

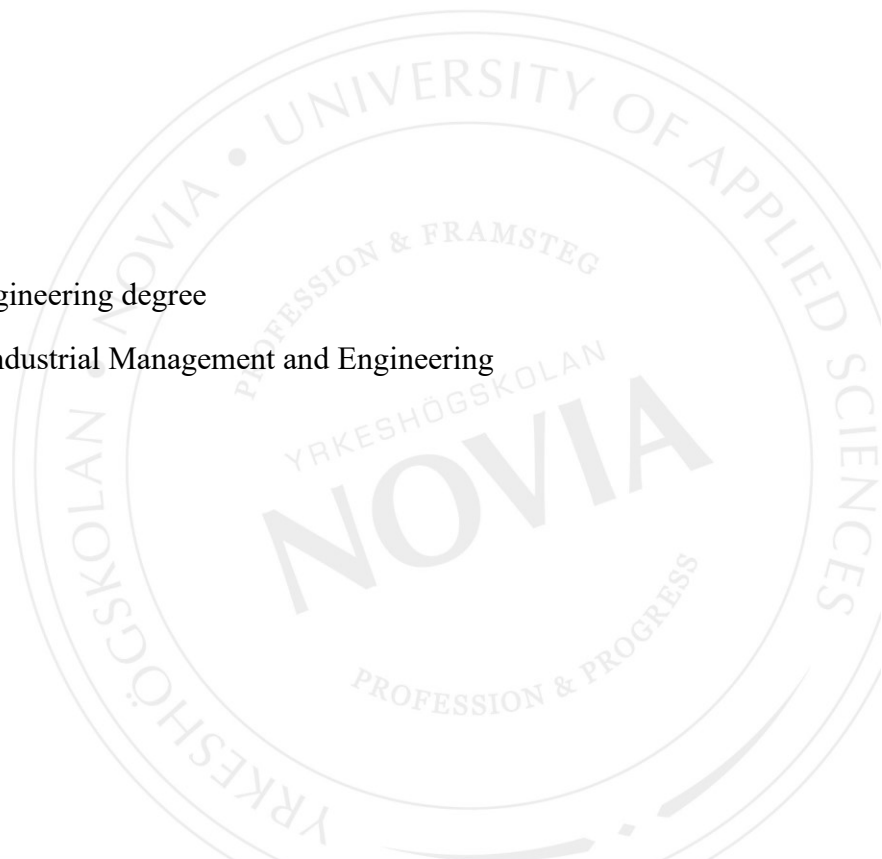
Work Motivation and Reward Systems – A Case Study

Viktor Fagerhed

Thesis for a Master of Engineering degree

The Degree Program of Industrial Management and Engineering

Vaasa 2021



MASTER'S THESIS

Author: Viktor Fagerhed

Degree Program and city: Industrial Management and Engineering, Vaasa

Supervisor: Roger Nylund

Title: Work Motivation and Reward Systems – A Case Study

Date: 14.2.2021 Number of pages: 46

Appendices: 0

Abstract

This Master's thesis was done on behalf of the company I work for now. For the 2019 fiscal year, a change was made to the company's reward system. One of the three parameters was changed to "production efficient". The target with the change was to increase production efficiency. The purpose of this thesis is to evaluate the test reward system and study what motivates an employee. The study was conducted on blue-collar workers.

The theoretical framework consists of theories regarding motivation, commitment, leadership, and reward systems. Qualitative interviews were conducted to understand what the target group thought about the test reward system. The interview guide that was prepared for interviews included topics regarding job satisfaction, commitment, and work motivation. All answers were thematically analyzed.

Results from the interviews show, that work atmosphere had a major impact on all the themes included in the interview guide. For the target group, the main motivators were money and the work itself. The evaluation of the test reward system highlights the main issues as to why it did not work out as well as it could have. The main issues were an overly long follow-up period and unawareness of the situation.

Based on the results, I suggest the reward system should be tested once again with shorter follow-up periods and a more systematic way of leading the process.

Language: English

Key words: motivation, commitment, reward systems

EXAMENSARBETE

Författare: Viktor Fagerhed

Utbildning och ort: Teknologibaserat ledarskap, Vasa

Handledare: Roger Nylund

Titel: Work Motivation and Reward Systems – A Case Study

Datum: 14.2.2021 Sidantal: 46

Bilagor: 0

Abstrakt

Detta examensarbete har gjorts i samarbete med min nuvarande arbetsgivare. För räkenskapsåret 2019 gjordes en förändring i företagets bonussystem. En av tre parametrar byttes ut mot ”produktionseffektivitet”. Målsättningen med förändringen var att förbättra produktionseffektiviteten. Syftet med detta examensarbete är att utvärdera test bonussystemet och studera vad som motiverar en anställd. Studien utfördes på produktionsarbetare (på engelska ”blue-collar workers”).

Teoridelen omfattar teorier om motivation, engagemang, ledarskap och belöningssystem. Kvalitativa intervjuer gjordes för att förstå vad målgruppen tänkte och tyckte om test bonussystemet. En intervjuguide gjordes som innehöll teman om arbetstillfredsställelse, engagemang, arbetsmotivation och bonussystem. Alla svar analyserades tematiskt.

Resultaten från intervjuerna visar att arbetsatmosfären hade en påverkan på alla teman i intervjuguiden. För målgruppen var pengar och arbetet i sig självt de viktigaste motivationsfaktorerna. Utvärderingen på test bonussystemet visar att uppföljningsperioden och omedvetenhet över situationen var de främsta fallgroparna under året.

På basen av resultaten föreslår jag att test bonussystemet borde omprövas med kortare uppföljningsperioder. Under uppföljningsperioden skall man lägga fokus på ett systematiskt och målmedvetet ledarskap.

Språk: Engelska

Nyckelord: motivation, engagemang, belöningssystem

OPINNÄYTETYÖ

Tekijä: Viktor Fagerhed

Koulutus ja paikkakunta: Teknologiaosaamisen johtaminen, Vaasa

Ohjaaja: Roger Nylund

Nimike: Work Motivation and Reward Systems – A Case Study

Päivämäärä: 14.2.2021 Sivumäärä: 46

Liitteet: 0

Tiivistelmä

Opinnäytetyö on tehty yhteistyössä työnantajani kanssa. Yhtiön bonusjärjestelmään oli vuoden 2019 tilikautta varten tehty muutos. Yksi kolmesta parametrinä oli muutettu ”tuotannon tehokkuudeksi”. Tavoitteena oli parantaa tuotannon tehokkuutta.

Opinnäytetyön tarkoitus on arvioida koebonusjärjestelmän toimivuutta ja tutkia, mikä motivoi työntekijää. Tutkimus on suunnattu tuotantotyöntekijöihin (englanniksi blue-collar workers).

Teoriaosuus sisältää tutkimuksia liittyen motivaatioon, sitoutuneisuuteen, johtajuuteen ja palkkiojärjestelmiin. Tutkimusmenetelmänä olen käyttänyt kvalitatiivisia haastatteluja. Haastatteluiden tarkoituksena oli saada mielikuva siitä, miten koebonusjärjestelmä toimi. Haastattelut käsittelivät myös aiheita kuten työtyytyväisyys, sitoutuneisuus ja työmotivaatio. Olen analysoinut kaikkia haastatteluvastauksia temaattisesti.

Lopputulokset osoittavat, että työilmapiirillä oli iso vaikutus haastatteluiden kaikkiin teemoihin. Kohderyhmän henkilöt kokevat rahan ja työn itsessään tärkeimmiksi motivaattoreiksi. Koebonusjärjestelmän arviointi näyttää, mitkä olivat pääkohdat, jotka eivät onnistuneet. Pääongelmakohtia olivat liian pitkä seurantajakso ja epä tietoisuus tuolloisesta tilanteesta.

Lopputuloksien perusteella esitän, että koebonusjärjestelmä tulisi testata uudestaan lyhyemmällä seurantajaksoilla ja systemaattisemmalla johtamisella.

Kieli: Englanti

Avainsanat: motivaatio, sitoutuminen, palkkiojärjestelmät

Table of contents

1	Introduction	1
1.1	Background	1
1.2	Problem area	2
1.3	Purpose of the thesis	2
1.4	Delimitations.....	2
1.5	Thesis structure	2
2	Theoretical background	3
2.1	Motivation.....	3
2.1.1	Hierarchy of needs – Abraham Maslow	3
2.1.2	Two-factor theory – Frederick Herzberg.....	5
2.1.3	Job characteristics theory (JCT) – Hackman and Oldham	7
2.1.4	Self-determination theory (SDT) – Deci and Ryan.....	10
2.2	Commitment	12
2.3	Leadership.....	14
2.3.1	Reward systems in organizations	15
2.3.2	Reward systems do not work.....	16
2.3.3	Reward systems work.....	17
2.4	Theoretical frame of reference.....	19
3	Methodology.....	20
3.1	Research design	20
3.1.1	Interview guide	21
3.2	Research process.....	22
3.2.1	Data analysis and insider position challenges	23
4	Results	24
4.1	Job satisfaction.....	24
4.2	Organizational commitment	27
4.3	Work motivation	28
4.4	Reward systems	32
4.5	Thematic summary	35
5	Conclusions	37
5.1	Test reward system	39
5.2	Answer to the research question	41
6	Discussion.....	42
6.1	Discussion of outcomes	43
7	Reference list	44

1 Introduction

This Master's thesis was done on behalf of the company I work for currently, which is in the energy business and provides components for other energy businesses. The goal of the industrial management and engineering degree program is to develop the student's leadership skills (Novia University of Applied Sciences 2018). This thesis covers topics including motivation, commitment, and leadership. The introduction chapter consists of a description of the background of the topic, continues with a formulation of the research problem, and concludes with an explanation of the purpose of the thesis.

1.1 Background

For the 2019 fiscal year (March 2019 – February 2020), specific changes were made to the employee reward system, which had depended on three factors for several years. For the 2019 fiscal year, one of the three factors was changed to production efficiency (i.e., how many hours were spent building one product). All quality defects that had to be fixed on site at our customer were added to the total amount of hours if they were caused by our own production.

The reward system was changed due to feedback from blue-collar workers who felt the previous reward system was not motivating. Based on the feedback from blue-collar workers and the expectations from the employer to reduce the number of hours spent building the product, the reward system was changed for one fiscal year. An evaluation of the results was planned for after the close of the fiscal year.

The reward system was not changed for all the company's employees, only for blue-collar workers and a couple of white-collar workers who were supporting production at one factory in Finland. Production efficiency had a 40% impact on the reward system, and the two other factors had a 30% impact each. The Production efficiency was further divided in a scale from 0% to 150%, depending on how many hours were spent building a product, on average, during the fiscal year. The maximum output that was possible to reach from the production efficiency was 60% from a one-month salary ($40\% \times 150\% = 60\%$). Profit before taxes (PBT) had to be positive to earn the reward. Additionally, to receive the bonus, the employee must work on the designated day of payment at the end of May.

1.2 Problem area

The reward-system test was no immediate and full success. Production efficiency improved by approximately 5% for the fiscal year. This led to a 32% increase of the production efficiency indicator. This had a total impact on the reward outcome of approximately 13% ($32\% \times 40\% \sim 13\%$). Moreover, workers who were involved in the test reward system complained about the payment day that was after the fiscal year. I heard comments that the payment day is so far in the future that it does not motivate daily work. In summary, the expectations were higher than the outcome, and complaints were heard during the year from both blue-collar and white-collar workers.

1.3 Purpose of the thesis

The purpose of the thesis is to evaluate the test reward system from the 2019 fiscal year. The evaluation is based on the complaints from blue-collar workers, and the theoretical framework presented in theory chapter.

To enable an evaluation, the theoretical part of the thesis consists of theories regarding motivation, commitment, and leadership linked to reward systems. In addition, qualitative interviews were conducted and thematically analyzed. Based on the results and theories, I suggest how to utilize a reward system for better working motivation. The research question for this thesis is “How, if at all, can a reward system increase work motivation?”

1.4 Delimitations

The main delimitation of this thesis is that interviews were held exclusively with blue-collar workers. White-collar workers who were part of the test group consisted of people whose task was to support production. The test reward system was based on hours spent building one machine, and thus, this thesis investigates how it affected the work motivation of the people building the products.

1.5 Thesis structure

The thesis is divided into six chapters. Chapter 1 is the introduction, where the background, problem area, and purpose are presented. Chapter 2 describes motivation theories and briefly discusses commitment, leadership, and reward systems. Chapter 3 explains the methodology and how the data were analyzed. Chapter 4 presents the results from interviews. Chapter 5

presents conclusions from interview themes and answer to the research question. Chapter 6 discusses critical thoughts and recommendations about the thesis and its findings.

2 Theoretical background

This chapter presents the theoretical background of the research. Theories which are familiar from the degree program courses are complemented by other relevant theories. The theories support the methodology chosen and the result analysis.

2.1 Motivation

One way to define motivation is the way Pinder generally described it, as the energy, direction, and persistence of behavior (Howard, Gagné, Morin & Van den Broeck 2016). Theories related to motivation cover a broad area. The theories presented in this chapter pertain to work motivation. Work motivation theory is also a broad area. This thesis briefly presents four theories: Maslow's basic needs hierarchy, Herzberg's two-factor theory, Hackman and Oldham's job characteristics theory, and Deci and Ryan's self-determination theory.

2.1.1 Hierarchy of needs – Abraham Maslow

The basic needs hierarchy is based on several theories. According to Maslow (1987, 15), the theory is in the functionalist tradition of James and Dewey and is fused with the holism of Wertheimer, Goldstein, and Gestalt psychology and with the dynamism of Freud, Fromm, Horney, Reich, Jung, and Adler. He calls this integration a holistic-dynamic theory. Maslow's hierarchy of needs is divided into five levels: physiological, safety, love, esteem, and self-actualization (see Figure 1). The basic idea in the need hierarchy is that a person needs to satisfy one need in order to move to the next level. For example, if a person living in extreme poverty cannot think about anything but food, it is not possible to move to the next level (e.g., from physiological to safety needs) until the first need is satisfied. (Maslow 1943)

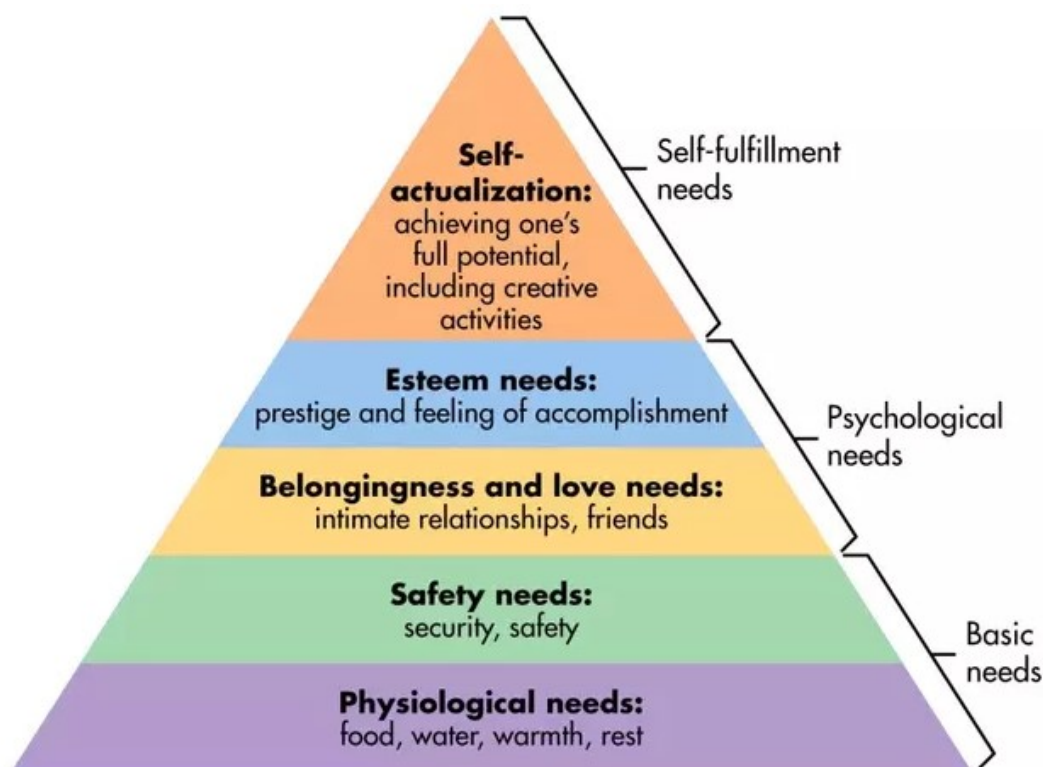


Figure 1. Maslow's hierarchy of needs (McLeod 2020).

Physiological needs. This is the primary category of the hierarchy, which includes the necessities that a human need to survive, such as water and food. When a person is in this stage, everything else is pushed into the background until these needs are satisfied. (Maslow 1943)

Safety needs. The second level of the hierarchy consists of safety needs. When the physiological needs are satisfied, then new types of needs emerge, and these are the so-called safety needs. The safety needs are easier to recognize in an infant or a child because the appearance of a threat or danger will be more visible than in an adult. Adults also feel danger, but they tend not to display the feeling as do crying children, for example. (Maslow 1943)

Love needs. When the two first categories of needs are satisfied, a human feel needs related to love and belonging. At this stage, Maslow (1943) states that “*a person will feel keenly, as never before, the absence of friends, or a sweetheart, or a wife, or children*”. At this stage, it is possible that the person forgets the negative situations they might have encountered in the physiological need stage (Maslow 1943).

Esteem needs. This level relates to self-confidence and reputation. Maslow (1943) claims that “*all people in our society (with a few pathological exceptions) have a need or a desire*

for a stable, firmly based, (usually) high evaluation of themselves, for self-respect, or self-esteem, and for the esteem of others”.

The need for self-actualization. When the previous four levels of needs are satisfied, the human starts to seek self-fulfillment. Individuals seek the full potential in what they are doing, (e.g., a musician aiming to become as proficient as possible in playing an instrument). (Maslow 1943).

The hierarchy of basic needs seems to be fixed. However, Maslow (1943) notes also that there are exceptions, and the hierarchy is fluid. He gives an example of people for whom self-esteem seems to be more important than love, even though love is lower in the hierarchy.

Maslow received criticism for the study. For example, McClelland (1987, 42) criticizes Maslow for three reasons. First, he studied creative individuals who displayed the characteristics he thought such people should have. Second, Maslow tended to neglect the nature of the environmental conditions that arouse the various needs in the hierarchy. Third, Maslow did not undertake the necessary empirical investigations to show that the needs form a hierarchy.

2.1.2 Two-factor theory – Frederick Herzberg

Frederick Herzberg was one of the first to study the causes of satisfaction and dissatisfaction at work. He divided these two factors into motivators and hygiene factors. These two factors are not opposites (e.g., if hygiene factors are positive, it does not automatically indicate a positive and motivated attitude towards work). Only motivators can increase work motivation and job satisfaction. By removing negative hygiene factors, it is easier to attain work motivation and job satisfaction. (*Suomen Metalliteollisuuden Työnantajaliitto [SMT] 1977, 6*)

Hygiene factors. Furnham, Eracleous, and Chamorro-Premuzic (2009) describe hygiene factors as “*extrinsic components of job design that contribute to employee dissatisfaction if they are not met*”. When Herzberg, Mauser, and Snyderman (1967, 113) asked, “*What do people want from their jobs?*”, they received two types of answers. When the answer was reported as unhappiness, the feeling was not directly associated with the job itself but rather with the conditions of the job.

The unhappy feelings caused by the surroundings are the so-called hygiene factors (i.e., supervision, interpersonal relations, physical working conditions, salary, company policies

and administrative practices, benefits, and job security). When these conditions deteriorate, there is a risk of job dissatisfaction. If the factors are at an optimal level, job satisfaction does not automatically turn positive, it will only eliminate the dissatisfaction towards the job. On the other hand, when these are on a good level, it is easier to achieve working motivation. (Herzberg et al. 1967, 113 – 114)

Motivators. Furnham et al. (2009) describe motivators as “*intrinsic to the job itself and include aspects such as achievement, development, responsibility and recognition*”. To the questions “*What do people want from their jobs*”? asked by Hertzberg et al. (1967, 113) is the first type of two answers described earlier in the “hygiene factor” section. The second type of answers that was shown was persons who responded happy feelings to their jobs. They mostly described factors that are linked to good performance in their job and professional growth.

Earlier theorists such as Jung, Adler, Sullivan, Rogers, and Goldstein studied the concept of self-actualisation, or self-realisation. Factors that lead to positive job attitudes do so because of the need of self-actualization on the individuals work. For many people, work is one of the most important areas of life. This leads to many people attempting to actualize themselves in the job, and the surrounding basic factors (hygiene factors) cannot do that. It is only performance of a task that gives the reward that reinforces the person’s aspiration. These “motivators” are something industry seeks from the work force because they affect job satisfaction in a positive way and improve performance. (Hertzberg et al. 1967, 114)

Hygiene factors and motivators are illustrated in Figure 2. On the right side of the middle line are percentages that affect satisfaction and on the left side dissatisfaction. The hygiene factors have a greater impact on dissatisfaction than the motivators, whereas motivators have a greater impact on satisfaction than do hygiene factors. Hertzberg et al. (1967, 115) give an example how a motivator can make a factor that are on dissatisfaction level tolerable. For a worker who does monotonous work with little chance of self-actualization, hygiene factors are important. In contrast, a person who finds their job exciting and satisfying will tolerate a much more difficult supervisor, for example.

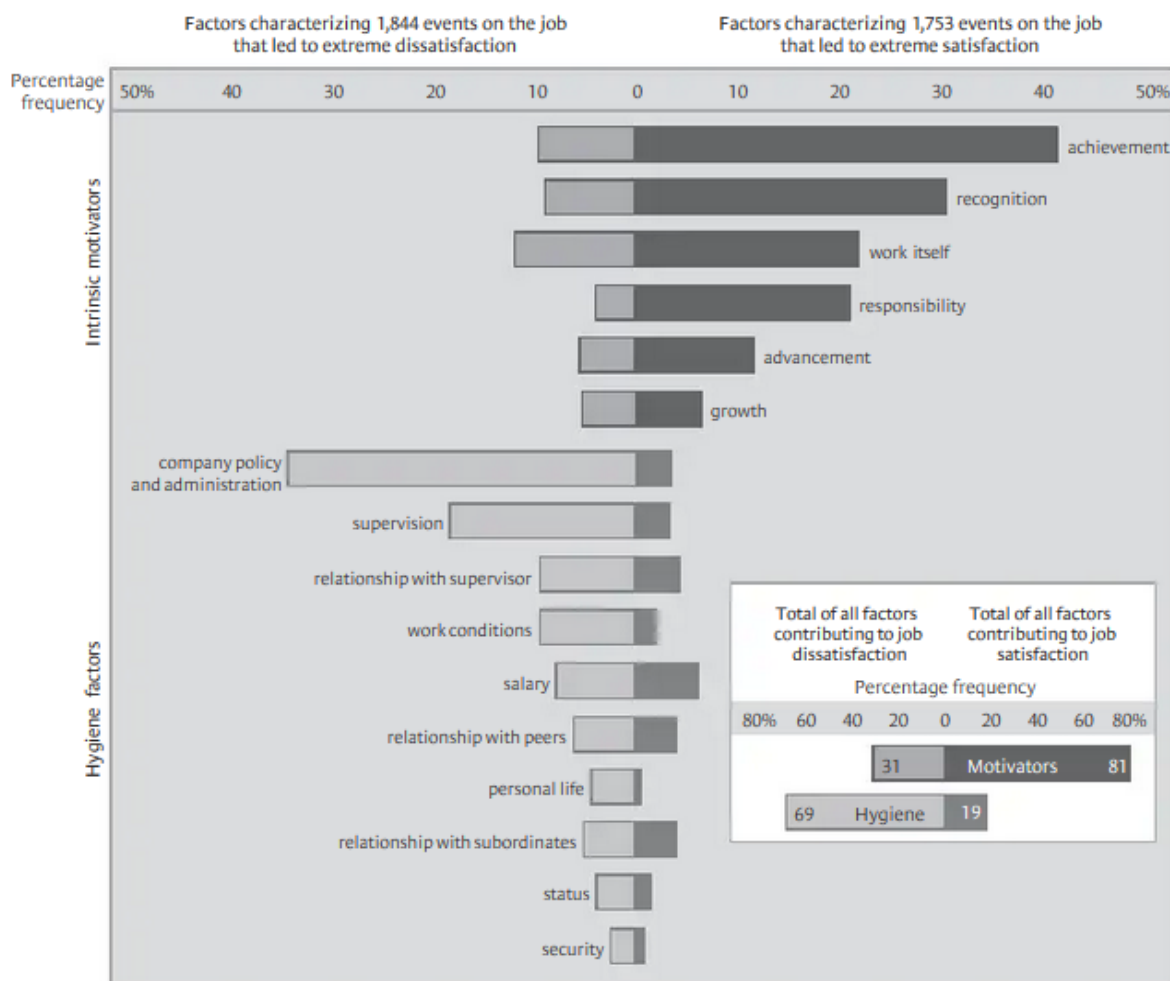


Figure 2. Comparison of Satisfiers and Dissatisfiers (Hertzberg 2008)

The theory has been questioned by Scheuer (2000, 102) because the study was conducted exclusively on engineers and accountants. He notes:

“as the sampling thus favored the group consisting of employees at the medium and top levels, the general validity of Herzberg’s motivation theory should be questioned when it regards other types of employees, such as employees in non-managerial or non-specialist positions”.

This means that a substantial part of the workforce was left outside the scope of study (e.g., blue-collar workers).

2.1.3 Job characteristics theory (JCT) – Hackman and Oldham

Richard Hackman and Greg Oldham proposed a “job characteristics model” that specifies the conditions that are needed for an individual to be internally motivated to perform effectively at work (see Figure 3) (Hackman & Oldham 1976). According to Oldham and Hackman (2005, 152), the primary aspirations of the theory were to explain conditions when

of something, but rather understanding the whole picture and product). When the person does that, the task feels more meaningful. “Task significance” means that the person understands the result of the work. The result may be important to the well-being of other people. An example of a job task that can result in this kind of feeling is tightening of a nut on aircraft brake assemblies. (Hackman & Oldham 1976)

The two other job characteristics foster psychological states. The “autonomy” characteristics are linked to the psychological state “experienced responsibility for outcomes of the work”. The last characteristic, “feedback”, is linked to the psychological state of “knowledge of the actual results of the work activities”. “Autonomy” refers to the freedom a person has in their work. The person has responsibility to plan the work and do it the way they deem it is best. When the person has autonomy, job successes and failures feel strong. The “feedback” is what the person gets from the work that has been done. The person needs direct and clear information about their work performance. (Hackman & Oldham 1976)

Critical psychological states. The psychological states are the core of the model. “Experienced meaningfulness” means that the worker feels the task is in line with their values. “Experienced responsibility” refers to the degree to which the jobholder feels they are responsible for the task. “Knowledge of result” means how well the jobholder knows they are performing. When these three psychological states are present, self-generating motivation should be at its highest. For example, if a person is doing a task, they personally care about but do not know the result, their internal motivation cannot be high. (Hackman & Oldham 1976)

Outcomes. When the three critical psychological states are present, it should lead to a result with four outcomes: “high internal work motivation”, “high satisfaction with the work”, “low absenteeism and turnover”, and “high quality work performance”. If any of the three critical psychological states are absent, fewer of the outcomes emerge. (Hackman & Oldham 1976)

To measure a person’s motivation, they made a formula called the motivating potential score (MPS). When scoring high, it is expected that the outcomes are more positive than in jobs with low motivating potential. (Hackman & Oldham 1976)

$$\text{MPS} = (\text{Skill Variety} + \text{Task Identity} + \text{Task Significance})/3 \times \text{Autonomy} \times \text{Feedback}.$$
 (Hackman & Oldham 1976)

In the formula, “autonomy” and “feedback” have a greater impact on the result compared to the three other variables. If “autonomy” or “feedback” are close to zero, the result will also be very low. If “skill variety”, “task identity”, or “task significance” are close to zero the impact will not be as significant as a low “autonomy” or “feedback”.

Employee Growth Need Strength. “Growth need strength” measures how much a person needs personal accomplishment, learning, and development (Oldham & Hackman 2005, 155). Hackman and Oldham (1976) state that “*the basic prediction is that people who have a high need for personal growth and development will respond more positively to a job high in motivating potential than people with low growth need strength*”.

In 1980, Hackman and Oldham updated their paper which had been published in 1976. The original version of the theory included only one moderator (i.e., “growth need strength”). Two more were added (i.e., “knowledge and skill” and “context satisfaction”) and one outcome was removed (i.e., “absenteeism and turnover”). (Oldham & Hackman 2005, 163)

Criticism of the JCT. The theory has been criticized for narrowness of the mode for work in the twenty-first century. Grant and Parker argued that social characteristics and interdependent work roles that derives the content of the work have been neglected in JCT (Kanfer & Chen 2016). The JCT also received criticism from Roberts and Glick, who criticized the halo error among perceived characteristics of jobs and lack of discriminant validity with other attitudinal measures (Latham 2007, 121).

2.1.4 Self-determination theory (SDT) – Deci and Ryan

Self-determination theory (SDT) has its roots in Edward Deci and Richard Ryan’s cognitive evaluation theory (CET). Deci and Ryan encountered problems with CET when applying it to work motivation. Based on the criticisms of CET, they developed SDT, which includes CET but in a much broader scope. (Gagné & Deci 2005)

Self-determination theory is based on three needs which are the basis for an individual’s self-motivation. These needs are competence, relatedness, and autonomy (Ryan & Deci 2000). According to Gagné and Deci (2005), the difference between autonomous motivation and controlled motivation is central to SDT. Autonomous motivation means something that a person does with “free will”; in other word, they are not forced to do it. Intrinsic motivation is an example of autonomous motivation. In contrast, controlled motivation refers to something that one does with a sense of pressure and obligation.

A sub theory within SDT is the so-called “organismic integration theory” (OIT see Figure 4). It is based on different motivations stages from *amotivation* to *extrinsic motivation* and ultimately to *intrinsic motivation*. *Amotivation* is non-self-determined and refers to something that a person feels is out of their control and that they are not motivated to do. (Ryan & Deci 2000)

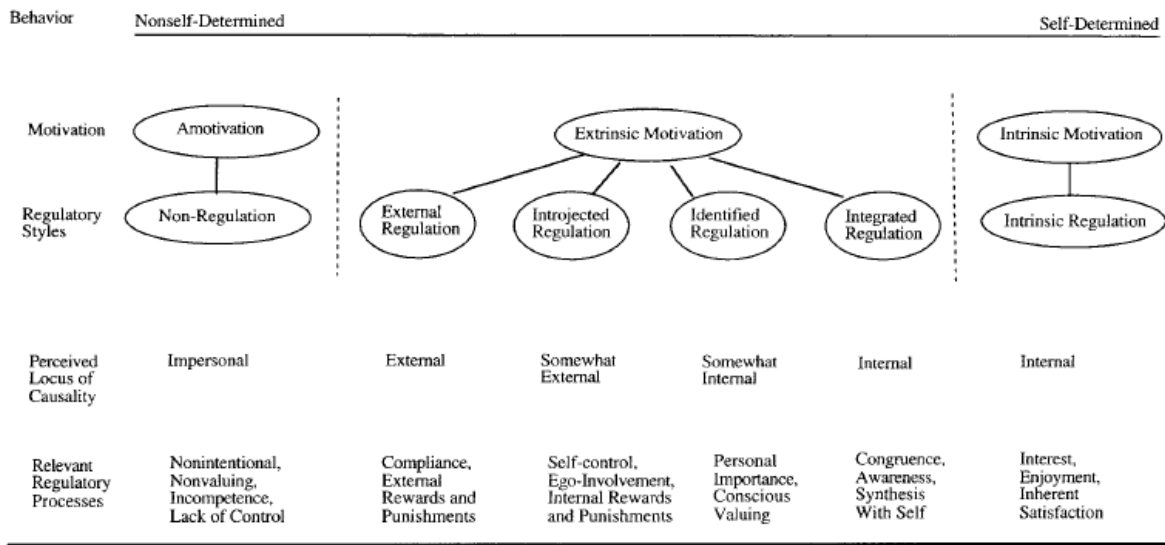


Figure 4. Different stages of motivation based on OIT (Ryan & Deci 2000).

There are four different styles of extrinsic motivation regulators. Performing an act to attain separate outcomes is a way to describe the term *extrinsic motivation*. The most non-self-determined regulator of the extrinsic motivation category is *external regulation*; this is something a person does because they must. The next regulator is an *introjected regulator*; this does not have the same level of pressure as the previous regulator but is still something the person feels that they must do to stay positive. Third, *identified regulation* is more in the direction of self-determination. This means that the person has some external pressure, but the person feels it like own. This could be something that a person is doing according to rules or standards for developing their own skills that have possible outcomes in their career. The last regulator in the extrinsic motivation category is *integrated regulation*. This is like intrinsic motivation, but the tasks are done to attain separate outcomes and not to achieve inherent enjoyment. (Ryan & Deci 2000)

The last regulator is *intrinsic regulation*, which is the most self-determined type of regulation on the scale. Tasks that feel enjoyable, give satisfaction, and are done on with free will belong here. (Ryan & Deci 2000)

The SDT has received criticism. Bandura, Locke, Latham, Fay, and Freese questioned the relevance of SDT at the workplace for at least three reasons. First, they question intrinsic motivation at work. Assignments at work are mostly given and not done with free will. This makes it difficult to attain intrinsic motivation. Second, they question Ryan and Deci's statement about the negative relationship between intrinsic and extrinsic rewards. The more extrinsic rewards are given, the more intrinsic motivation is negatively affected. People expect to be paid for their work. If they were not paid, most employees would not do the work. Using extrinsic motivators would lead to few motivated employees at work. Third, they question the so-called "self-starting behavior". Intrinsic motivation is said to be critical to self-starting behavior. Deci notes that feelings of engagement, satisfaction, and pleasure are hallmarks of intrinsic motivation. Freese and Fay, however, point out that negative emotions often lead to self-starting behavior. (Latham 2007, 143 - 144)

2.2 Commitment

According to Thomas (2000, 29), "*Commitment to a purpose is inspired by the pull of a worthy, desirable purpose*". Later in his book, he adds, "*Nevertheless, commitment is what we all need if we are to be effective in accomplishing the purpose, we care about in an era of increasing uncertainties*" (Thomas 2000, 30). Motivation and commitment are linked; one needs motivation to do something and commitment to succeed at it. This chapter presents commitment in an organizational and working atmosphere. Commitment can be seen from many angles, for example when a couple marries, they need commitment to staying together.

The chapter starts with theories regarding organizational commitments, including the definition by Mowday, Porter and Steers, the "three-component framework" by Meyer and Allen ending with a recent study made by Maia, Bastos and Solinger.

Organizational commitment is defined by Mowday, Porter and Steers (1982, 27) as "*the relative strength of an individual's identification with and involvement in a particular organization*". Due to a lack of a consensus among scholars about a common definition of "organizational commitment", the authors created this definition (Porter, Steers & Mowdays 2005, 176). They presented 10 definitions of "organizational commitment" to demonstrate the lack of consensus among scholars (Mowday et al. 1982, 20 – 21).

To define organizational commitment, they chose to emphasize three key ideas. First, the organization was defined as a place of employment. Second, they were interested in commitment to the organization as an attitude that was held by members or employees.

Third, they took the view that the intrinsic nature of commitment had to mean something deeper and more intensive for the organization than simple passive loyalty. (Porter et al. 2005, 176)

Their definition is characterized by three factors: “(a) a strong belief in and acceptance of the organization’s goals and values; (b) a willingness to exert considerable effort on behalf of the organization; and (c) a strong desire to maintain membership in the organization” (Mowday et al. 1982, 27).

According to Mowday et al. (1982, 27), organizational commitment has an impact on individuals (e.g., willingness to give something of themselves to contribute to the well-being of the organization). When the commitment is high within the workforce, it has a positive impact on the organizational level on performance, profit margins, and customer satisfaction (Klein 2016).

Organizational commitment has also been studied by John Meyer and Natalie Allen. Their theory is called a three-component framework, and it includes three components: *affective commitment*, *continuance commitment*, and *normative commitment*. These components characterize (1) the relationship between employee and organization and (2) the consequences of a decision to continue at or quit the organization. (Meyer & Allen 1991)

The meaning of these three components is as follows. With *affective commitment*, a person stays with the organization because they want to do so. With *continuance commitment*, a person stays with the organization because they need to do so. This is due to the person’s awareness of the cost of leaving the organization. People with high *normative commitment* feel that they ought to remain with the organization; this feeling reflects an obligation to continue employment. An employee can feel all three forms of commitment to varying degrees. (Meyer & Allen 1991)

The three-component framework has been criticized by Solinger, Van Olffen, and Roe (2008), who claimed that it “*does not qualify as a general model of organizational commitment, as it suffers from a conceptual inconsistency and, hence, a lack of unequivocal empirical support*”. They concluded that the framework is a model for predicting turnover. Other studies on organizational commitment have shown that previous studies that state that commitment is a relatively stable phenomenon are questionable. Recent theories and empirical evidence show that commitment is a dynamic phenomenon that grows and

declines during employment. Commitment is affected by both negative and positive experiences, especially among newcomers. (Maia, Bastos & Solinger 2016)

A study by Maia et al. (2016) on 194 Brazilian newcomers to a governmental organization showed that 62% of the newcomers had declining commitment during the first three years of employment, whereas 33% showed an increase in commitment and 5% showed stable commitment. For organizations which aim to grow their organizational commitment, it is important to provide sufficient challenges and opportunities to be promoted within the company.

2.3 Leadership

According to Pardey (2007, 9), “*Leaders are people who inspire others to follow*”. In the business world, both management and leadership are discussed. The terms are sometimes interchangeable. To understand the difference between them, Kotter (2001) notes that “*management is about coping with complexity. Leadership, by contrast, is about coping with change*”. According to Kotter’s article, “*What Leaders Really Do*”, David Pardey summarized what managers and leaders do to enable understanding of the differences between them (see Figure 5).

<i>What managers do</i>	<i>What leaders do</i>
<p>Prepare plans and budgets, set targets or goals for the future, manage complexity.</p> <p>Ensure the organization has the capacity to achieve the targets and goals by organizing (deciding on structures and roles) and staffing (filling those roles with right people).</p> <p>Ensure that the plan is fulfilled by controlling what is done and solving problems.</p>	<p>Set a direction, develop a vision of where the organization should be going and the strategy to achieve that vision.</p> <p>Align people to the direction being set, communicate it, and build commitment to it.</p> <p>Motivate and inspire people so that they work to achieve the vision, drawing on their needs, values, and emotions.</p>

Figure 5. Kotter’s distinction between managers and leaders (Pardey 2007, 10).

Both management and leadership are important in successful companies. Management keeps performance indicators such as quality and profitability in order. Leadership is needed when implementing changes. Today, leadership becoming increasingly important due to the constant change in business world. Nevertheless, it is also crucial to have an appropriate balance between management and leadership. Otherwise, there is a risk of companies being overmanaged or under-led (Kotter 2001).

Leadership and motivation are more important currently since technology has advanced a great deal. Steers, Porter, and Bigley (1996, 5) note that reaching challenging goals requires a high level of both leadership and motivation in a company. If high work motivation and exceptional leadership is missing, organizations' technology capabilities are likely to be wasted. Companies seek different solutions to reach better work motivation and stronger leadership, including different types of employee reward systems.

2.3.1 Reward systems in organizations

Steers et al. (1996, 496) state that reward systems are one of the central issues when considering working motivation in organizations. Reward systems are used to motivate employees and to aim for effective working performance. Reward systems can be problematic when the output is not what is expected. According to Steers et al. (1996, 496), reward systems are not easy to design and implement in a way that is mutually beneficial and satisfactory both for employer and employee.

Organizations use different types of reward systems all over the world. Reward systems can be divided into two major dimensions: intrinsic/extrinsic and systemwide/individual (Steers et al. 1996, 496). Intrinsic and extrinsic motivation were defined in the previous chapter. Combinations of these different types of rewards are illustrated in Figure 6.

	Systemwide	Individual
Extrinsic	Example: <i>Insurance benefits</i>	Example: <i>Large merit increase</i>
Intrinsic	Example: <i>Pride in being part of a "winning" organization</i>	Example: <i>Feeling of self-fulfilment</i>

Figure 6. Types of rewards (Steers et al. 1996, 498).

2.3.2 Reward systems do not work

According to Alfie Kohn's 1993 article, "Why Incentive Plans Cannot Work", reward systems do not motivate employees to do better work. He studied previous research that found that people who expect to receive a reward for completing a task or doing a task well do not perform as well as those who do not expect a reward. He found evidence in one study that rewards can help to increase productivity, but in that study, approximately 18% of the measures had also measured the quality of the work. The measurements that included quality measurements did not show any benefits from using rewards. (Kohn 1996, 513)

According to Kohn (1996, 514 – 517) there are six reasons why rewards fail: 1) pay is not a motivator, 2) rewards punish, 3) rewards rupture relationships, 4) rewards ignore reasons, 5) rewards discourage risk-taking, and 6) rewards undermine interest.

Pay is not a motivator means that money does not motivate. Usually, when asking people what they care about, money ranks fifth or sixth. As in Herzberg's two-factor theory, salary is a hygiene factor that has a greater impact on dissatisfaction than on motivation (Kohn 1996, 514).

Rewards punish. Rewards can be seen as negative punishments, especially in situations where a person expects a reward but does not receive it. Kohn (1996, 515) writes that "*the more desirable the reward, the more demoralizing it is to miss out*".

Rewards rupture relationships. Rewards and incentive programs reduce possibilities for cooperation. Kohn (1996, 515) states that the surest way to destroy cooperation is to force people to compete for rewards and rank them against each other. He claims that "*very few things threaten an organization as much as hoard of incentive-driven individuals trying to curry favor with the incentive dispenser*".

Rewards ignore reasons. According to Kohn (1996, 516), using rewards makes it more difficult to detect underlying problems. He cites a study which concluded that supervisors "*demonstrate relatively less leadership*" when using rewards or incentive programs.

Rewards discourage risk-taking. Monroe Haegele states that "*people will do precisely what they are asked to do if the reward is significant*" (Kohn 1996, 516). This means people are not willing to make changes that increasing the risk of failing to receive the reward. Studies have shown that people work for a reward generally try to minimise challenges (Kohn 1996,

517). Kohn adds that emphasizing large rewards is an unhelpful strategy if a company cares about innovation.

Rewards undermine interest. When a person has an intrinsic motivation for something, then rewards or incentive programs do not have a positive effect on their performance. As shown in Deci and Ryan's SDT, rewards (extrinsic motivators) have a negative impact on a person's intrinsic motivation. (Kohn 1996, 517)

2.3.3 Reward systems work

In Edward Lawler's 1987 paper, he discusses the design of an effective reward system. Well-designed reward systems have six kinds of impacts on organizational effectiveness: 1) attraction and retention of employees, 2) performance motivation, 3) motivation to develop skills, 4) cultural effects, 5) reinforcement of structure, and 6) costs. (Lawler 1996, 527)

There is no single way to design a working reward system. Before designing the system, the bases for rewards need be decided. Lawler presents eight bases for the system, one of which is performance based. Performance-based reward systems are commonly used in many companies. To establish a working reward system, many aspects must be considered by the company. Lawler identifies different types of rewards and how they affect performance, their negative side effects, how they encourage cooperation, and how they are accepted by employees. The impacts are ranked on a scale from one to five, where one is low and five high (see Table 1). (Lawler 1996, 535 – 537)

Table 1. Lawler's rating of various pay-incentive plans.

		Tie pay to performance	Negative side effect	Encourage cooperation	Employee acceptance
Salary reward					
Individual plan	Productivity	4	1	1	4
	Cost effectiveness	3	1	1	4
	Superiors' rating	3	1	1	3
Group plan	Productivity	3	1	2	4
	Cost effectiveness	3	1	2	4
	Superiors' rating	2	1	2	3
Organizational plan	Productivity	2	1	3	4
	Cost effectiveness	2	1	2	4
Bonus					
Individual plan	Productivity	5	3	1	2
	Cost effectiveness	4	2	1	2
	Superiors' rating	4	2	1	2
Group plan	Productivity	4	1	3	3
	Cost effectiveness	3	1	3	3
	Superiors' rating	3	1	3	3
Organizational plan	Productivity	3	1	1	4
	Cost effectiveness	3	1	3	4
	Profit	2	1	2	4

(Lawler 1996, 537)

If we have a closer look at the bonus reward on a group plan, we can see that if we want good productivity, that is a good strategy. When a bonus system is measured on a group plan, the negative side effects are minimal, encourage to cooperation and employee acceptance is on a medium good level.

Lawler (1996, 549) concludes that designing a reward system is a challenging task. It needs to be designed so it aligns with the company's strategy and values. He (Lawler 1996, 549) ends the paper by noting that:

“the ultimate goal is to develop an integrated human-resource-management strategy that is consistent in the ways it encourages people to behave, attracts the kind of people that can support the business strategy, and encourages them to behave appropriately”.

2.4 Theoretical frame of reference

Figure 7 visualizes the theoretical frame of reference used in this thesis. Work motivation and reward systems are the main themes. Topics described in rectangles are part of the interview guide used for the empirical study.

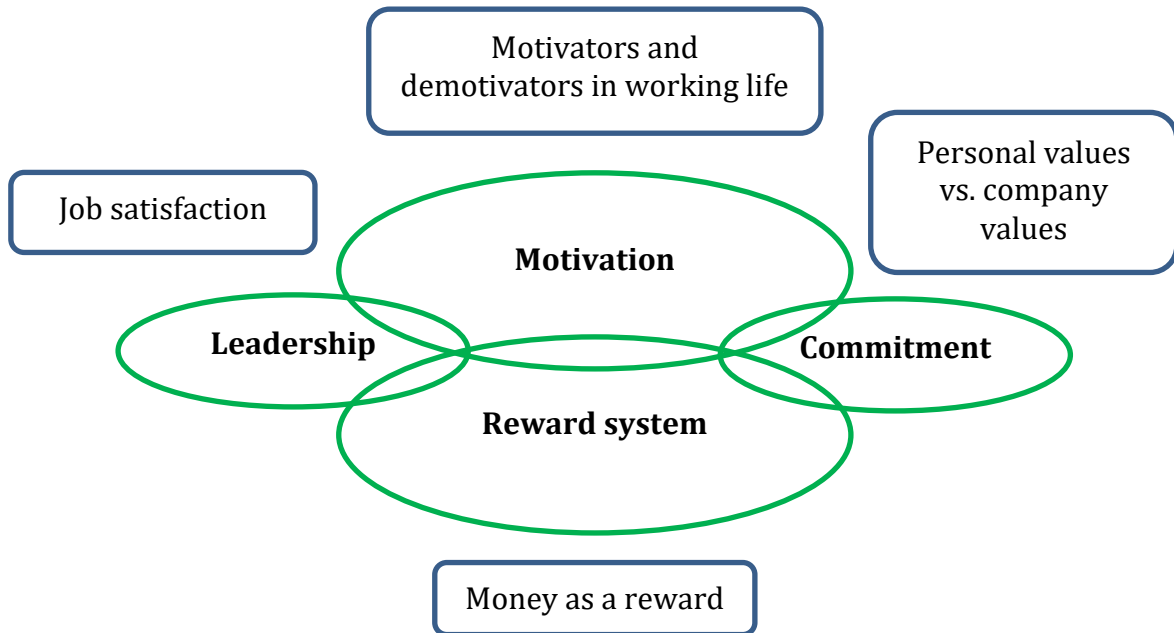


Figure 7. My theoretical frame of references.

3 Methodology

This chapter presents the methodological aspects of the thesis, including descriptions of how the research was conducted, the target group, the methods used, and how the data was analyzed.

3.1 Research design

To be able to analyze data to understand the problem areas in this thesis, interviews were conducted with the target group. The target group consists of people who were part of the test reward system that was introduced for the 2019 fiscal year: 31 blue-collar workers and eight white-collar employees of the company. The interviews were held in October, November, and December 2020.

Qualitative interviews was the chosen method for this thesis. Qualitative research aims for a deeper understanding of problems and discovery of potential new problems. With qualitative research, the researcher attempts to understand and interpret the problem. If a quantitative approach had been chosen, the data would be more objective. (Patel & Davidson 2019, 51 – 53)

The qualitative interviews were semi-structured with different themes. Semi-structured interviews are commonly used in business research, as the interviewer can add supplementary questions in addition to the preplanned questions depending on the situation. The advantages of semi-structured interviews are that the material is systematic and comprehensive, and the interview is done on a conversational and informal level (Eriksson & Kovalainen 2008, 82). In having an open discussion with the interviewees, the purpose is not to find right or wrong answers but to understand what the individuals think about different themes. Additionally, in a semi-structured interview, it is easy to adjust questions and dig deeper into interesting ideas.

The researcher prepared an interview guide. Blomkvist and Hallin (2014, 71) note that an interview guide is not designed to be highly detailed, and it should fit on one sheet of paper. The guide functions as the basis of the interview, and the question order can be adapted based on the flow of the interview. The interview guide is presented in Subsection 3.1.1.

The data collected from the interviews are analyzed thematically. Blomkvist and Hallin (2014, 108 – 109) note that thematical analyses are common in qualitative research.

Common themes are sought from the interview data, as the researcher attempts to find themes that support the theoretical framework of the thesis or that stand out. The relationship between theory and empirical research in this thesis is thus initially deductive.

Deduction means that the researcher studies the theory first and then conducts empirical studies. The opposite of deduction is induction. Induction involves first conducting an empirical study and then developing a theory. If both deduction and induction are used, the relationship between theory and empirical research is called abduction. Abduction is commonly used when a researcher is pending between deduction and induction depending on in which stage the study is. (Eriksson & Kovalainen 2008, 22 – 23)

3.1.1 Interview guide

The interview guide is built upon four themes. Only the opening questions were defined before the interviews. Depending on the answers to the opening questions, the researcher asked additional questions to more deeply understand how the interviewees think. The interview guide was constructed as follows.

1. *Job satisfaction.* The opening question for this theme was “*Do you enjoy your work?*”. Additional questions were asked to understand why the person enjoys their work or not. Their answers were evaluated using Hertzberg’s motivators and hygiene factors.
2. *Organizational commitment.* The opening question for this theme was “*Are the company values, goals, and ways of working in line with your personal values?*”? Additional questions were asked to determine whether the interviewees are committed to their work.
3. *Work motivation.* The opening question for this theme was “*What motivates you in working life?*”? This question was followed by the question “*What demotivates in working life?*”? With both questions, I wanted to determine whether there were links to the theories presented earlier in this thesis. Additional questions were asked to obtain a deeper understanding of the interviewees’ thoughts.
4. *Reward systems.* The questions for this theme were designed to assess the interviewees’ thoughts about the test reward system that was used during the 2019 fiscal year. The opening question was “*What was the first impression of the reward system when it was first time presented?*”? Additional questions were asked to

determine whether the test reward system had an impact on work motivation. Depending on the answers, additional questions were asked.

3.2 Research process

The process started by finding volunteers for the interviews during a morning coffee break when all assemblers were gathered in same room in September 2020. Eleven people wanted to participate in the interviews. These 11 individuals have a range of experience in working life; some are young and at the beginning of their working career, others are at the end or in the middle. The group consisted of one woman and 10 men. All interviewees were employed as blue-collar workers at the time interviews were conducted. All interviews were held in Finnish.

The first two test interviews were conducted in October 2020 to determine whether the questions were relevant to the thesis. The interviews were conducted in a meeting room at the factory facilities. Before the recording started, I repeated why I was doing this and asked if the person still willing to do the interview. I explained to the persons that I am following good responsible conduct of research and all interview material will be destroyed latest three months after my graduation. Both interviews were recorded with consent from the interviewees.

After the interviews, I analyzed the recordings to determine whether the answers to the questions were relevant to the research topics. I listened to the interviews and transcribed them. While the answers were relevant, the last theme (i.e., reward system) needed to be described more precisely. It seemed that two the first interviewees had forgotten about the test reward system, and they initially thought I was asking about the current reward system, which does not include working hours per completed product as a key performance indicator. For the subsequent interviews, the interview guide themes are the same, but the reward system theme will be described in more detail, so the interviewees know I am referring to the test reward system used during the 2019 fiscal year. The opening question in fourth theme (reward systems) was changed to “*Do you remember the first time the new test reward system was presented?*”. This revised opening question serves to confirm that the interviewee knows which reward system is being discussed.

The remaining nine interviews were conducted in November and December 2020 following the same principles as the first two. The duration does not include introductions and comments regarding my thesis, which took approximately five minutes. When recorded

interviews started, the opening question was “*Are you on a voluntarily basis participating in the interview?*”. If anyone had answered “no”, then the interview would have been stopped.

Table 2. Interview data.

Date	Interview number	Duration (min)
29.10.2020	#1	19:20
29.10.2020	#2	39:34
17.11.2020	#3	32:51
17.11.2020	#4	27:07
17.11.2020	#5	20:23
23.11.2020	#6	19:35
23.11.2020	#7	15:30
23.11.2020	#8	12:49
26.11.2020	#9	13:52
26.11.2020	#10	14:13
2.12.2020	#11	37:40

3.2.1 Data analysis and insider position challenges

As mentioned previously, the interview data were thematically analyzed. The recordings were transcribed to make the analysis easier and more practical. A challenge when doing the analysis is to determine the impact of the so-called “insider position”. “Insider position” refers to a person who is working closely with the topic or the people in a study. As an insider, one must critically reflect upon their own presumptions (Eriksson & Kovalainen 2008, 58). In my case, I must be critical of my own conclusions and carefully assess whether the interviewees’ answers are honest. Most of the interviewees report directly to me or to a supervisor who reports to me.

4 Results

This chapter presents the interview results. The results are first analyzed by theme and later summarized. Overall, the interviews went well, and my interview technique improved after each interview. All interviews were conducted in Finnish. To protect the participants' anonymity, direct references to the answers are presented without mention of which interview the reference was from.

4.1 Job satisfaction

The opening topic of the interviews was job satisfaction. With regard to the question of enjoying their work, the typical answer was good or very good. A couple of interviewees reported that they do not enjoy it. The main reason why the interviewees enjoy their work is related to work mates and the atmosphere in the group. The answers of those who do not enjoy their work are not presented because the individuals could be identified based on that.

“I enjoy it very well; the atmosphere is very nice and all persons in our group are friends with each other”¹

“I have enjoyed it because the atmosphere is good and the joking, we are doing is on a healthy level. That brightens up the day”²

I also asked the interviewee about the factors that positively impact job satisfaction. The main factor was work mates and the work atmosphere. Other factors mentioned include the employer, the organization, and interesting and meaningful work.

“Interesting work and an organization that works pretty good...”³

¹ ”Tosi hyvin, että työympäristö on tosi mukava ja kaikki on kaikkien kavereita ainakin meidän linjalla...”

² ”Ainakin viihtynyt sillain, kun ollut hyvä ilmapiiri ja sitten tota niin huumori ollut sellaista, että ei loukata ketään eikä tällaista. Se ainakin piristää päivää”

³ ”Kiinnostava työ, suhteellisen hyvin toimia organisaatio...”

“The work is meaningful, working mates are friendly, and the employer is good”⁴

The definition of interesting and meaningful work varied from person to person. Interesting work was described as work with variability, opportunity to learn new things, hands-on work (i.e., no office work), and flexibility in the work itself. Those who mentioned meaningful work referred to working with green and renewable energy.

“...it feels like you are doing something good for the environment when you are building for wind energy”⁵

Factors that negatively impact job satisfaction were also identified. The main negative factors were like the positive factors (i.e., work mates and the work atmosphere). Additionally, several interviewees mentioned the employer role (e.g., relationship with supervisors, how the organization works, and work conditions).

“Again, the almost working management”⁶

“One main factor is that if the atmosphere is bad, then you don’t enjoy your work. It is not necessarily the work that is bad, more the atmosphere that is not good. That is probably a big factor.”⁷

“Constant hurry, bad working team, bad team spirit, messy environment, and when you have to clean up someone else’s mess before you can start your own task.”⁸

Other questions regarding job satisfaction were asked depending upon the direction of the conversation. One question that I asked almost everyone was “How can you personally influence the working atmosphere and team spirit?”. I asked this question because so many

⁴ ”Työ on mielekästä, porukka on hyvä ja työnajata on hyvä”

⁵ ”...nyt tuntuu, että tekee ympäristön hyväksi, kun tuulivoimaa jotenkin kehittää”

⁶ ”taas se melkein toimiva johto”

⁷ ”Noo yleensä on ilmapiiri, jos se on huono niin se on suuri asia, jos et sä viihdy. Ei se välttämättä se työ vaan ilmapiiri, joka on huono. Se on varmaan aika suuri asia.”

⁸ ”Jatkuva kiire, huono työporukka, huono yhteishenki, epäjärjestys ja toisen jälkeen korjaaminen ennen kuin pääsee ite töihin.”

had the opinion that work mates and work atmosphere have a major impact on job satisfaction, both positively and negatively. Many stated that it depends on one's attitude and explained that one's attitude impacts others, whether it is positive or negative. In addition, things like cleaning up one's own working station and fixing one's own mistakes is something that many people expect.

“First of all, the mindset you're bringing to work. If you are coming with the attitude that you are annoyed and do not want to come, then of course it is not fun to be at work. If you are coming with a positive attitude every day, then it is nice to be at work.”⁹

“Cleaning your own working station so conditions for the next person are good. One other thing, of course, is your own attitude. Even if you have bad days should you strive to be positive.”¹⁰

The main theme from analyzing the answers is work atmosphere (see Figure 8). Work atmosphere also affects other topics included in the interview guide.

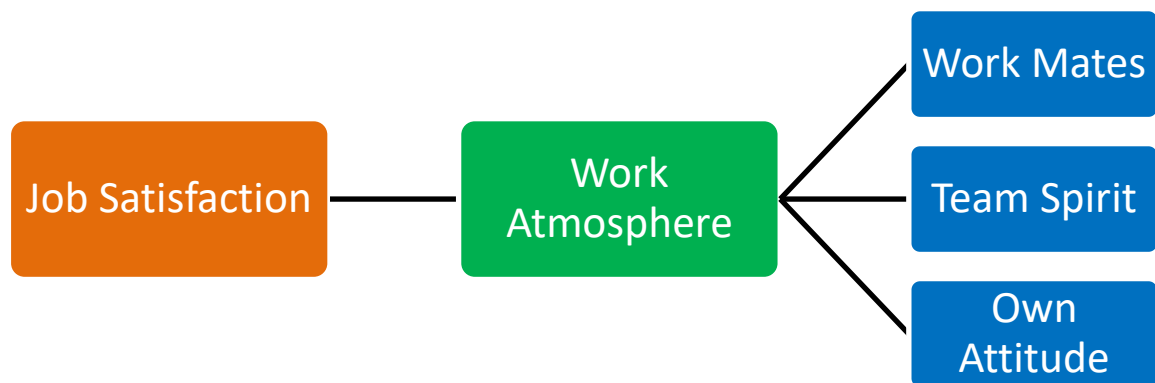


Figure 8. Common themes for the job satisfaction topic.

⁹ ”No se asenne millä ensinnäkin lähtee töihin. Jos lähtee sillei, että ärsyttää eikä halua tulla töihin niin tottakai silloin ei ole mukavaa olla töissä. Jos lähtee positiivin mielin, joka päivä on mukavampi olla töissä.”

¹⁰ ”Korjaamalla omat jälkensä niin, että seuraava, joka vaikka vaihtaa pistettä on niin kuin puhtaalta pöydältä, lähtis liikkeelle. Toinen on tietysti se, että vaikka kaikilla on huonoja päiviä, vois aina olla yhtä positiivinen”.

4.2 Organizational commitment

The second topic in the interview guide was organizational commitment. With this topic, I wanted to see how committed people are to their work and to the organization. The first question I asked was “Do the company’s values, goals, and ways of working align with your personal values?”. The main answer was “yes” at least to some extent. One person said they are not, and two people said they do not care about values; they go to work to earn money.

“Yes, pretty much in line. That is also one reason why I stayed with the company. There hasn’t been any reason to apply to other companies due to that...”¹¹

“I don’t care about that, I’m not here due to renewable energy or similar. I am just here to earn some money. I don’t even know what the company values are.”¹²

The person who said he does not care about those things has been working at the company for a long time. Although he states that he does not care, it seems that the company’s values and ways of working suit him. When asking additional questions regarding ways of working, the person stated that they fit with his way of doing things.

When asked what factors align with their personal values, the most common answer was related to the technology we are creating (i.e., applications for renewable energy). A relaxed atmosphere was also mentioned by a couple of interviewees. “Seriously relaxed” is one of the company values. At least with that value, the company have succeeded in reaching out to the workers.

“It is the technology. We are thinking ahead and trying to improve ways of working and do things easier. We are spending a lot of time on development work.”¹³

“Here is a quite relaxed atmosphere and culture. No one is pushing and controlling you all the time, and it feels like if you are doing your work well. You also get

¹¹ ”Nojoo aika lailla niin kuin sen takia mä olen tässä pysynytkin. Ei ole tarvinnut paljon muualle hakea kuitenkaan...”

¹² ”No en mä mieti edes tuolla tavalla. En mä täällä minkään uusiutuvan energian takia ole töissä vaan ihan rahan takia. En mä edes tiedä mitkä meidän firman arvot ovat.”

¹³ ”No se, että tää on teknologinen, täällä ajatellaan vähän eteenpäin ja täällä on paljon kehitystyötä ja täällä pyritään saamaan sitä olemassa olevaa tapahtumaa helpommaksi tai paremmaksi.”

positive feedback. That is at least something new for me that I haven't experienced in previous workplaces...”¹⁴

The organizational commitment topic ended with the question, “Do you feel you are committed to your work?”. All participants answered “yes”. How honest the answers were is questionable. The body language and the tone when some of the people answered “yes” was not convincing. The insider position challenge seemed to have an impact here. I am not sure if all the interviewees would have had the courage to answer “no” if they had that opinion. As mentioned earlier, I have been supervisor for many of the interviewees and now I am in charge of production. I deal with employer contracts and salaries, so this might be something that could make it difficult for some people to answer honestly.

By analyzing the answers thematically, I found two main themes: technology and work atmosphere (see Figure 9). More answers were linked to technology.

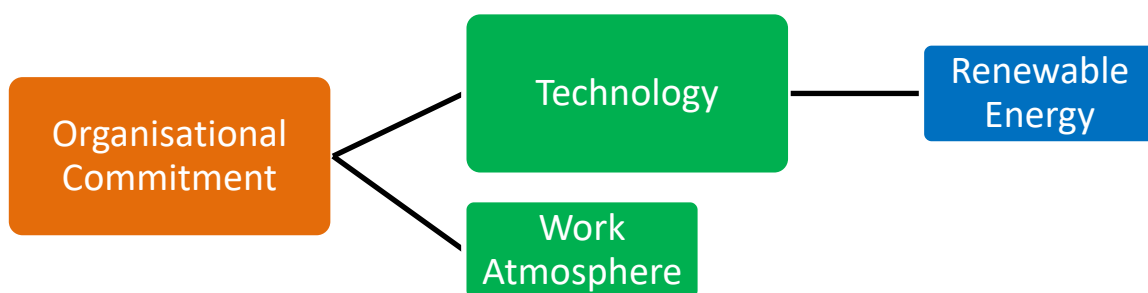


Figure 9. Common themes for the organizational commitment topic.

4.3 Work motivation

The work motivation topic started with the question, “What motivates you in working life?”. The most common answer was money. Almost everyone mentioned it as a motivator. In addition, almost half of the interviewees mentioned the work crew from a social point of view. They said it is nice to come to work when there are people you can talk with about both casual and serious things.

¹⁴ ”Täällä on aika rento ilmapiiri ja tämä kulttuuri. Kukaan ei tavallaan painosta tai prässäa paljoo. Tuntuu jos tekee omaan tahtiin ja tekee hyvin työt niin saa positiivista palautetta kuitenkin sitä kautta. Se on niin kuin aika erilaista mitä ollut aikaisemmilla työpaikoilla. Täällä tuntuu, että positiivinen palaute tulee ihan uutena itselleni...”

“To be with other people. It is better for yourself to be at work when you can talk and just be with other instead of being lonely at home. If you just are lonely at home, there is a risk that you can be socially excluded.”¹⁵

For those who answered that money is a motivator, I asked an additional question as to why money is a motivator. The answers were mainly related to normal life maintenance (e.g., mortgage, food, hobbies, pension accumulation). Moreover, dreams of having something nice or doing something nice were mentioned as motivator.

“I have dreams of what I want to have and for that reason I am working”¹⁶

“If I had money, I would not do any work...”¹⁷

When I asked some interviewees about motivators aside from money, they gave various answers, such as “development work”, “learning new things”, “variability”, “appreciation” and “meaning of the work”. In the opening question for this topic (work motivation), a couple of interviewees did not mention money as a motivator; they gave similar answers (e.g., “development work”, “learning new things”).

“Development of work phases, if you notice a way to do something much easier so it does not stress your body in difficult work tasks. Also, work atmosphere is a motivator. Then also, appreciation you notice from employer side when your development suggestions get some attention.”¹⁸

“The fact that I can affect my own work.”¹⁹

¹⁵ ”Muiden ihmisten kanssa tekemisissä se, että jos olet vain kotona niin se on niin kuin ittellekkin mukavampaa, kun muiden ihmisten kanssa tos päivittäin tekemisissä. Se voi olla, että esimerkiksi jos on vain kotona niin siinä voi vaikka syrjäytyä.”

¹⁶ ”On haaveita mitä haluan hankkia, jonka takia pitää tehdä töitä.”

¹⁷ ”Jos olisi rahaa en tekisi pätäkääkään töitä...”

¹⁸ ”Työvaiheiden kehittäminen, se jos huomaa helpomman tavan tehdä jotain, joka ei vaadi niin paljon rasittumista itselle, jos on jokin oikein vaikea homma. Sitten tulee työilmapiiri taas. Se motivoi aika paljon. Sitten se, että huomaa työnantajaa kiinnostaa ei o vaan anna mennä vaan yrittää pureutua niihin parannuksiin.”

¹⁹ ”Se, että pystyy kuitenkin vaikuttamaan itte vähän siihen työhön.”

To identify more motivators, I asked all interviewees, “What demotivates you at work?”. Providing answers to this question seemed to be easy for the interviewees. Compared to answers given to previous questions, the answers to this question covered a much broader scope of different factors. Only one factor was mentioned by several people: “work atmosphere”. Other factors mentioned included “monotony work”, “reward system”, “boring tasks”, “personal health”, “uncertainty about the importance of work”, “constant hurry”, “shift work”, “lack of appreciation” and “money”.

“I’d rather do shitty work with a smaller salary with good work mates than do nice work where it pisses me off every day to come to work.”²⁰

When discussing demotivating factors, some interviewees also viewed them as motivators. One of the interviewees who said constant hurry is demotivating, after some deeper thinking stated that it also could work as a motivator in certain circumstances.

“I almost said hurry but then again that motivates many times. You get a good feeling when succeeding in that kind of task. But it can’t be a long period you are doing it; it should be more like a day or a week target – nothing where you see the result or receive the thanks a half year later.”²¹

The work motivation topic ended with the question, “What can the employer do to improve work motivation?”. This question was asked of interviewees who had thus far not given any specific answers regarding motivators. Answers I got were related to rewards, appreciation, and the possibility to learn new tasks (i.e., job rotation). One person who mentioned small rewards noted that it is important to see that the employer appreciates its employees. He gave an example where employers received a bonus for a quality work.

²⁰ ”Kaivan mieluummin paskaojaa hyvällä porukalla vähän pienemmällä palkalla kuin hyvissä töissä, jossa joka päivä vituttaa tulla töihin.”

²¹ ”Meinasin sanoa, että kiire mutta se taas monesti motivoi. Siitä saa sellaisen hyvän olon tunteen, kun siitä onnistuu. Mutta se ei saa olla niin pitkä aikaväli, pitää justinsa olla joku päivä tai viikon tavoite. Ei mikään sellainen tulos tai kiitos, joka näkyy vasta puolen vuoden päästä.”

“Small recognitions but they are very important. It does not have to be such a big thing but still something. In many companies you don’t even receive the word “thanks”.”²²

To summarize the work motivation topic, the three main themes are “work atmosphere”, “the work itself” and “money” (see Figure 10). Work atmosphere is linked to work mates and sociality. The work itself is linked to several factors that impact motivation. Money is linked to two main factors: “dreams” (of having or doing something) and “economic maintenance” (i.e., everything that is needed to be paid for a normal life: mortgage, food, hobbies, and so on).

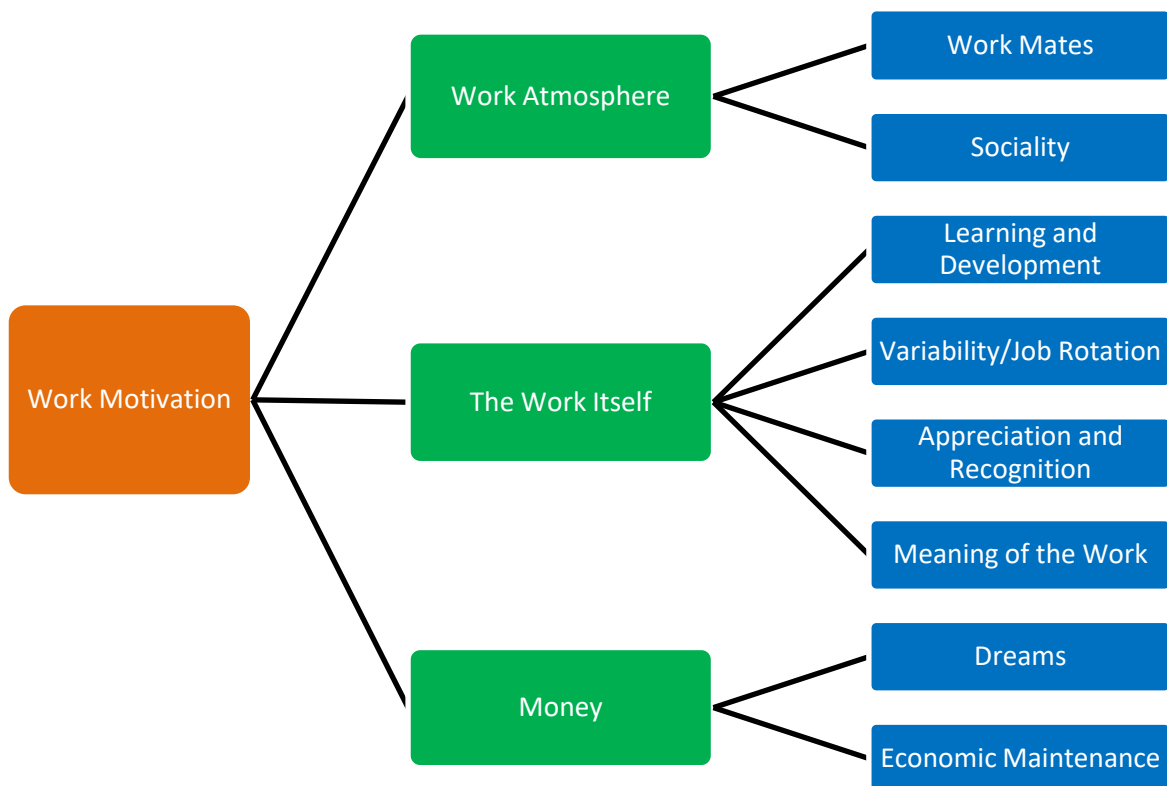


Figure 10. Common themes for the work motivation topic.

²² ”Pieniä asioita mutta ne ovat tärkeitä. Ei se tartte olla mitään isoa. Semmoiset pienet jutut. Monessa firmassa ei saa kiitoksen sanaa.”

4.4 Reward systems

The last part of interviews was about the test reward system. It started with first impression questions, followed up with how it worked out, and finished with what improvements could be made. As mentioned previously, I had to slightly re-think my first question based on the two test interviews. Instead of asking directly what the first impression of the test reward system was when it was released, I had to first ask if the person remembered the moment. Of the 11 interviewees, six remembered when the test reward system was released; five did not remember it or only part of it.

For those interviewees who remembered the situation, I asked the question “What was your first impression of the test reward system?”. The main first impression was positive, people felt they had a chance to affect the reward outcome. Some skeptical first impressions were also recorded.

“Good in that sense that now I can influence the outcome.”²³

“It is at least half better than the previous system.”²⁴

“Again, they try to put blue-collar workers in poorer situation than white-collar workers. They try to kick out us of the system.”²⁵

The last comment is negative and skeptical in tone. Nevertheless, the person also stated that he realized how the system worked and he changed his mind. He noted that it was a good change and now the blue-collar worker had a real chance to influence on the outcome.

For interviewees who did not remember the situation when the test reward system was released, I asked for a general opinion regarding production reward systems. The main thoughts regarding production reward systems were positive. A couple of people gave examples from previous employers and how it worked out.

²³ ”Hyvä sillä lailla, että voit itse vaikuttaa.”

²⁴ ”Schän on puolta parempi kuin vanha systeemi.”

²⁵ ”Taas yritetään työntekijöitä laittaa eri skaalaan verrattuna toimihenkilöihin niin, että ne voi laittaa meidät pois järjestelmästä.”

A follow-up question to the first impression questions was “What is your opinion of the test reward system now?”. The answers were slightly negative for several reasons, including a negative impact on the bonus outcome. Most of the interviewees felt that problems which were not caused by production should not affect the outcome. Additionally, the follow-up period for the test reward system (i.e., one year) was considered to be too long. Some of the interviewees were of the opinion that the system was better than the old one, but it could be improved on several ways.

The next questions were about how the production reward system could be improved. The first question was “What parameters should be measured?”. All interviewees had the opinion that quality and production efficiency should be the main parameters. What quality and production efficiency means for different individuals varied. In general, the better the quality of the production itself, the higher would the outcome be. One’s own mistakes should reduce the outcome but not quality issues from suppliers. Production efficiency meant basically to maintain weekly and monthly targets with as few hours as possible spent on building the product. Cleanliness of the factory was mentioned by two interviewees, and one person mentioned safety. With one person, I did not have the discussion because his opinion was that reward systems do not have an impact on his work motivation.

The second question was about the follow-up period. I asked, “How long should the follow-up-period be?”. Answers to this question varied greatly. The main opinion was that one-year period was too long. The suggestions given ranged from one week to six months.

“Short. The period in the test reward system was way too long. Best would be two-week periods, but that would probably be hard. But as short as possible because that would motivate better. You would have it in your mind all the time when you are building the machines... If you would ask people now what the bonus outcome is, no one would know. Now it does not matter what it is, it is coming at midsummer if it will...”²⁶

“The present system motivates the last month or two only. During that time people start to say if we get those machines delivered or if we get those orders then we get

²⁶ ”Lyhyt. Testibonuksessa käytetty vuoden seurantajakso aivan liian pitkä. Kaikesta paras olisi kahden viikon välein mutta se on aika vaikea. Niin lyhyt kuin mahdollista, se motivois sua koko ajan, kun sitä ajattelisi koko ajan, kun teet... jos vaikka nyt menet kysymään porukalta mikä bonus on niin ei kukaan ajattele. Nykyisellä se on yks lysti mikä se on, se tulee juhannuksena, jos tulee...”

the bonus. That is causing a motivation peak during the last month or two. Otherwise, during the year people don't even think about the bonus."²⁷

The next question was, "How should the parameters be followed up and communicated to the production team?". One common answer was that it is important that all people know the current situation and the targets. Whiteboards and TV screens were suggested as tools that should be used so everyone could see the targets and the current outcome. Moreover, during daily, weekly, and monthly meetings the targets and outcomes should be reviewed.

"Better follow-up and communication. It should be clear for everyone where we are going regarding targets."²⁸

"Whiteboards are enough. If we, for example, have 20 machines as a target then always when one machine leaves the factory, we could add a score to the board so we can follow the current situation. It is important for the worker to know the current situation."²⁹

The last question regarding reward systems was "Do you see any risks in using a reward system?". Several of the interviewees could imagine possible risks. The risks were divided into two categories: work atmosphere and the work itself. Regarding work atmosphere, interviewees saw a potential risk of conflicts. This is due to people who do not care about rewards and will not work as hard as those who are striving to get the maximal output. They said this could possibly lead to conflicts and deterioration of the work atmosphere. The other risk was related to the work itself. Some people thought if workers try to do something faster to achieve targets more quality problems could occur and lead to safety issues. Safety issues could lead to accidents when trying to do something faster.

In contrast, some interviewees thought that these risks could also be opportunities. They explained that common targets could improve "team spirit" and in that way improve the

²⁷ "Nykyisessä järjestelmässä motivoi viimeinen kuukausi tai kaks. Silloin rupee kaikki puhumaan, että saadaan bonukset, jos noin ja noin monta konetta saadaan lähetettyä tai saadaan noin ja noin paljon tilauksia. Se motivoi sen viimeisen kuukauden tai kaks kun se on tulossa se palkkio. Ei sitä koko vuonna muuten ajattele."

²⁸ "Tarkempi seuranta ja tiedottaminen. Kaikille pitäisi olla selkeetä missä mennään tavoitteiden suhteen."

²⁹ "Taulu seinässä riittää. Jos saadaan esim. 20 konetta kuussa ja sitten vaikka yks lähtee, menee joku vetämään viivan niin, että nähdään se tilanne. Se on tärkeetä duunarille nähdä missä mennään."

work atmosphere of “doing together and achieving together”. Additionally, risks could be opportunities to improve our current situation if they act as parameters.

To summarize the “reward systems” topic, I found three main themes: “opportunity to influence”, “follow-up periods” and “risks/opportunities” (see Figure 11).

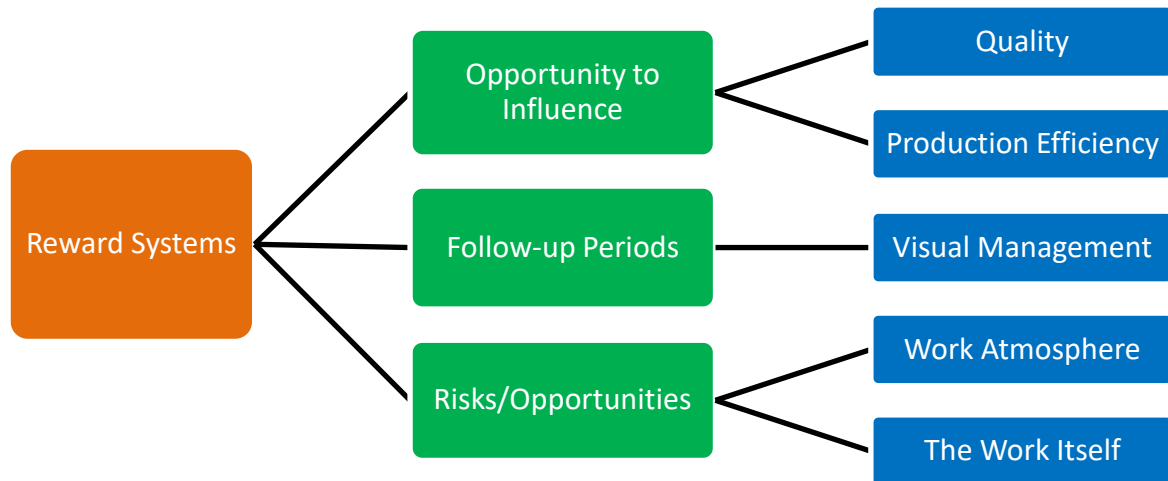


Figure 11. Common themes for the reward systems topic.

“Quality” and “production efficiency” are outputs that the worker can influence with their actions. “Visual management” refers to the way the process is led. Target is that the worker knows all the time the current situation and targets and that the follow-up periods are less than a year. “Work atmosphere” and “the work itself” are factors that can be both risks and opportunities.

4.5 Thematic summary

Themes in the interview guide have thus far been analyzed separately topic by topic. In this subsection, I combine them all to present the main themes found from the interviews (see Figure 12). “Risks/opportunities” is linked both to “the work itself” and “work atmosphere”.

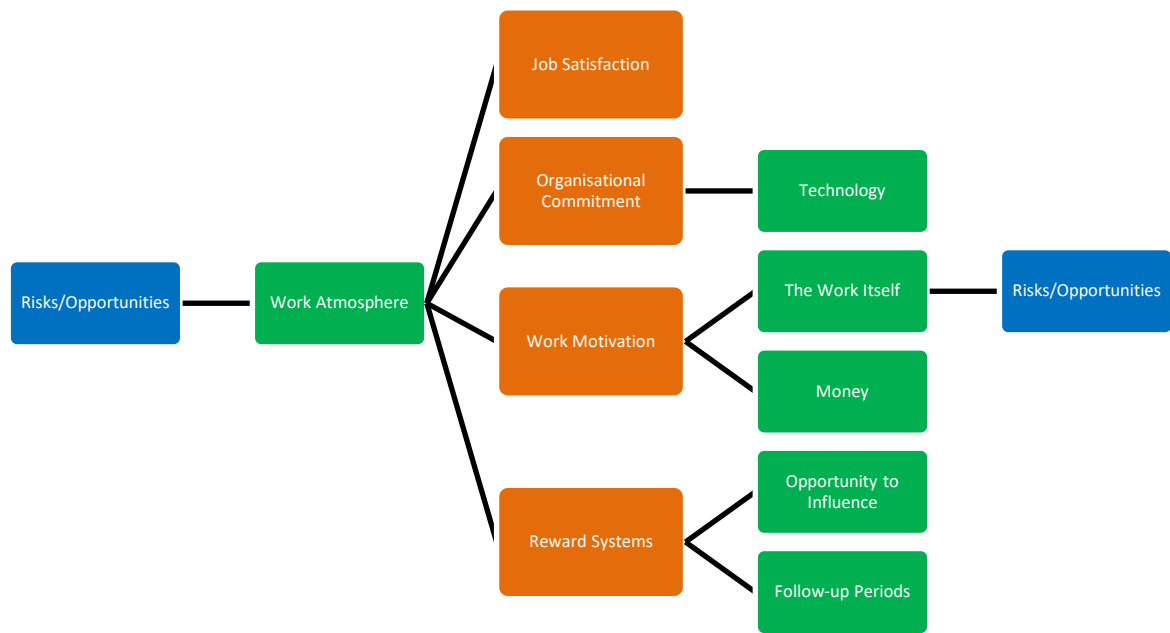


Figure 12. Thematical analysis visualized.

5 Conclusions

This chapter presents conclusions regarding the thesis topics. The main purpose of the thesis was to evaluate the test reward system and answer the research question. Conclusions regarding those two things are presented in Subsections 5.1 and 5.2. Conclusions regarding job satisfaction, organizational commitment, and work motivation are presented next.

Job satisfaction. Job satisfaction was the first topic in the interview guide. The interviews started with this topic because it is easy to discuss. In that way, I tried to make a connection with the interviewee before going into the main topics later in the interviews.

The main theme for this topic was “work atmosphere”, and its main factors were “work mates”, “team spirit” and “own attitude”. The main theme and factors are, in my opinion, not surprising. When comparing answers to theories in this thesis, Herzberg’s two-factor theory is the most relevant. Herzberg visualized his findings in a table divided into hygiene factors and intrinsic motivators. Hygiene factors had a greater impact on dissatisfaction, and intrinsic motivators had a greater impact on satisfaction (Herzberg 2008).

Herzberg’s two-factor theory is missing work atmosphere as a factor. The factor that is closest to that is “relationship with peers”. With that in mind cannot the results be directly compared to his theory. A more recent and relevant study by Toode, Ruotsalo, and Suominen (2011) may explain the importance of work atmosphere.

In their study regarding nurses’ work motivation, they identified five categories affecting work motivation: workplace characteristics, working conditions, personal characteristics, individual priorities, and internal psychological states. The “workplace characteristics” category includes factors such as good collaboration, social support from the team, and positive team spirit (Toode et al. 2011). These factors were mentioned throughout the interviews. It would be interesting to see an updated version of Herzberg’s table based on blue-collar workers.

Organizational commitment. The organizational commitment part of the interviews was the least outgoing. Afterward, I thought that my questions and how I asked them was not so well planned. As I mentioned earlier, when I asked the people if they are committed to the work, I can imagine that the only right answer was to say yes. This is due to my position in the hierarchy. I would guess that if same question had been asked by an “outsider” (i.e.,

someone from outside the company) there could also have been some “no” answers. That is my own conclusion, and I hope that I am wrong.

The main themes found for organizational commitment were “technology” and “work atmosphere”. For many people, it is important to work with values that align with their personal values. This can be compared to Mowday et al.’s (1982, 27) first factor, described as “*a strong belief in and acceptance of the organizations goals and values*”. The technology factor was part of working with renewable energy, and the work atmosphere reflected one of the company values – “seriously relaxed”.

Work motivation. Work motivation was the third topic in the interview guide. The main themes for this topic were “work atmosphere”, “the work itself” and “money”. All three themes had different factors that influence the main theme. The main factors affecting work atmosphere were “work mates” and “sociality”. Both factors have same characteristics as in the study on nurses by Toode et al. (2011). Work mates have a major impact on collaboration within the team. They are able to give social support and positively influence team spirit.

One interesting comment from the interviews regarding this topic was the risk of being socially excluded. According to the Finnish institute for health and welfare (Terveyden ja hyvinvoinnin laitos 2019) approximately 14,000 – 100,000 young people are either socially excluded or at risk of being so. This is a major problem in Finland, but it is outside the scope of this thesis.

To be socially excluded relates to Maslow’s basic needs hierarchy. His pyramid of basic human needs contains a level of “belongingness and love’ needs”. People seek a feeling of belongingness (e.g., being part of a work group). (Maslow 1943)

The second main theme, “the work itself” had four factors: “learning and development”, “variability/job rotation”, “appreciation and recognition” and “meaning of the work”. These factors can be found in theories by Hackman and Oldham (i.e., JCT) and Deci and Ryan (i.e., SDT). The JCT has the same kind of core job characteristics as mentioned in the interviews. These lead to critical psychological states, which was also mentioned in the interviews. Based on these should the company get positive outcomes. One of the outcomes should be “high satisfaction with the work”, according to Hackman and Oldham (2005, 153). According to my interviews, should this be true to some extent. To determine whether the other outcomes are realized, further studies should be done with the interviewed group.

Deci and Ryan's SDT is based on what kinds of motivation people have (e.g., intrinsic motivation or amotivation). Comparing the theory and findings from the interviews, all are in the "extrinsic motivation" section, which includes four stages: "external regulation", "introjected regulation", "identified regulation" and "integrated regulation" (Ryan & Deci 2000). Common with these all are that persons are forced by some reason to work. In this case the reason is money, which is the third main theme under the work motivation topic.

The theories used in this thesis do not support money as a motivator. However, Subchapter 2.3.1 provides support for the case. In Lawler's (1996) paper on how to design an effective reward system, he lists six impacts on organizational effectiveness (e.g., improvement of performance motivation and improvement of skill development motivation). These are not directly comparable to the answers from the interviews. People who cited money as motivator had reasons for that (e.g., "dreams" or "economic maintenance"). Reward systems are designed so the factors that are used benefit the employer. The employee benefits mainly from the monetary reward. Perhaps if the employer set, for example, improving safety as a factor in the reward system, that would motivate employees to improve it.

When comparing this to Herzberg's two-factor theory, the impact on motivation side feels small when dealing with blue-collar workers in my case. According to Herzberg's two-factor theory, salary has a greater impact on dissatisfaction than on satisfaction (Herzberg 2008). It would be interesting to see Herzberg's two-factor theory made on blue-collar workers. This is also something that Herzberg's theory was questioned for. As the theory chapter mentioned, Scheuer (2000, 102) stated:

"as the sampling thus favored the group consisting of employees at the medium and top levels, the general validity of Herzberg's motivation theory should be questioned when it regards other types of employees, such as employees in non-managerial or non-specialist positions".

5.1 Test reward system

The test reward system had some positive outcomes; however, with improvements the positive outcomes would likely have been much greater. The positive outcome was an increased production efficiency of approximately 5%. Additionally, the first impression that blue-collar workers have a chance to impact their reward outcome was positive.

The main improvements that should be kept in mind if the same reward system is used in future are leadership and management. As Kotter noted, leaders set directions and managers follow the targets to be fulfilled (Pardey 2007, 10). When the test reward system was presented first time the new direction could have been explained better and more clearly so it would have inspired people. Based on the interviews, the first presentation had an inspiring impact on some individuals, but there were others who did not remember it or understand it fully.

During the fiscal year more attention should be paid to management (i.e., follow-up of the process). As mentioned earlier, it is important that people involved in the system be aware of the current situation. From the interviews, it was evident that there were several uncertainties during the fiscal year. People did not know the current situation, and the basic factors affecting the outcome of production efficiency were unclear to many of the interviewees. This was noticed when people described why the outcome was not so high and what was demotivating in the system. I heard different explanations, and many of them were not true.

What kind of improvement could then be done? Some interviewees suggested using whiteboards where the current situation is presented with daily, weekly, and monthly targets. The whiteboard could be a place where the production team has its daily and weekly meetings, where they could also discuss improvement ideas and how to conquer different types of challenges. When thinking in lean terms, this would be called “daily management”. Daily management is something that is arranged daily with a standardized agenda. Topics that are discussed in the meeting are plans for daily activities, condition checks to meet the day’s demands, and common discussion of different problems. The purpose is also to develop an understanding of current goals and strategies and to improve quality, efficiency, and safety by involving employees (Poksinska, Swartling & Drotz 2013).

To succeed, leadership and management is needed at all levels. Moreover, people who are motivated and committed to perform are important. The reward system should be designed and led so it motivates employees. Minor changes to the follow-up period are needed according to the feedback from the interviews. The one-year period seemed to be too long. Based on the feedback, anything from weeks to a half year be more motivating than a whole year. My conclusion for the test reward system is that it should be retested with improvements with the same target group. The first version was a so-called test version and

to directly succeed in something new can be difficult. If I had to rate the test reward system, I would rate it as satisfactory.

5.2 Answer to the research question

The research question of this thesis is “How, if at all, could a reward system increase work motivation?” Answering this question is not easy. My answer is yes and no; it depends on many factors. First, the term “motivation” requires clarification. Motivation includes intrinsic motivation and extrinsic motivation. With regard to intrinsic motivation, the answer to the research question would be no. There are conflicts between intrinsic motivation and extrinsic rewards; the more extrinsic rewards are given, the more it negatively affects intrinsic motivation (Latham 2007, 143-144).

Regarding extrinsic motivation, my answer would be yes, it is possible. With extrinsic rewards, it is possible to increase motivation to do something that is rewarded with money, for example. Comparing this to the test reward system that was the main theme of the thesis, it is possible to improve working motivation. By working motivation, I am referring to motivation to build the product more efficiently and the work performance rewarded by money.

6 Discussion

Work motivation and reward systems are complicated topics. My yes and no answers to the research question prove that it depends on the situation, terms, and deeper philosophical meanings. In cases like the test reward system in this thesis, it is easier to draw conclusions because it is a narrowly focused area and a small target group. The same system might not work in other areas within the company.

In this thesis, the focus has been more on the employee side. For further investigation, the employer side should also be heard. Ultimately, it is the employer who decides what kind of reward systems will be used or not. I conclude that to some extent it would be possible to utilize a reward system to improve working motivation. This would require specific modifications to the system and stronger leadership and management at all levels of the organization.

Theories regarding reward systems include both studies that support reward systems and studies that are against them. The studies presented in this thesis regarding reward systems focus on different themes. The study that said reward systems are not working focused on the risks that can be caused by the system. The other study that said reward systems are working focused on the positive outcomes.

Reward systems seem to be utilized by many companies. Designing a well-structured reward system can be challenging, at least if the ultimate goal with the reward systems is, as Lawler (1996, 549) states, *“to develop an integrated human-resource-management strategy that is consistent in the ways it encourages people to behave, attracts the kind of people that can support the business strategy, and encourages them to behave appropriately”*. This is the ultimate goal. The key is a continuous improvement; in lean terms, one tries to reach “true north”, which is an almost impossible target but still something to aim for.

The interviews that were done for this thesis went well. The long period of time since the reward system was in use may have affected the answers. If the interviews had been held in March 2020 immediately after the fiscal year ended, the results may have been different. One interesting thing I noticed during interviews was that many of the people did not see a difference between the topics (i.e., job satisfaction, commitment, and motivation were mixed). The same kinds of answers were given in reply to different topics. Reasons for this may be that I did not explain questions well enough or perhaps many people see them as one general topic. Job satisfaction, commitment, and motivation are related to each other.

6.1 Discussion of outcomes

What were the outcomes of the thesis? This question can be answered from several points of view. First, from the research point of view, the findings are not new or revolutionary. Instead, I confirmed theories or the criticism they have received. The two-factor theory by Herzberg is, according to my interviews, not applicable to blue-collar workers; it would be an interesting topic to study with blue-collar workers as the focus.

What are the outcomes for the employer? The first one is the evaluation of the test reward system and the second is a more knowledgeable employee. The evaluation of test reward system gives the employer key information for future development of reward systems. By “a more knowledgeable employee”, I am referring to myself. The thesis process has taught me a great deal, and I am sure I have better understanding for future challenges related to the topics of this thesis.

My target for the thesis and the whole degree program is the same one that the industrial management and engineering degree program: to develop the student’s leadership skills (Novia University of Applied Sciences 2018). In my opinion, my leadership skills have developed. Nevertheless, there is still much to learn. With further studies and work experience, my skills will continue to develop. Becoming a strong leader is a continuous process.

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