

**MOTIVATION & EMPLOYEE PERFORMANCE**

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**ABSTRACT**

*We live in a time when history teaches us that mathematic and econometric prediction is a game with two edges in the economy, and this work will provide among other things an argument for explaining the discrepancies that exist between what the science knows and what is happening in most of the companies. The purpose of this paper is to find an answer to the question: "What kind of motivational incentives should be used to increase employee performance through motivation." Responding to this question, this research reviewed the role of organizational culture and top management on employees' performance through a questionnaire of motivational elements. Our conclusion involves combining both groups of factors: intrinsic and extrinsic characteristic correlated with the needs of each industry.*

**KEYWORDS:** *motivation, HR management, performance management.*

**JEL CLASSIFICATION:** *O15, J5, M54.*

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**1. INTRODUCTION**

In the last two decades in human resources management field have been produced spectacular developments that can be considered true revolutions. Appraisal of professional performances is the mode of assessment of the extent to which the employee carry out the duties and responsibilities of each workplace, compared to the previously determined standards (Rotaru A., 1998). From strategic point of view, it is hard to imagine a system of assessment of human resources more important than performance evaluation. The way in which the assessment was done has a major effect on organizational culture and of work environment. The performance evaluation, called employee classification, consists in assessing the extent to which employees meet their job responsibilities. The methods and techniques used in the process of evaluation of individual performances are largely dependent on a number of factors such as: organization culture, strategic orientation, remuneration and promotion of employees used, firm size and scope of its activities.

The valuation of employee's ways proposed in the literature abounds in examples: the method of grading scale, the graphical method, the checklists method, the simple comparison method, the power distribution method, personality tests, critical incident essay, review of a domain, complex methods of evaluation: based on behavior evaluation or by results, etc. They can be classified into assessment methods oriented towards the future and on the past - self-evaluation being one of the techniques presented in the capital key performance assessment of many renowned authors. (W. B. Werther, 1996 Grote D., 1996).

The main objective of the assessment is to establish the link between performance and reward carried, stimulating in this way the employee's motivation towards achieving performance. This happens only when the assessment is correct and the awards are based on this element. Another

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objective of the performance assessment is the detection of employees with good results and sectors where they need improvement.

E. Locke and G. Latham (1984) present a series of conclusions regarding performance evaluation:

- Incentive objectives, accurate, lead to better training than vague objectives, like, "do your best, give it your best";
- The most successful and objective reasons have two characteristics. First, the goal should be as precise as possible, including a time limit, where is possible. Secondly, the aim should be stimulating, but achievable.
- The positive feedback on performance gives the employee a sense of realization, of recognition and fulfillment;
- Only the feedback will not only improve the performance, but if it is missing from a performance evaluation system, this will not progress;
- The objectives set by employee participation and their acceptance by him leads to a substantial improvement in performance. The participation is important, but only to the extent that leads to setting challenging objectives.

Competition influences productivity by encouraging employees to get involved in that goal; in other words, a direct competitive environment does not motivate performance but convinces the employees to accept targets, which subsequently leads and struggle to meet them.

The authors deliberately chose to use the term of performance (Lukacs E., 2002), than the simply performance evaluation to indicate that the area of interest is the whole process and not just an annual review. According to Armstrong, M. (1997), performance management is a way to get individual group and organizational best results by understanding performance in an agreed framework of planned objectives and requirements for standards and skills.

## **2. EFFECTS OF INTRINSIC/EXTRINSIC INCENTIVES WITHIN THE ORGANIZATION ON PERFORMANCE**

Free behavioral acts do not occur. At their base there were some internal motives that drives the activity and support it from an energetic point of view. It is impossible to study the motivation incentives, without speaking about the whip and the carrot (Vague P. 2007). If money should become the kind of motivation that can be and should be, the managers should consider the following (C.O. Donnell, 1992):

- Money itself, seem to have a greater importance for those who have a family than for those who already have financial independence; Money is a mean to attain a basic standard of living, which tends to increase as the country economy grows and the people earn more;
- In most companies, the money is used as a means to retain staff as employees and not as a motivator;
- In the remuneration practice, managers' behavior did that money as motivators to lose from their interest; Managers usually have an interest primarily to ensure equity in remuneration - people occupying positions of comparable level should receive approximately the same wage; according to bifactorial theory of motivation, in this situation, money is a factor of hygiene rather than motivation;
- Whether the money should be an effective motivator, it is important that employees holding the same job or are located in a similar hierarchical level, to have salaries and bonuses in line with their individual performance;
- Money can not motivate except when this respective amount is relatively large in relation to the total income of the employee; quite often raising in salaries and premiums are not even significant enough to motivate employees; These additions to the salary may prevent an

individual to become unsatisfied or to seek another job, but are not significant enough to be linked to performance, which is not a very powerful motivator.

Money is the most obvious way that the organizations use to reward employees. Conflicting opinion about the amount of money necessary in motivation at work dates back to when it was formulated the theses of human relationships school. The advocates of this theory states that people's social needs have a higher ranking, while scientific management theorists argued that material rewards - have therefore an increased role in motivation. Although Herzberg F. (1968) concluded that most people consider the money a hygiene factor, yet many supporters of behaviorism considers that money, in some cases, can be a motivator.

The economic environment in which the activities currently take place now, the market competition, the high level of information of employees, the justified claims for a better life, the natural existing temptations of individual to individual, the new phenomenon of globalization and reformation of financial markets and goods creates new and complex problems for organizations that operate today. This wide range of issues involves finding and implementing appropriate solutions to motivate employees, to determine solutions that achieve a specific desired behavior of these ones with performance, satisfaction and further motivation.

The nature of incentives granted to employees to obtain a positive trajectory of the axis motivation - performance - rewards - satisfaction depends greatly on at least the following elements (Pădurean V., 2004): nature of the activity, the level of training, conditions in the workplace, employees' expectations, the objectives of the organization.

The emotional incentives by nature are those stimulus that influence on the long-term each individual activity, performance, satisfaction. Since they act par excellence on the psychic of employees, they require a specific approach from management regarding the nature and modalities of application to individuals and groups (D. Grote, 1996).

The expected results following the application of emotional incentives to individuals or groups will be made only if they will know in advance the intrinsic value of these incentives. We synthesized individual and group materials incentives in Table 1. (E. Lukacs, 2002)

**Table 1. Individual and group incentives**

| <b>Individual materials incentives</b>                  | <b>Group materials incentives</b>                     |
|---|---|
| Wage  | Specific salary incentives for work group             |
| Rise in wages   | Prime at team level                                   |
| Commissions   | Premiums in goods                                     |
| Annual awards or periodical awards depending on results | Free trips organized by firm                          |
| Participation in profit                                 | Free tickets to various shows and sporting activities |
| Participation in the capital                            | Work equipment for free                               |
| Giving material goods of your choice                    |   |
| Awards for the best craftsman                           |   |
| Prizes for inventions and innovations                   |   |

*Source:* adapted from E. Lukacs, 2002, p. 57

Providing material incentives, must be done at least with the following conditions:

- to appreciating correctly the results of each individual to not over-stimulate some employees and under - stimulate others;
- amount of incentives to be substantial so that to have an impact on individuals;
- to exist a legal basis and internal rules for the implementation of incentives;

- to create some competition within the group so that the consequence of granting not to reduce its work.

In the context of employee motivation, material incentives are the basis of extrinsic motivation while emotional incentives are the basis of intrinsic motivation. Thus, the intrinsic rewards are directly linked to the performance of a task, by performing one specific works and the yield obtained. This is the case for example of the feeling of satisfaction that the individual is trying when he is carrying out a very complex project. This reaction, own to any individual, it is part of the motivation. Friendship and communication incurred in work process are also considered intrinsic rewards. The natural intrinsic reward is self-managed, meaning that is generated by the individual, facing the task. It is the sense of obtaining the pursued result, content and importance of the task fulfilled, of the self-esteem. The major sources of intrinsic reward is a sense of competence, personal, professional development and self employment. In contrast to extrinsic reward, the motivational incentives of intrinsic reward are internal and do not depend on the actions of other individuals. It is a phenomenon of self regulation, to the extent that the individual is the one who take a reward and not another person such as, for example, his superior (Montserrat X., 2004).

Intrinsic rewards resulting for example from the freedom to create, or to undertake the opportunity to learn or to convert knowledge of job satisfaction and recognition achieved. Intrinsic motivation is what causes the performer to give maximum possible in his work for his simple satisfaction of the work well done. When managers define the tasks of performers, from which they obtain intrinsic rewards, they must take into account the factors likely to motivate these performers (F. Herzberg, 1988):

Individual needs + The characteristics of work tasks + The work → have a bearing on performance and satisfaction from work.

The management of intrinsic rewards represents an additional responsibility for managers. The manager must develop the tasks for the subordinates so that they obtain the inherent reward as a consequence of their work. He also must define the tasks of each employee so as to obtain the maximum intrinsic reward. In this connection it should clarify details regarding: (Schermerhorn A., A. Templer, 1994):

- How to identify circumstances likely to determine to employees the intrinsic rewards desire;
- How to conceive tasks for those who want to get more from intrinsic rewards;
- How to stimulate those who are not attracted by intrinsic rewards.

Extrinsic rewards are rooted in positively assessed work and are given to a person by another person within the working environment. These are significant external reinforcement measures or consequences related to the working environment and can have under the law of effect, a considerable influence on professional behavior. If in the case of intrinsic reward those who pay the reward and the beneficiary is the employee himself, none other intervene in this process, in the case of extrinsic rewards the motivational stimuli have their origins outside the individual. It follows that this reward does not appear in the task and is attributed by the organization were the individual operates. Extrinsic reward includes: salaries, size of those premiums, promotion of employment, state symbols and prestige, citations and other benefits - additional leave, company car (Schermerhorn A., A. Templer, 1994).

The differences between intrinsic and extrinsic rewards are very important, the manager can not use them both in the same way in motivating employees.

To determine how and in what proportions can be used two types of rewards to motivate, management must determine what the needs of employees are. So to maximize the impact of motivational rewards, the manager must: (Schermerhorn A., A. Templer, 1994):

- take into account the diversity and individual differences;
- thoroughly understand clearly what people want from work;
- give those rewards that satisfy both the interests of individuals and the organization's needs.

The relationship between the employee and the employer can be considered as an exchange relationship. While employees offer time, skills, ability, talent, they receive rewards. Four alternative systems determine the nature of the exchange. In a pure form, each leads to a system for granting rewards substantially different. These systems are (Kreitner R Kinicki A., 1998) shown below.

*Profit maximization.* The objective of each of the two parties - organization and employee is to maximize its net earnings, regardless of how the other side wins. A company that pursues profit maximization will try to pay the lowest wages for maximum effort of the employees; on the contrary, the employee who seeks maximum profit, will seek to obtain maximum rewards without considering the functional status of the company, and will leave the company permanently if he will be able to obtain a greater reward elsewhere.

*Fairness.* According to the rules of fair reward, rewards should be paid according to contribution to the overall result. Those who have a greater contribution should be rewarded more.

*Equality.* Reward equal, regardless of their cognitive contribution.

*Need.* These rules show that the rewards must be granted, according to the needs of employees rather than according to their contribution to the overall result.

An effective system of rewards must attract qualified people, talented and motivated and to meet their needs once they were hired into the organization (E. Lawler, 1995). In addition a good reward system must support growth, professional development and to motivate those effective in not leaving the organization.

### **3. THE PREFERENCE FOR EMOTIONAL INCENTIVES VS MATERIAL INCENTIVES AMONG EMPLOYEES IN ROMANIA - CASE STUDY**

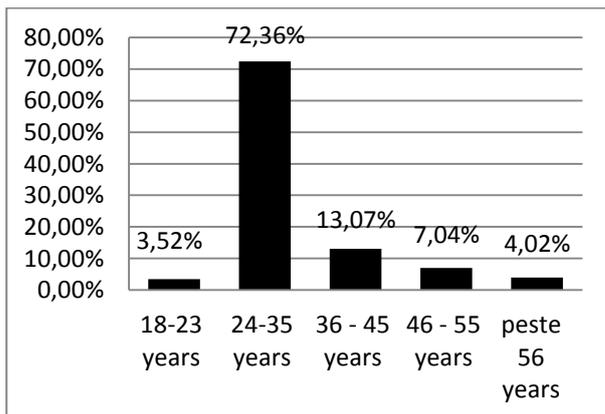
To analyze how employees perceive motivational incentives from multinational companies in Romania, we developed a questionnaire based research among employees in Bucharest. Data analysis was performed by graphical and statistical methods. The survey this research is based contains 626 respondents from Romania, Bucharest and was conducted during November 2014 - March 2015. Data collection was conducted online. At regional statistics, the sample represents about 0.59 % of the total number of employees in Bucharest (according to territorial statistics of the National Institute of Statistics in 2013 in Bucharest and Ilfov county were registered 1.058 million employed persons aged 15-64), thus we consider that the sample selected for analysis is not nationally representative, or for a given group of companies. He's just trying to signal some empirical evidence on the role of motivation among employees in Bucharest. The hypothesis from which we started was that regardless of the activity, intrinsic motivation occurs when the employee reaches the maximum income.

From the sample of people participating in this study, about 59% are female and about 41% are males (Figure 3). Dividing the sample by age groups was performed as follows: (Figure 2):

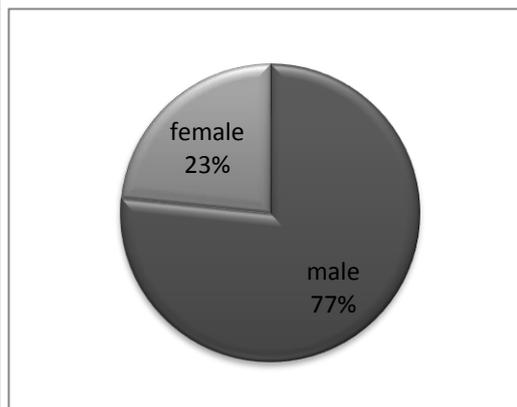
- About 72% of respondents aged between 24-35 years - the sample is composed of a young population with a level of basic training.
- Approximately 3% of respondents aged between 18 and 24 years.

This means that about 75% of the respondents aged 18 - 35 years - this is the representative sample for the analysis performed.

Distribution of people participating in this study explains the low age of experience gained within a job. (Figure 4). Thus, about 37% of those surveyed have between 3-5 years work experience, about 21% have between 1 and 3 years work experience, about 13% have 5-7 years of experiences working and about 17% above 7 years of work experience.



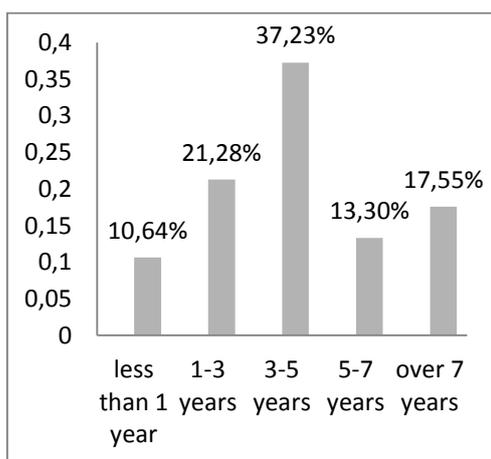
**Figure 2. Age of respondents**



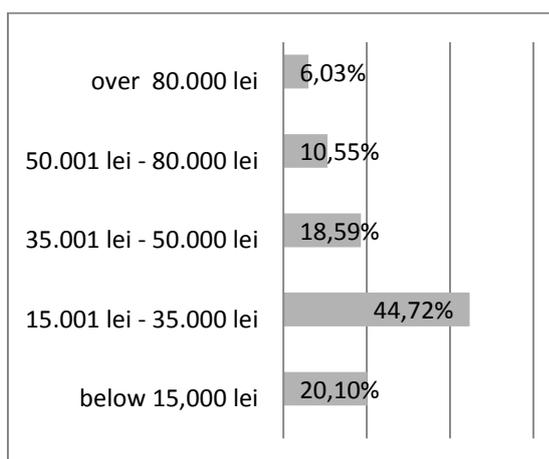
**Figure 3. Structure of the sample respondents' gender**

*Source:* Realized by the author based on data processed in the research field

Based on average wages in Romania were established five annual income ranges. About 64% of respondents have an income less than 35,000 lei annually, which means less than 3,000 lei / month. Of these, about 20% have an income of less than 1,250 lei / month. The remaining about 36% of respondents had a higher income of 3,000 lei / month (Figure 5).



**Figure 4. Distribution of respondents based on experiences in the workplace**



**Figure 5. Distribution of respondents by income**

*Source:* Realized by the author based on data processed in the research field

A correlation between the age of interviewees, their seniority in employment the wage levels can be explained as follows:

- Since about 75% of those who participated in the survey were aged under 35 years the seniority can not be legally more than 7 years for 75% of them. Thus, we observe about 83% of the people participating in research have worked more than 7 years. during their life time So about 75% of respondents are working till faculty.
- The fact that about 83% of those questioned were under 7 years experience explains the annual income level registered among respondents. In most cases these are at the first stages of their career, with low wages of the initial employment, incomes who knew the past 7 years a time of economic crisis without salary increases, bonuses and other incentives.

Trying to analyze the differences in the structure of motivational factors depending on the age of the respondents is observed that the considerable differences are not based on the sex of the respondents but as expected according to their age, noting a decrease in extrinsic motivation with age and an increase of intrinsic motivation.

When employees act determined by intrinsic motivation, they are most often experienced and are aware of their work. In this case they are not influenced in any way by other external forces, as they are able to control their inner forces.

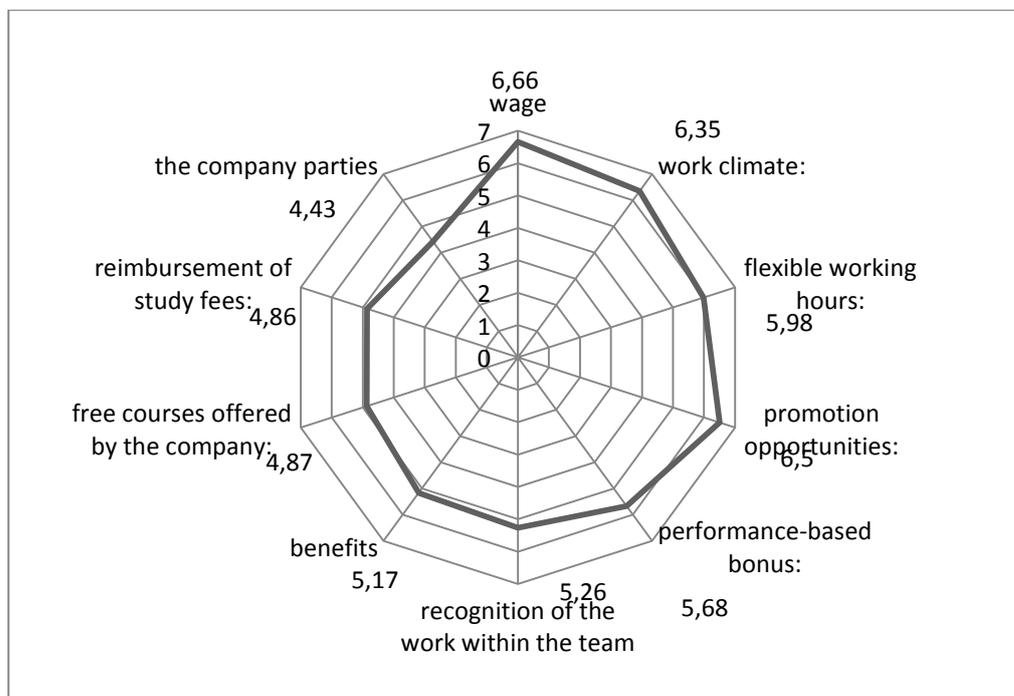
Gender differences influence skills or traits that people have (Sansone & Harackiewicz, 2000), which means that women and men tend to have different perceptions. This explains why the gender differences involve different levels of intrinsic and extrinsic motivation.

Top of motivational factors present a fair picture of reality in motivation. Reimbursement of study fees is on the last place in Romania in 2015 because the study fees are still paid by the parents and not by companies.

Generalizing the results from the sample there is a real prospect of employees from Bucharest, young, inexperienced, who let themselves exploited at work.

The basic idea of the theory of motivation through needs - Maslow and Herzberg, is to make a clear distinction between extrinsic reward - payment for work separate from process tasks (wages, safety, opportunity to promote the work) and intrinsic reward - reward linked directly of the work (the feeling of achievement, satisfaction of performing the task). Main incentives identified, regardless the level of income or field of activity are: flexible working and work climate. In another paper we demonstrated how working conditions are another factor that influences life satisfaction, and ultimately influencing employee motivation. (Tampu, 2015)

A flexible work schedule is ranked in the top two factors that motivate employees who participated in the research - being the next motivating factor after salaries. Which means that employees are feeling the impact of work on personal life and placed the money on the same place of leisure. Comparing this research with information from the official statistics provided by the OECD places Romania above the EU average by the 37.2 hours per worked/week.



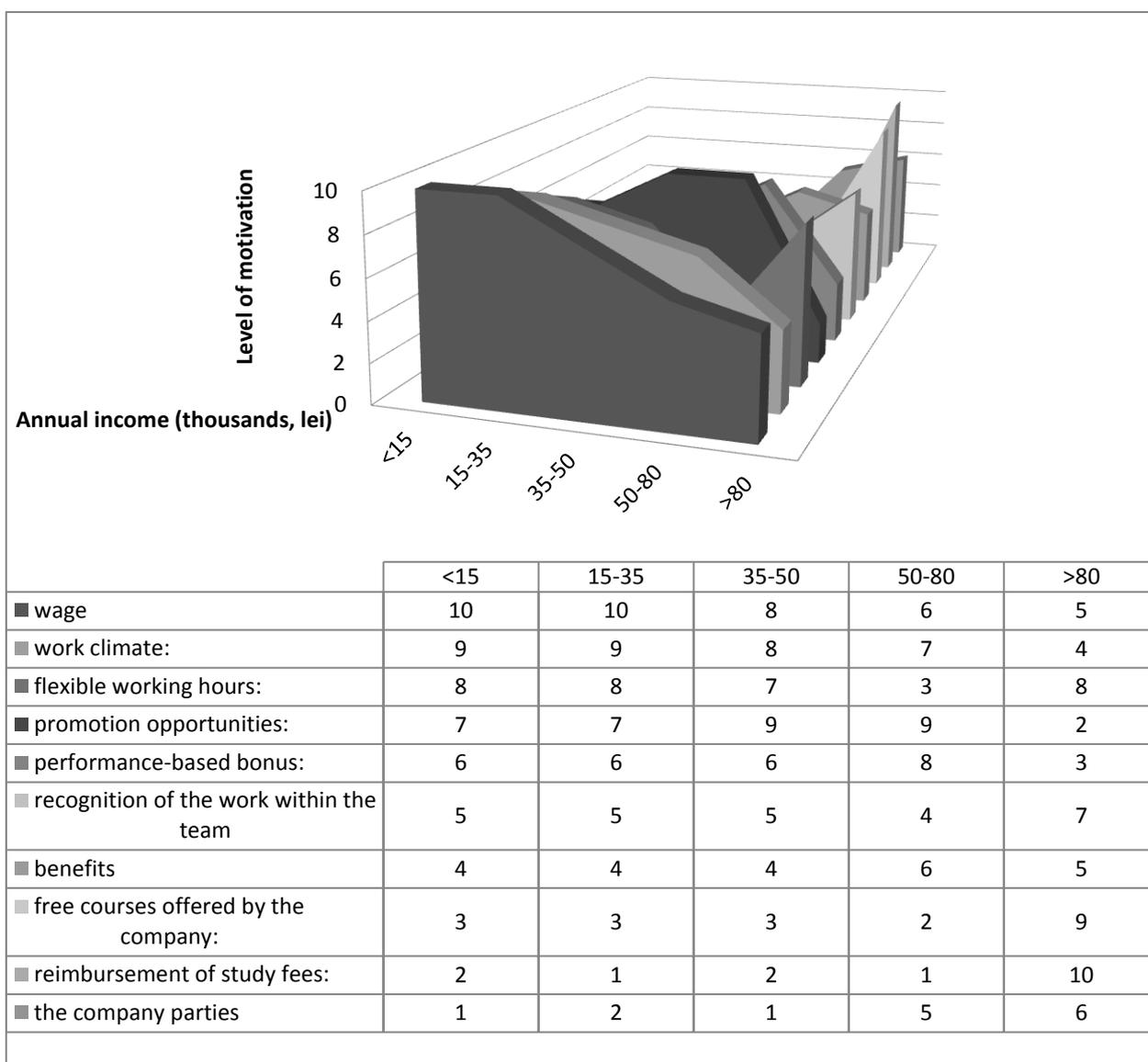
**Figure 6. The top motivating factors**

Source: Realized by the author based on the date processed in the research field

The main identified extrinsic incentives, regardless the level of income or field of activity are low salary, promotion and bonus opportunity based on performance. Macroeconomic theory states that once income levels and consumption increases, a growing number of needs can be satisfied, and by definition, motivating people increases.

Analysis the top motivating factor is more interesting on levels of income. An overall analysis on the sample reveals a palette of employees motivated primarily by financial resource, rather than the intrinsic motivation. This can be explained in terms of a country's level of economic development where analysis was done - namely Romania - a country emerging but highly risky according to the International Monetary Fund (2015).

Only at an average monthly income of 6,500 lei, the intrinsic incentives dethrone the extrinsic incentives, labor climate and the flexible schedule being considered considerations before a salary increase or a promotion ( Figure 7).



**Figure 7. Employee Motivation depending on income**

Source: Realized by the author based on data processed in the research field

Through the less important incentives among employees in which the research was conducted are: participation in courses offered by the company, company parties or reimbursement of study fees. What conclusions can be drawn from this analysis are: employees are little motivated by professional development and too much motivated by their financial resource. Salary starts no longer to be a source motivation for employees at a level of wage greater than 35,000 lei annually, according to Figure. 7.

Figure 7, also presents how to classify the factors of motivation reference to the revenue. This is the image that employees want from work in order to be motivated and performance. Studies show that employees' priorities are changing over time and there are many factors that trigger these changes. The reasons may be the economic ones, the labor market, competition between industries, changing attitudes of employees. Many programs have evolved in order to increase the motivation of employees. Employees' behavior shows that new programs will continue to grow with changing employees and technology development. Following this analysis we can conclude that whatever the branch of activity, intrinsic motivation occurs when the employee reaches the maximum revenue, thereby accepting the hypothesis that the current research stated at the beginning.

#### 4. CONCLUSIONS

In a society where scientific discoveries do not need necessity but are a result of international geopolitical competition, the degree of motivation of human capital remains one of the activities generating economic growth and increasing wealth of nations. After two and a half decades of market economy, Romania is still considered a developing country and joining the European Union, although with numerous positive effects, has not generated a huge increase in international trade competitiveness. Moreover since the exit from the crisis two years ago, according to statements by political officials, did not cause the threshold beyond of 2% in economic growth (World Bank, 2014).

Thus, in a society that has gone through an unprecedented crisis there are opinions that solutions can be found by designing a different path, a different type of growth - growth through knowledge. Motivating labor force to work more effectively to achieve the objectives of the organization is probably the hardest task of the management team. Reason why the current research proposed as on an empirical basis, to try to find an answer to the question: "What kind of motivational incentives should be used to increase employee performance."

Good efficient and responsible communication, from the management team with employees causes them to make good decisions. The distribution of tasks earlier in the day, early in the week and not at the end of day or week can lead to increased employee motivation. Recognizing employee performance in front of the team is still a good incentive but not considered by most as beneficial to a company. The fact that employees are individualists, not help their peers make them ultimately not to work towards the same goal: the success of the company. Employees must be convinced that good ideas are born within teamwork and rewarding one in front of colleagues when it deserves it is a very good practice and improves the company's value.

Increasing accountability will change the attitude of employees towards the work they perform and thus to the company. Increasing the number of responsibilities will lead to improved skills and ultimately will motivate them to achieve goals that lead to the success of the company.

A sufficiently high salary and an interesting job are the best motivator's factors for the employees. Our conclusion on the incentives that should be used to increase employee performance involves combining them in a harmonic way that takes into consideration the needs of each employee. For the sample on which the research was conducted, the income is still a strong motivational factor, but not the only nor the most important that could lead to increase performance.

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