal survey was last spring about the employee wellbeing and resources at the workplace. The questions related to rewards and motivation were rather generic such as "I am satisfied

with the way in which my employer rewards me for my work”, “I feel that my effort at work is appreciated”, “my work is inspiring and interesting”, “I am quite satisfied with the tools and instruments that I use at work” or “I receive a fair amount of positive feedback concerning my work”. The HR manager concluded that the questions related to rewards didn’t get as good results as the work climate related questions. In the past the company has completed several reward surveys but the Finnish HR manager didn’t find these very efficient as those were very US-oriented and therefore the surveys were found inefficient at the Espoo office and were not done any more.

The HR manager found the question “Are these rewards which are in use tailored according to employee needs in your organization?” hard as she said it is difficult to know what people want and she thought that there are not much of tailoring possibilities at the organization. Also the question number seven which is related to fair and equal distribution of rewards was found hard. She explained the base salary determination but acknowledged that when rewarding is based on performance it is hard to justify why employees find something perceived unfair and why they are not getting salary increases for example. She also said that all in all there are not enough rewards available for the employees.

HR manager was asked about the difficulty to measure reward efficiency i.e. whether rewards are leading to wanted behavior and she felt that due to the lack of common measurement tools of the relationship between rewards and performance, she feels that measurement is impossible. She stated that she believes that the rewards are leading to wanted behavior but it is hard to measure what signals KAA awards or spot awards give to the employees.

When discussing about the possible demotivators the HR manager said that there are not career advancement opportunities available in the organization. Vertical career advancement is not available as they are rather small company but they have tried to offer horizontal career development opportunities for their employees to broaden their knowledge inside the organization. She said that the working conditions might be hindering the employee’s motivation as the

current ERP-system in use is considered as demotivating. Considering the motivating factors the HR manager believed that employee's work – life balance is supported with flexible working hours so that employees themselves would be responsible for the work – life balance. Regarding the content and challenge of the job they are trying to see if the employees would be able to manage other tasks also inside the organization according to employees own skill variety. The feedback which HR manager has received regarding task variety is good as some of the employees say that every day at the work is different. Official feedback is given to the employees once a year but managers are encouraged to offer feedback more often to the employees than once a year. Managers are also trained to give feedback to their employees. Training is offered to the employees when needed but they do not have any official training policy but employees themselves can request more training if needed. HR manager also strongly believes that the work atmosphere is motivating employees to excel, according to her the low hierarchy and lack of bureaucracy is definitely not hindering motivation in their organization. She also mentioned that most of their service years in the company are long, even 15 years.

Human resource manager also emphasized that it is important that their employees are motivated, this is important to any efficient organization. If their employees are motivated it affects the company's overall performance according to her. She also believes that the most motivating factors for their employees are the work climate, meaningful job and job security. The human resource manager concluded that in the future they are looking for improvements and there are some changes planned with the human resource team but which are too early to talk about but she concluded that at the moment the most important aspect due to the economic situation is to offer job security for their employees.

3 METHODOLOGY

3.1 Research methodology

Business and management research aims to provide solutions to the practical managerial problems. The purpose of research may be interpreting, understanding, criticising, describing or analyzing information in a knowledge increasing manner. One characteristic of research is to find out information in a systematic way in other words to differentiate logical relationships from beliefs. (Saunders et al 2000, 2)

The research strategy was made to answer the following research questions:

1. What are the current reward practices in use in company x?
2. How are the rewards impacting the employees' motivation?
3. Why are the rewards impacting the employees' motivation?

As the research questions are organization specific a case study approach was chosen for the research strategy together with grounded academic theory which was applied to the case study. Robson (1993) defined case study as the "development of detailed, intensive knowledge about a single "case", or a small number or related "cases". He continued that the case study approach answers the best the "what", "why" and "how" questions. (see Saunders et al 2000, 94)

Information which is needed for a research can be acquired in several ways. The way how the results of a research are going to be analysed will impact the way how information is acquired. Quantitative approach to collect data can be used for all research types which include numerical data or data which can be quantified to answer the research questions. The analysis of quantitative data usually includes diagrams and statistics. (Saunders et al 2000, 381)

Qualitative approach to collect data is based on meanings derived from words and the data cannot be collected in a standardised way. This approach needs

the data to be classified into categories and the analysis of qualitative data will be done through conceptualization. (Saunders et al 2000, 381)

The mixed research method including both quantitative and qualitative approaches was chosen for this thesis as this was considered to be the best option taken into consideration the time limits, suitability to collect data and the way how the results of this research could be clearly presented with the help of diagrams and statistics.

3.2 Research design

The use of questionnaire is an efficient way to collect data, but a word of caution should be presented when using questionnaires as a primal source of data collection. The basic aim of a questionnaire is to provide answers to the research questions and due to the one occasion nature of questionnaires those have to be carefully implemented. (Saunders et al 2000)

The questionnaire type chosen for this research is self-administered on-line questionnaire using the Kwiksurveys questionnaire tool available on the internet. Even though Saunders et al. (2000, 281) acknowledged that the interviewer-administered questionnaires may result higher response rates this approach was not chosen for this thesis as the researcher wanted to protect the anonymity of the responders. The aim of the questionnaire was to provide a simple and easily to be understood questions which would not take more than 10 minutes to answer. Both close -and open-ended questions and ratings were used in the questionnaire. The highest risk with the online questionnaire was considered to be the response rate and therefore 2 movie tickets were raffled among the respondents in order to encourage employees to take part of the questionnaire.

3.3 Data collection

The data was collected by using face to face semi-structured interview with the company x's human resource manager and self-administered on-line questionnaire which was sent to the office workers of the company x including

the following departments: finance, human resources, information technology, sales, marketing, sales operations, supply chain, purchasing, management and support of production. The average tenure of a respondent was 14 years. Most of the employees had either polytechnic or university education. The sample size was 43 out of which 42,86 % were males and 57,14% females. The sample size excluded the blue-collar workers of the organization x as there has been major temporary lay-offs during the past 6 months and this was considered to be a threat of the validity of the research. One day before the questionnaire was sent to the office workers company x informed that the temporary lay-offs would consider also the office workers and this is considered to be a threat of the validity of this research.

The questionnaire was sent to the 43 office workers 11.4.2012 and it was closed 18.4.2012. All in all 24 employees answered and out of these 24 three returned incompleted surveys thus lowering the amount of valid surveys to 21. The response rate was 48,84% and it is considered to be good as response rate of 25 % is required in order to do any generalizations of the survey results.

3.4 Reliability, Validity and Generalization

Reliability and validity of a research will determine the credibility of the research findings. Reliability refers to the replicate research results conducted in different times i.e. whether the results of the research will be same after certain period of time (deductive approach). When inductive approach is used the reliability refers to the subjectivity i.e. whether another researcher will find the similar results on different times. (Saunders et al. 2000, 100)

A threat to reliability can be subject bias, subject error, observer error or observer bias. These threats were acknowledged when the questionnaire was created. In order to reduce subject bias the questionnaire was created to protect anonymity and this point was highlighted to the respondents. Subject error can be reduced by sending the questionnaire to the respondents on a 'neutral' time of the week; the questionnaire was sent to the employees after holidays when the employees were considered to be relaxed and possessing time to respond

to the questionnaire. In order to eliminate observer error good structure to the questionnaire is required as this will lessen the observer errors if some one else tries to replicate the research results. The observer bias cannot be avoided but it is good to acknowledge the existence of it. (Saunders et al. 2000, 101;228)

Validity addresses the question whether the research findings are really what they seem to be. Several threats are addressed to validity of a research and these threats were taken into consideration when making the research. (Saunders et al 2000, 101) As already mentioned a threat to validity of this research is the temporary lay-offs announced one day before the survey took place.

External validity i.e. generalisability refers to the generalization of the research results to other organizations or whether the research results are generalizable for all the population outside the research. (Saunders et al 2000, 102) The results of this thesis cannot be generalized due to the fact that case study approach was chosen and the research was completed only in one organization.

4 EMPIRICAL PART OF THE RESEARCH

4.1 Introduction

The theories used for the questions and answer options are in depth presented in chapter 2 THEORETICAL FRAMEWORKS. In the following sub chapters the relevant theories are further rationalised and the reasons why these questions are presented is justified. This chapter will also include the research findings including the presentation of the answers given to the questionnaire. The general background of the respondents was presented in chapter 3.3 data collection.

4.2 Current rewards in use

The aim of the questions presented in this section was to find out how satisfied the employees are with the relevance of the current rewards, how well the rewards are communicated to the employees and how the employees see their employing organization in relation to reward efficiency.

In the first question of this section the respondents were asked to rate the relevance of the current rewards offered by their employing organization in a scale of 1 to 5 (1 being very irrelevant, 5 being very relevant). The reward options displayed are the ones which company x's human resource manager told to be available for the employees. The table below will show the percentage distribution.

Table 1. Relevance of the current rewards

Options	1	2	3	4	5
Smartum exercise vouchers	0 %	5 %	19 %	57 %	19 %
Smartum culture vouchers	5 %	14 %	33 %	43 %	5 %
Key achievement award	5 %	0 %	24 %	38 %	33 %
Spot award	5 %	0 %	14 %	62 %	19 %
Service award	0 %	19 %	19 %	52 %	10 %

Table 2. Relevance of the current rewards (continue)

Options	1	2	3	4	5
Stock purchase program	14 %	19 %	48 %	14 %	5 %
Fair salary	0 %	0 %	10 %	14 %	76 %
Salary increase	0 %	0 %	10 %	43 %	48 %
Espoo CEO's award for innovativeness	0 %	5 %	24 %	66 %	5 %
Morning seminars	5 %	19 %	28 %	48 %	0 %
Possibility to get sports massage services at workplace	14 %	10 %	33 %	38 %	5 %
Flexible working hours	0 %	5 %	5 %	14 %	76 %
Company events (Christmas, summer parties)	0 %	9 %	43 %	43 %	5 %

This question was asked in order to understand how relevant the rewards are in employee's opinion. As Vroom (1954) said the strength and attractiveness of expected reward for given input will determine one's level of motivation thus it was important to see how relevant the rewards were considered to be in organization x. In other words the rewards has to be the ones which employees appreciate and consider to be of high relevance otherwise the rewards do not have positive impact on employee motivation. Armstrong et al. (2010) emphasized that the rewards has to be tailored and relevant to match the employee needs.

Majority of the highest answer percentages given per answer option are placed on scale '4 fairly relevant'. 'Fair salary' and 'Flexible working hours' got the highest relevance ratings, both were considered to be '5 very relevant' by 76 % of the respondents. 66 % considered 'Espoo CEO's award for innovativeness' to be '4 fairly relevant'. The respondents considered as '4 fairly relevant' 'Spot award' (62%), 'Smartum exercise vouchers' (57%), 'Service award' (52%), 'Morning seminars' (48%) and 'Salary increase' (43%). Other answer options were rather equally evaluated. 'Stock purchase program' and 'Possibility to get

sports massage services at workplace' were rated by 14 % of the respondents as '1 very irrelevant'.

The question number seven was related to the communication of the current reward practices. This question was an open-ended question and only the respondents who felt that they were not aware of some of the rewards mentioned in question six were asked to reply. Human resource manager of company x said that the rewards are very well communicated to the employees and this seemed to be true except for two respondents; one respondent was not aware of the key achievement award neither the service award, the second respondent was not familiar with the key achievement award nor spot award.

The question number eight asked respondents to choose what does the current reward practices signal to them. The respondents were given the freedom to choose several answer options if needed. The purpose of this question was to find out how the employees see their employing organization and what is the employees' attitude towards the organization.

26,19 % agreed with the statement 'My organization cares about me', 28,57% chose 'I feel that the employees are important asset for my organization', 30,95% of the respondents believed that 'my organization wants to motivate employees with the use of rewards' 11,90% thought that 'my organization invests in employees. 2,38% didn't believe on any of the above statements. The attitude towards the organization was mainly positive as only one respondent answered negatively to the positive statements above.

The respondents were asked in question number nine to 'assess whether the rewards available are encouraging you to work towards organizational goals (7 pillars of engaging for growth)?' The majority being 66,67 % of the respondents answered 'Yes I think that the rewards are encouraging me to achieve the organizational goals'. 33,33 % answered 'No I don't think that the rewards are encouraging me to achieve the organizational goals'. This question was asked based on the importance Jensen et al (2007, 5) put on the clear link between organizational goals and rewards: "For compensation to be effective, you need

to identify what drives value in the organization and then relentlessly and consistently reward these outcomes.”

Question number ten ‘Do you think that teams should be rewarded more in your organization?’ was asked based on the organizational goals company x has and the importance put on collective rewarding by Pfeffer (1998). 61,90 % of the employees said that teams should be rewarded more, repetively 38,10 % were of the opinion that teams should not be rewarded more.

As already mentioned in chapter 2.3 Rewards in use at company x, team work was mentioned as an important part of their organizational goals. Interview with the company x’s human resource manager revealed that the management has had many discussions whether team work should be rewarded more or not. The question number ten was asked also based on these two points and it is hoped that the organization x gets more information from the employee’s side based on the answers given to this question.

4.3 Expectancy theory

Several questions were presented related to expectancy theory as the theoretical background of the theory was considered to be highly relevant for this thesis. In the following sub chapters the questions and answers will be presented in detail.

Question number 11 ‘Is excellent performance (above the average) acknowledged in you organization?’ was asked because of the high importance it has on one’s motivation according to two theories. Theories behind this question can be found from expectancy theory and pay for performance model. As the pie chart on the next page (Figure 4. Acknowledgement of excellent performance) shows 71,43 % believed that the excellent performance will be acknowledged, 28,57 % believed that the excellent performance will not be noticed.

11. Is excellent performance (above the average) acknowledged in your organization?

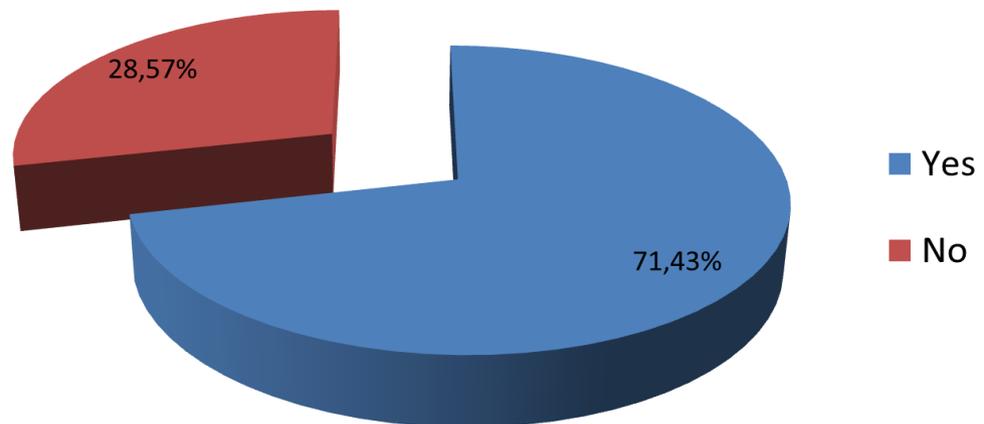


Figure 4. Acknowledgement of excellent performance

Question number 12 appeared only to the respondents who answered 'No' to the question number 11. The ones who replied 'Yes' to the previous question were automatically moved to question 13.

Question 12 was asked in order to understand the reasons why some of the employees answered that the excellent efforts are not acknowledged.

The answers can be seen on the figure on the next page. Majority of the respondents (44,44%) went to the option 'I don't believe that my organization has monetary resources to reward increased performance'. 33,33 % said that their organization's performance appraisal system evaluates non-performance related factors and 22,22% said that 'No matter how well I work the excellent performance will not be acknowledged in this organization'.

12. Please justify the reason why excellent performance is not acknowledged

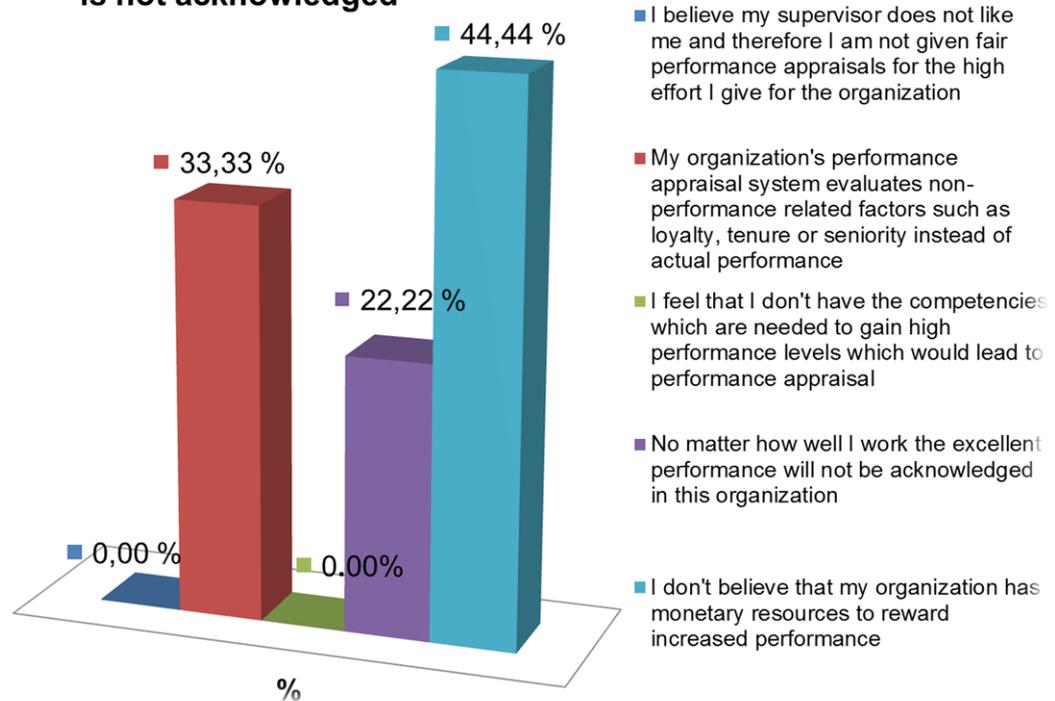


Figure 5. Why excellent performance is not acknowledged

The answer options except 'I don't believe that my organization has monetary resources to reward increased performance' were drawn from Robbins' (2003, 174) work explaining the reasons why excellent performance may not be acknowledged in organizations. Jensen et al. (2007) found that the belief that organization does not have monetary resources allocated to rewarding can be one reason why high efforts are not financially recognized.

Question number 13 'Please choose to which extent the total rewards (monetary and non-monetary) are relevant and significant enough?' was asked because the expectancy theory evaluates not only the effort – performance dimension but also the relation between performance and rewards. The aforementioned is called instrumentality according to the expectancy theory and it can be said that positive valence is born once the rewards are the ones which are considered to be not only significant but also relevant thus corresponding to one's personal needs.

The total rewards were considered to be 'Very significant and relevant' by 33,33 % of the employees. 22,05 % thought that the rewards are 'Fairly significant and relevant'. 30,33 % went with the most neutral answer option 'Significant and relevant'. 'Fairly insignificant and irrelevant' was the opinion of 14,29 % of the employees. None of the employees thought that the total rewards are 'Very insignificant and irrelevant'.

Question number 14 asked the respondents about their future behavior based on the current and past rewards they have received from their organization. The theory from which this question is drawn is the Porter & Lawler's (1968) extension of the expectancy theory where they presented that the current and past reward practices would direct one's behavior also in the future.

14. Considering the past and current rewards you have received from your organization, does these encourage you to put extra effort in place in the future?

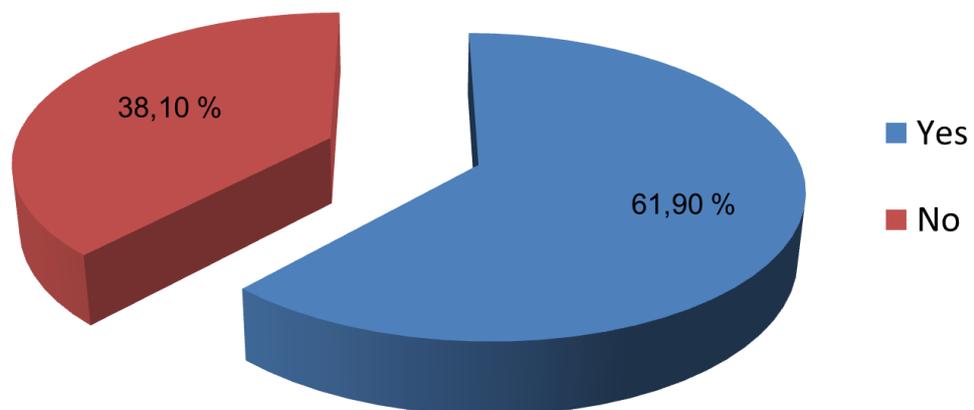


Figure 6. Expectancy theory; Porter & Lawler's extension

The question 14 was asked in order to see what kind of impact previous or existing reward practices have on individual's future behavior. The answers can be seen on the above figure 6.

4.4 Equity theory and procedural justice

The questions presented in this section were drawn mainly from equity theory which is also considered to be of high relevance to this thesis dealing with rewards and motivation. First the extension of equity theory i.e. question related to procedural justice was presented followed by the questions related to different aspects of equity theory.

The perceptions of procedural justice were asked in question number 15 'Do you think that the procedure of how the rewards are allocated is fair?' In order to avoid misunderstanding of the question an additional example was given for the respondents on the phrasing of the question: 'Example: if you haven't received a salary increase, are the reasons for this stated clearly and in a fair manner?'. The theory behind this question can be found under chapter 2.1.4 Equity theory.

85,71 % said 'Yes, I think that the procedure of how the rewards are distributed is fair', 14,29 % said 'No, I do not think that the procedure of how the rewards are distributed is fair'.

The question was asked because a deeper understanding of further development of equity theory wanted to be explored. It is important to acknowledge the impact procedural justice can have, especially in the felt fairness of the reward allocation. The existence of felt procedural justice can act as a moderating factor to the negative outcome of a decision such as, in the example, of not receiving a salary increase. If the reasons for this negative outcome are in a fair manner stated this is likely to reduce the felt dissatisfaction towards the negative decision.

Equity theory was used as a background for the question number 16. The respondents were asked to evaluate the outcome-input ratio i.e. do they receive less from the organization than they give. As can be seen on the below figure 23,81 % felt inequity due to being underrewarded and 76,19% felt equity.

16. Considering what you give to the organization (education, experience, efforts) do you feel that you are underrewarded?

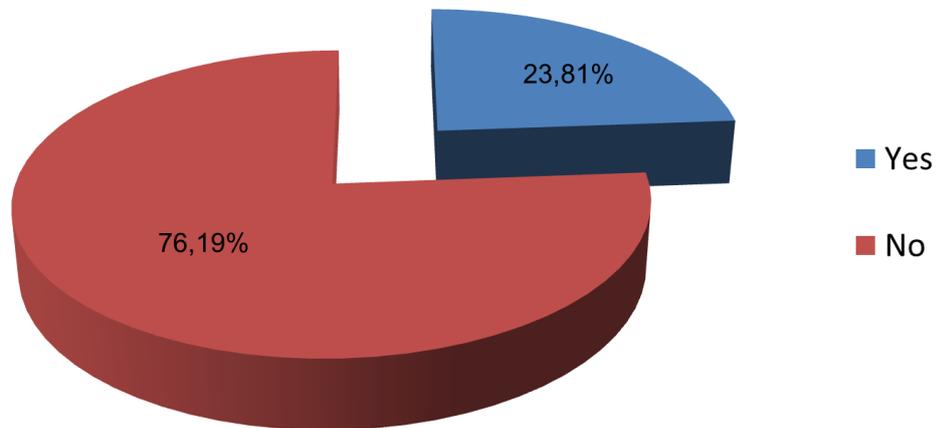


Figure 7. Equity theory

The question 16 was asked in order to understand the level of the felt equity or inequity on the employee – employer relationship.

The question number 17 was linked to the 'Yes' answers of the question 16. The ones who replied 'No' to the question number 16 were moved automatically to the question number 19.

The answer options to the question number 17 'Please specify why the feeling of being underrewarded exists' are drawn from equity theory. The referents individuals are using when determining the level of equity were presented on chapter 2.1.4 Equity theory.

The answers to the question number 17 can be seen on the figure below.

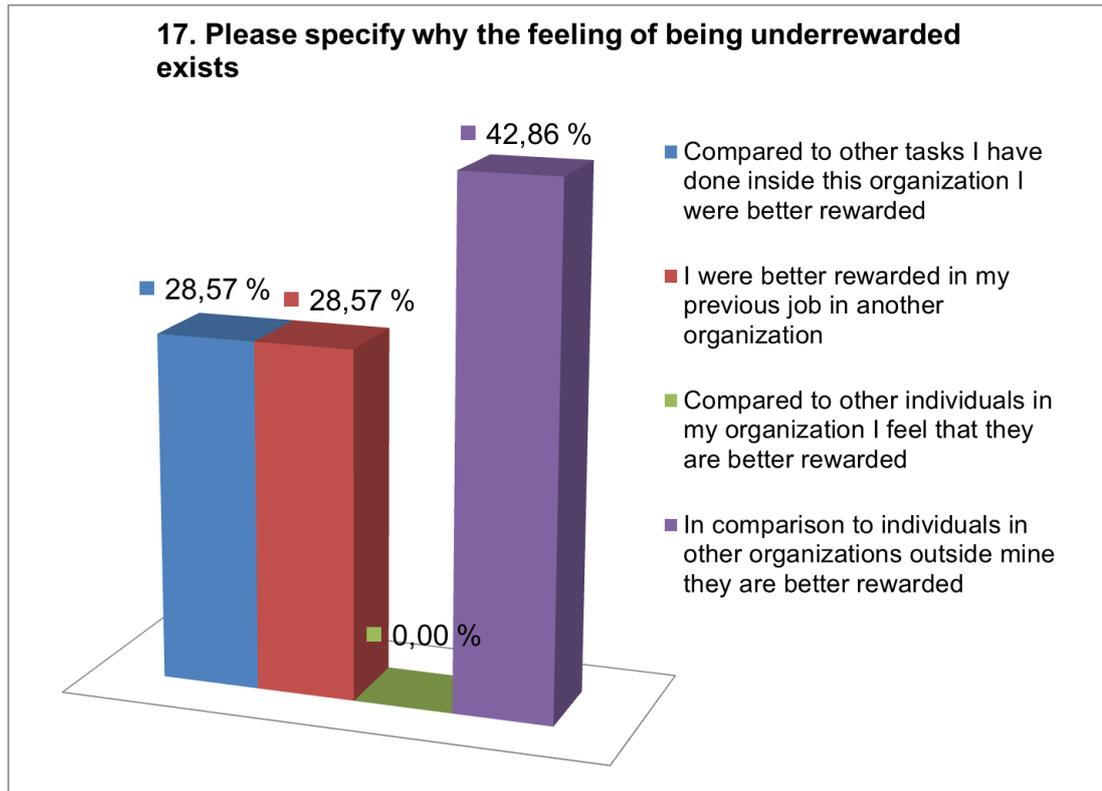


Figure 8. Equity theory, referents

Question number 18 'Please choose what you are most likely to do or think when you are underrewarded' has also its theoretical background on equity theory. The answer options are presented on the theory part 2.1.4 Equity theory. This question was asked as it is important to know what the employees are most likely to do when feeling of inequality exists.

20 % of the respondents supported the view that 'I am considering to quit my job'. Another 20 % would be likely to distort perceptions of others; 'The work of my friend's isn't as nice either as I previously thought'. The majority being 60 % of the respondents were likely to distort perceptions of self: 'I thought I worked at moderate level but I have realized I work harder than the others.' None of the employees chose the answer options 'I will reduce my work input' or 'I will reduce my productivity'. Employees didn't see themselves to choose another referent to which they are comparing the felt inequity i.e. 'I am comparing my work related rewards to different referent for example "I am better rewarded than my parents when they were working".'

4.5 Introduction to motivation

The aim of the two opening questions to motivation was to present the concepts of motivation defined by different authors. The respondents were asked to consider what creates their motivation and what motivation means to them. The answers and questions will be reviewed in the following sub chapters.

Question 19 asked respondents to choose what motivation means to them. 47,62 % of the respondents agreed with Mitchell (1982) and said that 'Motivation means those psychological processes that cause the arousal direction and persistence of voluntary actions that are goal oriented.' Robbins (2003) conceptualized motivation as follows: 'motivation is the result of interaction between individual and situation and this interaction can be either reinforcing or hindering one's motivation'. This statement was supported by 38,10 % of the respondents. 14,29 % of the respondents agreed that 'motivation is a result of external stimuli and individual's behavior can be influence and reshaped by the environment' thus referring to the model of extrinsic motivation. None of the respondents agreed that 'Motivation is a generator of one's own which needs no outside stimuli and it is one's will to do something'. This statement referred to Herzberg's note about the intrinsic motivation.

In question number 20 the respondents were asked to choose if any of the presented statements create their motivation. The majority of the respondents supported the job characteristics and Herzberg's theory which states that the job itself will create one's motivation to work thus 54,17 % chose that 'My work is interesting, challenging and meaningful thus causes my motivation to work.' 20,83 % of the respondents agreed with the expectancy theory's presentation of what creates motivation: 'motivation will be born once I believe my effort will lead to expected outcome and the reward given for this performance satisfies my personal goals.' 20,83 % agreed with equity theory i.e 'I feel I am underrewarded and the negative feelings will make me motivated to correct the equity tension (e.g by reducing my work efforts)' Only 4,17 % agreed

with Maslow's (1943) presentation of what will create motivation i.e. 'I am motivated by the unsatisfied needs which I try to satisfy.

4.6 Motivation

In this section of the questionnaire employees were asked to rate their level of motivation and what motivates them the most. Detailed questions about motivation theories are divided to own sections which will be presented after this chapter.

The employees were asked to rate their current level of motivation in a scale of 1 to 5 in question number 21. 57,14 % considered to be '4 fairly motivated', 23,81 % were '3 motivated', 14.29 % were '5 highly motivated' and 4.76% felt '2 not so motivated'. No one replied '1 I am not motivated at all'.

In question number 22 the employees were asked to rank what motivates them the most. This question was asked in order to know which reward practices should be highlighted and which factors are the most important motivators to the employees.

The percentage distribution can be seen on the table on the next page. (Table 2. What motivates the employees the most) The highest motivators stand out clearly as out of the 21 respondents 33.33% ranked 'Salary' to be their number one motivator and 'Meaningful and valuable job' to be the best motivator supported by 28 % of the respondents. The employees of company x considered 'Job security' to be the least motivating factor found on the last place of the rank (12.) supported with 24 % of the employees. 'Receiving feedback' and 'Social relationships at work' were found at the end of the ranking. Despite the most motivating and least motivating options other answer options were rather evenly evaluated.

Table 3. What motivates the employees the most

Options	1	2	3	4	5	6	7	8	9	10	11	12
Salary	33 %	10 %	14 %	5 %	5 %	9 %	14 %	5 %	0 %	0 %	0 %	5 %
Meaningful and valuable job	28 %	9 %	5 %	19 %	14 %	0 %	0 %	5 %	10 %	0 %	0 %	10 %
Advancement opportunities	0 %	14 %	0 %	0 %	9 %	5 %	0 %	5 %	5 %	19 %	24 %	19 %
Responsibility given to me	14 %	0 %	5 %	9 %	0 %	14 %	10 %	14 %	9 %	10 %	10 %	5 %
Social relationships at work	0 %	5 %	0 %	10 %	9 %	0 %	5 %	29 %	14 %	14 %	0 %	14 %
Challenging work	5 %	5 %	10 %	9 %	24 %	10 %	14 %	9 %	0 %	5 %	9 %	0 %
Positive and good work atmosphere	5 %	19 %	24 %	19 %	5 %	14 %	9 %	0 %	0 %	5 %	0 %	0 %
The possibility to learn and develop	5 %	10 %	9 %	10 %	9 %	14 %	10 %	19 %	14 %	0 %	0 %	0 %
Work-life balance	5 %	14 %	5 %	5 %	5 %	14 %	0 %	9 %	14 %	10 %	14 %	5 %
Receiving feedback	0 %	0 %	19 %	0 %	5 %	0 %	5 %	0 %	5 %	24 %	29 %	13 %
Ability to use skill variety in my job	5 %	9 %	5 %	10 %	5 %	19 %	19 %	5 %	13 %	0 %	5 %	5 %
Job security	0 %	5 %	5 %	5 %	9 %	0 %	14 %	0 %	14 %	14 %	10 %	24 %

4.7 Herzberg's two-factor theory

Question 23 asked respondents to assess in a scale of 1 to 5 (1 being very dissatisfied, 5 being very satisfied) how satisfied they are with the different

factors in their work environment. The distribution of the answers can be seen on the table below.

Table 4. Motivators by Herzberg

Options	1	2	3	4	5
I feel achievement at work	0 %	5 %	38 %	43 %	14 %
I am recognized at work	0 %	5 %	29 %	57 %	9 %
The work itself	0 %	5 %	29 %	57 %	9 %
Responsibility given for me	0 %	5 %	29 %	52 %	14 %
Advancement opportunities	5 %	33 %	43 %	14 %	5 %

The answer options are the motivator factors drawn from Herzberg's two factor theory (1967). Herzberg said that the satisfaction towards the above options is creating employee motivation. The majority of the answers are distributed to the ratings 3-5 which draws a picture of fairly satisfied attitude towards the motivator factors. Highest dissatisfaction was met towards 'Advancement opportunities' which was rated as '1 very dissatisfied' by 5% of the respondents and as '2 Fairly dissatisfied' by 33% of the respondents. The highest percentage of the answers was cumulated to the answer options 'I am recognized at work' and 'The work itself' which were evaluated as '4 fairly satisfied' by 57 % of the respondents.

The question number 24 continued to test Herzberg's two-factor theory by asking the employees to assess in a scale of 1 to 5 how satisfied they are with the following hygiene factors. The answers of the respondents are collected on the table below.

Table 5. Hygiene factors by Herzberg

Options	1	2	3	4	5
Company policy and administration	0 %	19 %	52 %	29 %	0 %
My supervisor	0 %	5 %	33 %	38 %	24 %
Social relationships at work	0 %	0 %	24 %	52 %	24 %

Table 6. Hygiene factors by Herzberg (continue)

Options	1	2	3	4	5
Working conditions	0 %	10 %	33 %	48 %	9 %
Salary	0 %	15 %	38 %	33 %	14 %
My status at work	0 %	9 %	29 %	48 %	14 %
Job security	14 %	14 %	48 %	24 %	0 %

As Herzberg mentioned the above hygiene factors (options) are at their best creating no job dissatisfaction but the satisfaction towards these options will not lead to job satisfaction. As Herzberg said dissatisfaction towards hygiene factors should be minimized in an organizational environment. The above answers show that the dissatisfaction towards hygiene factors is moderate. The highest dissatisfaction was met towards 'Job security' which 14% of the employees evaluated as being '1 very dissatisfied'.

4.8 Job characteristics

The respondents were asked if they agree with any of the statements provided about their job content in question number 25. The results of this question can be found on the figure on the next page. (Figure 9. Job characteristics)

25. If you agree any of the following statements of your job content, please choose one or more

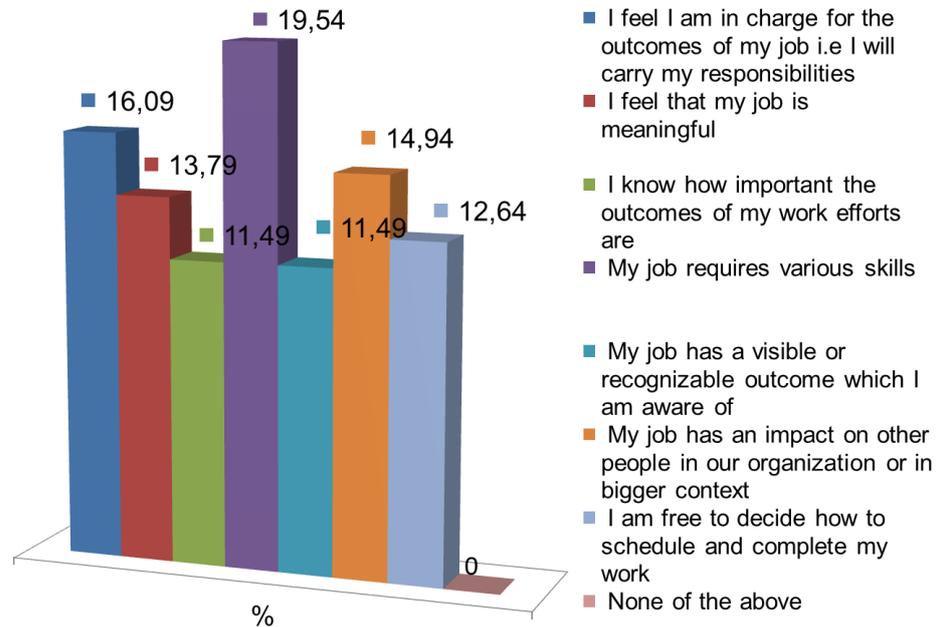


Figure 9. Job characteristics

This question was asked based on the importance put on job characteristics and three psychological states which jobs are to be creating if one is expected to be motivated (Hackman & Oldham 1980). The answer options are based on Hackman and Oldham's work about the various aspects of the job content.

The majority of the respondents seem to have enough skill variety in their job which was supported by 19,54 % of the respondents. What is positive about the answers above is that none of the employees thought that their job content lacks totally the factors which are considered to be important in creating motivation according to the job characteristics model.

4.9 Future development

In the last section of the questionnaire employees were asked about the future development of the rewards. These questions were asked as it is considered to be of high importance to get the employee voice heard so that the company x

can have beneficial information from this research for their future reward development.

Question number 26 was an open-ended question and the respondents were asked what would be the reason why they would voluntarily quit working for this organization. The point of asking this question was to see if there is factors which many employees consider as a reason for quitting the organization. The following answers were given:

Table 7. Reasons to quit voluntarily working for company x

Answers

A new job with some other company.

The reason would be to hit the jackpot :)

Quarterly policy

I would get a higher salary and more interesting job elsewhere.

If I find a better job.

New job has a better location (=cheaper living expenses) or offers better salary or a job with more responsibilities.

Physical illness with me (mental others decide).

Company policy and processes

Salary, limited possibilities for career advancement and company x being an old fashioned company.

Bigger boots to jump in

If I lost my motivation to do the work

To do something different.

At my age this question may not be relevant :)

If the companies and my own values and goals will differ on a big scale, I would most probably leave.

To give a career advancement opportunity to another person in my organization.

Time to change the direction of my life has come.

The will to do something more meaningful for the outside world.

As can be seen of the above table the reason to quit working are various as expected.

Finally the employees were asked in the last question number 27 what reward practices should be included or emphasized in their organization. The majority of the respondents (18,03%) said that 'Career advancement opportunities' are needed. 16,39 % answered that 'More monetary recognition' is required. 'The possibility to work in distance i.e from home' was chosen by 14,75 % of the employees. Both 'More verbal recognition' and 'Time off / free day for extremely good work done' was supported by 13,11 % of the respondents. 11,48 % were wishing 'More responsibility and trust from the management'. 6,56 % wished to have 'Better equipments to do work efficiently' this might be explained by the current ERP –system which is said to be dysfunctional according to the human resource manager of company x. 'More autonomy to do work' and 'Better support for work - life balance' was requested by 3,28% of the respondents.

One respondent replied to the open text box option offered at the end of the answer options as follows: 'The last, possibility to do work from home, would be great to recognize in Espoo. It would be totally possible and ones can actually achieve better results as they don't have to interact unnecessary time, and spend the time to come to work instead of doing work that same time, but for some reason some management do not allow this to be done very often.'

5 CONCLUSIONS

The research findings were already presented in the chapter 4 EMPIRICAL PART OF THE RESEARCH. The aim of this last chapter is to present the conclusions drawn from the research findings.

The aim of this thesis was to find out how the financial and non-financial rewards are impacting employees' motivation. The following research questions were settled and the aim of this thesis is to answer these questions:

1. What are the current reward practices in use in company x?
2. How are the rewards impacting the employees' motivation?
3. Why are the rewards impacting the employees' motivation?

The aim of the first research question was to find out all the reward practices in use in organization x. These reward practices are in depth presented in chapter 2.3 Rewards in use in company x. The employees attitudinal response to the reward practices is presented in the chapter 4 Empirical part of the research. It was considered necessary to map all the reward practices in use, how the rewards are distributed, what is the magnitude and relevance of the rewards and why these reward practices took place in order to understand the bigger picture of company x's culture of rewarding. This was a requisite also to understand the premise for employees motivation in this organization.

What is positive about company x's reward practices is that the total rewards approach is well implemented to their reward mix. The rewards offered to the employees include both financial and non-financial recognition which indicate that the different employee needs are recognized as not all the employees are keen on receiving only financial rewards and vice versa.

The total rewards available for the employees are considered to be comprehensive and more importantly the rewards available are relevant for the employees. Based on the the answers given to the question number six of the questionnaire it can be said that the employees are satisfied with the relevance

of the rewards because majority of the distribution of responses were placed on scale '4 fairly relevant'. The company x should not abandon the ability to have flexible working hours or continuing to offer fair salary as these were considered to be the most relevant rewards for the employees. It should be noted that in company x the non-financial rewards are proven to be as relevant as the financial rewards. This note includes practical implication for the organization especially during the time of economic downturn when the resources to reward allocation are tight or even diminished. According to the literature if the employees feel that the rewards are relevant they also feel motivated as the rewards correspond to their needs. This research adds to the literature as the employees considered rewards to be mainly relevant and none of the employees chose to answer to the question number 21 dealing with the felt level of motivation as '1 I am not motivated at all'.

The rewards available for the employees are well communicated even though the key achievement award, service award and spot award could be promoted better as two of the respondents were unfamiliar with these rewards. It is still considered that rewards are communicated well as 19 respondents out of 21 were familiar with all the rewards offered by organization x. This is considered to increase the reward efficiency as the employees know what is available for them.

All in all it can be concluded that the employees' attitude towards their organization is positive thus enabling the positive work atmosphere. It was expected that if the employees feel high dissatisfaction towards the organization or the reward practices, this would affect the employees level of experienced motivation but this was not the case for this case study organization as only one respondent felt that the organization is not trying to positively encourage employees with the use of rewards.

What is important to note about the company x's reward practices is that even though the company is US based they have not tried to implement the reward practices used in US directly to Finland. It seems that the local needs of the employees are understood.

The reward practices in company x are well taken care of but there are also improvements to be done. Even though the majority of the respondents saw a link between organizational goals and rewards when employees were asked this in question number nine, it is worth of noting that 33,33 % didn't see this connection. Some of the negative answers could be corrected by aligning the link between organizational goals and rewards better. Also, the human resource manager said that the new organizational goals settled in 2011 have not been properly communicated to the employees.

It is suggested that the organization x is to align the rewards to match better their organizational goals and to better communicate the organizational goals to the employees. Usually what is asked gets done and the rewards can be used as reinforcers to the favourable behavior in company x. It is not only about communicating efficiently the rewards available for the employees but also addressing in practice what are the actions which should be taken in order to achieve the organizational goals and rewards. Rewarding teams in organization x is considered to be worth of experiencing as the theoretical background and the employees' opinion support this point of view according to the answers given to the question 10. The practical benefit of rewarding employees more on collective level can result more productive teams and the sense of achieving together. Rewarding more teams would also support the organization x's organizational goals as one of them was mentioned to be 'win together'.

The theoretical background presented in chapter two explained how and why the financial and non-financial rewards or the lack of these rewards can impact one's motivation. Altogether six theories were presented and 5 were further used in the questionnaire to test how and why the total rewards are impacting employee motivation in organization x. It can be said that the theories presented in this thesis were supported by the empirical testing of the research.

The rewards can either positively or negatively impact one's motivation. The reasons why the rewards are impacting employee motivation are several; both financial and non-financial rewards are impacting on employee motivation.

Testing of expectancy theory in question 11 revealed that the excellent performance is not always acknowledged in organization x according to the employees. This is considered to impact the employee motivation negatively as expectancy theory explains that the individuals who feel that the efforts are not accordingly acknowledged will experience lower levels of motivation. The answers to the question number 12 gave the reasons why employees feel that their excellent efforts are not noticed. In organization x the supervisors are considered to be fair and professional as none of the employees thought that they are not given performance appraisals due to the dislike of a supervisor. It should be reminded that the pay system in company x is much based on pay for performance therefore the supervisors, HR managers and management should be able to notice excellent efforts. This is exactly one of the pitfalls pay for performance model has as noticed on chapter 2.2.4.1 Pay for performance that no matter how hard the employees work the efforts will not be always noticed. Based on the answers given to the question 12 the theory base holds.

It is recommended that the organization x would reconsider the metrics used to evaluate and recognize the work efforts. Rewarding loyalty, tenure or seniority should not overrule the rewarding of performance and organization x should pay attention to this as this was one of the reasons why employees feel that actual performance is not acknowledged.

It should be noticed that the rewards can impact employee motivation both negatively and positively at the same time. For example the employees can be dissatisfied with the job security thus lowering the felt level of motivation and highly satisfied with the work atmosphere thus increasing the felt level of motivation. But it is considered that the total rewards in company x are positively impacting employee motivation as none of the employees said that they are not motivated at all when answering to the question 21. This is one example of the complexity of evaluating the impact rewards have on employee motivation and employee motivation is impacted by variety of factors.

This research revealed that 38,10 % of the employees are not encouraged to put extra effort in place in the future due to the current or past reward practices.

This is worrying as one aim of the reward practices is to commit and motivate employees. This is important for the organization x to acknowledge as they can change their reward practices which they have and they can direct employee behavior by putting efficient reward practices in place which encourage employees to go above and beyond for the company in the future.

The procedure of how the rewards are allocated in organization x can be said to be fair. (Question 15)

Answers to the question number 16 revealed that 23,81 % of the employees are feeling underrewarded and it can be concluded that this is linked to the answers given to the question 11 which stated that 28,57 % considered that excellent performance is not acknowledged in organization x. Logically, individuals feel underrewarded if the efforts are never even acknowledged. Once the company x's employees are feeling underrewarded they are considering to quit their job, distort perceptions of self or to distort perceptions of others. What found to be in contradiction with the existing literature is that none of the employees were to reduce their productivity or to reduce their work input. To continue with the conclusions drawn from section of equity theory, it can be said that inequity does not exist in comparison to other individuals inside the organization x. This is a good indicator that there seems to be equity balance among the individuals in the organization x, in other words, the employees consider that they are fairly rewarded in comparison to their colleagues. (Question 17) The author considers that it is natural for the employees to think that the other employees are better rewarded in other organizations. This refers to the thinking that the grass is always greener on the other side - which might not always be the case.

This research supported the existing knowledge of the conceptualization of motivation. All the definitions of motivation given by different authors were supported except the note of intrinsic motivation defined by Herzberg. On the other hand Herzberg's and job characteristic's model of what is creating the motivation was considered to be valid by majority of the respondents thus the theoretical frameworks presented of what is creating human motivation was supported. As the majority of the respondents stated that job content is creating

their motivation it can be concluded that if the job content is considered to be positively evaluated majority of the employees in organization x would feel motivated.

Based on the answers given to the question 21 it can be concluded that all the employees of company x are motivated to some extent as none of the respondents said that they are not motivated at all.

The rewards which were impacting employee motivation the most are salary, meaningful and valuable job and positive work atmosphere. This supports the current stage of knowledge which states that rewards which motivate the employees the most are the presence of both financial and non-financial rewards. In practice organizations cannot ignore the various needs employees have. It is surprising that the employees ranked job security as last in their ranking. This could be due to the temporary lay-offs given at organization x and as the employees are living closely in this moment most likely this affected the ranking results and job security was considered to be the least motivating option. Company x's human resource manager evaluated that the most important motivators for their employees would be work climate, meaningful job and job security. The employees ranked as the three most motivating factors salary, meaningful and valuable job and positive and good work atmosphere. It seems that in company x the perception gap of the most and least motivating factors is not significant among the employees and management.

The section considering Herzberg's two-factor theory also added to the knowledge of the research questions why and how the rewards are impacting employee motivation. The employees of organization x were least satisfied with the advancement opportunities inside the organization. What should be noticed is that the other motivator factors were positively rated (majority of the answers on values 3 to 5) thus supporting the view that employees are motivated. Organization x should be monitoring the satisfaction towards these factors in the future as dissatisfaction towards these factors will lower one's motivation.

The employees were rather satisfied with the hygiene factors but more could be done to eliminate the dissatisfaction towards the hygiene factors in organization x. The discomfort with job security was most likely influenced by the temporary lay-offs announced to the employees one day before the questionnaire took place.

Finally the job characteristics provided the best ratings in relation to how and why the intrinsic job related rewards can impact one's motivation. This has practical implication for the organization x supported by the theory. One of the most efficient ways to support employee motivation is to organize the job itself to include important aspects to the employees. These aspects are well taken into consideration in the organization x as the answers to job characteristics question were all positive and all the employees felt motivated.

The conclusions drawn from the final section of the questionnaire are showing that a new job would be the main reason why an employee would quit working for company x. Salary was also mentioned to be a reason to quit working and this is in line with the conclusions drawn from the questions considering the recognizing of excellent efforts (pay for performance). It can be concluded that there isn't one main reward which employees would consider as demotivating as the results to question 26 were neutral and one reward option didn't stand out. Most of the answers given by the employees are referring to the growth needs as Herzberg and Maslow noticed thus supporting the existing research literature. Some of the answers given for the question 26 may be explained by the long tenure such as cravings for new challenges; employees may feel that they have seen everything this organization can offer to them.

This research added knowledge to the existing literature not only by providing the answers how and why the total rewards impact motivation but also giving practical guidance for the organization x about their current state of affairs. The employees were asked what they want in the future of their reward practices and these answers can be found on the previous chapter number four. This information will help the organization x to better reward the employees in the future.

All in all what can be concluded is that both financial and non-financial rewards have impact on employee motivation. The impact which rewards have on motivation can be reinforcing or hindering one's motivation. It is considered that the organization x has well managed to reward its employees as none of the employees felt that they are not motivated at all. For this case study organization what can be concluded is that the total rewards which they have in use are positively impacting the employee motivation.

Even though the case study organization was evaluated rather well regarding their reward practices which were considered to be motivating, a word of caution should be presented. Like many other organizations have been hit by the economic downturn this may also be the case for this organization. Usually in this kind of situation the management sees reward practices only as costs which should be reduced but the price tag put on reduced employee motivation due to cutting the employee benefits should be acknowledged.

5.1 Suggestions for further research

Further research is needed to monitor the reward practices and the impact of these practices have on employee motivation to better manage the continuous development of the topic in organization x. As stated at the moment the reward practices are well organized in the case study organization but what is needed in the future is the monitoring and measuring of the efficiency of the reward practices.

It would be of high interest to study whether the perceptions of rewards and the level of employee motivation would be lowered after reducing the employee benefits.

Interesting would be to extend this study to the other organizations but due to the time limits this research was designed and completed only for this case study organization.

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Figures

Figure 1: Maslow's Hierarchy of Human Needs and Related Benefits. *The Manager's Guide to Rewards: What You Need to Know to get the Best for – and from – Your Employees*. Hay Group Inc. USA, 72. [online, referred to 6.3.2012] available on the web at <http://www.scribd.com/doc/27305371/The-Manager-s-Guide-to-Rewards>

Figure 2: Vroom's Expectancy Theory. *12 Manage, the Executive Fact Track*. (2011) [online, referred to 17.3.2012] Available on the web at http://www.12manage.com/methods_vroom_expectancy_theory.html

Figure 3: Total Rewards Approach. *The Manager's Guide to Rewards: What You Need to Know to get the Best for – and from – Your Employees*. Hay Group Inc. USA, 6. [online, referred to 6.3.2012] available on the web at <http://www.scribd.com/doc/27305371/The-Manager-s-Guide-to-Rewards>

Appendix 1. Interview Questions

Opening questions

1. What are your organization's values or guidelines (mission, vision, initiatives)?
2. What is the objective of your reward practices? What do you want to reward? (e.g. tenure, loyalty, individual vs group performance, social recognition, incentives)
3. Why it is or is not important that your employees are motivated?

Current reward practices

4. Please list all the tangible (financial) and intangible (non-financial) reward practices which are currently in use in your organization?
5. Why are these above practices in use over other practices?
 - a) Have you completed internal survey about the relevancy of the rewards given to your employees? If yes, when?
 - b) Are these rewards which are in use tailored according to employee needs in your organization?
 - c) Have you involved employees to take part of the reward policy creation / reward redesign?
 - d) Have you made external benchmarking when determining which rewards to use and to which extent?
6. Are these above mentioned rewards made available for everyone?
7. Are the employees aware of all the rewards available?
8. How do you make sure that the rewards are allocated fairly and equally in your organization?
9. How does the rewarding policy differ from other organizations?
10. How your rewards encourage employees to support organizational values mentioned above?
11. Do you think that your reward policy is efficient? (i.e. rewards are leading to wanted behavior)
 - a) Does your reward practice add value to the organizational performance?
 - b) Are you able to measure the return on cost of your reward practices?
12. Do you measure reward efficiency?
 - a) If you do, please state how:
 - a. using employee attitude surveys
 - b. analysis of pay market positioning
 - c. measuring employee turnover
 - d. assessment against reward strategy objectives

- e. financial costs related to rewards
 - f. impact on employee performance / productivity
 - g. length of service
 - h. absenteeism
 - i. others; customer service, vacancy rates, job retention rates
- b) If you do not, please state the reason why you don't measure:
- a. lack of analytic skills
 - b. lack of common measurement tools of the relationship between rewards and performance, I feel that measurement is impossible
 - c. lack of information
 - d. I don't see any reason for measuring or upper management does not require it
 - e. denial of admitting that the measurement results might occur mixed results
13. How has economic downturn impacted your reward allocation policy?

Motivation

14. What or which factors motivate your employees the most?
15. Do you believe that your employees are willing to put extra effort in place and this extra-role performance will be noticed and will be rewarded accordingly in their opinion?
16. Are the employees fully aware of what is requested from them in order to receive a reward or appraisal /pay raise?
17. Do you have any concrete evidence that your current rewards are supporting or increasing motivation of the employees?
- a) How are the rewards in use affecting your employees' motivation?
 - b) Why are these rewards affecting your employees' motivation?
18. Are you able to recognize possible demotivators in your organization?

Motivators and Demotivators

19. What kind of career development or advancement opportunities exists inside the organization?
20. How do you support employees' work-life balance?
21. How do you ensure the job itself is challenging and meaningful for the employees?
22. Are the employees offered enough task variety in their daily jobs?
23. How often employees receive feedback for their work?
24. How often do you offer training for employees?

25. How do you recognize employees for good work done and based on which metrics?
26. How is the base salary determined? Please explain pay level, benefits, raises (how determined) and pay structure (levels, based on performance, tenure) in use.
27. Are the working conditions motivating or hindering employees' motivation in your organization?
28. Are the employees given responsibility which encourages employees to have autonomy rather than being controlled?
29. Is the work atmosphere motivating employee to excel?

Future development

30. Do you think that motivation and reward policies could be improved in the future? How?

Time reserved for open discussion.

Thank you for your time!

Appendix 2. Questionnaire Form

General background

1. Please specify your gender

Male_

Female_

2. How old are you?

Under 30_

30-39_

40-49_

50-59_

Over 60_

3. What is your educational background?

Compulsory school (perusopetus)_

Vocational Upper Secondary School (ammattioppilaitos)_

General Upper Secondary School (lukio)_

Polytechnic education (ammattikorkeakoulu)_

University education (yliopisto)_

4. How many years have you been working for this company?_

5. Please specify your department

Finance, HR, IT_

Sales (Sales, Sales operations, purchasing, supply chain)_

Management or support of management_

Current rewards in use

6. Please rate the relevance of the following rewards to you in a scale of 1 to 5. (1 being very irrelevant, 5 being very relevant)

Smartum exercise vouchers_

Smartum culture vouchers_

Key achievement award_

Spot award_

Service award_

Stock purchase program_

Fair salary_

Salary increase_

Espoo CEO's award for innovativeness_

Morning seminars_

Possibility to get sports massage services at workplace_

Flexible working hours_

Company events (Christmas, summer parties)_

7. Please list the rewards which you were not aware of _

8. Please choose what does the current rewards given by your organization signal to you? You can choose one or more.

My organization cares about me_

I feel that the employees are important asset for my organization_

My organization wants to motivate employees with the use of rewards_

My organization invests in employees_

None of the above_

9. Please assess whether the rewards available are encouraging you to work towards organizational goals (7 pillars of engaging for growth) ?

Yes, I think that the rewards are encouraging me to achieve the organizational goals_

No, I don't think that the rewards are encouraging me to achieve the organizational goals_

10. Do you think that teams should be rewarded more in your organization?

Yes_

No_

Expectancy theory

11. Is excellent performance (above the average) acknowledged in your organization?

Yes_

No_

12. Please justify the reason why excellent performance is not acknowledged

I believe my supervisor does not like me and therefore I am not given fair performance appraisals for the high effort I give for the organization_

My organization's performance appraisal system evaluates non-performance related factors such as loyalty, tenure or seniority instead of actual performance_

I feel that I don't have the competencies which are needed to gain high performance levels which would lead to performance appraisal_

No matter how well I work, the excellent performance will not be acknowledged in this organization_

I don't believe that my organization has monetary resources to reward increased performance_

Other, please specify as carefully as possible_

13. Please choose to which extent the total rewards (monetary and non-monetary) are relevant and significant enough?

Very significant and relevant_

Fairly significant and relevant_

Significant and relevant_

Fairly insignificant and irrelevant_

Very Insignificant and irrelevant_

14. Considering the past and current rewards you have received from your organization, does these encourage you to put extra effort in place in the future?

Yes_

No_

Equity theory and procedural justice

15. Do you think that the procedure of how the rewards are allocated is fair? (Example: if you haven't received a salary increase, are the reasons for this stated clearly and in a fair manner)

Yes, I think that the procedure of how the rewards are distributed is fair_

No, I do not think that the procedure of how the rewards are distributed is fair_

16. Considering what you give to the organization (education, experience, efforts), do you feel that you are underrewarded ?

Yes_

No_

17. Please specify why the feeling of being underrewarded exists

Compared to other tasks I have done inside this organization, I were better rewarded_

I were better rewarded in my previous job, in another organization_

Compared to other individuals in my organization, I feel that they are better rewarded_

In comparison to individuals in other organizations outside mine, they are better rewarded_

Other, please specify_

18. Please choose what you are most likely to do or think when you are underrewarded

I will reduce my work input_

I will reduce productivity_

I thought I worked at moderate level but I have realized I work harder than the others_

The work of my friend's isn't as nice either as I previously thought_

I am comparing my work related rewards to different referent for example "I am better rewarded than my parents when they were working_

I am considering to quit my job_

Other, please specify_

Introduction to motivation

19. What motivation means to you?

Motivation is the result of interaction between individual and situation and this interaction can be either reinforcing or hindering one's motivation_

Motivation means those psychological processes that cause the arousal, direction, and persistence of voluntary actions that are goal oriented_

Motivation is a generator of one's own which needs no outside stimuli and it is one's will to do something_

Motivation is a result of external stimuli and individual's behavior can be influenced and reshaped by the environment_

Other, please specify_

20. Please choose if any of the following statements is creating your motivation

My work is interesting, challenging and meaningful thus causes my motivation to work_

I feel I am underrewarded and the negative feelings will make me motivated to correct the equity tension (e.g by reducing my work efforts)_

I am motivated by the unsatisfied needs which I try to satisfy_

My motivation will be born once I believe my effort will lead to expected performance and the reward given for this performance satisfies my personal goals_

Motivation

21. Please rate your current level of motivation in a scale of 1 to 5. (1 = I am not motivated at all, 5 = I am highly motivated)

1 I am not motivated at all_

2 I am not so motivated_

3 I am motivated_

4 I am fairly motivated_

5 I am highly motivated_

22. Please drag and rank what motivates you the most

Salary_

Meaningful and valuable job_

Advancement opportunities_

Responsibility given to me_

Social relationships at work_

Challenging work_

Positive and good work atmosphere_

The possibility to learn and develop_

Work-life balance_

Receiving feedback_

Ability to use skill variety in my job_

Job security_

Herzberg's two-factor theory

23. Please assess in a scale of 1 to 5, how satisfied you are with the following (1 being very dissatisfied, 5 being very satisfied)

I feel achievement at work_

I am recognized at work_

The work itself_

Responsibility given for me_

Advancement opportunities in the company_

24. Please assess in a scale of 1 to 5 how satisfied you are with the following (1 being very dissatisfied, 5 being very satisfied)

Company policy and administration_

My supervisor_

Social relationships at work_

Working conditions_

Salary_

My status at work_

Job security_

Job characteristics

25. If you agree any of the following statements of your job content, please choose one or more

I feel I am in charge for the outcomes of my job i.e I will carry my responsibilities_

I feel that my job is meaningful_

I know how important the outcomes of my work efforts are_

My job requires various skills_

My job has a visible or recognizable outcome which I am aware of_

My job has an impact on other people in our organization or in bigger context_

I am free to decide how to schedule and complete my work_

None of the above_

Future development

26. If one day you are voluntarily to quit working for this organization, please specify the reason_

27. In your opinion should the current reward practices in your organization include:

More verbal recognition_

More monetary recognition_

Time off / free day for extremely good work done_

Career advancement opportunities_

More autonomy to do work_

More responsibility and trust from management_

Better equipments to do work efficiently_

Better support for work - life balance_

Possibility to work in distance i.e from home_

Other, please specify_

Thank you for taking part of this survey!

Appendix 3. Cover Letter of the Questionnaire

Dear Employees,

I am doing Bachelor's thesis about reward efficiency in your organization and whether the rewards have any impact on your work motivation. As a part of this thesis at Turku University of Applied Sciences I have developed a questionnaire and I would highly appreciate if you could use approximately 5-10 minutes to complete the questionnaire.

Like a forest without trees, a research without empirical testing of theory is of low value therefore I hope you can help me to validate my research by taking part of this survey. The survey can be found by following this link:

http://kwiksurveys.com?s=LMNHM_5cb4fc1a (please ignore the survey program related ads)

Please note that the questionnaire is made to protect your identity and the answers you give cannot be tracked down. The results of the questionnaire will be used only for my thesis. The name of your company will not occur on the public version of my thesis.

If you take part in this survey you have a chance to win movie tickets. You only have to do the questionnaire and send this email back to me.

Thanks a lot for your help!

Lotta Laakso