



Employee Motivation and Reward Management

Case Study #1 (GER2019): Motivation – A Key Factor (Germany 2019)

Abstract

This case study deals with the topic motivation in a medium-sized enterprise in Saxony, Germany. The HR problem is a decrease in satisfaction, which could be explained by a lack of motivation in the employees. The research problem is to establish if and why the employees in the case study company are not as motivated as they used to be.

The practical part of this case study focuses on applying theoretical HR knowledge to the case study company. A survey with specific motivation-orientated questions has been designed.

Introduction to the Organisation

The case company is located in the western part of Saxony in eastern Germany. In the federal state of Saxony, the major industries are technical, e.g. automotive industry, electrotechnology and engine construction. The western part of Saxony is dominated by the automotive sector. With five production sites operated by Volkswagen, BMW and Porsche, as well as about 780 branch suppliers, Saxony is one of the top locations in the industry. The automotive industry in the federal state of Saxony contributes over one quarter of the industrial turnover (Business Saxony, 2019).

The medium-sized company Fabulous Bumpers Group (FBG) is a highly developed enterprise. FBG is a global automotive supplier, headquartered in Canada, covering the entire spectrum of exterior trim. Being a global player, FBG has multiple factories places all around the world, e.g. in Mexico, China and Germany. The branch referred to in this case study is an SME located in western Saxony, Germany. It was built in 2012 and serves as a flagship factory for all other production plants around the world. This plant currently employs 140 people and is specialised in the production of front and rear bumpers (FBG, 2019). Their products can be found in cars, trucks and in specialist industry products.

Since members of staff are the most valuable source to any enterprise, FBG highly values its employees and places great significance on the culture within the enterprise and the working atmosphere. The culture is based on fairness and concern for the employees. Staff commitment is recognised as a fundamental aspect to the business success. There are multiple measures that have been integrated into the culture to strengthen it. Other than the Code of Conduct and Operational Principles, FBG values four other major aspects. To represent both commercial workers and employees working in the production line, FBG has founded a 'Fairness Committee' (a replacement for the work council). The second aspect is called 'WIN global'. This is an FBG innovation initiative aimed at combining Research & Development with the employee's creativity. WIN global can be accessed easily by every member of staff through an application on their mobile phone. This service accepts every idea from every employee to solve FBG-specific challenges. A third measure is the 'FBG People Newsletter'. This newsletter contains a letter from the CEO, an economic update on the current situation of the company, company-orientated news, as well as news about other production plants located in different countries. Future plans and concrete numbers on the previous year are given as well. In order



to support the underlining of the employee's importance and appreciation, FBG implemented the 'Open Door Policy'. This policy helps to communicate the employee's ideas and suggestions for improvement and innovation. FBG guarantees to resolve staff concerns without fear of retaliation (FBG, 2019).

In conclusion, FBG has implemented four important initiatives to strengthen the company culture and to underline how highly they value their employees: Fairness Committee, the service WIN global, the FBG People Newsletter and the Open Door Policy.

HR Processes in the Company

The department of Human Resource Management is responsible for various tasks and duties. FBG's HR team consists of two employees. The two specialists guarantee that there are enough qualified employees doing the right work, in the right place at the right time. Besides that, they are liable for tasks about Health Care Management and Safety Management. The field of HRM is large in the company. They control the whole recruiting process including contract conclusions, onboarding, organisation of training, payroll processing, vacation administration as well as reward and retention management.

A job application can be handed in either online or offline. The revision process is fast, fair and objective. It only takes two to three days to get back to an applicant. After a candidate is accepted, he or she gets a three-day onboarding process across all the departments. The process follows FBG's own Employee Charta and is full-scale, which means that the new employee has to work in every department so that he or she knows what is happening in the different states of production. The front-line workers make up 80% of the workforce. They work in three shifts from Monday to Friday. The salary is in line with the market and a variety of rewards and benefits – monetary and non-monetary – are also offered. Annually health checks, back-therapy training, and a gym are just an example of what the company offers its employees as a part of their Health Care Management. The company focuses on satisfying its employees by facilitating a work-life balance. As a result, the company has a very good reputation and has built a strong employer brand (FBG, 2019).

HR Challenges for the Zwickau Region and the Company

In the following paragraph we want to give some examples for challenges in our region, the industry and our company. The first of the three main ones is globalisation, which describes the increase of trade around the world, especially between companies and a situation in which available goods and services, or social and cultural influences become similar in many parts of the world. The second one is demographic change which means the number of elderly people increases and the number of younger ones decrease. In connection this means that a fewer number of young people must work for an increasing number of elderly people and the ones in retirement. More and more people want to live in bigger cities and capitals because it is more attractive. The challenge for the SME's located in smaller cities or in villages is to find enough qualified employees for their company. The last challenge is the lack of skilled employees. Saxony has a good level and quality of education but as mentioned before, due to the demographic decline in work force and some image problems in external perception because of some political parties, people decide to move.

To focus on the HR challenges for our company in specific, we will look at the actual situation and the trends in the car industry in Germany. It is easy to notice that they will have to face big changes, and no one really knows how politics and the industry will handle the upcoming problems. The industry wants to produce more cars with electric drive and less ones with internal combustion engines. For the



realization they build new factories, production plants and create new car models. Our case company is a first level supplier which means they directly produce for the OEM (Original Equipment Manufacturer like Porsche, BMW or VW), meaning, they are connected to them and their car models as well as production lines.

Sometimes the production volume fluctuates, and companies must react quickly, because there is no possibility to exactly forecast the personnel requirements. As a result, you may need flexible employees who can work longer or come to work quickly. As aforementioned, employees with special skills in IT and digitalization are rare, so employers need to be attractive for them, motivate them to do a good job and to stay in their company. The structural changes coming with the development of new car parts emphasise the importance to have employees who want to learn, evolve new skills and may have some further education within company.

To draw a conclusion, motivated people who are willing to work up, learn and grow with the upcoming difficulties are the types of employees our company needs.

Objectives of Studies

The aim of this paper is to write about one specific part of HRM in SME's. The following topics are based on both theoretical and practical information.

“High performance is achieved by well-motivated people who are prepared to exercise discretionary effort, i.e. independently do more than is expected of them” (Armstrong, 2014, p. 169).

A motivation system seems to be an essential part of any company because they want high performance from their employees and a sustainable wellbeing to avoid dissatisfaction and slacking work effort. Armstrong states that there are multiple ways to motivate people correctly. As a company you should find out which way best suits you and your industry.

For our case study, we chose a company with a large variety of benefits and incentives, both financial and non- financial. Some of them were outlined in the introduction to the case study. In 2018 the case company conducted a survey and realised that the employees' satisfaction was 10% lower than in the year before (FBG, 2019). With the practical tool, we wanted to provide a questionnaire on how to find out whether to use more intrinsic or extrinsic motivational tools. When using the right motivation for your specific company and your people, you may improve employee satisfaction levels. This is related to motivation because not being motivated to do your job leads to dissatisfaction while doing it.

Literature Review

There are not many books that focus on HRM in SMEs specifically. That is why we did not use many different textbooks but more practical knowledge from our company.

The main literature for our theoretical background and thesis statement is Armstrong's 'Handbook of Human Resource Management Practice' in the 14th edition. We also used some relevant paragraphs from the current SHARPEN eHandbook. In Chapter 13 of his handbook, Armstrong writes about the meaning of motivation, types of motivation and some specific theories. What is motivation and why is motivation important?

The word motivation derives from the Latin word for movement (movere). Armstrong and Taylor (2014) suggest that there are 3 components of motivation:

1. Direction – what a person is trying to do
2. Effort – how hard a person is trying

3. Persistence – how long a person keeps trying

Different theories examine the process of motivation and how the company can improve the motivational system. Cerasoli et al. (2014) described in their study that the unsatisfied needs of an employee can be fulfilled in different ways with both intrinsic and extrinsic incentives. In the following figure you can find some examples.

INTRINSIC VS. EXTRINSIC MOTIVATION: WHY WE DO WHAT WE DO

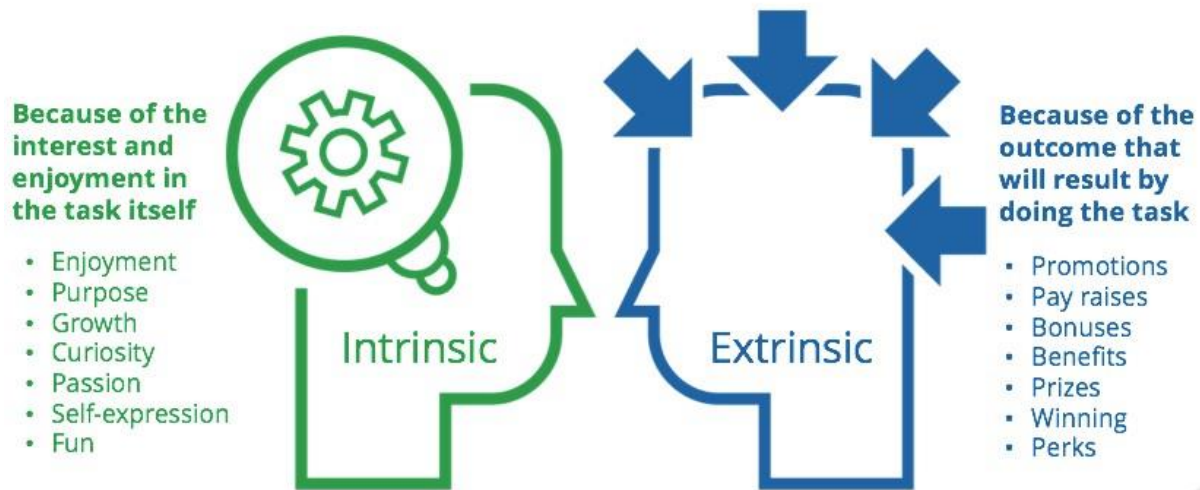


Figure 1. Intrinsic vs. Extrinsic motivation (Newman Tuition, 2018)

Intrinsic motivation is described as motivation by work itself. It takes place when people feel that their work is interesting, challenging and important because it gives them a reasonable degree of freedom (Armstrong, 2014). Extrinsic motivation takes place when things are done to or for people in order to motivate them. This can be a reward or punishment, depending on the performance of the employee.

In Maslow's hierarchy of needs (1954) he defines five major categories of needs every human has. The hierarchy leads from safety, social and esteem needs to the need of self-fulfilment – the highest need of all. To climb up in the hierarchy the next lower need needs to be completely satisfied. However only an unsatisfied need can, according to Maslow, motivate behaviour and only the dominant need is the prime motivator of behaviour.

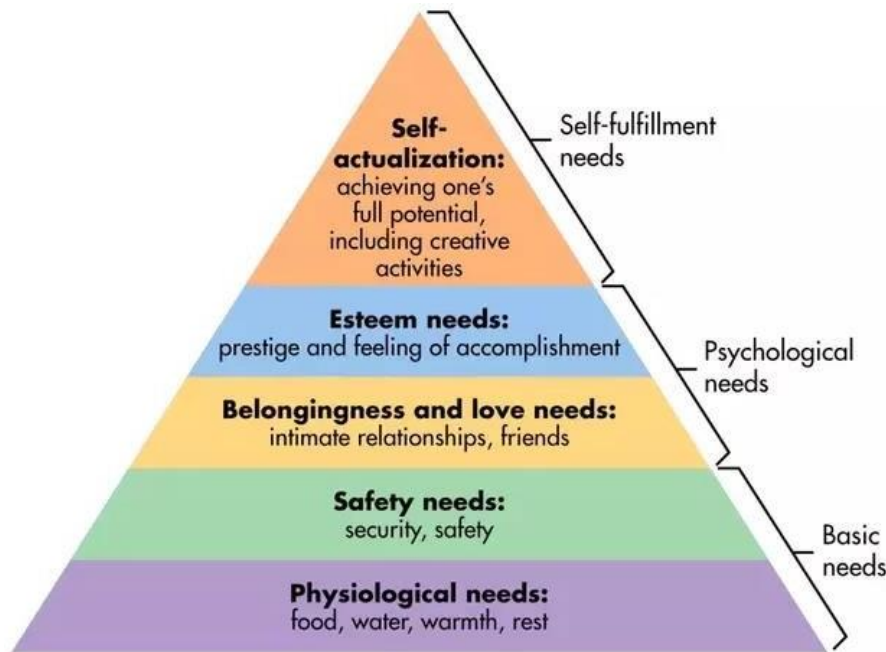


Figure 2. Maslow's Hierarchy of Needs. (McLeod, 2016)

Job satisfaction can be understood as a kind of happiness that employees feel when they are comfortable with their working conditions and given incentives. Armstrong (2014) attributed this to motivation. Thus, when satisfaction reduces, motivation also reduces.

Methodology

The methodology was based on interviewing the company's Head of HR. The methods are interview-based and consist of qualitative research methods. There were two interviews in total. They were carried out by using a questionnaire. In addition, accessible corporate documents, online information and textbooks were analysed.

Findings and Analysis

During the visits to the company we realised that the employee satisfaction dropped from 95% to 85% in just one year (FBG, 2019). Most of the dissatisfied employees said in the survey that they are unhappy with their salary compared to the competitors paying tariff salary, i.e. they are unhappy with their salary compared to the market average. This is the main reason why employee satisfaction dropped. Most of the benefits and rewards on offer are not used by the employees. In particular, the frontline workers who make up to 80% of the workforce, are often unmotivated after work to spend more time in the company than they need to or to use the offered benefits and rewards as a part of their salary. The administration employees, on the other hand, are more tempted to use those benefits. Here we can see that most of the employees are driven by extrinsic motivation, especially salary, when it comes to motivation of work.

Regarding factors that affect job satisfaction, three main points can be identified. The most important factor is intrinsic motivation. This kind of motivation is strongly linked to job content and the identification with the job. The second factor is the quality of supervision. In the Hawthorne studies (Roethlisberger and Dickson, 1939) the two economy scientists claimed that the supervision is the key



determinant regarding the workers' attitudes. Finally, the topic of success or failure. Success creates satisfaction. This satisfaction develops if employees can prove that they can fully use their abilities.

Practical Human Resource Management Tool

In order to solve the problem of a decreasing motivation level we developed a practical tool. The proposed practical HR tool is a questionnaire, with questions that are based on intrinsic and extrinsic motivation. Intrinsic motivation relates to achievement, responsibility and the employee's opportunity to develop skills. Extrinsic motivation relates to behaviour being driven by external reward, such as money, praise and grades.

The questions cover matters like the professional relations between an employee and his/her supervisors, whether the employee enjoys teamwork and which incentives are preferred. Other questions concentrate on the satisfaction of the way in which work is organised and if personal and professional development is important to the employee.

The questionnaire is self-explanatory: the employees answer the posed questions. The given questions are phrased in general terms and must be customised. To assist the HR Manager in evaluating the results, individual texts were prepared. These texts include an explanation of the theoretical background, as well as a proposal on how to proceed as the HR Manager. The HR tool can be found in the appendix.

The questionnaire can be used by HR Managers as well as CEOs of SMEs. With the help of this survey, the supervisor will be able to find out which actions and rewards motivate his/her employees. One negative aspect is that the questions must be adapted to the specific needs of the organisation. After the evaluation of the questionnaires results, there will have to be modifications and actions to be taken, according to the questionnaire outcome. Unfortunately, most companies already have such a questionnaire at their disposal.

Conclusion

According to the analysed situation, the questions given in the survey can be used to evaluate the current circumstances in the SME. Often, quantity is not as important as quality. The most effective method to increase employee satisfaction will depend on the company and the individuals who work there.

The practical tool developed with this case study offers an opportunity to find out whether intrinsic or extrinsic motivation is a more effective method for motivating employees. The tool is useful for SME's that do not already have measures to analyse what motivates their employees or want to improve their current version.



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Appendix

General Information for the Employee Survey

Please mark the appropriate fields with a cross.

➤ Age:

<20 years	
20 - < 30 years	
30 - < 40 years	
40 - < 50 years	
50 - < 60 years	
60+ years	

➤ In which company division are you active?

Higher Management	
Lower Management	
Commercial Area	
Manufacturing Area	
Technological Area	
Others	



Survey for intrinsic employee motivation

Please answer the following questions. Choose one answer unless otherwise instructed. If none of the given answers match your opinion, please comment in the box at the end of the page.

1. I see my work as:			
<input type="checkbox"/> important	<input type="checkbox"/> interesting	<input type="checkbox"/> challenging	<input type="checkbox"/> motivating

2. The organisation of my work contributes to the preservation of my motivation.			
<input type="checkbox"/> strongly disagree	<input type="checkbox"/> disagree	<input type="checkbox"/> agree	<input type="checkbox"/> fully agree

3. In my work, fixed goals motivate me to approach my tasks.			
<input type="checkbox"/> strongly disagree	<input type="checkbox"/> disagree	<input type="checkbox"/> agree	<input type="checkbox"/> fully agree

4. I like to work with my colleagues / in my team.			
<input type="checkbox"/> strongly disagree	<input type="checkbox"/> disagree	<input type="checkbox"/> agree	<input type="checkbox"/> fully agree

5. I am satisfied with communication within the company.			
<input type="checkbox"/> strongly disagree	<input type="checkbox"/> disagree	<input type="checkbox"/> agree	<input type="checkbox"/> fully agree

6. Professional and personal development are important to me.			
<input type="checkbox"/> strongly disagree	<input type="checkbox"/> disagree	<input type="checkbox"/> agree	<input type="checkbox"/> fully agree

What I would like to add:



Survey for employee motivation

1. Financial incentives are important to me.

<input type="checkbox"/> strongly disagree	<input type="checkbox"/> disagree	<input type="checkbox"/> agree	<input type="checkbox"/> fully agree
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I prefer:

<input type="checkbox"/> Fixed & regular incentives	<input type="checkbox"/> Variable & performance- based incentives	<input type="checkbox"/> A combination of both
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2. For my efforts in the workplace I feel appropriately remunerated.

<input type="checkbox"/> strongly disagree	<input type="checkbox"/> disagree	<input type="checkbox"/> agree	<input type="checkbox"/> fully agree
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3. Non-financial incentives are important to me.

<input type="checkbox"/> strongly disagree	<input type="checkbox"/> disagree	<input type="checkbox"/> agree	<input type="checkbox"/> fully agree
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4. At regular intervals I use the offers provided by my employer.

<input type="checkbox"/> strongly disagree	<input type="checkbox"/> disagree	<input type="checkbox"/> agree	<input type="checkbox"/> fully agree
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Which offers do you use? (More than one check possible)

<input type="checkbox"/> gym	<input type="checkbox"/> massages	<input type="checkbox"/> Company car	<input type="checkbox"/> Work phone/ Laptop
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5. I feel valued by my supervisor.

<input type="checkbox"/> strongly disagree	<input type="checkbox"/> disagree	<input type="checkbox"/> agree	<input type="checkbox"/> fully agree
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What I would like to add:



Explanation Questionnaire - Intrinsic

➤ Question 1:

This question is interesting because it asks how your employees feel when they think about and carry out their job. The goal for every company should be to create work and tasks that make people feel positive when they think and talk about them.

Armstrong (2014), in relation to Pink (2009), provides 3 steps managers can take to create meaningful work.

1. **Autonomy:** encourage people to set their own schedule and focus on getting work done not how it is done.
2. **Mastery:** help people to identify the steps they can take to improve and ask them to identify how they will know they are making progress.
3. **Purpose:** when giving instructions explain the why as well as the how.

Depending on the answers your employees give to this question, you should think about the structure, arrangement and how they must carry out their work.

➤ Question 2:

When you are managing people and their work, you should always keep an eye on the behaviour and work motivation of your employees. What you can discover, with this question, is how the structure of the current tasks affects the motivation of each employee in the long term. This means, directly related to question 1, it is not useful to create work which is only interesting or challenging for a short time. Sustainable and long-lasting motivation to achieve work goals is much more effective.

➤ Question 3:

Fixed goals should be precisely defined, realistic and achievable. Some employees find their work more attractive when it is competitive and challenging. Daily, weekly or monthly goals in production, quality or quantity can make them work harder and feel more motivated because they know what to achieve.

➤ Questions 4 & 5:

Working in teams is necessary today. The right structure of people in each team can improve their quality of work. If someone is forced to work together with somebody, he/she does not like, he/she will not be satisfied with the situation and his/her efforts may diminish.

With the way of communication – how and how good – your staff communicate in their teams, between each other and with the supervisors can improve and simplify the communication.

➤ Question 6:

Professional and personal development is a base for constant, quality work. Your employees are the core of the company. A professional and highly-skilled workforce is important for growth and high-quality results. If your employees want further education or training, try to provide this because if they don't feel skilled enough to do their tasks they might become frustrated and leave the company.

Explanation Questionnaire – Extrinsic

➤ Question 1:

To many people financial incentives e.g. Christmas or holiday bonus or additional payment when achieving a goal are very important, which means that every type of extra money can have an impact on the employee's motivation. As Herzberg said in 1968, these positive effects are often short-term, and satisfaction will decrease relatively fast after the payment is received. If you want to have a quick positive motivational effect, this might be a good tool. We would recommend their inclusion in various ways, depending on what your employees answered in relation to this question and question 2. Try to add one or more of them for a while and assess if there is any positive effect on satisfaction. Use the answers below to find out if it should be variable, fixed or a combination of both.

➤ Question 2:

Payment and salary are very important in Germany. Especially for you as a SME it is hard to pay remuneration that can compete with the salary paid by big international companies. That is why it is very important to get an impression of how your staff value their actual payment.

➤ Questions 3 & 4:

When you offer additional incentives and benefits to your employees, you should find out if they are useful. Therefore, it is important to find out which non-financial benefits were used by your employees. Otherwise you may waste a lot of money providing many incentives no-one cares about.

If something is not used by your employees, you can think about eliminating it or replacing the offer with an alternative.

➤ Question 5:

“People work for money but go the extra mile for recognition, praise and rewards.”

Sometimes the smallest and cheapest things can have the biggest impact. A tap on the shoulder or just the two words “well done” can make a difference. The supervisors are often highly respected in the company. So, to receive some friendly gestures from him or her can make your employees feel good while doing their job. Employees who are in a good mood and feel valued by authority figures often work harder, are more determined and more accurate.