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Rewarding Store Managers within Swedish Retail

How are reward systems important?

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Abstract

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- Title:* Rewarding Store Managers within Swedish Retail- How are Reward Systems important?
- Key words:* Reward system, Store Manager, reward, motivation, retail, ICA Maxi, framing of reward system.
- Background:* There is a general demand for research within Swedish Retail, not only because there is a lack of recent research but also since the sector is growing significantly. Reward systems are a heavily discussed issue but also a commonly used tool to motivate employees and to inform them about what is important for the company. The ICA Maxi store format is interesting to investigate, since it is a large store format and the situation between the store manager and the retailer is specific. The store manager is responsible for all daily operations. Hence, he is responsible for the retailer's personal investment since the latter has little contact with everyday operations. Consequently, the reward system becomes crucial to investigate in this given situation.
- Research problem:* How is the reward system meaningful for store managers working within Swedish retail?
- Purpose:* The purpose is to understand how the framing of the system is meaningful for the store manager and how it motivates him.
- Methodology & Empirical evidence:* A qualitative case study has been realized. For empirical data interviews with the store managers and the retailers of three ICA Maxi stores have been done. An interview has been done with an expert within Swedish retail in order to gain understanding for the industry.
- Theoretical framework:* Scientific literature has been the base for the theoretical framework. Theories discussed are the agency problem, motivational theories, the framework for reward systems and the role of a store manager.
- Results and conclusions:* It is shown that reward systems are not important for store managers from an informative aspect. Neither is the motivational aspect significant. Still, they are meaningful in order to accommodate the manager's hygienic factors. The managers' owner-like position demands a share of the profit and a compensation for the work they put in. Furthermore, the importance of the reward system increases over time.
- Further research:* The most interesting area of further research we believe is to look deeper into if and how the daily operative work is influenced by the reward system, especially focusing on myopia and suboptimization.

Table of Contents

1. INTRODUCTION.....	1
1.1 BACKGROUND.....	1
1.2 DISCUSSION OF RESEARCH AREA	3
1.3 RESEARCH PROBLEM	3
1.4 PURPOSE	3
1.5 DISPOSITION.....	4
2. METHODOLOGY.....	5
2.1 RESEARCH APPROACH.....	5
2.2 CASE STUDY.....	5
2.3 SELECTION OF RETAIL COMPANY	6
2.4 BUSINESS PRESENTATION OF ICA AND THE STORE FORMAT ICA MAXI.....	7
2.5 SELECTION OF STORES, RETAILERS AND STORE MANAGERS TO INTERVIEW.....	8
2.6 INTERVIEWS.....	8
2.7 DISCUSSION OF THEORIES	10
2.8 CRITICISM OF SOURCES	11
2.9 CREDIBILITY OF STUDY	12
3. THEORETICAL FRAMEWORK	14
3.1 AGENCY THEORY	14
3.2 REWARD.....	15
3.2.1 Monetary Rewards.....	15
3.2.2 Non-Monetary Rewards.....	15
3.3 REWARD SYSTEMS	16
3.3.1 Performance Measurements.....	17
3.3.2 Merchant's and Van der Stede's Criteria for Evaluating Result Control.....	18
3.3.3 Criteria for Evaluating Reward Systems.....	18
3.3.4 Hazards of Reward Systems.....	19
3.4 MOTIVATION	20
3.4.1 McGregor Theory.....	20
3.4.2 Herzberg Theory.....	21
3.4.3 Extrinsic and Intrinsic Motivation.....	21
3.5 THE ROLE OF THE STORE MANAGER IN RETAIL.....	22
4. EMPIRICAL EVIDENCE FROM STORE A.....	24
4.1. RETAILER A'S DESCRIPTION AND REFLECTIONS OF THE REWARD SYSTEM.....	24
4.2 EMPIRICAL EVIDENCE OF STORE MANAGER A AT ICA MAXI	25
4.2.1 Background and Sources of Motivation	25
4.2.2 Responsibility, Operating Freedom, Feedback and Development.....	26
4.2.3 The Framing of the Reward System and Its Influences.....	27
4.2.4 The Store Manager's Perception of his Role.....	27
5. EMPIRICAL EVIDENCE FROM STORE B.....	29
5.1 RETAILER B'S DESCRIPTION AND REFLECTIONS OF THE REWARD SYSTEM.....	29
5.2 EMPIRICAL EVIDENCE OF STORE MANAGER B AT ICA MAXI	31
5.2.1 Background and Sources of Motivation	31
5.2.2 Responsibility, Operating Freedom, Feedback and Development.....	31
5.2.3 The Framing of the Reward System and Its Influences.....	32
5.2.4 The Store Manager's Perception of his Role.....	33
6. EMPIRICAL EVIDENCE FROM STORE C.....	34

6.1. RETAILER C'S DESCRIPTION AND REFLECTIONS OF THE REWARD SYSTEM	34
6.2 EMPIRICAL EVIDENCE OF STORE MANAGER C AT ICA MAXI	35
6.2.1 <i>Background and Sources of Motivation</i>	35
6.2.2 <i>Responsibility, Operating Freedom, Feedback and Development</i>	36
6.2.3 <i>The Framing of the Reward System and Its Influence</i>	37
6.2.4 <i>The Store Manager's Perception of his Role</i>	38
7. ANALYSIS	39
7.1 LOW INFORMATION ASYMMETRY BETWEEN THE RETAILER AND STORE MANAGER	39
7.2 THE PERSONNEL AND MOTIVATIONAL PURPOSE ARE MORE EVIDENT THAN THE INFORMATIONAL PURPOSE	40
7.3 MONETARY REWARDS ARE APPRECIATED BUT NOT ENOUGH	41
7.4 THE STORE MANAGERS CANNOT FULLY CONTROL THEIR SITUATION	42
7.5 THE REWARDS ARE TIMELY AND UNDERSTOOD	43
7.6 THEORY Y IS APPLICABLE	44
7.7 THE REWARD SYSTEM IS PART OF THE HYGIENIC FACTORS	44
7.8 POSITIVE FEEDBACK IS PART OF THE HYGIENIC FACTORS	45
7.9 THE STORE MANAGERS ARE INTRINSICALLY AND EXTRINSICALLY MOTIVATED	46
7.10 REWARD SYSTEM'S IMPORTANCE INCREASE OVER TIME	47
7.11 REWARD SYSTEMS COMPENSATE FOR ROLE AMBIGUITY	48
8. CONCLUSION AND RECOMMENDATIONS	50
8.1 CONCLUSION	50
8.2 RECOMMENDATIONS	51
9. SUGGESTIONS FOR FURTHER RESEARCH	52
BIBLIOGRAPHY	53
LITERATURE	53
ARTICLES	53
PRINTED MATERIAL	54
REPORTS	54
THESIS	54
ELECTRONIC AND INTERNET RESOURCES	54
UNPRINTED SOURCES	55
ATTACHMENTS	56
ATTACHMENT 1 – INTERVIEW GUIDE WITH STORE MANAGER AT ICA MAXI	56
ATTACHMENT 2 - INTERVIEW GUIDE WITH RETAILER AT ICA MAXI	58

Table of figures

<i>Figure 1: Illustration of research area and research problem</i>	4
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1. Introduction

In this introductory section, background information about the retail sector and reward systems is presented. Moreover, the complexity and the problems associated with the subject are displayed. This is followed by a presentation of the research problem the purpose of the thesis. Finally, the chapter is rounded off with presenting the disposition.

1.1 Background

During the last 10-15 years the Retail sector has grown, year-by-year it has taken a larger share of Sweden's Gross Domestic Product showing that the sector's importance relative to other industries is increasing. Today retail represents about 10 percent of Sweden's Gross Domestic Product.¹ Therefore, it is an important sector for the economy. Strong development of productivity is one explanation for the progress made, which mainly derives from the everyday commodity industry where the efficiency and the development of technologically sophisticated distribution channels have made a positive contribution.² During the 20th century retail has undergone several structural changes. Distribution networks have refined, the number of sales channels has increased and a wider acting space is given to the customer in connection with purchase.³ The Swedish retail sector is highly staff dependent from a qualitative standpoint. This is true since labour costs in Sweden are higher than in many other countries⁴, partly due to labour unions.⁵ Since it is more profitable to have less people employed there are high demands on employees' knowledge and skills to serve customers.⁶ Consequently there are high demands on the employees since their acting is critical to how the customers are served.⁷

Compared to many other countries retail area per capita is high in Sweden, indicating a high level of competition.⁸ The rivalry contributes to a higher service expectation of the customer. Today it is not enough for staff working within Swedish retail to only guide the customer to the shelf where the product wanted can be found. Consumers expect the employee to give information about the product and to be treated personally. Further, environmental and ethical aspects are growing in importance in today's society. Employees and above all, store managers, are expected to be well informed in these aspects making it utterly important for the owners of retail companies to control and motivate their staff so they meet these requirements. The retail organization, which has the ability to create motivated and proficient co-workers, has a competitive advantage.⁹ Therefore, the industry described is rather complex and consequently a welcomed challenge to analyze and study.

¹Statistiska Centralbyrån, Nationalräkenskaperna

²Cronholm, Michael & Hedlund, Andreas, Handels roll, p.5

³Ibid.

⁴Tengblad et al., Incitament för detaljhandelsutveckling, pp.1-2

⁵Ehn, Karl-Gustav, Expert within Swedish Retail

⁶Tengblad et al., Incitament för detaljhandelsutveckling, pp.1-2

⁷Ibid.

⁸Ehn, Karl-Gustav, Expert within Swedish Retail

⁹Tengblad et al., Incitament för detaljhandelsutveckling, p.1

The retail industry as a whole and especially ICA Maxi are complex concepts. In an ICA Maxi supermarket the store manager controls over 200 employees and he or she is ultimately responsible for managing the daily operations of the dealer's personal investment. The separation between ownership and management is very clear and the agency problem therefore a consequence. Thus, there is an immense necessity for the dealer to control his store manager.¹⁰ This makes reward systems for store managers at ICA Maxi valuable to analyze since the effect of the system on the store manager is one key property when it comes to reducing information asymmetry.

The complexity of the business is also explained by strict governmental regulation when dealing with food.¹¹ Therefore, there already exists a form of action control forced upon each supermarket. To implement further action control would probably be unmanageable. For that reason, it is not efficient to detail steer more than what regulation demands. Result control would be advantageous since the goals that have to be reached are clear. The way to reach them, however, is up to the employees, not burdening them with additional, strict instructions. In this case, when the employees' output is measurable to a great extent¹², result control is an appropriate managerial tool.

Moreover, ICA Maxi is a store concept, which differs from many other retail chains in Sweden. Firstly, the owners often have a close relationship to the activity. It is common that in their youth they started building up smaller supermarkets and over the years they moved on running several stores simultaneously or larger ones. ICA Maxi is the largest store that a dealer can own among the ICA concepts. Many dealers do not have an academic education; instead they have built up a successful career over the years as a dealer of different stores. Consequently, their experience has made them to experts in their field. Secondly, the dealer himself mainly develops reward systems without help from external consultants, neither do there exist central guidelines concerning reward for store managers within the ICA group,¹³ which makes the topic even more interesting. Have they found the optimal way of implementing tailored reward systems levelled at the store manager owing their industry specific knowledge and experience?

A study made in England by Duckett and Macfarlane shows that there is a substantial discrepancy between wanted and actual leadership style among store managers showing the relevance of the area of research.¹⁴ When properly framed, reward systems are an efficient way to motivate and strengthen the morale of one's employees, which further leads to more profitable businesses. Achieving the control effect desired depends on many factors. To start with, reward tastes vary across countries partly because of differences in culture. If organizations tailor their reward system to their employees' individual preferences it is more likely to be meaningful in a cost efficient way. Yet, a tailored system has its cons, often they are complex and costly to administrate. If a tailored system is poorly framed it can lead to employees perceiving unfairness and potentially they then can have the opposite effects.¹⁵ The pros and cons of reward systems add up to the complexity making them interesting to analyze. How is a reward system created by Swedish retailers meaningful for store managers? Thus, this study concerning reward systems for store managers within retail proceeds from tailored systems, since it ought to be the most common in the context. As mentioned, there exists a

¹⁰ Ehn, Karl-Gustav, Expert within Swedish Retail

¹¹ Ibid.

¹² Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems, pp.29-30

¹³ Ehn, Karl-Gustav, Expert within Swedish Retail

¹⁴ Tengblad et al., Incitament för detaljhandelsutveckling, p.1

¹⁵ Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems, p.32

demand for research within the field of Swedish retail, partly because of the complexity of the industry described. Since most research concerning the subject has been conducted in the US it is not as useful for the Swedish industry, to some extent due to differences in labour costs and customer demands between the two countries.¹⁶ All these aspects add up to a significant demand for studies analyzing Swedish retail.

1.2 Discussion of Research Area

Between the owner as the principal and the store manager as the agent lies information asymmetry. The owner has the authority to make decisions but lacks the information needed to make the best possible ones. The store manager on the other hand has all the information needed but lacks the ultimate authority.¹⁷ This information asymmetry makes it crucial for the principal to control the agent to make sure that information of importance is notified. A reward system is a commonly used tool in order to reduce information asymmetry. However, in this case study the principals have more knowledge and closer connection to the business than a general principal. This makes the phenomenon interesting to further look into, especially since reward systems are used differently at the selected stores.

In the consequence of the background presented and the existing problems, together with the fact that retail makes up a large and significant share of the Swedish business world we find the subject of the thesis; *Rewarding Store Managers within Swedish Retail* important to further investigate.

1.3 Research Problem

How is the reward system meaningful for store managers working within Swedish retail?

1.4 Purpose

The objective is to describe and understand the role of reward systems levelled at store managers working within Swedish Retail. The purpose is to understand how the system is meaningful for the store managers and how it motivates them.

¹⁶ Tengblad et al., Incitament för detaljhandelsutveckling, p.2

¹⁷ Kaplan, Robert S & Atkinson, Anthony A., Advanced Management Accounting, p.721

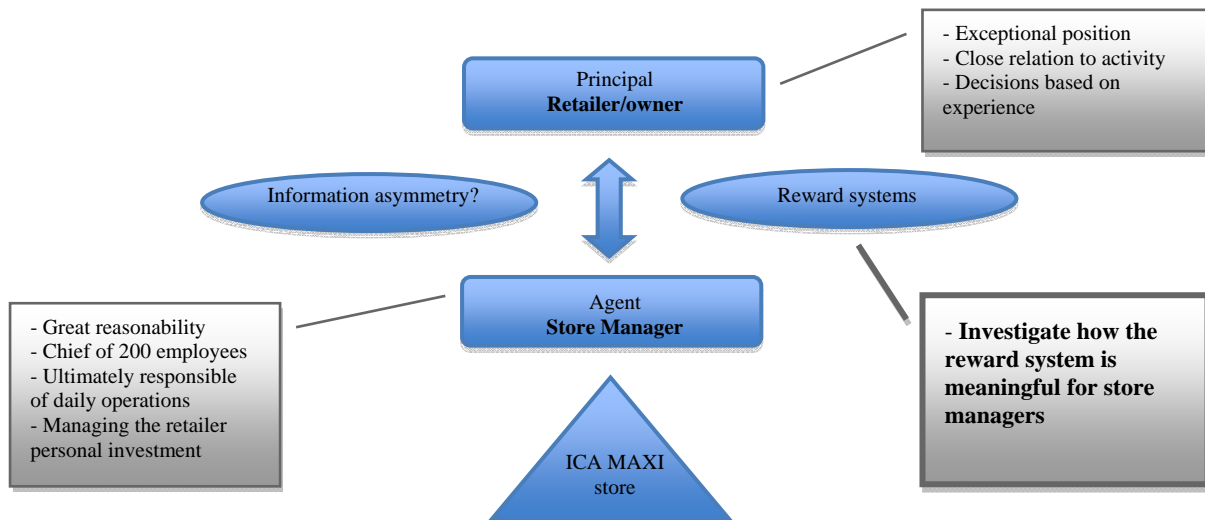


Figure 1: Illustration of research area and research problem

1.5 Disposition

Introduction	In the front chapter a general background of both reward systems and Swedish retail is presented. Further the research problem, purpose and disposition of the thesis is presented.
Methodology	This section describes the choices, which have been made concerning the research approach. It is explained why certain investigation methods are used and why the specific case study has been conducted.
Theoretical framework	The theories explained in this chapter is the foundation of the thesis. They reinforce and help to analyze the empirical evidence.
Empirical study	This part presents the result of the interviews done with store managers and owners/retailers at the chosen companies. Each chapter represents one store. Together with the theoretical framework, the information presented in the empirical studies is the base for the analyses and the conclusion of the research problem.
Analysis	In this chapter the empirical data is interpreted to give an understanding of the results from the empirical evidence. With help from the theories conclusions about the empirical data are drawn.
Conclusion	The concluding chapter resumes the central results and answers the research problem. An attempt to give recommendations is made.
Further research	This closing chapter suggests further important and relevant research.

2. Methodology

The method and the approach described in this chapter are used in the endeavour to fulfil the purpose of the thesis. The reason why certain choices have been made and the underlying motives behind them are presented. The section is concluded with a discussion concerning the credibility of both the sources and the study as a whole.

2.1 Research Approach

The focus of the essay is to understand reward systems for store managers working within Swedish retail through a case study done at ICA supermarkets. Thus, the case study is used as a tool to reach the understanding aspired. The research will be done on a qualitative basis, looking deeper into the control of three different ICA Maxi stores and how their store managers are rewarded. The aspiration with the three stores used is to present the experiences gained as accessible as possible in order to show a deeper knowledge about reward systems within Swedish retail. Both the primary data and the empiricism is based on individual interviews with these store managers and the retailers/owners. During the interviews one interview guide is used for the store manager and another one for the retailers.

The main focus is not to look at the effect that reward systems have on the store managers' salaries in absolute terms. The aim is to understand how important the reward system is for them personally, how much it motivates them to achieve the set goals, if they are content with its structure and how they appreciate monetary and non-monetary incentives. Moreover it is important to see if the original intention of the reward systems is seen as valuable for the store manager. In the study made, the main focus is on formal reward systems. Even though informal incentives like showing approval are difficult to measure, they are also given minor consideration in the study.

2.2 Case Study

Case studies are suitable when investigating present or contemporary processes and when the information from the participants can be judged from its credibility but not from its truth-value, as in this case where interviews is the main method for collecting primary data.^{18,19} Further, case studies are suitable when the aim of an investigation is to reach a better understanding of the dynamics behind the research problem.²⁰ The power of this method is its ability to deal with a range of empirical material such as documents, interviews and observations.²¹ These arguments add to the fact that a case study is based on a holistic perspective and that the aim of the technique is to achieve as comprehensive information as possible, the choice to conduct a case study is made one in order to fulfil the purpose and answer the research problem of the thesis.²² The possibility to generalize the results from a case study depends on how the cases are selected. If a population of cases is identified and a

¹⁸ Merriam, Sharan B., Fallstudien som forskningsmetod, p.23

¹⁹ Ibid., p.43

²⁰ Ibid., p.44

²¹ Ibid., p.23

²² Patel, Runa & Davidson, Bo., Forskningsmetodikens grunder, p.44

random selection is made within the identified population, an opportunity to discuss the validation of that particular population exists.²³ The aspiration of a case study is to clear it from wrong conclusion in order to reach the best and most convincing interpretation rather than finding the correct or true interpretations of the gathered data.²⁴ When collecting data in order to gain an understanding of the topic, the case study is helpful when evaluating how store managers appreciate and are motivated by the reward system. Since wrong conclusions are usually avoided, the case study is the main tool to reach an understanding as correct as possible.

The main advantage of using a case study is that it allows looking deeper into a specific topic making it possible to obtain an overall picture.²⁵ There are not only pros of using this method; one disadvantage is that it can lead to variables getting simplistic or exaggerated. The side effect thereof is that the reader makes wrong conclusions. The reader can also get the impression that a case study is a report dealing with all aspects concerning a phenomenon; it has the tendency of being masked as an entirety when it in reality only covers a small aspect. The fact that the investigator both collects and makes the analysis of the data makes the investigator dependent on oneself. This can be a disadvantage depending on the investigators ability and experience of correctly interpreting respondents.²⁶

2.3 Selection of Retail Company

The retail company selected for the case study is ICA AB Sweden. ICA is of great interest when studying reward systems within Swedish retail since it with its market share of 36.3 percent has a market leading position as an everyday commodity business.^{27,28} The fact that the recruiting company Retail Knowledge and the magazine Market in 2007 named ICA the Swedish Retail sector's most popular employer makes it even more interesting to deeper study reward systems within the company.²⁹ Another reason why ICA is of interest among Swedish retail chains, which to a large extent are centrally controlled, is that the ICA retailers in many aspects are independent entrepreneurs. Hence, they are responsible for administration, cost control, marketing, strategy development, accounting records, the use and framing of reward system etcetera. Due to the complexity of the role as a modern ICA retailer, the important everyday contact with customers is less frequent, putting more pressure and responsibility on the store manager to act as an intermediary between the customers and the retailer and vice versa.³⁰

During the 20th century supermarkets have been forced to continuously adapt to changing conditions, putting high demands on the retailer as an innovator in developing new methods of conducting business in order to survive. To only run a store is not enough to be successful. In order to stay in business the retailer must be prepared to implement changes and find new markets or new ways of organizing the retail in order to make profit. The high level of complexity of the role as a retailer causes that he or she has high requirements on the employees. They are the company's representatives with who the customers get in contact

²³ Ibid

²⁴ Merriam, Sharan B., Fallstudien som forskningsmetod, p.44

²⁵ Ibid., p.46

²⁶ Ibid., p.47

²⁷ ICA's Annual Report including the Corporate Responsibility Report for 2008, p.3

²⁸ Hakon Invest årsredovisning 2008, p.36

²⁹ ICA, Om ICA, Most popular employeer

³⁰ ICA, ICA-historien

with in the store. It is upon their actions that the customers mainly base their judgment of the store. To control and encourage the employees, particularly the store manager as the head of the operative management, towards the desired results is therefore of utter importance for the retailer.³¹ We believe that when dealing with these kinds of issues, the reward system is a highly useful and efficient instrument.

2.4 Business Presentation of ICA and the Store Format ICA Maxi

ICA AB Sweden is part of the ICA Group, which is one of the leading retail companies in the Nordic region. In addition to ICA AB Sweden, the ICA group includes ICA Norway, Rimi Baltic and ICA Bank.³² Within ICA AB Sweden there are four long-established store formats, ICA Nära, ICA Supermarket, ICA Kvantum and ICA Maxi.³³ In 1917 Hakonbolaget, the origin of today's ICA was founded in Västerås. From the year 2000, Royal Ahold N.V. owns 60 percent of ICA AB³⁴, a Netherland based holding company, which conducts retail operations in both the United States and in Europe. Hakon Invest, a company, which handles investment operations in retail-oriented companies in the Nordic region, owns the remaining 40 percent. Further ICA-handlarnas förbund, a non-profit association established in 1940, which is the member organization of the ICA retailers in Sweden, owns 67 percent of Hakon Invest.³⁵ Since a shareholder agreement is signed, which regulate that neither party has control of ICA AB and that both share equal voting power³⁶, ICA probably stands as a good example of how reward systems are handled and framed within Swedish retail and above all within the Swedish everyday commodity industry even though, since it from year 2000 is a subsidiary of an international party.³⁷

The ICA Maxi stores are supermarkets with the largest selling area among the four store formats. The purpose of ICA Maxi is that the customer shall find everything at a good price under the same roof. A wide selection of food combined with non-food such as house wares, sporting goods and garden supplies are offered. Since the store format's premier target is large households with a tight time schedule, the stores are located in convenience for drivers and have extended opening hours.³⁸ The food department of ICA Maxi stores is based on an agreement between ICA AB Sweden and the independent retailer, which is the business leader and the owner of the company. It is common that ICA AB Sweden receives a set share of the stores net profit. The non-food department is based on separate branch operations between ICA AB Sweden and Maxi Special AB. Each ICA Maxi store has around 200 employees and one or several store managers responsible for the everyday operational management.³⁹ In this thesis when referring to store managers, those managing daily operations at the food department are in mind. Consequently, the store manger of the non-food department is not referred to.

³¹ Ibid

³² ICA, About ICA, Organization

³³ ICA's Annual Report including the Corporate Responsibility Report for 2008

³⁴ ICA, About ICA, The ICA story

³⁵ ICA, About ICA, Ownership structure

³⁶ Ibid.

³⁷ ICA, About ICA, The ICA story

³⁸ ICA's Annual Report including the Corporate Responsibility Report for 2008

³⁹ Ibid.

2.5 Selection of Stores, Retailers and Store Managers to Interview

ICA Maxi is the store format selected for the case study. Since ICA Maxi is ICA's largest store concept we believe that these stores are the most complex to run from a retailer's and store manager's perspective. For us, this aspect makes the ICA Maxi store format of great interest when looking deeper into the use and efficiency of reward systems as a control tool. Since many stores are run as family businesses there lies a possibility of the store manager and the retailer being from the same family. Our conclusion is that reward systems do not have the same power and motivational effects on a family member supposed that this person also is an owner. Therefore, a population of ICA Maxi stores has been identified where the family link does not exist. By using this principle of selection for the population we believe that more useful and objective data for evaluating reward systems will be obtained.

Within the population there has been no random selection of which stores to interview. The critic that can be raised against this is that it is more difficult to generalize the result from the study.⁴⁰ This critic will be taken into account when analyzing the data and when discussing the validation of the study. Even though, we believe that interesting aspects on the use and efficiency of reward systems can be obtained. This is because the purpose is not to generalize but rather to get an understanding of reward systems within Swedish retail. Therefore, we do not see the selection criterion as a threat against the purpose of the thesis.

2.6 Interviews

To fulfil the purpose and to answer the research problem of this particular thesis, individual interviews with retailer/owner and store manager are efficient. The benefit of using individual interviews, as a method is that one is face to face with the respondent and therefore it is possible to read body language and to take notice of special useful to make correct interpretation when analyzing the answers.⁴¹ It is of great importance that the investigator is observant on if the respondent is trying to avoid a certain field or subject since the notice of this kind of behaviour can be useful when analyzing. It is also important that enough time is given to the respondent to answer the questions and that the investigator carefully listens to the respondent.⁴² As an investigator one should understand why a respondent answers in the way he or she does and one should also be able to detect if there are concealed connections within the topics. When the investigator carefully listens, confidence with the respondent is built up and the likelihood of detecting minor but still important misunderstandings increase.⁴³ The investigator can also easily spot when the respondent is sliding off the topic and gently lead the respondent back to the topic of interest when being an active listener.⁴⁴

The primary critic that can be raised against using qualitative interviews is that the investigator plays a crucial role; the investigator is the instrument in the collection and the analysis of data. When fulfilling the objectives of the qualitative research we are aware of that we as investigators need to use a broad range of own experience, imagination, and intellect in various ways.⁴⁵

⁴⁰ Patel, Runa & Davidson, Bo, *Forskningsmetodikens grunder*, p.44

⁴¹ McCracken, Grant, *The long interview*, p.39

⁴² *Ibid.*, p.40

⁴³ *Ibid.*, p.39

⁴⁴ *Ibid.*, p.40

⁴⁵ *Ibid.*, p.18

Building up confidence during the opening minutes of the interview is crucial for receiving honest answers. Most respondents are not prepared to reveal how they perceive situations or what their experiences are if they feel that there is a risk that their answers can be considered unsympathetically or in some way can be used against them if not treated professionally. Therefore, it is important that the respondent feel that the investigator is a benignant, accepting and curious person who is most eager and prepared to listen to virtually any story with interest without showing any sign of criticism. A way to create this atmosphere is by having a relaxed chat in the opening of the interview and by keeping the first few questions simple and informative.⁴⁶

Both the interviews with the retailer and the store manager started with a couple of minutes of small talk and then continued with us presenting the purpose of the interview and by explaining that their answers were to be treated confidentially so that the readers of the thesis could not identify which particular store the data was collected from. We also made sure that the store manager understood that we would not forward the information received during the interview to the retailer so that it could be used against them.

In the interview guide mainly open questions are used since it makes it possible to receive detailed and useful answers from the respondent. Important difficulties to be aware of when using open questions is that the investigator can lead the respondent without having the intention to do so and that answers can be difficult to interpret and compare with each other.⁴⁷ Even when taking this aspect into account we choose to work with open questions since they give us the possibility to get detailed and personal answers when interviewing. Bound questions with set answer alternatives do not provide the same level of unravelling answers as open questions. When using questions as a tool to collect information, the two aspects, structuring and standardization, must be regarded. The level of structuring depends on to which extent the questions are free for the respondent to independently interpret according to her or his own attitude and earlier experiences. On the other hand the level of standardization depends on how much responsibility concerning the formation and the inter order of the questions that is given to the interviewer.⁴⁸ In the case study done in this thesis a high level of standardization is used, meaning that synonympar questions are asked in the same order to the respondents. This makes it easier to contrast the answers. Further, a low level of structuring is chosen, meaning that full space is given to the respondent when answering the questions. When combining a high level of standardization together with a low level of structuring an interview with open questions is obtained.⁴⁹

When formulating questions the investigator should carefully consider the language he or she uses. The respondent must be able to understand the questions in the way it was intended and also be able to understand the contest of the question.⁵⁰ It is important that the questions are not too long, negative or leading. To ask more than one thing in one question is not to recommend since it can confuse the respondent and result in that not all questions are answered. Presupposed answers are not efficient to use when the aspiration is to obtain the

⁴⁶ Ibid., p.38

⁴⁷ Andersson, Bengt-Erik, Som man frågar får man svar, p.73

⁴⁸ Patel, Runa & Davidson, Bo, Forskningsmetodikens grunder, p.60

⁴⁹ Ibid., p.61

⁵⁰ Ibid., p.66

best answers possible.⁵¹ When carrying out the interviews it is important to be prepared. This partially means having done an objective evaluation of the questions before the interview making sure that only relevant questions are in the guide and that the questions cover all aspects of interest. It is important to make sure that the interview does not contain too many questions since it can be tiring for the respondent. It is also vital to make sure that the questions are phrased in a way so that they cannot be misunderstood. Being well prepared also means that the investigator is highly familiar with the content of the interview.⁵²

During the interviews we have chosen to have separate roles, one having the role as the main investigator and one having the role as the main annotator, taking notes by hand. Dictaphone is a possible tool to use when conducting interviews. It reassures that one can re-listen to the answers making it more likely that that answers are correctly understood.⁵³ Since the topic of this thesis is reward systems, a sensible and highly controversial subject, we believe that using a Dictaphone would have had a negative influence. Due to the respondents' possible feeling of uncertainty of the future use of the tape, we have made the choice not to use one in order to build up further confidence and trust. Receiving empirical data of higher quality was also one of the reasons to why a Dictaphone was not used. The speed of the interview is affected by the writing speed of the annotator, usually the respondent adjust to the person taking notes and tries to answer in a more clear way.⁵⁴ During the interview we tried to keep the notes short in order not to decelerate the respondents' answers, which can make the answers less spontaneous and therefore of lower empirical value. After the interview we immediately complemented the notes from the interview since we otherwise could risk that interesting and important data would be forgotten. In case of insecurity we followed up with telephone interviews to make sure that we understood the answer correctly. Negative with using this method for registration of interview data is that it can be difficult to get everything on paper and it might be hard to exactly retell quotes.⁵⁵

2.7 Discussion of Theories

The theories used in the third chapter concern reward systems, rewards, information asymmetry, sources of motivation and the role of a store manager. The theory of information asymmetry is used to show which potential problems there are when an agent carries out tasks demanded by the principal. Subsequently, the theory of reward systems and its purpose are presented, since the aim with reward systems partly is to reduce the effects of the prevalence of information asymmetry. Another purpose of reward systems is to cause motivation among employees,⁵⁶ which is why theories about origins and varieties of motivation are presented in the same chapter. Rewards systems, rewards, information asymmetry and motivation are thus closely linked. Since the topic of the study concerns store managers within retail, theories concerning his role are finally linked thereto.

When it comes to motivation, different studies over time have shown the complexity of the topic, which is why three main theories are described. The theory of McGregor describes the differences in how employees are treated by their chiefs and how it affects their motivation. Herzberg's two-factor theory is presented since it shows that not only motivational but also

⁵¹ Ibid., p.65

⁵² Ibid., pp.68-69

⁵³ Andersson, Bengt-Erik, Som man frågar får man svar, p.182

⁵⁴ Merriam, Sharan B., Fallstudien som forskningsmetod, p.96

⁵⁵ Ibid., p.96

⁵⁶ Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems, pp.394-395

hygienic factors are crucial to the employees' overall performance. Lately theories about different types of motivation have evolved, dividing motivation into two types, which are either inner/intrinsic motivation or external/extrinsic motivation. This theory is important since it underlines the different origins of motivation depending on if a person is motivated by an inner belief or by an external pressure, which he or she can have put on him or herself. All together the McGregor, Herzberg and Intrinsic/Extrinsic theory complement each other since they have different approaches to motivation and thus enrich the possibility to deeper analyze.

When it comes to literature about rewards and reward systems Merchant's and Van der Stede's framework is mainly used. Among others it touches forms of rewards and the purpose of a reward system. The framework of Merchant and Van der Stede also includes important parts, which we however have chosen not to present since they are not relevant in the context of store managers working at ICA Maxi stores. An often-cited problem with reward systems presented by Merchant and Van der Stede is when they are based on short-term accounting profit and return measures. They then might provide false indication of changes in firm value. *Operating myopia* is one consequence, which can occur under these circumstances. Managers exercising operating myopia try to sell and produce large amounts of goods at the end of the measured period in order to gain good results. The risk is however, that goodwill, quality and long-term customer relationship are harmed.⁵⁷ Another version of behavioural displacement, which is discussed in the context of reward systems based on accounting based return on investment measures, is *suboptimization*. The drawback here is that a unit makes decisions with the primary aim to keep its own ratios high and not taking the whole company's long-term success into account. This involves not making investments, which lower the average Return-on-Investment results for the particular unit although they would improve the result for the whole firm in the future.⁵⁸ These aspects are almost impossible to track within this study, since the interviews monitor what the store managers say, but they do not significantly prove what they actually do. Therefore, these aspects have been left out when presenting Merchant's and Van der Stede's framework in the upcoming chapter. Similarly, the aspect of group rewards has been left out, although they are an important part of the framework. Since the store manager is analyzed only in regards of how meaningful the system is for him, the interaction with the rest of the employees regarding the reward system is not as important.

2.8 Criticism of Sources

When conducting scientific research and when writing scientific thesis it is important to objectively judge the credibility of the sources. The truth-value and the objectivity of printed material, respondents, books etcetera used in a study should be evaluated.⁵⁹ Subsequently, we have born this core element in mind during the process of the thesis.

There is a strong American influence in literature regarding reward systems due to that research within the field started in the US and naturally the authors to a large extent are from there. Consequently, Swedish literature has been affected. Generally, the attitude toward reward systems in the US is positive and the use is widespread, therefore employees are dependent on the framing of the system. This we have born in mind during the process and therefore a critical attitude towards the literary sources has been adopted. When trying to

⁵⁷Ibid., pp.443-444

⁵⁸ Ibid., p.447

⁵⁹ Ejvegård, Rolf, Vetenskaplig metod, p.59

obtain an as objective picture as possible it is important to have a range of sources.⁶⁰ The ambition during the process has been to look into various sources concerning the area of interest of this particular thesis, which have been helpful when trying to approach the subject as objective as possible. As far as possible we have used primary data and we have tried not to cut something out of its context, in order to keep a high level of credibility.⁶¹ Newer sources have higher value⁶² therefore the empirical evidence has been collected in proximity with the issuance of the thesis. This approach raises the credibility of the study.⁶³ The theoretical sources are as new as possible. However, some classic theories have been used in the thesis since they are frequently cited and their key properties still are relevant in the context.

There is a challenge in receiving honest answers concerning reward systems. Many retailers/owners do not approve of these kinds of interviews since reward systems are classified due to competitive reasons. There is a general concern that store managers might change to another ICA Maxi store, which pays higher rewards.⁶⁴ From the standpoint of the store manager the questions asked are quite personal and they concern a controversial and current topic, which could possibly lead to dishonest answers. Consequently, this can influence the credibility of the source in a negative way. To obtain as high credibility of the interviews as possible we ensured that the retailer and the store manager knew that their answers were to be treated confidentially.

2.9 Credibility of Study

The credibility of a qualitative case study depends on both its validation and its reliability.⁶⁵ By studying the components of a study one can gain understanding of its credibility.⁶⁶ The level of science and credibility of a case study depends on the observer's critical awareness and presence in situations, techniques of observation, probation of the research problem and interpretations.⁶⁷ Lincoln & Guba suggest that the term truth-value is used for inner validation, transmittability for external validation and consistency for reliability when dealing with case studies. When analysing the credibility of a qualitative case study the main focus is detecting to what extent the researcher can trust the results.⁶⁸

The inner validation tells to what extent the result obtained through the study comport with the reality that we study, in other words to what extent the result catches realism. Further, the inner validation also tells how well the measures made by the researcher really measure what he or she believes it to do. In summary, the validation must be judged through interpretations of the researcher's experiences instead of being judged in terms of reality.⁶⁹ External validation spell to what extent the result obtained from a specific research is applicable also in other contexts than the one investigated. To be able to clarify external validation inner validation must exist, since nonsensical information cannot be generalized.⁷⁰ The applicability

⁶⁰ Ibid., p.63

⁶¹ Ibid., p.60

⁶² Ibid., p.61

⁶³ Ibid.

⁶⁴ Ehn, Karl-Gustav, Expert within Swedish Retail

⁶⁵ Merriam, Sharan B., Fallstudien som forskningsmetod, p.174

⁶⁶ Ibid., p.175

⁶⁷ Ibid., p.176

⁶⁸ Ibid., p.177

⁶⁹ Ibid., p.177

⁷⁰ Ibid., p.183

when dealing with case studies is mainly targeted on the extent and if it is possible to generalize from a qualitative research.⁷¹ The aim is to present the experience gained through the case study conducted at three ICA Maxi stores as accessible as possible in order to be useful in a variety of contexts. In order to achieve the aim, both of us have been present at the interviews as far as it has been possible. We believe this has helped us understand, explain, interpret and analyze the situations correctly. Also, we have made sure that the case study measures what we want it to measure by testing the interview guides on one retailer and one store manager before using it in the study. This ensured that the questions helped us answering the research problem and that they were not too leading. With the empirical evidence we have worked thoroughly. We have analyzed it using our experiences from the visits in the stores, personal work experience and our theoretical knowledge in order to reach a true conclusion. All this increases the possibility to gain knowledge from the situation in our specific case study. The possibility to generalize and apply the experiences gained through the study on other retail companies depends on how close the principal is to the activity.

Reliability, on the other hand, depends on to what extent the results obtained can be replicated; if possible, will the same result be given? Generally viewed, reliability is problematic since people's behaviour is not static.⁷² Since qualitative research focused on describing and explaining the world based on how the people living in it perceive it from the outside, there do not exist any set references to proceed from when reproducing a study since perceptions can change from day to day. Consequently, talking about the reliability of a qualitative case study is not possible.⁷³

The interviews held are in many cases sensitive for the company both internally and externally. Reward systems are often held secret in order to keep competence within the company. Therefore, many retailers do not want to reveal how the systems are framed. In this case we often knew the retailers personally or indirect through family members. This was probably an advantage since it probably helped making the interviews possible. Also, they trusted our intention, which in some cases made them even more open during the interviews. However, there can also be a disadvantage having a connection with the company. It contrary it can lead to the respondent not being totally honest with how they feel. The risk remains that they can feel inhibited.

⁷¹ Ibid., p.184

⁷² Ibid., p.180

⁷³ Ibid., p.181

3. Theoretical Framework

In this chapter theories and research regarding motivation, rewards, reward systems and the role of a store manager are presented. These concepts will be of importance when analyzing the empirical data and when drawing conclusions.

3.1 Agency Theory

Whenever one party, the principal, hires another party, the agent, to perform some services an agency relationship exists. The employing of another party necessitates that the principal delegates decision-making authority to the agent.⁷⁴ To separate ownership and management in large businesses is essential thus authority must be delegated to managers. Separation provides advantages, for instance ownership can change without interfering with the operation of the company and professional managers can be hired. Agency theory focuses on the problems owing to the separation. For instance there is a clear *information asymmetry* since the principal possesses information about the aims and strategies of the organization whereas the agent has the insight about how daily operations actually work. Another problem stated in the agency theory is that managers' and owners' objectives may differ. Managers should attend to the wishes of the shareholders and increase their value. A common problem is that they instead may seek a more leisurely and comfortable working lifestyle, they may shun disliked decisions, or they may attempt to build an empire with the investors' money. Agency costs occur when managers do not try to maximize shareholders' value or when shareholders have the need to implement systems to monitor and observe the managers in order to influence their actions. Agency costs consequently occur when a reward system is implemented.⁷⁵ As will be mentioned further below the purpose of a reward system is mainly to increase information and motivation within an organization. A reward system is a popular tool used in order to decrease the *Principal-Agency problem*.⁷⁶ The goal of reward systems is to create a harmony of interest between the principal, the owner, and the agent, the manager. When establishing appropriate incentives in order to benefit the agent at the expense of the principal, the latter attempts to limit divergence from his or her own interests.⁷⁷

However, certain criticism toward Agency theory exists. Its antagonist is the theory of intrinsic motivation⁷⁸, described further in 3.4.3. The theory has soared in popularity, especially within business administration and economics. In contradiction to agency theory it is stated that performance pay may undermine an agent's inner, intrinsic, motivation. Furthermore, it is argued that the principal is worse off when providing job incentives to agents and that there are hidden costs of reward systems. Recent studies show that hidden

⁷⁴ Kaplan, Robert S. & Atkinson, Anthony A., *Advanced Management Accounting*, p.721

⁷⁵ Brealey, Richard A., Myers, Steward C. & Allen, Frank, *Principles of Corporate Finance*, pp.7-8

⁷⁶ Merchant, Kenneth A., & Van der Stede, Wim A., *Management Control Systems*, pp.394-395

⁷⁷ Kaplan, Robert S. & Atkinson, Anthony A., *Advanced Management Accounting*, p.722

⁷⁸ Ryan, Richard M. & Deci, Edward L., *Intrinsic and Extrinsic Motivations: Classic Definitions and New Directions*

costs do indeed exist, but that the undermining effects of intrinsic motivation not necessarily is to be seen as a contradiction to agency theory.⁷⁹

3.2 Reward

A reward is a material or immaterial proof received by employees, when their work performance is appreciated and/or exceeds what is expected of them.⁸⁰ A reward can be either monetary or non-monetary. The opposite of a reward is punishment. In reality it is common that punishment consists of not receiving a reward when others do. Rewards are more frequently implemented than punishment since the possibility of earning rewards seem to have a greater motivational effect on employees than the fear of punishment.⁸¹ Companies use rewards with the purpose of motivating employees towards behaviour that is desirable from the company's point of view. The belief that:

“Rewarded behaviour is repeated”

is a statement, which is generally accepted. Thus rewards are operative control tools used to align the goals of the company with the goals of the employee. To be able to affect employees using rewards the reward must be perceived as meaningful and significant.⁸²

3.2.1 Monetary Rewards

Reward paid in monetary terms is largely widespread.⁸³ The question whether money is an efficient managerial tool is often discussed. True is that most people value money since it has powerful impact and symbolic values. Achievement, success, prestige and power are often associated with money. Moreover, money can buy goods and services and thus have powerful impacts on employees' behaviour.⁸⁴ Pension, stock and salary are a selection of rewards, all belonging to monetary rewards.⁸⁵ Even though monetary rewards are found to be considered important when satisfying human needs, beyond a certain level, monetary rewards are not always as appreciated as non-monetary rewards.⁸⁶

3.2.2 Non-Monetary Rewards

Many rewards are non-monetary. They can evolve around areas such as promotion, autonomy, recognition, increased participation and titles. Usually it is stated that individuals prefer money but it is not the only thing they value. Non-monetary rewards are often greatly appreciated and sometimes cheaper for the company to implement.⁸⁷ Since people are getting increasingly aware of that there is more to a working life than cash, non-monetary rewards such as training and healthcare are rising in popularity.⁸⁸ Additional types of non-monetary rewards are education, travels, and flexible work schedules.⁸⁹ There are some main contexts why and when non-monetary rewards are suitable. For instance it is a helpful tool to

⁷⁹ Kunz Alexis H. & Pfaff, Dieter, Agency theory, performance evaluation, and the hypothetical construct of intrinsic motivation

⁸⁰ Paul, Ann-Sofie & Alm, Ove, Belöningsar och Belöningsssystem, p.20

⁸¹ Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems, p.393

⁸² Samuelson, Lars A., Controllerhandboken, p.135

⁸³ Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems, p.394

⁸⁴ Ibid., p.404

⁸⁵ Samuelson, Lars A., Controllerhandboken, p.153

⁸⁶ Ibid., p.137

⁸⁷ Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems, p.394

⁸⁸ Rowlands, Chris, People are everything

⁸⁹ Berger, Lance, A. & Berger, Dorothy, R. The compensation handbook, p.246

implement when people already are content with the monetary rewards that they can achieve. Adding non-monetary rewards, as well, help to enhance goal congruency. Non-monetary rewards are also easier to display, which makes it easier for outsiders to recognize outstanding performances. A new stereo system, for instance, is easier to display than cash.⁹⁰

3.3 Reward Systems

A reward system is a tool, which an organization can implement on all levels of the organization. It is one possible management control measure that can be implemented to support strategic decisions.⁹¹ The reward system has primarily three purposes. Firstly, the purpose is *informational*. Through the reward system, communication to the employees is enhanced and therefore the Agency problem concerning information asymmetry is reduced. Further, information helps employees to better understand the goal of the organization and thus they learn to work according to it. Secondly, it creates *motivation*. Reward systems are often useful when an organization relies on the employee's extra effort in order to perform well. The system itself can then act motivational for the employees to put in the extra effort. Thirdly, the purpose is *personnel-related*. An incentive system makes the organization more attractive among potential employees, who learn that an extra reward can be gained apart from the market based salary and labour rights.⁹² It can also help to ensure that employees stay in the firm for a longer time period.⁹³

An optimal framing of reward system does not exist thus reward systems are often discussed from a holistic perspective.⁹⁴ When a company decides to implement a reward system it is important that the shaping of it has its base in the company's specific situation.⁹⁵ Monetary reward systems consist of three categories. *Salary increase* is one type, where the increase usually is small but valuable as it consists of an annuity persisting over time. The second type is *short-time incentives*. They are based on measurements shorter than a year and are also called bonuses. Short-time incentives are perceived as a differentiated pay, which, effectively encourages and rewards outstanding performance.⁹⁶ The calculation of the incentive is often formula-based, for instance a set percentage of sales. The third type of monetary reward is *long-term incentives*. The performance evaluation is based on periods greater than a year and is common on high managerial levels. Long-term incentives are often used when the aim is to keep valuable talents within the company over a longer period of time.⁹⁷ This is sometimes called "golden handcuffs".⁹⁸

Moreover, another important aspect of reward systems is the size of the reward. The incentive function has usually a *lower* and an *upper* cut-off. The idea behind a lower cut-off is that mediocre or bad performances should not be rewarded. Upper cut-offs are set to avoid fostering performances that are boosted simply because of good luck or because of a faulty reward plan design. Moreover, short term thinking among managers is better avoided when rewards are not too high. Also it is important to keep the hierarchical structure so that middle

⁹⁰ Ibid., pp.243-244

⁹¹ Den nya ekonomistyrningen, , Ax, Johansson, Kullvén, p.75

⁹² Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems, pp.394-395

⁹³ Ax, Christian, Johansson, Christer & Kullvén, Håkan, Den nya ekonomistyrningen, p.75

⁹⁴ Samuelson, Lars A., Controllerhandboken, p.136

⁹⁵ Ibid., p.152

⁹⁶ Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems, p.396

⁹⁷ Ibid., p.397

⁹⁸ Burt, Erin, Golden handcuffs

managers cannot get a payment higher than his boss. Moreover, the size of the reward relative to the salary is also a decision the firm has to take. People are generally risk averse. Thus, when performance is evaluated based on parameters that employees cannot control to a great extent and when the variable pay is high relative to the monthly salary, employees must be compensated for the high risk they take. Consequently, the possible rewards must be higher in regards to the risk they face.⁹⁹

3.3.1 Performance Measurements

The behaviour of individuals is controlled by what is measured. Subsequently, the goals communicated and followed up have substantial impact on the behaviour in organizations. When organizations wish to stimulate certain conduct among employees the fundamental rule is that rewards should be based on measures of performance that stimulate the desired behaviour.¹⁰⁰

“What you measure is what you get”

is a generally accepted business saying. The adage enhances the importance of defining the right performance dimensions. The parameters communicated to the employees of what is important, thus is most likely to be achieved. Performance measurements can either be financial or non-financial.¹⁰¹ Reward systems based on financial performance measurements are said to be vital for the empowerment approach of managers.¹⁰² Empowerment means that when employees are not strictly dictated they are believed to take the action needed and will perform even better.¹⁰³ Financial formulas, like accounting based and market based performance measures, are widely used on a higher managerial level. Accounting based measures, like Return-on-Equity or Return-on-Total-Assets are usually measured over a period of five years.¹⁰⁴ Market based performance can be realized by different types of stock plans. Stock option plans give employees the right to buy shares of company stock at a set price with the aim to create more long-term decisions and a way to do business more like owners.¹⁰⁵ In contrast, non-financial dimensions often focus on areas such as customer satisfaction, market share, growth and timely accomplishments of certain tasks.¹⁰⁶ Sometimes a mixture of two or several measurements, called multitask incentives, are used in the evaluation process. If these measurements are not weighted against each other the employees run the risk of feeling unsure about what results are important. Consequently, there is a possibility that neither of the aims be achieved.¹⁰⁷

Some measurements imply subjective evaluation whereas others are strictly objective. Important to bear in mind is that no measurement is fully objective. Another person can perceive what one perceives as just as highly unfair.¹⁰⁸ Objective evaluation exists when the rewards can be specified in a precise way and when there is almost no vagueness about the performance standards.¹⁰⁹ On the other hand subjective evaluation occurs when the evaluator

⁹⁹ Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems pp.402-403

¹⁰⁰ Sameulson, Lars A., Controllerhandboken, p.137

¹⁰¹ Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems, p.29

¹⁰² Ibid., p.26

¹⁰³ Ibid., p.25

¹⁰⁴ Ibid., p.397

¹⁰⁵ Ibid., p.398

¹⁰⁶ Ibid., p.29

¹⁰⁷ Ibid., p.30

¹⁰⁸ Svensson, Arne & Wilhelmsson, Lars, Belöningssystem, p.49

¹⁰⁹ Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems, p.401

judges whether the results obtained reflect good or bad performance.¹¹⁰ Subjective assessment is commonly used when managers for any reason want to leave measures implicit. One reason thereof is to reduce employees' tendency to engage in short-time manipulation of the performance measures.¹¹¹

The complexity and difficulty for the principal to evaluate his store manager justly, is proved in different research. Ghosh and Lusch show in their report that evaluation of the store manager done by the superior is either too positive or too negative. Evaluation consists both of subjective aspects like the superiors' rating of the manager's performance and objective aspects like profitability. It is shown, that subjective evaluation is often too strongly influenced by the objective measures. Generally, there is no accurate subjective evaluation of the store manager, which explains the bias. Therefore, the appraisal of store managers is sometimes not just. The problem deteriorates if the manager cannot control the objective measures to a full extent. The research made shows that this is often the case. Consequently, this means that subjective evaluation under these circumstances lacks of significance.¹¹²

3.3.2 Merchant's and Van der Stede's Criteria for Evaluating Result Control

Merchant and Van der Stede address three main issues for evaluating result controls that reward systems usually are based upon. Firstly, there must be knowledge *of desired results* among employees. They must know what is expected of them and what is being measured and the challenge is to inform all levels of the organization down to the operative level.¹¹³ Secondly, the *controllability principle* must be true if the reward system is to be efficient. This means that employees can only be held accountable for actions that they indeed can influence. That also includes that the goals set are reasonable and reachable.¹¹⁴ According to Johansson and Östman controllability includes two components. As mentioned, the performance must be possible to influence but they also need to have authority to use resources and take decisions in order to gain this influence.¹¹⁵ The idea behind is that good luck should not be rewarded and that bad luck should not be punished.¹¹⁶ Therefore, the third issue is the *ability to measure controllable results effectively*. The crucial criterion for judging the efficiency is to what extent the results measured evoke the desired behaviours. This is obtained when results measured are precise, which means that they have high informative value. Moreover, the measurement must be objective and hence done by independent parties. Measurement must also be timely, which means that employees need to be motivated on short-term basis in order to keep up motivation and creativity.¹¹⁷ Finally, measurements must be understandable. This refers to the fact that employees must comprehend what they are held accountable for through constant communication and information.¹¹⁸

3.3.3 Criteria for Evaluating Reward Systems

In order for a performance-dependent reward system to be ideally motivational, the following seven criteria should be fulfilled according to Merchant and Van der Stede. The first criterion

¹¹⁰ Ibid., p.543

¹¹¹ Ibid., p.401

¹¹² Ghosh, Dipankar & Lusch Robert F., Outcome effect, controllability and performance evaluation of managers: some field evidence from multi-outlet businesses

¹¹³ Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems, p.32

¹¹⁴ Ibid., p.33

¹¹⁵ Arvidson, Per, Styrning med belöningssystem, p.21

¹¹⁶ Merchant, Kenneth A. & Van der Stede, Wim A., Management Control Systems, p.33

¹¹⁷ Ibid., pp.33-35

¹¹⁸ Ibid., pp.34-35

states that rewards should be *valued* in order to have a motivational effect. Preferences for rewards vary across individuals partly depending on managerial levels within an organization. However, studies show that the reason why people choose to stay within an organization is not only depending on the compensation. In fact, it is broader than that. Satisfaction, the role of the employee, opportunities for future development and advancement and the feeling of sharing the same values as the organization are all reasons to why compensation is not the only factor. In summary, for an employee to value a reward it is important that it is the right type of reward for the individual.¹¹⁹ Apart from being valued it is crucial that rewards are large enough to have *impact*, otherwise employees can be insulted and their motivational level can decrease. Thirdly, rewards must be *understandable*, both since employees must understand the reasons for the reward and the value of it. Moreover, rewards should be *timely*. If rewards are paid closely after accomplishing the performance, the motivational effect is stronger. Fifthly, it is important that the good feeling generated by the reward remains for a long time. In other words, they should be *durable*. If a performance evaluator has made mistakes, rewards should be *reversible*, which sometimes is difficult to implement in practice. The challenge finally, is to find the reward system, which optimizes motivation at the lowest cost, making them *cost efficient*.¹²⁰

Swedish standards and recommendations agree with the idea presented in the previous chapter. For instance, the Swedish Labour Union *Civilekonomerna* stated recommendations regarding the shape of monetary reward systems. It is being underlined that a monetary reward should not be implemented as an alternative to the normal and market oriented salary. It must be an extra income in addition to the monthly salary based on all usual criteria. Moreover, it is stated that a reward system must be simple, clear, believable, informative and just so that employees know the rules and can affect outcomes.¹²¹ Furthermore, Roth and Alm state, that a reward system must be evaluated on how well the system is integrated with other bodies and systems of the organization. The system must be integrated with the culture of the organization. Today, when organizations tend to rapidly change it is important that the reward system follows. Changes in products, services, decentralization, new technology, new management and responsibility demand an adaptation of the reward system as well.¹²²

3.3.4 Hazards of Reward Systems

Reward systems should provide the most powerful motivational effects for employees in the most cost efficient way.¹²³ However, there are certain risks and disadvantages associated with reward systems. The motivational effects of rewards can vary widely depending on personal tastes and circumstances.

*“Some people are greatly interested in immediate cash awards, whereas others are more interested in increasing their retirement benefits, increasing their autonomy or improving their promotion possibilities”.*¹²⁴

Studies show that standardized reward systems, which do not take personal differences into consideration, can cause negative impact. Frey argues that monetary rewards in connection to

¹¹⁹ Ibid., p.31

¹²⁰ Ibid., pp.403-404

¹²¹ *Civilekonomerna, Civilekonomernas Rekommendationer angående belöningsssystem*

¹²² Paul, Ann-Sofie & Alm, Ove, *Belöningsar och Belöningsssystem*, p.22

¹²³ Merchant, Kenneth A. & Van der Stede, Wim A., *Management Control Systems*, p.404

¹²⁴ Ibid., pp.31-32

close monitoring can cause a crowding out effect. This means that genuine motivation to perform a task is crowded out and therefore work results deteriorate.¹²⁵ Another con is that rewards often lose their motivational power over time.¹²⁶ This occurs when employees have fulfilled the goals year by year and therefore the reward has always been paid. Consequently the reward is frequently taken for granted and the motivational effects decline. For example employees sometimes do no longer see a yearly bonus as a reward for extra good work, but as something they receive anyway.¹²⁷ Should they once not receive the reward or not the level they are used to, employees could start working counterproductively, since the sudden lack may undermine motivation.¹²⁸

3.4 Motivation

Above is stated that motivation is one of the purposes of reward systems and one desirable effect when controlling goal congruency and implementing strategic decisions on all levels. Different motivational theories are presented below since they show that some motivational aspects are better suited for reward systems than others. Herzberg's theory underlines that in order for the employee to be able to perform at all, both hygienic and motivational factors must be true.¹²⁹ Moreover, McGregor's theory X states that monitoring and control is necessary¹³⁰ and therefore a reward system is a tool that can be used in this context. It is also a tool that can reduce the effects of information asymmetry. Theory Y states that freedom and empowerment make the employee work in the best way for the company¹³¹ and therefore control tools like rewards are probably not the most advantageous. However, if a manager has set goals connected to a reward system but no tight control about how they should be obtained, the situation reflects theory Y. In this case reward systems are probably suitable. Hence, it is shown that the topic is complex. Also, when it comes to intrinsic and extrinsic motivation, presented later on in the chapter, theories say that intrinsic motivation is undermined in the presence of reward systems whereas extrinsic motivation would be enhanced.¹³² Thus, these theories are crucial to illustrate when later analyzing a reward system.

3.4.1 McGregor Theory

There are several theories explaining what makes employees perform well. One classic is the theory of X and Y by D. *McGregor*. Theory X states that people are fundamentally likely to slack and cheat if not monitored. Therefore, they must be tightly controlled and threatened. Employees want to be directed, they dislike responsibility and are insecure. Thus, tough management with punishment and rewards is required.¹³³ McGregor points out that this view has become less common since the growth of knowledge in social sciences has increased. Anyhow, the assumptions would not have persisted over time if there were no evidence to support them.¹³⁴ Opposite, theory Y states that people need more than just financial rewards at work, they also need a deeper motivation to fulfil themselves. Employees want to do a good

¹²⁵ Arvidsson, Per, *Styrning med belöningsystem*, p.23

¹²⁶ *Ibid.*, p.23

¹²⁷ Tengblad et al., *Incitament för detaljhandelsutveckling*, p.3

¹²⁸ Merchant, Kenneth A. & Van der Stede, Wim A., *Management Control Systems*, p.403

¹²⁹ Arvidsson, Per, *Styrning med belöningsystem*, p.18

¹³⁰ McGregor, Douglas, *The human side of enterprise*, pp.45-47

¹³¹ *Ibid.*, pp.59-60

¹³² Ryan, Richard M. & Deci, Edward L., *Intrinsic and Extrinsic Motivations: Classic Definitions and New Directions*

¹³³ McGregor, Douglas, *The human side of enterprise*, pp.45-47

¹³⁴ *Ibid.*, pp.43-44

job if they get freedom and empowerment to do so. Man will perform successfully if he is committed to the aims of the organization and if the job is satisfying. Under the right conditions people learn to both accept and seek responsibility. Further, theory Y states that creativity, imagination and ingenuity are crucial factors when solving work problems.¹³⁵

McGregor differentiates between these two theories. Theory Y is stated to be difficult to implement on the shop floor, whereas it is better suited on managerial level. Yet, employees should be consulted to a larger extent according to theory Y, if the following is true: they are emotionally mature, his or her managerial level is visible and if responsibility can be assigned in a flexible way. Consequently, participation leads to problem solving and better results than when simply handing out orders. According to McGregor, the intellectual potentiality of employees is only utilized to a limited extent in today's modern industrial life.¹³⁶

3.4.2 Herzberg Theory

The theory of Herzberg from 1966 is another classic theory about motivation called the *two-factor theory*. It discusses motivation from the standpoint that there are two crucial factors, which need to be realized to gain motivated employees. These are *motivational* and *hygienic factors*. Hygienic factors are related to work conditions that have to be realized so that the employee does not feel uncomfortable. These are for instance the salary and the work environment. The motivational factors are among others the feelings of responsibility, career prospects and recognition and they result in a feeling of work satisfaction. It is important that the external hygienic factors and inner motivational factors are stimulated simultaneously. External factors like salary can cause employees to switch their jobs. However, the size of the salary says little about how well the employees enjoy their work.¹³⁷

3.4.3 Extrinsic and Intrinsic Motivation

Several theories have been presented, which discuss the origins of motivation. The following theory classifies motivation into two main types, which are intrinsic and extrinsic. Intrinsic and extrinsic motivation explains why a task is carried out and what type of motivation causes certain behaviour. Not only does the research of Deci and Ryan focus on the two different types of motivation called the orientation, but also on how motivation varies within the field of extrinsic motivation, named the level of motivation.¹³⁸

The first type, *intrinsic motivation*, is defined as the doing of an activity for its inner satisfactions rather than for some separable consequence. The person performing the task is motivated because he or she enjoys the challenge and is not pushed upon it by external reward or pressure. People are intrinsically motivated for some activities, and not everyone is intrinsically motivated for any particular task. Intrinsic motivation occurs because it is said to provide satisfaction of inner psychological needs. The interesting question is when intrinsic motivation is achieved. Deci and Ryan's *Cognitive Evaluation Theory* specifies which factors produce variability in intrinsic motivation. It is argued that rewards, communication and feedback that bring a feeling of competence during action, can enhance intrinsic motivation, since they allow satisfaction of the basic psychological need for competence. The feeling of competence is not alone enough if there is not a feeling of self-determination and *autonomy*.

¹³⁵ Ibid., pp.59-60

¹³⁶ Accel, Employee Motivation

¹³⁷ Arvidsson, Per, Styrning med Belöningsystem, p.18

¹³⁸ Ryan, Richard M. & Deci, Edward L., Intrinsic and Extrinsic Motivations: Classic Definitions and New Directions

Rewards that are being understood as controlling, on the other hand, are alleged to undermine intrinsic motivation.¹³⁹

A person can be amotivated and fully lack intention to act and therefore does not possess any form of extrinsic or intrinsic motivation at all. *Extrinsic motivation* occurs when a task is performed in order to obtain a certain, separable outcome. This type of motivation can vary in terms of the degree of autonomy and self-determination. The least autonomous form of extrinsic motivation is called external regulation and is due to the urge to satisfy an external demand. It is also the most commonly used explanation for extrinsic motivation in general. Introjection, another form of extrinsic motivation, occurs when tasks are carried out in order to avoid feelings of guilt or anxiety or to attain ego-enhancements or pride. A more autonomous form of extrinsic behaviour occurs when identification causes motivation. The most autonomous form, and the closest to intrinsic motivation, is integrated regulation. It arises when all regulations have been integrated to the self. The process of identification and integrated regulation make extrinsic motivation more self-determined.¹⁴⁰

3.5 The Role of the Store Manager in Retail

M. Griffin states:

“Store managers are captains on service front- quality that will ultimately distinguish one chain from another in the automated, consolidated, data-driven retail world of tomorrow.”

When a store manager acts enthusiastic, almost as if he or she owns the store, it is advantageous for the business. Qualities like ownership, pride and responsibility should be treasured and adopted by chains in their store managers. The attitude, ethics, personal style, and enthusiasm of the store manager set the tone for the whole store. The employees' treatment of the customers will mirror the manager's attitude and also his or her treatment of the employees themselves.¹⁴¹

The qualities demanded of a store manager mentioned above highlight the manager's role as a communicator to clients. However, it is stated, that the role of a store manager is highly complex and that he bears responsibility for many other groups as well. Not only is he directly responsible to his supervisor, but he also has to interact with personnel on all levels of the organization, with suppliers, salesclerks and with customers.¹⁴² Regarding the role towards the staff, D. Bunse underlines the store manager's crucial role in developing employees. This the manager obtains by welcoming proposals of improvement, inspiring, educating and praising co-workers. Organizing group activities that improve the team feeling are of great importance.¹⁴³ Studies implicate that store managers consequently have to deal with a role conflict resulting from people's different expectations of the leadership and the work tasks.¹⁴⁴ Also, Bolman and Deal side with this idea. They state, that the picture of a manager as a strict

¹³⁹ Ibid.

¹⁴⁰ Ibid.

¹⁴¹ Griffin, Marie, Let your store managers surprise you

¹⁴² Oliver, Richard & Brief, Arthur, Determinants and Consequences of Role Conflict and Ambiguity Among Retail Sales Managers

¹⁴³ Dietrich, Bunse, Bättre Butik pp.70-74,80

¹⁴⁴ Oliver, Richard & Brief Arthur, Determinants and Consequences of Role Conflict and Ambiguity Among Retail Sales Managers

and rational person with full control over the organization seldom agrees with the reality they live in. The context they act in is messy, turbulent and full of conflicts and insecurity.¹⁴⁵ Another aspect is that a store manager is often given a high degree of freedom but with the demand to increase profit. An uncertainty of how this is to be obtained can therefore arise and cause role ambiguity.¹⁴⁶ The study by Oliver and Brief suggests that positive, more frequent and precise evaluation is one way to reduce the role ambiguity of the manager. When it comes to the role conflict it is merely alleged to be caused by the manager's perception that he or she spends too little time with each group of co-workers or suppliers. Thus, the role conflict can only be reduced if the organization sets more realistic targets concerning the focus of the manager on each group.¹⁴⁷ There are studies examining the relationship between managerial decisions in the presence of monitoring or incentive alignment. One study by Tosi, Katz and Gomez-Mejla shows, that incentive alignment is a more powerful tool than monitoring, in terms of ensuring that agents act in the interest of owners. It is also proved, that incentives are advantageous for the principal since agents tend to stay longer within the company.¹⁴⁸

¹⁴⁵ Bolman, Lee G & Deal, Terrence E, *Nya perspektiv på organisation och ledarskap*, p.381

¹⁴⁶ Oliver, Richard & Brief Arthur, *Determinants and Consequences of Role Conflict and Ambiguity Among Retail Sales Managers*

¹⁴⁷ Ibid.

¹⁴⁸ Tosi, Henry, Katz, Jeffrey & Gomez-Mejla, Luis, *Disaggregating the agency contract: The effects of monitoring, incentive alignment, and term in office on agent decision making*, p.584

4. Empirical Evidence from Store A

This chapter will retell the data collected during the interviews at ICA Maxi store A. Firstly, the data of the retailer is presented thereafter the data collected from the interview with the store manager. One interview guide has been followed during the interview with the retailer and another one during the interview with the store manager. Crucial aspects in the empirical study are the store manager's background, his source of motivation and the framing of the reward system.

4.1. Retailer A's Description and Reflections of the Reward System

At store A the organizational structure consists of two individuals sharing the role as retailers and one store manager running the daily operations. The reward system levelled at store manager A also includes all employees of the company. An external consultant together with the retailers has elaborated the now two-year old system. It is set on three levels, *store*, *divisions* and *individuals*. The criteria for the system to come true is that set financial performance measures are met simultaneously with both a pre-set level of customer satisfaction and employee satisfaction. Both customer satisfaction and employee satisfaction is evaluated on the store as a whole and division-by-division. Rewards are paid once a year. The set financial performance measurements are among others sales per hour worked and marginal measurement expressed in absolute terms and not in percentage. When all requirements are met the first level, *store*, including all employees, are rewarded with an amount of money.¹⁴⁹ The money can only be used for group activities. It can for instance be educational or recreational. Further, all *divisions* within the store are evaluated and those who have met all requirements receive an extra reward. Consequently, all or some divisions have the possibility to earn an extra amount of money earmarked for group activities. The co-workers evaluate each other and decide to which twenty individuals the rewards are paid on the third level, *individuals*. Subsequently, the first level, the store, must first be rewarded before the second level, divisions, has an opportunity to be rewarded. The same is applied for the third level, individuals. In summary, this means that the store manager only can be rewarded on the store level since he does not belong to a specific division nor is he included in the individual evaluation.

Retailer A argues that the purpose with the reward system is that the whole staff shall have an opportunity to earn compensation and that the best twenty performances are rewarded additionally. Since 2007, when the system first was taken into use, no rewards have been paid. It has been close that all parameters were reached simultaneously but customer satisfaction has not increased enough for the reward system to come true. Even though no compensation has been earned through the system, appreciation has been shown for good work. All employees have been invited to an extra event at a spa facility. The retailer argues that it is probably nothing wrong with the work of the employees instead he believes that the framing of the system is too fragile.

¹⁴⁹ Store manager A's reward is a group reward and not an individual reward, even though he relates positively to the reward.

A believes that softer and more long-term based measurements are needed beyond the financial ones since profitability and survival cannot only be based on financial measurements. Consequently, the decision to include customer satisfaction into the evaluation was based on a long-term perspective. Based on previous practice he believes that when only focusing on financial measurements one loses focus on customer satisfaction and other long-term objectives. When weighing between non-monetary and monetary rewards, retailer A's experience is that money is only appreciated at the moment. His experience is that employees easily start taking money for granted and over time the appreciation of it heavily declines. Retailer A has no intention of offering his store manager partnership in the company since it is a family business and since by doing so the mobility of the staff is firmly reduced. Thus, the whole organization is made less flexible since replacing the store manager will demand more administrative work and an extra effort from the retailers since they in that case need to buy him out.

Retailer A perceives that the store is cleaner and more inspiring to visit since the reward system was implemented. The understanding of what it takes to be a successful store has also increased among the staff. Only customer satisfaction has not improved during the use of the system. Although he can spot improvements since the introduction of the system he believes that the same things would have been achieved anyway. Retailer A is aware of that the top level of the organization generally is inadequate in follow-ups and in giving feedback, which also includes the reward system. Even though everyone knows one's assignments, negligence still exists. A argues that the biggest difficulties do not consist of framing a reward system but of evaluating and giving both positive and negative feedback, since this also is perceived as a reward.

Since the system was relatively cheap to elaborate and rewards have not yet been paid, the retailer perceives the system as cost efficient. Store manager A was not active in the framing of the current reward system since he at the same time was not employed in the company. Today he is taking part in evaluating the system and he will also be active in a possible recast of it. Retailer A believes that the main problem is the sophisticated framing; it would probably be easier basing rewards only on financial measurements and paying monetary rewards. His overall impression of reward system is that it is difficult to make the system fair. In the future he does not think that they will have a reward system covering all employees. If there will be one it will probably only be levelled at the directorate, which is a group including the employees with the most formal operative responsibility. Personally, retailer A would like to hand out monetary rewards spontaneously when he feels that someone or a group of people has done a good work. He does not like being restricted by set parameters since it blocks him from giving more subjective and spontaneous rewards.

4.2 Empirical Evidence of Store Manager A at ICA Maxi

In the following section the data collected during the interview with store manager A is presented. Focus is put on his source of motivation, his perception of his role, his every-day work environment and how he perceives his reward system.

4.2.1 Background and Sources of Motivation

Store manager A has an academic background and his present job, as a store manager is his first as such. He has a Master of Business Administration in Management and Leadership from Oxford University and further education in Hotel Management. Before his job as a store manager of store A he has neither worked within retail nor in stores nor at ICA. Instead he has

worked as marketing manager at a wholesaler company and he has also run his own wholesale company. At store A he has been store manager for the past one and a half years. Within ICA he has not taken any in-house education apart from security classes. He feels that his Master of Business Administration is sufficient and if he had taken more ICA courses he would risk getting too near-sighted and thus losing his specific track.

Having no previous experience from retail, store manager A states that his qualities are leadership and personnel. Therefore, he believes that the only position he was qualified for when starting his employment within an ICA store was the one as store manager. He truly welcomes the daily contact with employees, customers and suppliers. Humans and leadership is what he values most and also the reason why he is content with his working environment. In many aspects it reminds him of his past in the hotel industry where humans are crucial. A feels content when employees feel proud of themselves and his feeling enhances when the achievement causing that pride align with the aims of the business. In contrast to the hotel industry, he enjoys the fact that the employee turnover is lower, although the store sometimes lacks of new and dedicated employees. He feels that the store is like his own since he has influenced it strongly with his view of man. There were watchwords set before he started which he has influences and realized. They include openness, trust and respect which the manager believes to be crucial aspects all leading to each other when realized. Further, he feels like he is one with the company, partly because of his involvement in the directorate.

4.2.2 Responsibility, Operating Freedom, Feedback and Development

Store manager A tells that he feels a huge responsibility, partly since he is part of the directorate but also because they are responsible for over one hundred full-time jobs. *“It tickles in the stomach when you think about it”, he says.* He fully participates in the budgetary process together with the retailers, the controller and the sales managers. Everyone’s ideas are listened to and there is also a symbolic value of him participating, he states. Moreover, he ensures that he can influence and have control over all he is held responsible for. *“What I take into my responsibility I make sure that I can affect, otherwise I would not accept that responsibility”,* he emphasizes. This is discussed once a year when the retailer, the store manager and an external consultant go away for some days in order to discuss strategy and the business plan. Important to point out is that A feels a huge respect for the retailers who had the guts to hire an academic, with no background from the everyday commodity industry, and dared to give him full responsibility.

Store manager A meets with a coach every third or fourth week to exchange ideas and to discuss daily matters. Moreover, there is a network of other store managers within ICA Maxi, with whom he frequently meets and talks over the phone with to exchange experiences. When it comes to how he experiences feedback given to him he states that it has not been good and that it could be a lot better. He demands more feedback. That is something, which he misses and in a complex organization it is important to be evaluated in order to know what to prioritize. The risk is that he is involved in everything although he not needs to be which, makes him unsure of his role. He wants to have more pressure put upon him from the retailers since then he performs best.

A’s short-term aim is to create a we-feeling and to be the world’s best Maxi store according to the store’s own definition and values. The long-term aim, however, is to be the link between the retailer and the store, to realize the retailers’ visions and to help them getting a profitable store. Once a year he has a review with the retailers, which is why he feels little ambiguity regarding his tasks and what is expected of him.

4.2.3 The Framing of the Reward System and Its Influences

Store manager A tells that he already at the job interview told the retailers that he did not want a reward system for him personally and he did not want any monetary rewards, because he wants to have freedom of action and no detail steering. He says that he is not motivated by rewards, for him people are the crucial factor. Today there is a non-monetary reward system for the whole store, which he consequently also is included in. It already existed when A started, so he was not part of the framing. If the employees accomplish all economical parameters in addition to customer satisfaction, all employees get to take part in an activity, a trip or an education. The reward is paid once a year. It is up to them to decide what they want to do. A argues that he is not personally motivated by the system but motivated for the sake of the employees. *“When the employees reach the goal I am happy,”* he says. Rewards are nothing, which trigger him, instead he feels motivated when he sees that the employees are enjoying their jobs. Moreover performance reviews and set goals motivate him. *“I plan my time independently but I do everything in order to reach the goals,”* he states.

Manager A says that he is not motivated by rewards but motivated when the people around him are inspired. Only then the system is good for him. He did not help framing the reward system but he thinks that it is good and democratic and develops personalities. A feels that a drawback may be that all employees are included since they cannot control all aspects that are measured. One proof for that is that ever since the system was introduced two years ago it has never been realized since all the goals have not been met simultaneously. He says, *“it feels like a total failure”*. Thus, he believes that motivation is undermined although it actually is the fault of the directorate and not of the employees. As compensation a trip has been planned for all employees in order to show that their performance has indeed been good. One way to improve the reward system he believes would be by only implement it on the directorate’s level since the members actually can influence the outcomes and take decisions. Rewards are also based on customer satisfaction, which is a difficult parameter since it is difficult to control. Still, the system is understandable for everyone. The evaluation is done once a year. A does not think that more frequent rewards would be helpful since they can lose the power over time. Still, frequent updates on where the business is heading is helpful. The most important thing is that his work has been visible. It is more important for him to show what he has delivered than getting rewards for it.

4.2.4 The Store Manager’s Perception of his Role

A argues that there are no such days as an average working day but on overall 10-15 percent is administrative work, and the rest is more ad hoc working. He tries to have good routines since much is going on quickly and at the same time. His ambition is to be close to the employees, listening to them and helping them solving problems. His daily decisions are mainly based on views from lower levels of the organization. He states that there is some discrepancy between the demands from above and from below. It mainly contains the amounts of work hours that should be spent. The retailers want to cut cost whereas in the lower levels of the organization more hours are frequently asked for. One solution to it is to compare with other stores and thereby see what could be relevant. However, the question whether work hours are divided correctly or not always maintains. For manager A it is important that the employees never go home feeling worried or burdened. Today he tries to be present and answer the employees’ questions in order to show them how to take on more responsibility and how to take their own decisions in the future. However, one never manages to catch up with everything and everyone every day. He also feels a role conflict since he has no real experience and knowledge from the everyday commodity industry, instead he has broad academic knowledge. Therefore, employees sometimes do not understand what he

actually does when he is working, although more recent research about the employees' shows, that they now trust him more. His crucial role is to develop employees, he says. Human is the working environment, including customers, suppliers and employees. Sound dialogues, communication and a good working climate all lead to better customer satisfaction, better business and improved wellbeing for employees. Everything is interconnected he says. Of course there is a symbolic value of the store manager being more visible in the store but A's ambition is to lead his employees and thereby get satisfied customers. *"But of course I would like to spend more time closer to the customers and in the store,"* he says. His job description is not very clear but this is what he wants. He wants to have freedom to act and huge responsibility. He says: *"Don't question where I am or what I do as long as I deliver."* He feels that this is the case today since the retailers have given him almost total freedom and delegated all operative tasks to him. He feels that they believe in his leadership style and they have let him do the job in his way ever since they hired him.

5. Empirical Evidence from Store B

This chapter retells the data collected during the interviews at ICA Maxi store B. Primary the answers of the interview with the retailer are presented, secondly the answers of the store manager. One interview guide has been followed during the interview with the retailer and another one during the interview with the store manager. Crucial aspects in the empirical study are the store manager's background, his source of motivation and the framing of the reward system.

5.1 Retailer B's Description and Reflections of the Reward System

Store B's top level structure consists of two retailers and three store managers responsible for managing the food department. In 2002 the reward system levelled at store manager B was implemented. Whether rewards are paid depends on if a minimum level of earnings before interest and tax is achieved. The reward is monetary and the system is framed without an upper cut-off. Theoretically this means that store manager B's reward is unlimited. Depending on how strong the result is, a higher reward is paid. Most investments are based upon leasing agreements making the depreciation almost linear from year to year. Therefore, the effects of investments on the result before interest and tax are steady. During the first few years the reward was distributed twice a year but now it is distributed once a year. One reason thereof is that it is easier to prepare the result measurement once a year together with the compulsory annual account. Another reason is that a six-month result can be misleading if periods are volatile, making the rewards false as well. In order to keep motivation up during a whole year, extensive monthly reports are confided. Three years ago, in 2006, the framing changed from having a maximum limit on the reward based on earnings before interest and tax to not having an upper cut-off. The reason for this change was that an unexpected strong result was delivered and the retailers wanted to reward the store manager to a full extent.

The purpose of the reward system is both to offer an extra incentive to perform well and to raise interest and commitment in the company, especially the result. The retailer believes that the performance measurement helps raising awareness about costs and wastage. Since other employees with specific responsibilities have the same framing of their reward system as the store manager has, retailer B argues that the system itself is a valuable tool for the manager when communicating with subordinates.

Retailer B believes the performance measurement to be fair since employees, and in particular store managers, ought to understand that investments are natural elements, necessary in order to stay in business and to improve future cash flows. Consequently, they ought to accept that the level of investment affects the depreciation, which hereby affects earnings before interest, and tax, which their reward is based on. The measurement, earnings before interest and tax, was chosen since it is a figure, which is visible in the annual report, and it is easily understandable. He believes that it is advantageous to have a measurement that mirrors the over-all performance of the store instead of having measurements division-by-division. This could cause frictions between the store managers. Maybe the store managers would not lend staff to each other because the cost would still burden the lending manager's division and hence his personal performance evaluation. In summary, retailer B argues that the well being

of the store easily can be threatened if store managers do not co-operate as a unit. It can also cause feelings of unfairness. The choice not to include parameters like customer satisfaction is made since they are considered complex and difficult to judge. Besides the formal reward system the retailer rewards proficient employees with in-house ICA training taught at the ICA-school. The retailers have constituted a trainee program where the individuals included in the reward system have received further training. The focus of the trainee program is to broaden the knowledge of wastage, costs, management and accounting. The reason why monetary rewards are used instead of non-monetary is that money is straightforward. However, Retailer B argues that money is not always the most important reward. Circumstances of life differ between individuals, which affect how employees perceive monetary rewards.

Retailer B is ambivalent to the system. In general he feels that rewards easily are taken for granted. Last year, due to a reconstruction of the store, a lower level of reward than previous years was earned. This caused strong reactions, which the retailer perceives as negative. A way to counteract this could be by having a smaller share of the total wage variable. The retailer says that it is not easy to identify what has improved owing to the reward system. He believes benchmarking with other ICA Maxi stores is most motivational for his store managers. He does not want too much focus on the reward system since he does not think it is the main source of motivation. If one does not have fun at work, one probably cannot perform well. During the first years of the existing system he felt that the commitment increased but during recent years he feels that this has declined. When the system was introduced the store only had one store manager and now there are three. They can benchmark each other and that itself creates motivation, according to retailer B. If there were no reward system, B believes it would be necessary to increase the base salary and have an even more open discussion about profitability and commitment. Probably it would be necessary to have job rotation in order to maintain a high level of motivation among the employees. In summary, he thinks that more information would be needed in order to keep commitment. He finds it hard to judge whether the system is cost efficient. On the one hand a certain level must be provided to keep it interesting but then again one may not get the extra commitment if there is no system at all or if the level of the reward is too low.

Store manager B was not participating in designing the current reward system. Instead the two retailers elaborated a system that all store managers were given the chance to comment on but none of them did. Their system will most likely be refined if the high reward that has been paid in recent years continues. The retailer thinks that the variable share of the total salary then is too high. He prefers to increase the base salary and to decrease the variable share, since he senses that it will be more appreciated by the store manager due to his circumstance of life. In the future maybe customer satisfaction or employee satisfaction will be implemented among the measurements of the rewards system. Thoughts exist about incorporating non-monetary rewards such as education and promotional possibilities in the system. According to the retailer, education has added value. Subsequently, the appeal of the company when investing in education increases. Since the store is run as a family business there is no room to offer partnership to the store manager. Hence, in this store partnership as a reward is not appropriate. The retailer is aware of that not offering partnership can be a competitive disadvantage since it is relatively difficult for a store manager to become a retailer starting his own ICA supermarket. In conclusion, even though it is hard to find the appropriate level of rewards, retailer B will continue with reward systems in the future. Even though he does not believe that rewards are the main source of motivation, he believes they

are important since they can act as an extra motivational factor for people to work themselves up in the organization and to take on more responsibility since they get a higher reward.

5.2 Empirical Evidence of Store Manager B at ICA Maxi

In the following section the data collected during the interview with store manager B is presented. Focus is put on his source of motivation, his perception of his role, his every-day work environment and how he perceives his reward system.

5.2.1 Background and Sources of Motivation

Store Manager B has all his work experience within ICA, having been both a retailer at a smaller store concept and having later been responsible for different fields within larger ICA stores. He has had the position as store manager for the past nine years and the present job as store manager is his first as such. B has taken several in-house educations within the ICA school. Among others, he graduated the ICA Business School and the retailers have paid all of his educations.

Manager B states that becoming store manager was a natural development for him for a variety of reasons. Above he has worked within ICA for a long time and he has valuable experience from being a retailer. He believes that ICA suits him perfectly. What he enjoys most in his work is the variation, the high tempo and the freedom of action. For him it feels challenging to run and develop a store. Further he states that it feels almost as if it is his own store not only because of the freedom he is given but also since he is part of the directorate. He says: *“I don’t see myself as an employee; the store is a part of me”*. Since he perceives the store as his own he identifies with the company. What he enjoys is the tempo in his work and that there are always things happening. He feels that he has done a good work when challenging projects and plans are realized and successful. *“That gives an extra kick,”* he says. On an ordinary weekday he feels content when the things he has planned to do have been done. Furthermore, B underlines that he appreciated that the retailers spent time and money on his education at the ICA Business School.

5.2.2 Responsibility, Operating Freedom, Feedback and Development

B states that his responsibility is heavy since the store is large, but it does not feel overwhelming. He has responsibility to coordinate and is the link between the store and the retailers. To the retailers he has to mirror what is actually happening in the daily operations since they have less insight into it. Also, he participates in making strategic decisions, partly since he is part of the directorate. He feels that he has strong influence, which was shown recently when decisions were made concerning a reconstruction of the store. Moreover, he participates in the budgetary process together with the other operatively responsible. Furthermore he feels that he can more or less influence his fields of responsibility due to being part of the directorate. Sometimes he gives in to the overall decision but when he feels that he has a different point of view that he can defend, he tries to implement it. His perception of his freedom of acting is that he has freedom under the responsibility to inform the retailers. He finds it difficult to identify the limits, but as long as he is sure of his decision he feels freedom to act and that the tasks are fully delegated to him. To conclude, he states that he does not feel any actual monitoring or follow-up apart from the meeting of the directorate where he reports the things he perceives as important. *“Also, it is up to the retailers to ask,”* he says.

The directorate is the group of people who store manager B primarily discusses and exchanges ideas with on a regular basis. Also other managers in the store and the network of store managers within the Maxi concept fulfil this role. A performance review is nothing which is formally used, it happens approximately every second year and not on a formal basis. What B is not content with is how feedback is given. There is too much focus on negative feedback, which maybe is natural because the aim always is to make improvements. He also feels appreciated since he is given freedom and empowerment. Still, positive feedback in actual words is always appreciated and very important. B's personal long-term ambition is to become a retailer again. In order to become one at a larger store he must keep developing and gaining more experience. He also has the ambition to gain experience from other stores, but this is up to him. The risk in life he believes is to stop developing and start digging into administrative tasks.

5.2.3 The Framing of the Reward System and Its Influences

For store manager B a reward exists which is solely based on earnings before income and tax. There is only a monetary reward and the size varies depending on the bonus step reached. The remuneration, which the store manager receives, differs from what other employees' included in the system receives. He states that he is motivated by results but not only the reward is important. Both hard and soft values motivate him. Soft values such as enjoying the work environment and having fun are things that matter. One cannot keep motivation up if one is only focused on results. However, he feels that it is relatively easy for him to keep motivation up since he generally has a better understanding for why things happen than what the other employees have and knows the reason behind. Regarding how the system was established he says, that he did not participate in the framing of it. The retailers and the board of directors developed the reward system. The system was presented to him and he had the possibility to comment on it. B states that there is always a difficulty in finding a system that is fully just, but the present system feels fairly just at the moment.

The reward system feels meaningful for Store manager B. To improve it he states that it could be interesting to include more parameters like wastage or customer and employee satisfaction, although the later are difficult to evaluate in practice. For him other rewards than money are also desirable like when he had the possibility to take the education at ICA's business school. *"I felt important and rewarded,"* he says. Also, more free time and benefits like different health insurances are appreciated. When there is construction going on in the store figures automatically decrease and high rewards are not realized. Consequently, this is not motivational since employees probably work harder than usual and yet do not receive a reward. This is one drawback of reward systems that he identifies. When changes occur caused by increased competition or construction in the store, employees have already started taking the reward for granted. This results in less motivated and frustrated employees, since the result measures cannot be fully controlled when external pressure is put on the business. If there had not been a reward system, B believes that maybe he had not worked as hard as he does now. He states, *"it helps you give that little extra"*. Of course one naturally always wants to do a good job but the reward puts an extra value to it. It is difficult for him to say how much it influences him in absolute terms. To summarize, he states that employers, which offer a good reward system, have a competitive advantage attracting employees. Further, he says that the measurements are precise since they are easily understandable and continuous budgets and reports are presented to the employees showing in what direction the store is heading. By informing employees, focus can be put on important measures like wastage, sales per hour worked and costs. B also states that it is not always possible for him to control the outcome since in large organizations, like Maxi stores, the individual cannot always influence

everything. He is content with the fact that evaluation according to the system takes place once a year and that rewards are paid once a year. Too short periods can be irregular and misleading whereas during longer periods of measurements one gets the chance to improve, influence the situation and turn the result around. Moreover, he has been allowed to present his standpoint on the framing of the reward system but ultimately it is the retailers and the board who has the final saying. B says that the reward system still motivates him as strong as it did in the beginning. Even though he argues that the system itself is not the key property. To walk around the store a Friday afternoon seeing that it looks nice and clean is a reward in itself. It has never happened that he has not received a reward but recently he did not reach an as high bonus as before. This was due to reconstruction. He says that he had started taking the former level of the monetary reward for granted. If there had not been reconstruction he should actually have earned the same reward given his work performance during that time. Consequently, he has the feeling that the system may be undermined if this happens frequently. Still, he understands why investment is important for the future, but this can be hard to communicate downwards in the organization. B says that in the future it would be desirable to reach an even higher level of reward than before.

5.2.4 The Store Manager's Perception of his Role

Manager B states, that every day is different but about 60 percent is administrative work and 40 percent is more physical. The administrative part has grown over the years with increasing e-mails, laws and regulations. Many of his work tasks are in his office, which he regrets since his favourite place as he says "is on the shop floor where the action is". He wants to be more in the store and personally serve the customers but he says that the time is not enough. "In fact there is not one day when I am fully content, unfortunately one has to prioritize", he says. When it comes to balancing contrasting messages from above and below manager B states that he often has to take the unpleasant decisions to face the problem. It is not always pleasant but he mostly understands the decision and the actions he must take. A conflict, which can occur, is when the reward is not realized for the employees due to external factors like increased competition or reconstruction. As the case was last year when they had a major reconstruction there was a challenge for him to communicate this to the employees. Regarding his work description he feels that it is not as important as the description of his position, since his daily tasks vary widely. He feels that he knows what has to be done. His title, he underlines, should be seen as a practical definition emphasizing his role to customers, employees and suppliers.

6. Empirical Evidence from Store C

This chapter recaps the data collected during the interviews at ICA Maxi store C. Firstly the data from the interview with the retailer is presented then the data of the store manager. As in the case of the all the other interviews one interview guide has been followed during the interview with the retailer and another one during the interview with the store manager. Crucial aspects in the empirical study are the store manager's background, his source of motivation and the framing of the reward system.

6.1. Retailer C's Description and Reflections of the Reward System

Store C has three retailers and one store manager responsible for everyday operations. In 2009 store manager C was offered partnership in the company, consequently the reward system changed. Now the store manager is on the board of directors where he is able to influence the level of profit sharing. The previous system had a subjective framing. When the three retailers felt that the manager had performed well relative to the competition and other circumstances a monetary reward was given twice a year. The old rewards were paid twice a year in order to not letting the manager wait a year before being rewarded once again. Since 2003, when the old system was introduced, up until 2009, when the newest was implemented, rewards have always been paid. According to retailer C the store manager feels like a part of the family, which made it easier for him to judge subjectively instead of basing the judgement on pre set measurements. Looking back on the old system he thinks that it might have been more comfortable for the manager to have a set goal even though he has the feeling that the manager was okay with the system. The retailer thinks that performance measurements are difficult because it is hard to decide which measurements to use. Since he argues that the performance is what is most important he wanted to base evaluation on how he perceived the store manager's performance. At the same time he is aware of the fact that there are dilemmas to judging performances since they are not always measurable.

The purpose with the new system was to fully make the manager to think from an owner's perspective. At the same time they did not want to pin the manager and therefore a clause says that whenever he wants he can be bought out. Even though this clause exists there is a long-term thought to the partnership from the retailers' perspective. Since the manager put in such an effort in the company and since he has worked a significant amount of time, they want him to act as an owner. The retailer also expressed a form of obligation to reward him well in order not to have bad conscience, since he works a lot. C wants to make sure that he does not cheat on the people who are most supporting. According to retailer C a renegotiation will probably not be relevant until ten years from now. If it was the store manager who suggested becoming an owner or if the retailers firstly discussed it with the store manager is nothing he can remember. In total, C says that both the retailers and the store manager are content with the system.

When deciding on the old and the new system, a monetary reward was chosen since C believes monetary rewards are more appreciated than non-monetary. A reason why the store manager is not offered more vacation is that he has to be at work running the daily operations. *"Maybe we are a bit old fashion in that way but there has never been a discussion about non-*

monetary rewards". In the old system the evaluation was based on factors like how much responsibility he took, how he worked in groups and how good he was as a leader. It depended on how he took responsibility of the overall picture. Store manager C's reward was not directly connected to sales. In the new system the manager takes another role, which is the role as owner. The retailer says that he will bear this in mind when deciding about profit sharing.

Retailer C is happy with the system. He says that it all comes down to how much you are willing to work yourself. He welcomes being able to work less since it fits his current circumstances of life and instead paying the store manager more. Since the old system was introduced there have been improvements but it is hard to tell what parts are caused by the reward system. When the store manager started his job, retailer C says that he was more focused on details. Today he has greater focus on the overall picture, which is the main improvement noticed. C says that in general, there is an open dialogue between the retailers and the store manager and they give each other feedback. However, one weakness is that more negative than positive feedback is given. If there had not been a reward system, which provided monetary reward, he thinks that the store manager would not have stayed in the company as long as he has. Had they not had a reward system they would probably have been forced to increase the base salary in order to keep the manager C within the company.

The retailer argues that the reward system is not cheap but he is sure that it is worth its price. In general his picture of reward systems is that they are difficult to deal with since it is a small family company and it is hard to decide how many to include. It is also hard to make the system understandable and appearing fair. He thinks that it probably does not make a significant difference, even though he says that they will continue having a reward system in the future.

6.2 Empirical Evidence of Store Manager C at ICA Maxi

In this section the data collected during the interview with store manager C is presented. As in the other two presentations of the store managers' data, focus is put on the manager's source of motivation, his perception of his role, his every-day work environment and how he perceives his reward system.

6.2.1 Background and Sources of Motivation

During his whole work life store manager C has worked within retail but for a competitor of ICA. His present job as store manager is his first as such. Besides that he has been responsible for diverse fields in different stores he has also worked with establishments of supermarkets. His earlier employment at another retail company has provided him with in-house education. Therefore, in the ICA school he has solely taken security and sanitation courses. Manager C believes that he was hired because of his versatility. He believes that the retailers saw that he did not fear challenges nor did he fear implementing changes. He also thinks that they thought it would be sound to hire someone from outside the family as store manager. C wanted to work for ICA since a greater freedom and responsibility on the store level is given at ICA in contrast to other chains. He says that "*here I can negotiate and influence the store*". He states that it is important to him to have large responsibility and to be challenged. Earlier he has not had, as much staff responsibility as he has now, which in this job has been one of the greatest difficulties. However, he sees this as one of the reason why he enjoys his job so much, since he gets to develop employees and identify talents. The question of how he is motivated, he answers by telling that he possesses a vocational pride, which never makes him bored with the

job, and consequently he motivates himself. *“If I were bored, it would be impossible for me to motivate my employees and then I would be a bad leader,”* he says. Performance is his main source of motivation.

He feels as if it is his own store since he has free hands and full operating freedom even though he needs to report to the retailers. He also feels that he is one with the company as he is a part of the directorate, formulating visions and strategies. What he likes most in his job is the overall situation with people that it provides. It contains daily operations with employees, working together, exchanging ideas and cooperating with the directorate and sales managers. He also welcomes that one day is like no other and that there are always things to improve. He feels that he has done a good job when his to-do-list is finished and when the goal is reached. Never does he want to let things slip through his fingers and therefore he argues that continuous feedback is important. During the beginning of his managerial career at store C he wanted to get things fixed quickly which he now realizes is impossible. Further he states, that the company has responded to his inquiry and from this year on he is an associate. He is very happy with the decision and says that he feels that the retailers support him and that the step becoming an associate has been natural. *“It feels like a milestone”*. If he had not become an associate he believes that another level and form of compensation would have been provided to him.

6.2.2 Responsibility, Operating Freedom, Feedback and Development

C feels that he has been given full responsibility from the beginning. Full insight has also been given to him and he participates in the strategic planning. He is encouraged to give his opinion and the retailers have been very open to him and this has enhanced during the past years. In store C they do not use budgeting, one of the retailers is instead said to have the sure instincts. However, store manager C feels that he sometimes misses more precise figures and clearer goals to reach. He argues that it is very difficult to control all factors that he is held responsible for. *“We are talking about humans”*, he says. He is not always content with the outcomes but he has learned that not everything can be controlled. Moreover, some prices and contracts are set centrally by ICA and are therefore uncontrollable. Also, he states that he has a wide freedom of action since his tasks are fully delegated and what constrains him is mainly the law. He is free to make decisions about recruitment but when the decisions are heavy and require a lot of money he consults the retailers. In general C tries things out and has operating freedom. To conclude, store manager C says that feedback is given to him both spontaneously and at planned meetings. The communication with the retailers is straightforward and one has to be able to take criticism. However, he criticizes the fact that positive feedback is not given to a larger extent. This problem is applicable on the whole company, since one is more frequently giving negative criticism instead of positive when something good has been done. The directorate, the sales managers and the network of store managers are people with whom C discusses. With the network of store managers, a group of seven, he says he has contact with at least twice a week to exchange viewpoints. He says that his work is followed up frequently. Sometimes the assessments are planned and sometimes they are spontaneous. C describes that he and the retailers talk a lot to each other and have a clear and honest communication.

His ambition as a store manager is a profitable store and that things go as the retailers and he have said. All employees should be involved and understand the message and they should feel that they have a responsibility to do a good job that they are paid for doing. Another goal is to improve the lowest level of performance. However, as an employer, one is responsible for

making everyone enjoy his or her work. Although, his personal goal and what he always has had a wish of is to become a retailer, but being an associate makes him very pleased today.

6.2.3 The Framing of the Reward System and Its Influence

The reward system for store manager C is reworked and new from the year of 2009. Up until 2009 he has had monetary rewards twice a year and they have been based on subjective evaluations done by the retailers. He says that he always received the rewards in the old system and that it was something that he took for granted. If he had not received a reward it could only have been due to him making a major mistake. The new system makes him an associate. Manager C says that as a person he is easy to cooperate with and he accepted the old system as it was and did not participated in its framing. When he feels that he has performed and worked hard he says that he feels comfortable claiming rewards. Generally, C says that he feels like the retailers listen to his wishes. Consequently, C has participated in framing the new reward system that makes him an associate from 2009. He says that the old system was fair since he accepted it but today he would have craved more. With the new system he is utterly content, but in some years he says that he may want to renegotiate it.

According to Store manager C it is not only crucial to implement and have a reward system, it is also important to collectively agree on a suitable framing which, adds to a feeling of appreciation. In the old system he was not part of the framing but in the new one his wishes had direct impact and now he actively decides upon profit sharing. *“It is sound since one now better understands the importance of sometimes keeping money within the company”*, he says. He is pleased with the situation of today, he feels that he does not need non-monetary rewards like further vacation since as long as everything is working he can take the day off if he feels the need. However, he wants to continue participating in trips, dinners, conferences and study visits since to him these things are very enriching. If he had not had the reward system he would not have been less motivated, he says. The crucial point is to be given responsibility. The importance does not lie in what part of the total salary is fixed and what part is variable. *“If I had not had a reward system I had instead negotiated for a higher salary”*, he argues. It is the total compensation that is important to him. He has always been as motivated as he is today and it has never changed over time. It is not the system but the fact that he does a good job, which is most motivating. It has never happened that he has not been rewarded but if it once would be the case he says that it probably would not matter because he would know the reason behind it. Concerning the performance measures, in the old system where there was no formula based measures, he says that it felt good even though he did not really know what the evaluation was based on. He knew that as long as he kept on doing a good job he would be rewarded. Although he felt that there were difficulties in influencing the outcome. However, in general he thinks it is easier with defined goals in absolute terms, since it is easier to communicate downwards in the organization. In the new system there does not exist a clear goal formulation but he now has a better understanding for the overall situation and that everything matters, from cutting costs to sales per worked hour, he says.

In the new system he and the retailers have agreed on that an important aim is to reduce the wastage. He feels that it is also difficult to control the outcome in the new system since there are so many people that he has to engage and external factors like competition and customers. He states: *“I want to control and take my responsibility but it is not always possible to do so”*. C also says that for him it does not matter if rewards are paid every year or more frequently, since he has control over his own economical situation and since it is the overall outcome that matters. Finally, he underlines that other forms of compensation like dinners, playing golf, to be seen and to win praise still are very important. In general he believes that the system does

not limit his commitment as a store manager to certain aspects, since he has a sound sense, but of course it puts some limits on areas like expenditure.

6.2.4 The Store Manager's Perception of his Role

Manager C says that the administrative tasks have increased over the years. For instance he states that there are many emails. *"I feel like I want to divide myself in two,"* he says. He has no set everyday agenda but tries to take a walk through the store every morning, identifying urgent tasks. However, the organization has grown stronger. Earlier he had to struggle a lot more and gasp for breath whereas today he can make more long-term decisions. When it comes to decision-making he tries to trust his gut but he also talks to employees. If there are bigger decisions that require larger sums of capital he consults the retailers. Still, he learns something new every day but of course he has become more confident due to his experience he says. Concerning messages that come from below and from above C says that he rarely gets orders from above, but if this is the case he follows what is said. He only forwards the most important messages to the retailers, which he receives from below. Mostly there are solutions to everything, like laws and regulations, which is why he does not always have to involve the retailers. The time limit must not harm the customers for who he always should be there. Still he feels that he has had less and less time for customers over the past years. Moreover, he states that he has a job description somewhere but he does not really remember what it says. He does not need it and says: *"I know what is expected of me, my role feels natural. I can choose to stay at home as long as everything works out."* He states that the overall situation of his job is more important to him than his title, but of course he is proud of it. Sometimes he feels inhibited to show his pride due to the Swedish Tall Poppy Syndrome.

7. Analysis

In this section the empirical evidence is related to the theoretical framework. The main topic, how is the reward system meaningful for store managers working within Swedish retail, is analyzed. Among others the analysis includes discussions about the store managers' preferences, information asymmetry, the importance of the reward systems' purposes in relation to each other and the managers' ability to influence their situation in order to analyze the main topic.

The interviews provided a wide range of interesting data to analyze. Overall, all three store managers truly enjoy their work, they are individuals who like working with people and they are content with their rewards. They find their work environment stimulating and challenging but at the same time they sometimes find it too complex. Our presumption that there does not exist a high level of information asymmetry was confirmed during the interviews and it did not surprise us, whereas the store managers' sources of motivation did. All stated that the reward system did not play a crucial motivational role. Instead operative freedom and to be given responsibility and trust was important together with that they all perceived the store as their own. The fact that the data shows that there is more to the reward systems for store managers working at ICA Maxi supermarkets than just the basic of providing an extra reward when good performances are achieved was surprising. We did not expect that the empirical data would show that social and well-being aspects as well as bad conscience from the retailers' standpoint to be present in the store managers' reward systems. One of the most interesting facts that the empirical data provided was that the reward systems is a strong hygienic factor for the store managers.

7.1 Low Information Asymmetry between the Retailer and Store Manager

On one hand information asymmetry exists since the store manager and not the retailer runs all daily operations. The manager has specific knowledge about routines, regulations, employees' performances and etcetera. On the other hand the information asymmetry is less present since the retailers always have had a close relation to the daily operations as they have worked themselves up within the ICA hierarchy, running larger and larger stores. The past close relation to the daily operations, the fact that they are highly active in the strategic planning and that they have the ultimately saying in mayor decision make the information asymmetry less significant. Moreover, the retailers have offices under the same roof as the store, which makes it easier for them to keep in contact with the daily operations. Therefore the meaning of the store manager being a source of information is not as important as it is in a holding company. Still, the store manager acts as an important link between the staff and the retailer. Since the agent's and principal's objectives may differ it is important having tools that decreases the likelihood of them doing so. In the case of store A, B and C we do not see a big risk of agency cost existing since the retailer has the final saying in big investments and the fact that the retailer has long experience of the industry which, probably makes it easy for him to spot when the manager is not performing in the company's best interest. Thus, the risk of agency cost is not immense. To conclude, the information asymmetry is true only to some extent, consequently are the problems associated with it not significant. As stated, the store managers' reward is based on the store's performance and the retailer as a principle is fairly

close to the daily operations and has the ultimately decision making authority in big investments. All this adds up to the fact that the empirical evidence proves agency costs to be low. Therefore there should not be a theoretical need for a reward system according to the principle-agent theory and related ideas.

7.2 The Personnel and Motivational Purpose are More Evident than the Informational Purpose

In two of the stores the informational, the motivational and the personnel related purposes of a reward system are all fulfilled whereas in one store the informational aspect is not expressed in figures. Since the store manager in this store is an associate the all-embracing goal is naturally to make profit and therefore information expressed in figures does not need to be provided through the system. In the cases of store A and B the systems' performance measurements provide information to the managers. It outlines the areas of interest to focus on. In the case of manager A, having financial, customer and employee measurements to work on probably help him keeping high focus on all three areas of evaluation. The interesting question is if it makes any difference not fulfilling the informational purpose of a reward system when it is levelled at a store manager. None of the store managers expressed that the system provided work guidance, thus there is empirical evidence showing that the informational purpose of a reward system is not significant for the managers. The empirical evidence points out that they know what is expected of them and what is important due to others reasons such as open dialogues with the retailers, previous work experience and more or less specific job descriptions. Hence, from an informational point of view the reward system does not seem to provide helpful work guidance for the store managers. Even though only one system had customer satisfaction as a measurement, the other two store managers were also highly aware of the importance of it.

The primary data shows that the motivational aspects of the reward system are diverse and only to some extent important. The discussion whether and how the reward systems provide motivation in the case of store manager A, B and C is discussed later on in section 7.7 of the analysis. One of the store managers expressed that the company, which offered good rewards, had a competitive advantage attracting employees. Another manager explained that if he had not been given the type of reward he thought he deserved he probably would demand a higher level of compensation in the old reward system. The retailers also expressed that the reward system is a tool that can be used in order to keep and develop talents. Further, one of the retailers expressed that one of his personal purposes with the reward system is that it helps him not having bad conscience for the work and commitment his store manager puts in. All this indicates that there is a personnel related aspect in reward systems levelled at store managers working within Swedish retail. Hence, the fact that there exists a framed reward system seems to be a competitive advantage. Therefore, a reward system as a phenomenon seems to be important to the store manager. The data shows that the importance of the reward systems to the store managers does not derive from the informational purpose being true. Later on in the analysis it is shown that the reward system neither is their main source of motivation.

Overall, the reward systems implemented on the store managers seem to fulfil the three purposes. However, the importance of one relative to another and the importance of them all being fulfilled seem to vary. The motivational and the personnel purposes seem to be the ones of greater value. We believe that the minor importance of the informational purpose is due to the store manager being close to the top level of the organization and part of the directorate.

Since he has good knowledge of the company's strategies, business plan and a close relation to the retailers he consequently has a good understanding of how the business is run and what is vital. Hence, the importance of reward systems being informational is inferior. We believe that the informational purpose is more important when the system is used for employees, which are not as close to the top level of the organization. To conclude, the empirical data shows that the reward system is not meaningful for the store managers based on the information that it provides. The personnel and motivational aspects seem to be of greater importance although they do not seem to be striking.

7.3 Monetary Rewards are Appreciated but not Enough

In two of the stores the reward is monetary whereas in the third store the reward is non-monetary. Even though all managers do not receive monetary reward there is empirical evidence showing that the rewards are appreciated and seen as valuable by all of store managers. Non-monetary rewards seem to suit store manager A perfectly since he says that money does not motivate him best. For him having content and happy employees is a reward and since the reward system includes the whole staff and is appreciated, the non-monetary reward system provides him with the reward he values. The fact that the two other managers are content with and value monetary rewards are supported by them expressing happiness about the monetary reward and the level of it. They also express that they highly appreciate other forms of rewards, which are not included in the reward system such as education, dinners, study trips and vacation. The empirical evidence points at that not having non-monetary rewards included in the system does not make the formal reward less appreciated.

In summary, the data shows that the store managers are overall content with their rewards since they to a large extent are framed according to the managers' personal preferences. In the case of the managers who have monetary rewards we identify that there are more things than monetary rewards that are appreciated. Still, there does not seem to be a will to give in to a part of the monetary reward in order to be rewarded with a share of non-monetary reward. Hence, when earning non-monetary benefits outside the reward system's frame, the importance of ensuring oneself about receiving them when performing well by including them in the frame, is not important for the store managers.

Furthermore, one of the managers likes non-monetary benefits such as education. Earlier he had received such and would like to have more of them in the future. If it will continue being possible for him to receive non-monetary rewards outside the frame of the system it will probably not be important to include such reward in it. However, if this were not the case, ensuring him to be able to reach non-monetary rewards within the reward system would probably influence his motivation positively. Another store manager stated that monetary rewards were nothing, which motivated him. However, he liked that all of the employees had a non-monetary reward system, since he is happy seeing them proud of reaching goals and appreciating the reward. In this way the non-monetary reward system is meaningful for him in theory. However, since the reward never has been realized he says that there are too many uncontrollable factors for the employees. The fact that a reward had not been gained, felt like a failure. He suggested that in the future, only the directorate to be covered by the system since they have greatest ability to influence the outcome. Therefore, the framing of the system is not optimal in practice. The third manager was probably the most content with the system. He repeatedly expressed how happy he is about it and probably him participating in the framing is one explanation of it. What he welcomes with the system is that it gives him an even deeper understanding of the business. Although he was happy with the old system as

well, he says that he would probably not have been happy about it forever. The negotiation led to him eagerly wanting to stay within the business. He is content with the fact that there are no other rewards now that he is an associate but states that he would like to keep non-monetary benefits such as dinners and trips. Hence, we sense that having non-formal and non-monetary benefits outside the reward system's frame help making the formal system meaningful for him. Our analysis is that when retailers take the store managers' personal preferences into consideration it helps making the reward system meaningful since the rewards then get more appreciated. This aligns with Arvidsson's theory that when personal differences are not taken into consideration, motivation decreases.¹⁵⁰ Overall, non-monetary benefits are important for the store managers. When they receive non-monetary benefits outside the reward system's frame they do not request having them included within in the reward system. However, we sense that if the non-monetary benefits did not continue in the same amount, the managers would be more eager to have them included in the system. The empirical evidence points at not having other rewards except the formal reward system makes the importance of the formal system greater.

7.4 The Store Managers cannot Fully Control their Situation

When the reward systems were framed the store managers were involved to different extents. One of the managers already made clear in his job interview that he did not want a personal reward system. Another manager got the system presented to him with the possibility to comment on it. Later on he has expressed some wishes about changes but these have not been realized. The third store manager had the old system presented to him and therefore he was not engaged in the framing of it. On the other hand he was fully involved in the new one where he is made an associate. None of the store managers seem to be dissatisfied with their systems but those two who have been able to influence the system seem happier and more content with it. Hence, participating in the framing of the system helps making the reward system more valuable for the managers.

Common for all managers is that they are given almost full responsibility for the store, their work tasks are fully delegated and their freedom of action is immense. One of the managers said that it was only the law, which restricted his actions. Their view on how they can control their field of responsibility varies. One manager states that he can influence all measures otherwise he would never accept the responsibility. Another manager states that most fields are more or less possible to control, especially since he is part of the directorate. However, as the store is so big there are always aspects, which are impossible to control. The third manager aligns with this thought and states that humans are not always possible to control. Moreover some prices and agreements are set centrally by ICA and thus uncontrollable for him. Theories say being held responsible for something one cannot control contradicts motivation in the context of reward systems.¹⁵¹ The store managers interviewed have the possibility to control many factors but as shown not all. However, the fact of being held responsible for the overall picture does not seem to affect their general motivation. Consequently, how a reward system is meaningful for store managers working within Swedish retail is not affected by the controllability principle. The empirical evidence points at this having to do with the fact that they have deep insight and understanding of the complexity in the company and the industry. Moreover, this big responsibility makes them

¹⁵⁰ Arvidsson, Per, *Styrning med belönningssystem*, p.23

¹⁵¹ Merchant, Kenneth A. & Van der Stede, Wim A., *Management Control Systems*, p.33

feel like owners even if they are not. Therefore it would be weird if they were not given a part of the profit. This line of thought is deeper developed later on in the analysis.

7.5 The Rewards are Timely and Understood

Merchant and Van der Stede state guidelines that are necessary in order for a reward system to work well. Most of the criteria can be used to track how the framing of the reward system is meaningful for the store managers. Cost efficiency and reversibility¹⁵² is therefore not analyzed since we consider them being more important from the retailers' point of view. The empirical evidence shows that all store managers agree on their rewards being timely, which means that the frequency of the payment suits them. Two of them think that being rewarded once a year is fine whereas the third says that it does not matter. Further, two of them think that rewarding more frequent than once a year is not optimal. One states that during a measuring period of a year there is greater possibility to affect the outcome and to level out fluctuations. The previous point made, that the store managers not always can influence the overall outcome aligns with the length of the evaluation period. When there is a longer period of measurement their ability to control the outcome in spite of external factors increase since they are given more time to affect it. Thus, evaluation periods of at least one year is appropriate. Therefore, this aspect of the framing helps making the system meaningful for the store managers. The empirical data shows that it is easy for the store managers to keep motivation up since they are part of the directorate. They have access to most figures and thus can follow the development of the store, therefore they have a general understanding and insight into the overall business, which help them not losing motivation. An employee further down in the organization does not have the same insight and presumably needs more frequent reminders in the form of rewards when he has done a good job.

Moreover, Merchant and Van der Stede claim that rewards have to be understood.¹⁵³ Since all of the managers describe their present reward system in detail this seems to be true. Furthermore they seem to get a clearer understanding of the desired result since they are all part of the directorate, who all take part in formulating strategies and goals. Consequently, the understandability factor is true. It is highly likely that it adds to making the system meaningful for the store managers since they do not express vagueness or lack of understandability of the framing. Not only the framing of the reward system seems to be understood, but also a general understanding for that these systems are difficult to frame, exists. For instance they express an understanding for the complexity and difficulty of making the system just. Two of them say that they presumably would not feel unjustly treated if they do not receive a reward, since they would understand what the reason thereof would be. When heavy investments are necessary due to external factors like competition, it is understandable that the company has to invest. Consequently feelings of accusing oneself or decreasing one's motivation should not occur if the reward once is not paid. However, one of the managers has never experienced how it is not to be rewarded and another manager has experienced it twice and called it "*a failure*". Further, one manager expressed that although he has an understanding for shortcomings of the reward system, it is not supportable if these persist. For example he finds it unfair, that when external pressure is put on the business, hence, making everyone work even harder, the consequence can be not receiving a reward. The framing is then not a long-term solution since the system will collapse and employees will be less

¹⁵² Ibid., pp.403-404

¹⁵³ Ibid.

motivated. Hence, the managers are disturbed when a reward is not paid and therefore the reward system is important to them.

7.6 Theory Y is Applicable

In the interviews the store managers stated that they are given great responsibility and freedom of action and that no real monitoring exists. In some cases they even expressed a demand for more feedback and overall clearer aims in figures. They are motivated by freedom and empowerment. There does not seem to be a need for punishment, expressed in *McGregor's theory X*¹⁵⁴, since the empirical data shows that their goals align with the strategy of the business and since they by nature possess a high work ethic. One of them also mentions that a vocational pride enhances motivation. All this proves that *McGregor's theory X* is not applicable, although a reward system generally can be seen as a control tool. On the other hand *theory Y* is more applicable, since the managers like the fact that they have free hands and most of them do not even have a clear job description to follow. This aligns with the idea that *theory Y* being almost always suitable on managerial levels.¹⁵⁵

7.7 The Reward System is Part of the Hygienic Factors

Also, *Herzberg's two-factor theory* is applicable. The complexity and difficulty in the store managers' job puts a challenge on them, which they consider motivating. The job is not routine and their freedom of action enables empowerment, which make the motivational factors true.¹⁵⁶ At the same time, two of them express difficulties in doing what they like best, which is working with people and being on the shop floor. This is due to the increase of the administrative tasks. Thus, we find that the motivational factors true but there is a threat to this caused by the increasing administrative tasks. Moreover, all managers express that they are content with their work environment and with their colleagues, which indicates that the hygienic factors are true.¹⁵⁷

However, the empirical evidence points that the reward system plays an important role among the hygienic factors. Since information asymmetry is low, as has been pointed out previously, the retailers' and the store managers' interests mostly align and therefore the managers are trusted to a great extent. Moreover, all of the store managers state that the reward system is not their main source of motivation, it is only one among many other factors. Thus, in a Swedish context where there is a close relationship between the manager and the retailer the classical role of a reward system being informational and motivational does not exist. The fact that they indeed exist makes it important to analyze the reasons behind them.

During the interviews with the store managers it became clear that the reward systems do play a motivational role and this explains the phenomenon that reward systems exist. Firstly, the store managers state that they do not see themselves as employees and that they work closely with the owners. It would be strange if the store manager did not receive a part of the profit through a reward system in that close relationship. The store manager would then probably no longer consider himself as owner-like and thus lose faith in the retailer's intention and see him as ungrateful for the work that he has put in. Most likely, the manager would be

¹⁵⁴ McGregor, Douglas, *The human side of enterprise*, pp.45-47

¹⁵⁵ Accel, *Employee Motivation*

¹⁵⁶ Arvidsson, Per, *Styrning med Belöningsystem*, p.18

¹⁵⁷ *Ibid.*

dissatisfied and therefore his hygienic factors at work would deteriorate. Thus, the reward system is seen as a need, which must be fulfilled in order to accommodate the store managers' hygienic factors. For instance, this is visible in store A. Although the employees have not deserved a reward according to the framing of the reward system, the retailers still pay for a SPA Weekend for all employees at the store. Since the store manager sees a reward in seeing his employees being happy, the Spa retreat accommodates his hygienic factors. Retailer C says that he would have bad conscience if his store manager did not receive a reward, since he is strongly engaged in the business. Moreover he does not think that his store manager had stayed in the company if the solution with the new reward system had not been found. Store manager C says, that if he had not had the reward system he would have negotiated for an overall higher salary. Therefore, it is shown that the extra payment is an important part of the hygienic factors in this store, as well. An interesting point to make is that manager C, now being an associate, is at risk of not receiving as much payment guaranteed as he did before. The question is if this can harm his hygienic factors at work, especially since he is used to always getting rewarded. Also in the third store, the interviews underline that the reward system must be put in relation to the hygienic factors. Retailer B said that if they had not had a reward system he would probably have been forced to increase the store manager's salary. Thus, the reward system and the sum of all payments to the store manager is also an important hygienic factor in the third store. It is clear that the reward systems are an important issue in the work environment between the store managers and the retailers. The presence of the reward system is crucial for keeping this environment strong and balanced. The system is necessary so that the store manager feels encouraged and appreciated. Hence, through the system the retailer considers the store manager's hygienic factors. To conclude, in a Swedish context where a close relationship between the retailer and the store manager exists a reward system for store managers working within retail has the role of accommodating the hygienic factors.

7.8 Positive Feedback is Part of the Hygienic Factors

A further aspect, which also seems to be an important hygienic factor for all store managers is to be given a fair amount of positive feedback. In all three stores the managers express that more positive feedback should be given. In general, one does not get any feedback at all until one does something wrong. Thus, negative feedback is more widespread than positive feedback. Positive feedback is an informal reward but still something that seems to affect them all negatively when it is not used. Had they been given more positive feedback, their hygienic factors would have been more satisfied. This is also an indication of that more subjective evaluation is requested in addition to the assessment which is already used. Moreover, subjective evaluation seems to be demanded to a greater extent also by retailer A. He underlines the difficulty of fair rewards and would prefer to hand out rewards when he feels that the manager has performed well. The old reward system in store C, where subjective rewards were paid, suited both parts well until they changed the system. The evaluation of store manager B is solely put on economical parameters. The empirical data shows that manager B seeks a more subjective evaluation, which takes external circumstances into consideration. This is true so that the actual work performance can be rewarded. Therefore, the system was not fully optimal for the manager. Hence, the situation in Swedish retail, where the relationship between the store manager and the retailer is close, presumably allows a greater extent of subjective evaluation and might even be more appreciated than only having objective evaluation.

7.9 The Store Managers are Intrinsically and Extrinsically Motivated

All of the interviewed store managers express motivation for their work. They all describe different aspects of their job, which they find appealing. The question is what kind of motivation this is and what its sources are, since some types are more suitable in the presence of reward systems and others are not. However, *Intrinsic* and *extrinsic motivation* can be seen in all of the store managers.

Intrinsic motivation is visible in all of them. They all describe that the central aspects of their work such as leadership, contact to humans and the work speed as the main reasons to why they enjoy their jobs so much. Consequently, it is the job in itself and not a future outcome, which is visible. For example, one manager says that when walking around in the store feeling that it is nice and clean, he feels content with his work. One store managers shows a clear sign of intrinsic motivation since he explicitly asked for not having a personal reward system as he states that he is not motivated by it. Instead he is motivated by the job itself, which he describes is developing humans. The intrinsic motivation could in all cases probably be even higher, since the theory says that positive feedback enhances this motivation.¹⁵⁸ All store managers express that there is a general lack of positive feedback given to them by the retailers, thus intrinsic motivation could rise. At the same time, the theories say that when rewards are paid, intrinsic motivation declines, since one starts to value the consequences of the work and not the work in itself.¹⁵⁹ Hence, we identify intrinsic motivation in all of the store managers. Therefore, this motivation could probably be enhanced by giving more positive feedback and by loosening the focus on the formal reward system. As mentioned earlier positive feedback can also be seen as a hygienic factor, which is essential to ensure an employee's overall motivation.¹⁶⁰

However, some aspects indicate the opposite source of motivation, extrinsic motivation. All store managers express a desire to follow the aims of the organization and follow through plans. The plans vary among the stores and are in some cases set by the retailers and in other cases by themselves. Still, they all possess a general feeling of there being a goal and them working according to it shows signs of extrinsic motivation. To some extent they seem to work for a future outcome and not for the enjoyment of the work itself. Another manager says that his ambition is to perform and that is what motivates him. After having performed he can crave reward. Hence, the outcome is somewhere in his mind, probably as a reward. One of them expresses that the title is something to be proud of, although one does not show it much due to the unpretentious working climate in Sweden. This also proves extrinsic motivation. Two of them, who have worked for a longer time, both express the urge to make a career. They wish to become a retailer or at least as the situation is for one of them today, an associate. This also indicates motivation forced by a future goal. However, extrinsic motivation also occurs due to monitoring and external pressure.¹⁶¹ This does not seem to be the case in this situation. They have wide freedom, no real monitoring and the follow-ups with the retailers are not too frequent. They identify themselves with the company and feel that the stores are almost like their own because of their empowerment. Consequently, a more self-determined source of extrinsic motivation is the case for the store managers. Hence in order to

¹⁵⁸ Ryan, Richard M. & Deci, Edward L., *Intrinsic and Extrinsic Motivations: Classic Definitions and New Directions*

¹⁵⁹ Ibid.

¹⁶⁰ Arvidsson, Per, *Styrning med Belöningsystem*, p.18

¹⁶¹ Ryan, Richard M. & Deci, Edward L., *Intrinsic and Extrinsic Motivations: Classic Definitions and New Directions*

motivate best the reward system should be framed so that it aligns with the personal goals and preferences of the store manger. It should not be based on punishment. This is the case in all of the stores.

To conclude, the store managers show signs of both extrinsic and intrinsic motivation and it is difficult to survey which behaviour can be linked to which type of motivation. Still, a general feeling says that intrinsic motivation in this case is higher than in other managerial situations. The store manager identifies with the company, feels almost as if the store is his own and therefore enjoys the work tasks. Moreover, the form of extrinsic motivation is more self-determined, since no monitoring or external pressure seems to exist which loosens the extrinsic motivation somewhat. On the other hand one should not forget that becoming a store manager means having made a career. The store managers probably enjoy advancing, developing and reaching goals. This aligns with extrinsic motivation, as work is done in order to reach future outcomes. Moreover, pure intrinsic motivation is very unusual and elements of extrinsic motivation often exist. In the presence of extrinsic motivation reward systems are suitable, although a deliberation must be found.¹⁶² For instance one of them states that he is not at all motivated by rewards and does not want any. The other two managers say that the rewards do not increase motivation since their vocational pride and willingness to do a good job is the main source of motivation. Still, they both agree on that a reward makes one give that little extra. Although they all say that the reward system is not the main source of motivation, it can be agreed on that a reward system and its consequences somehow motivate them all but to different extents. This influence seems to be one source of motivation together with other aspects of their job.

7.10 Reward System's Importance Increase over Time

One notable aspect found is that two of the store managers, who had worked at the stores for more than six years, talked about their future career consisting of later becoming a retailer. At the same time they expressed the dilemma, that it is extremely difficult to become an ICA retailer, especially at ICA, since there is an inner ranking system. Therefore, store managers may stay in their position for a long time and that probably makes the reward system more important over time. We saw that the store manager who had only worked for one and a half year did not demand a special reward system for himself. The other two, who had worked as store manager for more than six years, did express wishes for improvements in their reward system with varying success. Hence, the system becomes more important to them the longer they have worked at the company as it might be an alternative to making further career and becoming a retailer. Also, their bargaining power may have increased since they have good knowledge of the business and have proved themselves capable of doing a good job for a longer time. Thus, they can put greater pressure on their possible rewards. In summary, the importance of the system increases over time. How the framing of the system adjust to the manger's changing requirements as well as how the framing of the reward system is meaningful seems to increase over time. The reason therefore is that it becomes a compensation for the difficulty of becoming a retailer and making further career. This further underlines the importance of a reward system as a hygienic factor, which has to be fulfilled so that the store manager is content with his work situation.

¹⁶² Ibid.

7.11 Reward Systems Compensate for Role Ambiguity

The store managers interviewed all expressed a problem of having too little time to carry out their work tasks. They express a role conflict, wanting to be there for more employees and customers on the shop floor but at the same time having to deal with the increasing amount of administrative work. Every day is said to be different and the to-do-list is rarely finished by the end of the day. The role conflict for one store manager is also explained by the fact that the employees have not always understood what it is that he actually does. One manager, who has worked as a manager for a longer time, states that one learns how to divide the time better and how to take more long term decisions based on experience. Concerning their job description all of them stated that there was no clear such, since they all know what to do and what is expected of them. They welcome their empowerment and freedom and two of them explicitly said that as long as they deliver the expected the retailers do not question how they prioritize. One of them says that it would be easier to prioritize if clearer targets and more precise figures were given in general. All of them described a lack of positive feedback from the retailers, when improved they say that the positive feedback also would help them prioritizing. They all ensure that they have people to discuss matters with. For instance, all of them seem to find a confidence in being part of the directorate. Moreover, the network of store managers seems to provide guidance and a valuable discussion forum. Consequently, it appears as if more feedback is wanted from above, from the retailers, in order to be absolutely sure of that what they do is appreciated and right. Therefore, the empirical evidence points that they feel ambiguity, they lack clear indication of knowing if what they do is right.

The extent of the role conflict of acting as a mediator between demands from above and from below varies between the store managers. One of them expressed a problem resulting from being a mediator. He says that he is the one to communicate unpleasant decisions from above, for instance forwarding that rewards are not as high one year as expected. If discussions arise he is the one who must explain the reason behind the outcome and he must face the criticism of the employees. Another store manager said that he rarely gets messages from above and the messages he gets from below often stay with him. Only the most important matters, which mirror the state of the organization, he forwards to his retailers. The third one said that there sometimes are contrasting messages like how many work hours that are needed. He has to balance these messages. His main ambition, though, is that the employees do not feel burdened when they go home and it is his job to solve the problem. Thus, we see that the store managers get different amounts of directives and depending thereon they have to solve a variety of problems. Still, they all have a role of communicating messages from both directions and it is their task to deal with it. This shows that the store manager forms a link between the retailer and the organization, which makes his role even more complex. Theories underline that the store manager not only has to be there for employees¹⁶³ but also for the customers.¹⁶⁴ This seems to be the ambition among the interviewed managers as well. They say that of course there is a symbolic value in them being visible in the store. However, we sense that since the format is large and there are over 40 000 customers a year the aim to be visible is not really possible. Thus, the importance of the store managers being a clear symbol of service to the customers are probably not as high as in other, smaller stores. For one of the managers the solution of the customer dilemma is to develop the employees in order to make them more independent, daring to take on more responsibility. Still, another manager really tries to prioritize being available for his customers.

¹⁶³ Dietrich, Bunse, Bättre Butik p.70

¹⁶⁴ Griffin, Marie, Let your store managers surprise you

To conclude, it has been proved that the role of the store manager is deeply complex. The managers have no clear job description but large empowerment, which they welcome. However, a lack of feedback and evaluation exist, since the question how to best divide time is significant. In a large store like a Maxi supermarket the manager cannot always be there for customers since he has many tasks to realize. We sense that certain aspects in the framing of the reward system make it easier for the store manager to deal with and accept this complex situation. Firstly, the possibility of earning an extra reward seems to help justifying the high demands of his role. As one of the managers said, had he not received his present reward, which he appreciates, he would have renegotiated in order to get another form of acceptable compensation. This since a lot of responsibility is put on him. Secondly, if the framing of the system provided more guidance by having more set measurements, they would probably perceive the reward system as more meaningful. By providing a possibility of earning an extra reward the manager's ambiguity gets somewhat compensated. It also seems to further motivate them. This means that the reward system as a phenomenon accommodates the store manager's hygienic factors. It compensate for the ambiguity and role conflict described.

8. Conclusion and Recommendations

The aspiration of this thesis is to describe and understand how the reward system is meaningful for store managers working within Swedish retail. In this section our conclusion from conducting and analysing the case study is presented. Finally, an attempt to give recommendations is made.

8.1 Conclusion

As a reminder, the research problem is: *How is the reward system meaningful for store managers working within Swedish retail.* During the case study we noticed that the store managers did not perceive their formal reward system as a unique reward. It was seen as one type of reward among other, informal ones.

Informing the agent, which is one of the general purposes of a reward system, is not an aspect that affects how the store manager perceives the reward system. This is partly true since the information asymmetry is low. On the other hand the personnel and motivational purposes add to how the system is meaningful. This is since the store managers find that stores with good reward systems have a competitive advantage. Moreover how the system is meaningful depends on that it provides motivation. However, the system is not the main source of motivation since they are partly intrinsically motivated and have a high degree of self-determination. Consequently, in theory a reward system is not necessary. Nevertheless, it is shown that reward systems are important for the store managers. The owner-like position of the store manager make the reward system part of his hygienic factors which have to be accommodated in order to make him fully content with his work also, the hygienic factors' importance increase over time. To conclude, in a Swedish context where a close relationship between the retailer and the store manager exists a reward system for store managers working within retail has the role of accommodating the hygienic factors.

Having participated in the framing of the system and having realised their wishes to some extent, adds to how the framing is meaningful. Further, the system is meaningful when it adapts to changes in the manager's preferences over time. If the system does not adapt, the reward system becomes less meaningful since motivation somewhat decreases.

How the system is meaningful for the store managers depends on if it provides positive feedback and if it contains subjective evaluation. Positive feedback and subjective evaluation are hygienic factors. Subjective evaluation is important since it enables taking uncontrollable external factors into consideration and hence, making the evaluation of the work performance more just. The close relation of the store manager and the retailer enables such evaluation. Neither the controllability nor the understandable principles are key properties in how the system is meaningful for the store managers, since the managers have great understanding and insight into the business.

It is important that the evaluation, which the reward is based on, is not done more frequently than once a year. How the reward system is meaningful depends on how well it mirrors the actual work performance. It also depends on if non-monetary benefits, which the store managers appreciate, are possible to gain outside the formal system. If that is not the case,

how the system is meaningful depends on if the system is redesigned to also include non-monetary rewards.

Finally, how the system is meaningful being a hygienic factor for store managers working within Swedish retail depends on how well the store managers feel that the system compensates for both his role conflict and the complexity of his role. Moreover, having more set parameters help him avoid role ambiguity and therefore it is an aspect, which explains how the system is meaningful

8.2 Recommendations

During the process of this thesis we have gained a greater understanding and knowledge of both reward systems and the Swedish retail industry. However, this case study has focused on the Swedish everyday commodity industry where there is a close relation between the owner as principal and the store manager as agent. Hence, the usefulness of the evidence gained is mainly applicable at this given situation. We would firstly like to underline that when trying to create a meaningful reward system for a store manager it is crucial to let him participate and listen to his personal preferences. Only then he will be most motivated. Secondly, in the complex role of the store manager the reward system is not and must not be the main source of motivation. Instead, the system should be a tool to accommodate the hygienic factors of the store manager. An employee, who truly likes his job, wants to work with people and is aware of the challenge, possesses motive power. Only then his overall motivation can be maximized. To summarize, first one has to employ a motivated and driven store manager and thereafter design his reward system according to his preferences. A reward system in itself cannot create a strong motivation if there does not exist an inner and basic joy in the store manager for his job. The reward system is a necessary tool to accommodate the store manager's hygienic factors.

9. Suggestions for Further Research

When doing research and collecting data for this thesis a couple of thoughts about what could be interesting to analyze in the context crossed our mind. By getting a general feeling of how the ambiance and the work situation is in ICA Maxi stores new research problems stroked us as interesting to deeper look into. Here our suggestions are presented.

In this study the focus was put on what the store managers said about their attitude towards reward systems and motivation. There was on the other hand no possibility to see how their behaviour actually was influenced by the reward system. Possible problems like myopia or suboptimization could therefore be interesting to investigate, especially in times when stores do not perform as good results as earlier due to external factors. Is there a risk of focusing too much on the rewarded parameters and leaving other aspects behind?

Furthermore it was interesting to see which store manager managed to get his wishes about the framing of the reward system implemented. What are the sources thereof? Does it have to do with the time he has worked there or how profitable the store has been during this time? Or are other parameters crucial? What determines the store manager's bargaining power?

Finally, from a psychological perspective it would be interesting to see what kind of person the retailers hired as a store manager. Since many of the retailers have had a more active role in the daily operations within smaller store concepts it seems possible, that the retailers mostly entrust a store manager who works in a similar way as he himself had worked. Or would he hire someone who complements his shortcomings? This question could also be applied on a general principal-agency level in any given organization.

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Store Manager A and Retailer A at ICA Maxi, individual interviews, 4.5.2009

Store Manager B and Retailer B at ICA Maxi, individual interviews, 7.5.2009 & 11.5.2009

Store Manager C and Retailer C at ICA Maxi, individual interviews, 11.5.2009

Attachments

Attachment 1 – Interview Guide with Store Manager at ICA Maxi

Since the interviews were conducted in Swedish the following interview guides were used for the interviews with the store managers and the retailers. For this reason they are not translated into English.

- 1.) Kan du berätta lite om din bakgrund
 - Hur länge har du jobbat i butik?
 - Hur länge har du jobbat i denna butik?
 - Hur länge har du varit butikschef?
 - Har du varit butikschef tidigare i någon annan butik?

- 2.) Varför fick du detta jobb?
 - Varför tog du det här jobbet?
 - Trivs du med arbetsmiljö och arbetskamrater?
 - Har du alltid velat bli butikschef?
 - Vad betyder titeln för dig?
 - Känner du att det är din butik?
 - Beskriv hur en vanlig arbetsdag ser ut?
 - Vad baserar du dina beslut som tas i den dagliga verksamheten på?

- 3.) Vad är det du gillar med ditt jobb? Vad är roligast?
 - När känner du att du gjort en bra arbetsinsats?
 - Känner du att du är ett med företaget?
 - Vilka utbildningar inom ICA skolan har du gått?
 - Vad är din målsättning som butikschef, vad är dina framtida mål?
 - Hur stöttar företaget din personliga och din karriärutveckling?

- 4.) Hur mycket ansvar känner du att du har?
 - Hur delaktig är du i strategiska beslut?
 - Hur delaktig är du i budgetprocessen exempelvis försäljningsmål?
 - Finns det en balans mellan att hantera signaler som kommer uppifrån och nerifrån?
Hur filtrerar du dessa?
 - Känner du att du kan påverka dina ansvarsområden? Vilken är svårast, mest komplex o varför?
 - Känner du att du alltid hinner med alla ansvarsområden?
 - Vem är ditt bollplank?
 - Hur fria händer har du? Vad begränsar, i exempelvis kr, anställa/avskeda.
 - Hur tydlig är din arbetsbeskrivning?
 - Har du arbetsuppgifter som du känner är fullt delegerad?
 - Hur följer man upp ditt arbete? Hur påverkar det dig?

- 5.) Kan du beskriva hur ditt belöningssystem ser ut?
 - Hur motiverar du dig till att nå dessa mål?
 - På vilket sätt har du varit deltagande i belöningssystemets utformning?

- Hur rättvist tycker du att belöningssystemet är?
- 6.) Är belöningssystemet/belöningen betydelsefullt för dig?
- Vem beslutar om belöningen?
 - Har dina personliga önskningar haft inverkan på systemets utformning.
 - Hur skulle ditt belöningssystem kunna förbättras? (exempelvis: semesterdagar, träning på arbetstid m.m.)
 - Om du inte hade belöningssystem, hade du då varit lika motiverad/skulle du göra ett lika bra jobb?
 - Vad anser du om sättet som prestationerna mäts på? Är de precisa? Ger de bra information om vad som verkligen uppnåtts?
 - Är prestationsmåttan lätta att förstå?
 - Känner du att du kan påverka det som belöningen baseras på?
 - Är din prestation alltid avgörande för hur du belönas? Finns det andra aspekter som påverkar?
 - Hur påverkas din motivation av hur ofta belöningar faller ut? Lite oftare eller mycket sällan.
 - Riktas uppskattning mot dig förutom i samband med belöningssystemet? Hur i sådana fall?
- 7.) Känner du att belöningssystemet ibland kan begränsa dina åtaganden?
- Har du tid att hjälpa kunder och medarbetare i den utsträckning du vill?
 - Har belöningssystemet alltid motiverat dig lika mycket?
 - Har du någon gång inte uppfyllt kriterierna för att få belöning? Hur kändes det?

Attachment 2 - Interview Guide with Retailer at ICA Maxi

- 1.) Hur ser belöningssystemet ut för butikschefen?
 - Varför har ni valt att införa ett belöningssystem?
 - Varför har ni valt att belöna just dessa parametrar? (långsiktig vs kortsiktig, finansiellt vs icke finansiellt)
 - Vilka andra mål finns det som inte belönas, varför belönas inte dessa?
 - Hur gjordes avvägningen mellan pengar och andra förmåner? (monetärt/icke-monetärt)
 - Äger butikschefen del utav företaget? Kan det bli aktuellt i framtiden?
 - Hur ofta faller belöningen ut?
 - Var butikschefen delaktig när belöningssystemet utformades?

- 2.) Hur länge har ni haft belöningssystemet?
 - När gjordes senaste ändringen? Varför?
 - Har ni behov av att ändra det snart igen?
 - Hur ser ni att butikschefen uppnått kriterierna för belöning? Är det komplext? Kräver det stor arbetsinsats?

- 3.) Är ni nöjda med belöningssystemet?
 - Vad har förbättrats sedan ni införde det? Mer engagerad butikschef?
 - På vilket sätt tror du butiken skulle påverkas om ni inte hade ett belöningssystem för butikschefen? (Nackdel/fördel)
 - Kostar systemet mer än det smakar?
 - Kommer ni fortsätta att ha belöningssystem i framtiden?