Effects of Reward System on Motivation of Employees in Small and Medium Enterprises (sme) in Federation of Bosnia and Herzegovina

Adna Idrizović

International Burch University Faculty of
Bosnia and Herzegovina
adnaid@gmail.com

Abstract: *In this project, we will research impact of rewards on motivation of employees. Outcome of the organization is profoundly dependable on the achievement of their workers. Aim of this paper is to show how rewards impact motivation keeping in mind the goal to improve the general performance of the organization. It is crucial for the organization to comprehend what drive the employees and how to expand their employment fulfillment. It may however be hard for an organization to discover what motivates employees, particularly on the grounds that distinctive individuals are motivated by various things. Well composed and useful reward system is an effective approach to build employee work motivation. This paper embarks to investigate obviously what factors exist in ascribing the right reward structure to an individual representative or group. Reward management is both perplexing and involved and exceptionally exposed to outside impacts, for example, financial situations, culture and individual worker inclinations and recognition.*

Keywords: *motivation, employee motivation, reward system, employee satisfaction.*

JEL Classification: *M5, J28.*

Introduction

In this project, we will research impact of rewards on motivation of employees. Outcome of the organization is profoundly dependable on the achievement of their workers. Aim of this paper is to show how rewards impact motivation keeping in mind the goal to improve the general performance of the organization.

There are many ways in which job satisfaction is defined. This is complex topic, and many theorists and authors gave their contribution to further develop and broad this area. To research this topic, we need to adequately explore all influencing factors which are related to the job satisfaction. Those include environmental factors psychological factors and individual factors.

It is crucial for the organization to comprehend what drive the employees and how to expand their employment fulfillment. It may however be hard for an organization to discover what motivates employees, particularly on the grounds that distinctive individuals are motivated by various things.

Well composed and useful reward system is an effective approach to build employee work motivation. This paper embarks to investigate obviously what factors exist in ascribing the right

reward structure to an individual representative or group. Reward management is both perplexing and involved and exceptionally exposed to outside impacts, for example, financial situations, culture and individual worker inclinations and recognition.

Motivating the workforce of a company to work all the more viably towards the company's objectives is maybe the most crucial assignment of management. Companies persuade their workforce to perform adequately by offering those rewards for agreeable execution and maybe rebuffing them for unacceptable work. Over the past hundred years there has been a development in the perspective of what the expression "rewards" really implies in an authoritative setting.

Literature review

In this study, we will present different ideas about job satisfaction and motivation techniques. Job satisfaction is one of the most researched topic regarding job environment and among the most broadly investigated subjects in Industrial/Organizational Psychology (Judge & Church, 2000).

Intrinsic and extrinsic sorts of motivation have been generally contemplated, and the qualification between them has revealed vital insight into both formative and instructive practices. Extrinsic motivation is a build that relates at whatever point a movement is done keeping in mind the end goal to achieve some detachable result. Extrinsic motivation consequently diverges from intrinsic motivation, which alludes to doing an activity basically for the happiness regarding the action itself, instead of its instrumental esteem (Ryan & Deci, 2000).

Managers can motivate employees through strategies, for example, pay, advancement and acclaim. Employees can likewise rouse themselves by looking for work where singular objectives, needs furthermore will be achieved. Intrinsic motivation alludes to the motivation that originates from inside a person. The motivation is created trough fulfillment or satisfaction that one gets in finishing or notwithstanding at an errand. Extrinsic motivation is something that is done for individuals to persuade them. It emerges from elements outside an individual, for example, cash, evaluations, feedback or disciplines (Armstrong and Taylor, 2014).

Job satisfaction is a perspective achieved from employees' impression of their job or environment in which they work and alludes to the degree to which an employee likes the actual job (Arokiasamy & Abdullah, 2013).

Payment systems are effective but they cannot ultimately achieve satisfaction of employees. Managers needs to weigh up the most favorable circumstances and disservices of every reward

systems and choose which system to put the priority on and give it the most attention (Torrington, Hall, Taylor & Atkinson, 2009).

Armstrong and Taylor (2014) insists that there are also other types of incentives such as reward by the result. Incentive by Result is one of the most broadly utilized motivating force, which compensate representatives as per the quantity of things or units they deliver or the time they take to deliver them. This plan has been condemned because of its inclination to reward amount of yield as opposed to quality which can prompt diminished nature of the item or administration. There is an awesome need to alter and assess the adequacy of this plan in the event that it is to hold the effect of profitability (Daley, 2012).

The subjects presented to the associates who made positive remarks evaluated the employment errands as more charming than the subjects presented to the negative remarks by the associates. This further approves social data handling hypothesis (Aamodt, 2009).

Medina (2012) highlights that job fulfillment was firmly contrarily connected with turnover expectation and this relationship was intervened by fulfillment in work environment culture. The review gives prove that ought to be additionally investigated to help in the comprehension of worker turnover and occupation fulfillment; especially in how job fulfillment and representative turnover identify with work environment culture.

Decker (2010) insists that motivation is a persons' inward inclination to be worried with and approach constructive impetuses and keep away from adverse stimulation. To further this, a motivator is the expected reward or unpleasant occasion accessible in the environment.

Reward is the benefit achieved for performing expected assignment. It is a positive boost or motivating force that can be displayed during the time spent fortifying conduct. As per Decenzo and Robbins (2002), today's specialists expect something other than a time-based compensation or pay from their boss; they need extra contemplation that will advance their lives. This contemplation in a business setting is called employee benefits. Benefits are the program a business uses to supplement money compensation that employee gets (Pinder, 2014).

Methodology

In the theoretical part of this study, we will present different ideas from various researchers and present collected literature. In the beginning, we will introduce reward systems and motivation and describe it thoroughly. Different systems of the motivation will be explored and presented.

Speaking of instruments for data collection in this study, we will use quantitative research survey. We decided to use survey because of costs and structured technique with large number of samples. This survey will be constructed in order to get feedback from employees from

different Small and Medium Enterprises in Federation of Bosnia and Herzegovina. We will analyze different reward systems and methods used to motivate the employees. Statistical data will be analyzed using IBM SPSS software.

In the end of the questionnaire we would make one question open where respondents of this survey can express their own opinion and say in own words, what would they do to improve satisfaction of employees and how to motivate them properly.

For purpose of hypothesis testing, linear regression method will be used. Other important conclusions will be generated after descriptive statistics analysis.
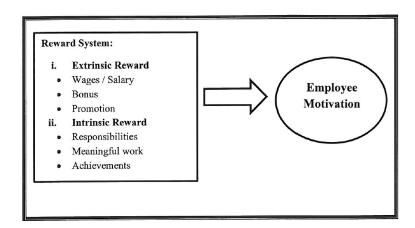
Figure 1 Research model

Data & Results

For every organization, it is important to keep their employees satisfied, because the result is dependent on their performance. Therefore, we plan to find results what drives motivation of employees. What positively influence their performance and what negatively reduce their performance. Primary data would be collected from the survey distributed online via e-mail to the respondents.
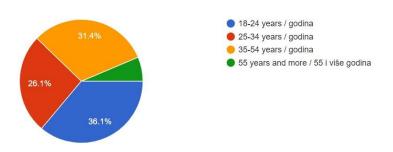
A typical hypothesis inside the exploration has been that, to a degree, the emotional condition of an individual is influenced by associations with their workplace. Individuals distinguish themselves by their calling, for example, a specialist, legal counselor, or instructor. Consequently, an individual's close to home prosperity at work is a critical part of research (Judge & Klinger, 2007).

We want to find which areas of motivation of employees function well and which areas needs to be improved. With collected data and personal opinions of employees from different organizations and companies, we want to build a solid study. Feedback of employees will give

us necessary data which will be analyzed and commented in this study. Positive linear relationship is expected to be gathered for all hypotheses.

This thesis was directed in order to contribute to the examination of the attitudes of the employees towards the reward systems of the organization. Particularly, it will help the organizations to explore which of the reward systems is most favored and what different benefits motivate the employees.
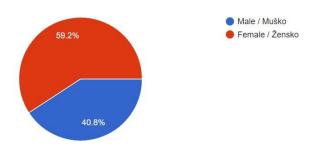
Figure 2 Age of respondents

1. What is your age? / Koliko imate godina?

In this figure, we can see the age of respondents. The biggest number of respondents belongs to the first category variable. That means those employees have age range 18-24 years. The next biggest proportion is the range group with the employees having age 35-54 years. Than we have a group of employees having 25-34 years. In the end, we have employees with the 55 years and more. Those are seniors, managers and owners of the respected companies taken into consideration for this survey.
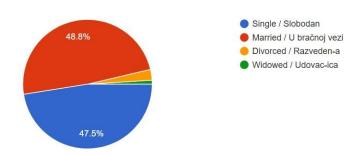
Figure 3 Gender

2. What is your gender? / Koji je Vaš spol?

In this figure, we have taken into account gender of the respondents. In this survey 59,2 % of women are respondents, and 40,8% of men are respondents. This is interesting for the country of Bosnia and Herzegovina, since the majority of the working forces are male.
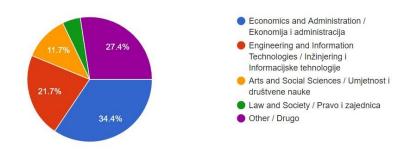
Figure 4 Marital status

3. What is your marital status? Koje je Vaše bračno stanje?

- Single / Slobodan
- Married / U bračnoj vezi
- Divorced / Razveden-a
- Widowed / Udovac-ica

In this figure, we can see marital status of the respondents. We asked this question since it is important for this research to evaluate what impact marriage have on the motivation of the respondents and what effects can it cause.
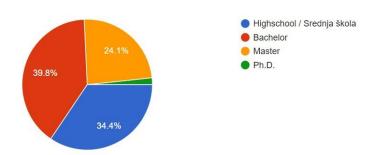
Figure 5 Area of profession

4. What is your area of profession? / Koje je Vaše profesionalno opredjeljenje?

- Economics and Administration / Ekonomija i administracija
- Engineering and Information Technologies / Inžinjering i Informacijske tehnologije
- Arts and Social Sciences / Umjetnost i društvene nauke
- Law and Society / Pravo i zajednica
- Other / Drugo

In this question, we asked respondents what is there area of profession. We have found out that the most of respondents have Economical and Administrative background or 34,4% of them. Other areas of profession are covered respectively as shown on the figure.
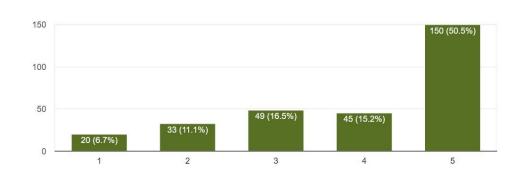
143

Figure 6 Education level

5. What is your education level? (completed) / Koji je Vaš stepen obrazovanja?

Legend:
- Highschool / Srednja škola
- Bachelor
- Master
- Ph.D.

Pie chart values: 39.8%, 24.1%, 34.4%

In this figure, we analyzed education level of the respondents since it is very important for the motivation of employees. We can see that the biggest number of respondents have a faculty degree or bachelor with the number of 39,8% of overall.
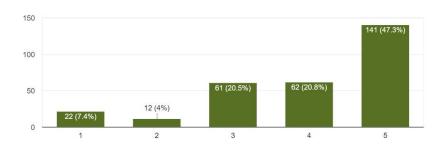
Figure 7 Reward system

7. Does reward systems in your company motivate you? / Da li Vas sistem nagrađivanja u Vašoj firmi motiviše?

Bar chart values:
- 1: 20 (6.7%)
- 2: 33 (11.1%)
- 3: 49 (16.5%)
- 4: 45 (15.2%)
- 5: 150 (50.5%)

In this question number 7 in our questionnaire we wanted to analyze does current reward system in the respected companies motivates their employees. The given options were from 1 strongly disagree to 5 strongly agree. According to our respondents, we can see that more than half of them, precisely 50,5% thinks that reward system is motivating in their companies.
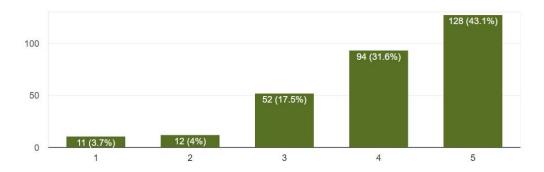
Figure 8 Wages

9. Wages are positively related to the motivation of employees / Plate su pozitivno povezane sa motivacijom radnika

In the figure 8. We have analyzed whether if wages are connected with the motivation of employees. The given options were from 1 strongly disagree to 5 strongly agree. The biggest number of respondents 47,3% of them thinks that wages are positively related with the motivation of employees.

Figure 9 Responsibilities

12. Responsibilities are positively related to the motivation of employees / Odgovornost je pozitivno povezana sa motivacijom radnika

In the figure 9 we can see how employees have answered on our question whether responsibilities are positively related with the motivation of employees. We can see that the 43,1% of the respondents thinks that responsibilities are positively related with the motivation of employees.

Conclusion

Employees want to be recognized for their work and they want to be appreciated. It usually doesn't take an extra effort to achieve satisfied employees. This study tried to emphasize the importance of the individual needs of the employees.

There are many ways in which job satisfaction is defined. This is complex topic, and many theorists and authors gave their contribution to further develop and broad this area. To research this topic, we need to adequately explore all influencing factors which are related to the job satisfaction. Those include environmental factors psychological factors and individual factors.

This paper was directed in order to contribute to the examination of the attitudes of the employees towards the reward systems of the organization. Particularly, it will help the organizations to explore which of the reward systems is most favored and what different benefits motivate the employees.

Well composed and useful reward system is an effective approach to build employee work motivation. This paper embarks to investigate obviously what factors exist in ascribing the right reward structure to an individual representative or group. Reward management is both perplexing and involved and exceptionally exposed to outside impacts, for example, financial situations, culture and individual worker inclinations and recognition.

Further researches would include developing new model which will include analyzing of motivation regarding the sociographical and demographical environments. Also, what should be considered in the future are cultural differences and its impact on the motivation of employees.

References

Aamodt, M. (2009). *Industrial/Organizational Psychology*. Belmont, CA. Cengage Learning. Armstrong, M., & Taylor, S. (2014). *Armstrong's handbook of human resource management practice*. Kogan Page Publishers.

Arokiasamy, A. R. A., Tat, H. H., & Abdullah, A. (2013). The Effects of Reward System and Motivation on Job Satisfaction: Evidence from the Education Industry in Malaysia. *World Applied Sciences Journal*, *24*(12), 1597-1604.

Ayyagari, M., Beck, T., & Demirgüç-Kunt, A. (2003). Small and Medium Enterprises Across the Globe: A New Database. World Bank Policy Research Working Paper 3127.

Daley, D. M. (2012). Strategic human resource management. *Public Personnel Management*, 120-125.

DeCenzo, D. A., & Robbins, S. P. (2002). Human resource management (John Wiley & Sons, Inc., New York.

Deckers, L. (2010). Motivation; Biological, Psychological and Environmental. 3rd ed. MA: Pearson, Boston. 2-3.

Dyson, K. (2005). *Small and medium sized enterprises*. Routledge.

Fisher D. (2000). Mood and emotions while working: missing pieces of job satisfaction? *Journal of Organizational Behavior* 21, 185-202.

Gupta, N., & Shaw, J. D. (2014). Employee compensation: The neglected area of HRM research. *Human Resource Management Review*, *24*(1), 1-4.

Judge, T. A., & Church, A. H. (2000). Job satisfaction: Research and practice. In C. L. Cooper & E. A. Locke (Eds.), *Industrial and organizational psychology: Linking theory with practice* (pp. 166-198). Oxford, UK: Blackwell.

Judge, T. A., & Klinger, R. (2007) Job satisfaction: Subjective well-being at work. In M. Eid,& R. Larsen (Eds.), *The science of subjective well-being* (pp. 393-413). New York, NY: Guilford Publications.

Lau, C. M., & Roopnarain, K. (2014). The effects of nonfinancial and financial measures on employee motivation to participate in target setting. *The British Accounting Review*, *46*(3), 228- 247.

Medina, E. (2012). Job satisfaction and employee turnover intention: what does organizational culture have to do with it?. *Columbia University*.

Pinder, C. C. (2014). *Work motivation in organizational behavior*. Psychology Press.

Presslee, A., Vance, T. W., & Webb, R. A. (2013). The effects of reward type on employee goal setting, goal commitment, and performance. *The Accounting Review*, *88*(5), 1805-1831.

Ryan, R. M., & Deci, E. L. (2000). Intrinsic and extrinsic motivations: Classic definitions and new directions. *Contemporary educational psychology*, *25*(1), 54-67.

Shields, J., Brown, M., Kaine, S., Dolle-Samuel, C., North-Samardzic, A., McLean, P., ... & Plimmer, G. (2015). *Managing Employee Performance & Reward: Concepts, Practices, Strategies*. Cambridge University Press.

Torrington, D. Hall, Laura. Taylor, Stephen & Atkinson Carol (2009). *Fundamentals of Human Resource Management*, *1*.

Zhou, J., & George, J. (2001). When job dissatisfaction leads to creativity: Encouraging the expression of voice. *The Academy of Management Journal, 44*(4), 682.