

# A study about the use of reward systems and employee motivation in a call centre

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Nadja Zabouj

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# **Summary**

**Authors** Nadja Zabouj and Nicole Antoniades

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**Title** A study about the use of reward systems and employee motivation in a call centre

**Background** The purpose of using reward systems is to motivate and encourage actions needed

for goal achievement, thereby increasing the results of an organization. Often, the use of reward systems is a crucial part of the organizations management control

system.

**Problem** What is conceived as a reward may differ and it can therefore be problematic for

an organization to meet everyone's needs in order to reach the desirable results.

**Aim** The purpose of this thesis is to get insight in how, why and what reward systems

that are used in Company X, how they motivate the employees and to find suggestion on how the organization could maximize the use of reward systems.

**Limitations** Due to the limited scope of this thesis we have chosen to narrow our focus down

to only focusing on Company X. And another limitation is that potential rewards

given to employees at a managerial level will be excluded.

**Method** In the thesis both qualitative and quantitative methods is used, by carrying out five

interviews and also handing out fifty surveys - this is the preliminary data.

Different theories on motivation and data from various studies regarding reward

systems are gathered - this is the secondary data used in this thesis.

**Analysis &** The empirical data are placed against the theoretical framework, where a

**conclusion** discussion on both differences and similarities is made. Part of our conclusion is

that rewards do motivate employees, especially when using financial rewards.

There is also a discussion about potential areas where Company X can improve.

**Keywords** Reward systems, reward, motivation, call centre.



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#### 1. Introduction

In this essay we want to see how reward systems affect workers ability to perform, with specific focus on call centres by analysing Company X. The study will review the different rewards used within the organization to motivate the workers and also how a reward system could be an integral part of a company's management control system.

#### 1.1 Background

According to Nationalencyklopedin (2015), <u>reward</u> is "either money or honour that pays out as compensation, normally as a sign of appreciation or achievement."

Why do organizations use reward systems? The purpose of the reward system is to contribute to the increased value of an organization and to motivate and encourage actions that are needed for a company's success. For the worker, the reward needs to be better than other options, and for the organization, the outcome of the employees action must be better than the reward (Nilsson & Ovle, 2013). Since every organization is different, the reward system should be adapted to the specific organization (Wilson, 2003).

There are a number of theories on what motivates employees. Maslow's (1954) hierarchy of needs is a relevant theory, which has a major role in leadership training. This theory states that we as humans not only have a need for food, safety and human communion, but also want to feel needed and have responsibility of what we do and achieve. When the needs of a level are met, the focus moves on to a higher level. In short, it implies that people want to develop and accomplish self-actualization (Paul & Alm, 1991).

There are some interesting aspects that need to be accounted for when reasoning about reward systems according to Maslow. Among other things, we are reminded of the importance of taking into account people's entire lives when try to increase employee motivation. Some employees



have a rich social life outside of work, while others see work as their main social platform. This affects the impact rewards like parties and trips have on its employees. Something that is much appreciated by one worker can feel like a punishment for others who feel a social pressure to take part of these "rewards" (Nilsson & Ovle, 2013).

It is also interesting that some industries are not allowed to use variable pay, due to Swedish law. This applies to the bank sector and the use of variable pay for businesses. Due to these regulations, bank and insurance companies have been forced to change the ways they work with reward systems. This does not mean that they do not give indirect compensations, for example based on the number of deals a worker completes (SFS 2004:297). Since it is a bank we are looking in to, it is extra interesting because they are not allowed to use commission as a motivational tool.

Reward systems have the potential of being the most valuable parts of an organization's management control system. Employees with clear goals that are rewarded in accordance with their expectations are often very satisfied with their workplace (Warsin Wyatt, 2007/2008). Reward systems have been subjected to extreme criticism in Swedish media over the past (Bengtsson & Hedberg, 2012). These problems will be discussed more in the problem analysis.

Our main focus is essentially centred on the use of reward systems as a motivational tool in Company X, which is a call centre. No studies are done here and that makes it even more interesting.

# 1.2 Problem analysis

In the problem analysis, several of the problems that arise in the use of reward systems will be addressed. It is important to keep in mind that reward systems are somewhat subjective and what is conceived as a reward may differ from person to person. A person might think that a pat on the back or a little bit of acknowledgment is sufficient, while another employee may only want



reward in the form of financial compensation. It can be problematic for a company to meet everyone's needs in order to get a desirable result. Another problem with reward systems is that those who do not get rewarded get indirectly punished. This can lead these workers to feel less appreciated and therefore perform worse. Another challenge is, what happens when you do not reward employees who expect a reward every time they perform? Will they start to perform more poorly? These are some of the problems involved that the thesis will investigate. The thesis will start fairly wide and then narrow the focus to answering the questions in the process.

A problem raised by Nilsson & Ovle (2013) is when employees that perform their job properly get unjustly punished. For example, imagine a nurse who may have to work overtime when a patient cannot be left unattended at the end of a shift. This leads to indirect punishment, if the nurse is not getting paid for overtime. This can result in an employee losing motivation to perform their job and leading to customer dissatisfaction, which affects the company negatively.

How important is the reward system? Maybe it is extremely necessary for the business to operate. Would the employees still do more than what is required of them without the reward? This will be investigated in this study and hopefully it will lead to some answers to these questions.

#### **1.3** Aim

The purpose of this thesis is to get insight in how, why and what reward systems that are used in Company X, how they motivate the employees and to find suggestion on how the organization could maximize the use of reward systems.

#### 1.4 Research questions

- Do reward systems motivate the employees at Company X?
- What reward systems are in use at Company X?
- How can Company X make their reward systems more effective?



#### 1.5 Limitations

There are different types of rewards that can be used in different industries and companies for different effects. The results would have been more credible if more companies had been included in the investigation, but due to the extent of this thesis, only Company X will be studied.

Not only are there different types of reward systems, but rewards can be directed at different positions in the organization. In this study, only the rewards given to the employees and not the managers are looked at, which is a further limitation. This is partly because there is no resources to contact any manager in the company, and partly because a manager probably would not be as objective as the employees due to the fact that managers possibly feel more obligations towards their work.



# 2. Theory

In this chapter the theoretical framework is described, which is the basis of this thesis. The chapter is divided into two main parts: motivation and reward systems.

#### 2.1 Motivation

According to Armstrong (1993) you can divide motivation into two types:

*Intrinsic motivation* – people motivate themselves to behave in a special way or to move in a particular path. For example you can feel that your work is important and feel responsibility; you feel that you can develop skills and abilities, that you have opportunities for advancement. The intrinsic motivation tend to have a better effect in the long-term because the motivation comes from people themselves and is not created or forced from the outside.

*Extrinsic motivation* – this is what is done to motivate the individuals. For example, different types of reward like increased pay or advancement. It can also be punishments: withholding pay or criticism. This will have a quite powerful and instant effect on the individual, but not necessarily in the long run.

In the figure below (Figure 1) there are examples of motivation factors, divided in the two types that are explained above.



Figure 1 Two types of motivation



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(Own modified with inspiration from Bizdiagram (2015))

#### 2.1.1 Money and motivation

According to a view called the *economic man approach*, financial reward is what motivates workers the most. It states that if people perform in a certain way and that results in a reward, the chance of repeating the performance is increased. But if the performance is overlooked or followed by a punishment, the behaviour is not likely to be repeated. This kind of motivation strategy is popular to use and can be effective under some conditions. This strategy is only grounded on external controls and does not take into consideration the human factors. This kind of approach fails to value that the formal control system is influenced by the informal relationship that occurs among employees. (Armstrong, 1993)

Also, the mind-set on how people value money differs - not only will it differ from one individual to another, but also individually from time to time. That means that the outcome of using money as a motivator is depending on the situation, including a person's values, needs and preferences for types of economic or non-economic rewards. (Armstrong, 1993)

#### 2.1.2 Taylor's theory

Taylor's (2005) theory aims to explain what motivates employees at their workplace. The renowned Taylorism states that individuals can be treaded like machine, in a standard way. Furthermore, Taylor claims that individuals want to maximize their economic status, and that this is the only factor that motivates people. For companies to achieve as good results as possible, the managers should give direct instructions to the employees and the pay should correlate with performance. (Taylor, 2005)



#### 2.1.3 Needs theory

Maslow (1954) states that the human being has different needs. When a lower need is pleased we aim for the higher need. The five categories Maslow describes are fundamental factors: physiological, safety, social, esteems and the highest one is self-actualization (Armstrong, 1993). Below there is a modified figure (Figure 2) that illustrates *Maslow's hierarchy of need*, which show the five categories that Maslow (1954) describes and the main order that the needs follow. When a need is fulfilled, that factor no longer motivates that individual. According to Maslow (1954) most people's needs follow the order above, but he also states that this can differ between people. A need do not have to be complete for another need to occur. This goes under the *Needs Theory*, which states the unfulfilled needs motivate behaviour. (Armstrong, 1993)

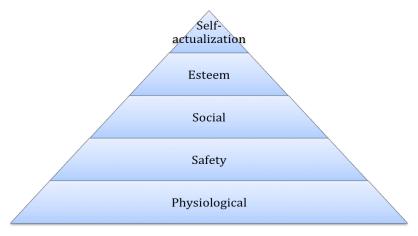


Figure 2 Maslow's hierarchy of need

(Own modified with inspiration from Lättattlära (2015))

Herzberg's (1957) has a two-factor model of motivation, as an input to the *Needs theory*. He said that money is a "hygiene factor", which avoid diseases rather than gives health. This could be negative if not present in a suitable amount. Also, the effect on positive feelings was mainly short-term and the effect on negative feelings was long-term (Armstrong, 1993). Kohn (1993) implies the same thing, that rewards give temporary compliance. He states that rewards are very ineffective when it comes to changing attitudes and behaviour and when the rewarding stops,



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people go back to their old behaviours. "Rewards do not create a lasting commitment. They merely, and temporarily, change what we do." (Kohn, 1993)

The two-factor model implies that, besides money, there are also non-financial motivations (examples: achievement, recognition, advancement, responsibility, the work itself) that are more effective than the financial ones and the effects last longer. What he means is that motivation is like an internal self-charging battery and the energy or desire must come from within to become a motivating factor (Bassett-Jones & Lljoyd, 2005). Maslow and Herzberg theories have been criticized, but still been very significant to other studies (Armstrong, 1993).

#### 2.1.4 Expectancy theory

Vroom (1964) formulated the theory called *Expectancy theory*, which states that if employees can realistically expect that their work and input will give worthwhile rewards, the motivation will be strong. So motivation is only expected when the correlation between the performance and the result is usable, and the results are seen as a way of satisfying needs.

If the relationship between work and reward is clear and the reward has a value that is worth the effort, external motivation works (Armstrong, 1993). This relation is demonstrated in the figure below (Figure 3), it shows that the reward you get depends on the performance you made, which in turn depends on the effort you put in. The theory also explains that the internal motivation can be stronger than the external because the internal lies within the control of the individual who can place bigger trust on past experiences to specify how much the reward is going to affect their behaviour and performance. (Armstrong, 1993)

Money is an external motivation factor, and as the theory states, the correlation between effort and reward must be clear if money can be a successful motivational tool. Therefore money is useful in attracting people to a company and in getting them to stay. (Armstrong, 1993)



Effort Performance Reward

Figure 3 Expectancy theory

(Own modified with inspiration from Wikispaces (2015))

#### 2.1.5 Goal Theory

Latham & Locke (1979) developed a theory called Goal Theory. Which implies that when people are set with precise and realistic goals, the motivation and performance will be higher. When individuals receive feedback on performance, goals that are set high are accepted, and this will have a positive affect. The employees need to be involved in the goal setting and agree on setting higher goals. In the process of setting higher goal, feedback is important to retaining motivation. (Armstrong, 1993)

#### 2.2 Reward systems

All organizations have goals and visions. In order to reach them, they have to get their employees to work towards the same goals and visions. As individuals, employees rely on different motivational factors, and it can be very difficult to know how to get the employees to perform at their best. (Nilsson & Ovle, 2013)

Employees are motivated directly by the reward system when they contribute to their organization's effectiveness. This can lead to for example a seller making an extra visit on a Friday afternoon, instead of taking an early weekend, hoping to reach monthly sales quota in order to be rewarded. This form of reward system has proven to be highly motivating, based on



the simple idea that we humans strive to do perform better if we are able to acquire what we want. (Bengtsson & Hedberg, 2012)

However, this approach can be negative as well, as it can give the impression that the manager believes that employees are not performing at their best. Managers are indirectly implying that employees can be more effective, creative and focused if only they get an award. The dilemma is to make it not look like a bribe, and that is where the personnel policy aspects gets caught in the middle. (Bonner & Sprinkle 2002). Nilsson & Olve (2013) write about another negative aspect regarding reward system: a reward for one employee can be a quite the opposite for another employee. If the employees are "awarded" with a weekend trip as a reward, some may find it very exciting while some, for instance a parent of young children, might find this "reward" as punishment.

#### 2.2.1 Why use reward systems?

In order to ensure the effectiveness of an organization it is required that workers are motivated and this can be facilitated with the help of reward system. Rewards can get individuals to perform better and it also promotes motivation and satisfaction. It may also be a good way to retain important workers in the organization and the reward can also get the employee to feel important and needed. If good performance in the organization is rewarded, it will most likely happen again. (Nilsson & Ovle, 2013)

Companies that choose to reward the employees, perform better than companies that do not use any reward system. They also believe that reward systems could get more people to become interested in working at the company and, above all, it means that they have employees who want to stay in company. (Bau & Dowling 2001)



# 2.2.2 The selection of a reward system

It is important that a business chooses the reward system that is working for their organization. The situations may be different from company to company and an example of this could be if a company wants to motivate, recruit and retain skilled staff within the company. (Nilsson & Ovle, 2013)

As mentioned before, there is no optimal reward system that can be used in every organization and in every situation. However, there are some things a company should consider before they choose which reward system they intend to use. (Nilsson & Ovle, 2013)

Bau & Micheal (2001) mentioned that there are two different types of rewards and there are external rewards and interior rewards. Economic rewards, benefits and performance bonuses belongs to external rewards. The inner rewards cover their own satisfaction when an employee performs or provides for the company. (Nilsson & Ovle, 2013)

There are a lot of different types of reward systems, for example:

- Salaries and incentive pay
- Stock options
- Stocks in the company
- Other benefits



Selection of reward
systems

Salaries and incentive pay
Stock options
Stock in the company
Other benefits

Figure 4 Selection of reward systems

(Own modified)

Salaries and stocks are considered as financial rewards, which are external. However, other benefits can be acknowledgement, receiving free time from work, which are considered as interior rewards. Some people prefer external rewards while other interior or a combination of the two. (Nilsson & Ovle, 2013)

As mentioned before different companies use different forms of reward systems depending on what they want to accomplish, and also due to the cost factor (Nilsson & Ovle, 2013). Some companies choose for example to issue fractional shares to its employees as a form of reward. Should the employee terminate his service in three years, the employee loses its shares. This is also an effective way for the company to reduce staff turnover and keep important employers.

According to Rahman & Hoque (2014) there are five job dimensions that are very important for an employee in order to feel motivated and satisfied in their work place. These are the work itself, pay, promotion opportunities, supervision and co-employees.



#### 3. Method

In this chapter we will describe the approach used to answer the stated problem. A detailed explanation and motivation of the steps and used methods are described. Furthermore, the validity and reliability of the methods are addressed in each of the sections.

#### 3.1 Inductive approach

Inductive approach is used because it fits studies where there is a lack of theories and former studies of the specific branch and company, which is the case in this thesis, and instead you use empirics (Esaiasson, Gilijam, Oscarsson, & Wegnerud, 2012). So you go from observations in reality to generalization within the theoretical framework (Patel & Davidsson, 2003).

#### 3.2 Preliminary and secondary data

First, we found our secondary data by using different motivational theories and review data from various studies written on reward systems. We search for articles and book with the use of keyword such as *motivation* and *reward systems*.

Then we collected preliminary data by handing out a survey at Company X. There where 50 respondent who answered the survey. Since it is irrelevant information for answering the thesis questions, they were not asked about their age or gender.

We also interviewed five employees where we used main questions and also a couple of different following questions based on their answers. Starting by asking about their background and their role in the company.



## 3.3 Scientific approach

#### 3.3.1 Qualitative method and quantitative

Qualitative method is one of several tools we have used when we addressed the problem. As all areas, qualitative approach has its strengths and weaknesses.

For our choice of method to be as good as possible, it is important to know what the qualitative approach is about. From this aspect, there are some obstacles that must be overcome.

Researchers who choose quantitative methods must justify their choice of method as they are met with greater scepticism (Idar & Solvang, 1997). We have chosen to do this by setting up five interviews and handing out fifty surveys.

#### 3.3.2 Data collection

Reward System is a well-known subject for most companies, especially monetary rewards, which has gotten a lot of bad criticism. Because of this, we have found it hard to be open about which company we have chosen to write about. Therefore, we made a promise to the company, of which this study is based on, is able to maintain anonymous throughout the entire process. This to heighten the possibility of receiving the most honest answers during our interviews - and also through our surveys.

To increase the study's credibility and make a credible analysis, the goal was, as mentioned earlier, to interview at least five respondents and at get fifty surveys.

The respondents we chose to have an interview with face to face also got to be anonymous in the thesis, because we thought that this would increase our chances of honest and open answers. We believe that the anonymity contributed to security for the respective respondents and the possibility to talk freely about their employer.

Company X is a big bank that has a call centre, helping customers with various different banking-related matters. The reason we chose this company was partly because we are working



there and therefore it is easy for us to arrange interviews and also that we interest ourselves in the subject.

#### 3.3.3 Selection of respondents

In this study, the employee's perspective has been in focus. Therefore it is employees that we have had interviews with and it is employees we have asked to answer our survey. Both of us were present in all the interviews and both have been involved in writing a summary of the interviews to reduce the risk of misunderstanding the answers.

#### 3.3.4 Interviews

We thankfully got to do out five interviews that also was recorded. Every interview was about 10-15 minutes to make it effective and not to take up to much time from the respondents work-time.

#### 3.3.5 Interviewees

Five interviews were made during the time period May 4-6<sup>th</sup> and the surveys were handed out May 7<sup>th</sup>. Before our interview we did not prepare the respondents with any questions because we wanted them to answer as honest and spontaneously as possible. We asked the respondent before recording them if that was okay, and it was, provided that they could be anonymous.

#### **3.3.6 Survey**

The questions in a survey are either structured or open. A structured question is a question with a number of different given answers. An open question is formed in a way that the respondents can formulate the answer with their own words. With open questions you get more data but it also make the evaluation more complex and time consuming. (Nordberg, 2000)



In the survey we have used structured questions instead of open questions. We made this chose because we find it easier and clearer when evaluating and comparing the answers. If we would have used open questions we think the risk of getting a spread in interpretation had been to big and it would have been hard to compile the information.

#### 3.4 Credibility

#### 3.4.1 Validity

Validity is one of the most important research criterions when writing thesis.

Therefore it is important to select the "right respondents". We have therefore chosen to interview employees from different walks of life. For instance some had worked there for a short time and some had worked there longer. Some had academic background and some did not.

Due to the fact that we have looked into only one company there is a limitation in making general conclusions. Therefore the external validity is restricted and the results that we get may not be suitable to apply on other companies. (Bell & Bryman, 2005)

The fact that all individual that answered the survey made the choice to participate and all of the questions was optional to answer and that they were completely anonymous makes the validity higher. Although in after further consideration we are not completely satisfied with the questions on the survey because it focus most on reward systems and motivation gets a bit forgotten which lower the validity.

These are two factors that we think we have accomplished in the interviews. The respondents were not completely anonymous but they were aware of the fact that their names are not going to be published. We think our questions during the interviews were very relevant to the aim of our thesis and therefore have a high validity. (Bell & Bryman, 2005)



#### 3.4.2 Reliability

With reliability means trustworthiness, how likely is it that the same result is achieved if we were to perform the same study all over again. We have therefore tried to avoid asking leading questions and made sure that each person is given the exact same question as the person before. After writing down summaries of the interviews we sent these to the respondents, to avoid eventual misinterpretation. Also, it is important to add that we are aware of the fact that the responses from employees probably differ from possible responses from managers. We know that by only interviewing employees, this could affect the reliability of our thesis, but as mentioned before, we did not have the ability to interview a manager.

We chose to hand out the survey questionnaire in Swedish because the native language of the answerers is Swedish and we did not want any language barriers to occur. In our appendix we have translated it to English due to the fact that our thesis is written in English.

# 3.5 Critical perspective on the choice of method

With surveys there is always a risk that the respondents do not take the questions seriously or do not understand what is asked. It would have been desirable to have more interviews, but due to lack of time we had to stick to the five interviews.

We have only been using scientific articles and literature to increase our reliability in this thesis. Everything has been selected with consideration to the author, country and year and if the article has been peer-reviewed.



# 4. Empirical findings

In this chapter we present an outline of the empirical data, which is five interviews and a survey answered by fifty employees at Company X.

# 4.1 Company X

Company X uses both financial and non-financial rewards in their use of reward systems. They have a yearly bonus for every employee, which is based on how much the individual worked during the year and on the company's results the current year. This reward is not based on how the individual performed so this will not be discussed. The rewards that will be discussed are the ones that is handed out based on individual performance and group performance.

# 4.2 Employee interviews

These are the results from the five interviews.

# The five respondents

| <b>A.</b> | Has studied business and economics for 3 years and worked in the company for 2,5 years. Works at the call centre with customer service, incoming calls.   |  |
|-----------|---|--|
| В.        | Has studied business and economics for 3 years and worked in the company for 3,5 years. Works at the call centre with customer service and telemarketing, both incoming and outgoing calls.     |  |
| C.        | Has studied business for 3 years and worked in the company for 2 years. Works at the call centre with customer service and telemarketing, both incoming and outgoing calls.                     |  |
| D.        | Has studied international relations for 3 year and business and economics for 1 year. Has worked at the company for 3 years and work with costumer service, incoming calls and incoming emails. |  |
| E.        | Has not studied since high school. Worked in the company 6 years and work with costumer service, incoming calls and incoming emails.  |  |



The respondent has mainly the same job assignment, mostly incoming calls. They differ in which hours they work. Respondent A and E work fulltime and for the most part daytime. Respondent B and C work most at the evenings and respondent D works the nightshift. Respondent B, C and D only work part-time.

The five respondents share the theory's definition of what reward systems are and mean, a system that is used to motivate people at their work. "Reward systems for me are when you get rewarded for doing a good job", "Positive reinforcement". They are talking about the reward system that is used at the call centre. They said that they have a broad mix in their reward systems that include both financial and non-financial rewards and that the rewards both are directed to individuals and to groups. This is something they all say, but the two respondents that work fulltime has more experience from the reward systems at the call centre and that respondent D, who works mostly nights, do not feel as included in it because the requirements for getting rewarded is harder to reach by night. "Because I work almost only night I can not get evaluated on most of the requirements that is included as factors in the reward systems, for example, they do not have the customer survey running during the night". C says that when financial rewards are used it is almost always laid up as a sort of competition between the co-workers in the specific teams or between the different teams. C's feels that it can be frustration to always be compared to others and that the same persons often win "It is often the same persons that wins, which make me give up before it even started".

Three of the respondent says that the non-financial rewards often is "visible" for all the coworkers, like an e-mail or mentioning on meetings "...we get mails with lists on performance, not in a bad way, but if you are at the bottom of the list, you feel a little ashamed", "My coach send out emails once in a while with some kind of list, but I do not really look at it that closely". At Company X, they also have reward directed to groups. This can be directed to specific teams or the whole call centre. When it is directed to the whole call centre it is often some kind of event with dinner and so on. The respondents that mentioned this do not get that motivated by that kind



of reward, E even said the he/she feels that they get the reward even if they do not accomplish the goals.

Four out of the five respondents says that they do not have an impact in setting the goals. The one that answered yes said that when the main goal is achieved, the respondent together with the nearest manager sets an even higher individual goal than the main goal. The respondent thinks that this is unnecessary.

All five says that the purpose with rewards and reward systems is to motivate and get the employees to work harder/better "The purpose I think, is to get people to work and perform better". B also thinks that the managers wants to create some diversification for the workers and that this is a way to establish short-term goals "On daily basis, our tasks are not that different from each other. This creates differences in the every day work. And we get short-term goals which itself create motivation instead of the actual reward". Finally, four out of five respondents mentioned that the reward system is essential for their daily performance and their desire to stay employed in the company.

Four out of the five respondent answers yes on the question if the reward system at the call centre motivates them. The four says that it is financial rewards that motivate them the most. Respondent B and C almost exclusively get motivated by financial rewards. But respondent A and E think that non-financial rewards can be motivating as well. A and C also point out that, if it is a financial reward, the reward needs to be put in proportion to the work that is required to get the reward "for me, it is important to feel that the "extra" work is worth the reward I get". A says that he/she do not get used to rewards and do not perform lower than average when there is not a competition and such; "not really, I think I go back to my normal performance-level. But if I have gotten a really good reward I want to show appreciation and doing that by performing good at least a little while after".

Respondent D, a little more uncertain, says no. D tells us that he/she do not think that he/she would perform better if the rewards was better; "No, I do not think I would, well... maybe if it was a really good financial reward, money that is".



A says that there can be some disadvantages with reward systems and one example is that some co-workers can get used to it and expects to get rewards for everything. A also pointed out that some of the employees focus on "soft goals", an example can be costumer satisfaction, which rarely leads to getting rewarded "...that can be kind of unfair". D thinks that it can create unnecessary pressure and anxiety among the employees. B says that it is important to have good rewards or no rewards at all and thinks that if you do a very good job and get credit for this with a bad reward, it is better not getting a reward at all "I got an individual useless reward one time, that just made me bitter and not motivated to perform the next time". C and E do not think that there is any disadvantages with reward systems; "Nothing that I can think of now", E says.

#### 4.3 Survey

These are the results from the fifty answers on the survey.

On the first question, "do reward systems motivate you?" 86% answered that it did.

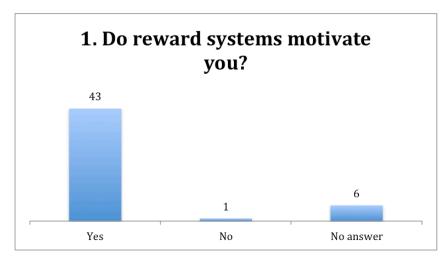


Figure 5 Do reward systems motivate you?



On the second question what kind of rewards that motivates them the most almost 50% answered some kind of financial reward. About 50% of those who did not answer yes on the first question, answered "other" on this one. The ones who answered "other" wrote "more education", "extra vacation", "getting to leave work early" and "none".



Figure 6 What kind of reward motivates you the most?

The third question asks if they get rewarded for their achievements. About 60% answered yes on this question.



Figure 7 Do you get rewarded for your achievements?



Around 50% answered no on the question if they would perform as well without rewards. 62% of those who answered yes on the previous question answered no on this one and only 10% answered yes. 79% of those who answered no on the previous question answered yes on this one.

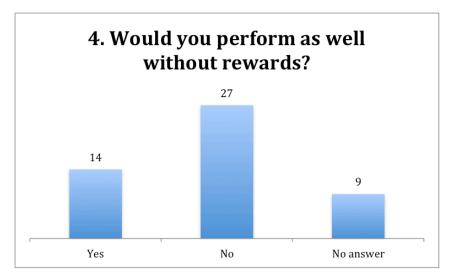


Figure 8 Would you perform as well without rewards?

The fifth and last question on the survey "are rewards important for you to exceed your goals?" almost 85% answered yes. So, just 15% feels that they would perform better than their main goals without rewards.



Figure 9 Are rewards important for you to exceed your goals?



# 5. Analysis

The following chapter sets empirical data against the theoretical framework in the form of an analysis, where we compare and discuss differences and similarities between the both. First we compare the results from the survey and the interviews with the theory about motivation, and then with the theory about reward systems. The chapter end with a discussion where we have more focus on our own reflections.

#### 5.1 Motivation

#### 5.1.1 Interviews

From the interviews, we got information saying that all the employees get most motivated by financial rewards out of the different rewards asked about. A financial reward is an extrinsic motivation and this kind of factor has support from the theory *The economic man approach* of being an effective motivation factor. As money has different value and meaning for different people, we cannot conclude how big of a reward should be given in the general case. Armstrong (1993) also describes this and states that the outcome of using money as a motivator is depending on the situation.

According to Maslow humans have needs and when a lower basic need, such as safety, is fulfilled we aim for a higher need (Maslow, 1954). Having needs that is unfulfilled motivates people. So according to this, the respondents have an unfulfilled need when it comes to money and therefore are motivated by it.

Two of the respondents point out that also non-financial rewards motivate them, those two work at Company X fulltime and our reflection of this is that they feel more attached and have more obligation to their manager, work and co-workers. We find some support for this in *Herzberg's two-factor model* that states that financial reward give positive feeling in a short-time and non-



financial has a positive effect in the long run. The long run may be more relevant for fulltime workers than for part time workers.

Two of the respondents say that the amount of reward in relation to the extra work is essential for the motivation. This has support from the Expectancy theory that states just this, that the correlation between effort and reward must be clear if money can be used as a successful motivational tool (Vroom, 1964).

Only one of the respondents tells us that he/she has an impact on setting the goals but only when the main goal is met. So none of the respondents feel that they have any influence over their goals. This goes against the Goal Theory that states that motivation has a positive effect when the employees are involved in the goal setting (Latham & Locke, 1979).

When we asked about disadvantages of reward systems and rewards one of the respondents said that it is important that the reward, in this case a financial reward, has to be of some value. The respondent tells us that one time he/she got rewarded with a, for him/her, useless reward and that this had a negative effect on the motivation. We find support for this in Herzberg's Two-factor model of motivation that states that a financial reward that is not present in a suitable value can have a bad impact on the motivation, which was the case in this scenario. (Herzberg, 1957)

### **5.1.2 Survey**

The first question on the survey "Do reward systems motivate you?" 86% answered yes and only 2% answered no. We found support for this in the *Needs Theory*. An unfulfilled need can motivate behaviour; this should mean that the specific factor motivates all individuals with a need that is not completely fulfilled. According to Maslow (1954) a need does not have to be completely fulfilled for another need to occur, which implies that almost all humans have some needs that are not totally fulfilled and therefore get motivated by rewards and reward systems.



On our second survey question we asked the employees "What kind of reward motivates you the most?", and 52% answered financial rewards, 20% acknowledgement, 14% promotions and 14% other. Even though 50% answered financial rewards there is quite a big spread in the answers. The spread is quite even between intrinsic and extrinsic motivation. Half of the respondents are motivated by extrinsic factors. One out of five are motivated most by intrinsic factors, which are internal factors, that individuals motivate themselves. 14% are motivated by promotion, we see this as a mix of extrinsic and intrinsic motivation. As Maslow states: different people have different needs. According to Maslow, unfulfilled needs are what motivates individuals. Which means that these people, that answered the survey, have different needs or/and are in different places in the hierarchy of needs. Therefore the answers here have a big spread. (Maslow, 1954)

This spread also goes against Taylor's (2005) theory, which states that the use of economic reward is the only factor that motivates individuals. We can clearly see in our result that economic rewards are not the only motivating rewards at Company X. The theory states that employees can be treated like machines and in that case do not need/want non-financial rewards, which the result from this survey contradicts.

## **5.2 Reward system**

#### **5.2.1 Interviews**

All respondents said that there is a use of reward system in Company X and that this is something that is used systematically on every day basis. The purpose of the reward system was mainly to motivate the employees to work accordance with the company's goals and maintain important labour.

All interviewed employees have a positive view of the reward system and they believe it is a central part of their desire to perform well and be efficient. This is something we also found support in the theory. (Bengtsson & Hedberg, 2012) Mentions that the employees are motivated



directly by the reward system when they choose to contribute to their organization's effectiveness because they want to be rewarded. For example, this motivates the seller to make an extra visit on a Friday afternoon, instead of taking that early weekend. The seller does this by himself in order to hopefully achieve the monthly sales quota. The reward system becomes a direction tool in this case. The organization can lead their employees towards the direction them want them to move towards.

Because all organizations have goals and visions they have to get their employees to work towards the same goal in order to become successful. It is not just about getting a reward, it is also about what kind of reward you get. The theory states that we as individuals, employees have different drivers and motivations. An example about this dilemma is discussed by Nilsson & Ovle (2013) were they mention that a reward for an employee can be a punishment for another co-worker. If the employees receive a weekend trip as a reward, some may find it as a great reward while other sees it as a punishment to be away from their families during the weekend. The reward system looses its purpose in this case. This problem was also mentioned by one of our respondent during the interview. Respondent B did not appreciate all rewards, he/she mentioned that it is important to receive a good reward or no reward at all. "I got a individual useless reward one time, that just made me bitter and not motivated to perform the next time". In this case the reward system has lost its main purpose, which is to make their employees motivated to work towards a goal.

Bau & Micheal (2001) states that there are two different kind of rewards both external rewards as something financial like a bonus or a internal reward as a acknowledgement that leads to self satisfaction. They also mention in their article that it is important that they really consider the different factors before they start implementing a reward. One of our respondent said during the interview that Company X has a broad mix of reward system they have both financial and non-financial rewards and that the rewards both are directed to individuals and to groups. Some of the respondent only felt that financial rewards motivate them while non-financial rewards such as credit also motivated two of our respondents. It is therefor very important to understand what kind of rewards that motivate your employees in order to get the desirable result. Four out of the



five respondent answers yes on the question if the reward systems at the call centre motivate them. The four says that it is financial rewards that motivate them the most. But respondent A and E think that non-financial rewards can be motivating as well. Our reflection of this is that A and E has this as a fulltime job and therefore maybe feel more "attached" and have more obligations to their chef, work and co--workers. This can vary from situation to situation, for instance the two respondents who work fulltime has more experience from the reward systems and one of the respondent D, who works mostly nights, do not feel as included. "Because I work almost only night I can not get evaluated on most of the requirements that is included as factors in the reward systems, for example, they do not have the customer survey running during the night". It is therefor essential for the company to customize the reward system so it suits employees with different work situations.

Another negative aspect that we found with the reward system in company X is that one of the respondent feels like it is always the same employees that receive the rewards. Which makes them loose hope and these results to an ineffective reward system. "It is often the same persons that wins, which make me give up before it even started". In the theory, it is mentioned that the reward system is used to stimulate employees, which is an important factor in motivating employees. When we held the interviews was an employee who explained that in the long run will work unilaterally, and every day is not so different from the other. Four out of five respondents mentioned that the reward system is extremely important for their daily performance and also the desire to remain in the company. (Nilsson & Ovle, 2013)

#### **5.2.3 Survey**

In this section we have linked the empirical data from the survey to the theoretical background that we compiled regarding the reward system. We asked the question "do reward system motivate you". There was a very clear answer that it did. On 50 employees 43 answered yes while only one employer answered no. The other six answered "no answer". This was not a big surprise, according to the theory, employers get motivated by reward system, based on the idea



that we strive after our goals to achieve what we want. The reward system can be considered as an achievement. (Bengtsson & Hedberg, 2012)

The second survey question was "what reward system motivates" the lasting majority answered financial, this is something that prevails in the five interviews we conducted.

In the third question, we asked if the employees perceived that they got a reward for good performance. The majority answered even in this case that they got it, which clearly demonstrates that the company X systematic use reward systems. The employees who answered no, could very well be a night worker as one respondent we interviewed. The night workers usually feel more excluded when it comes to reward systems.

In our fourth question, we asked if employees felt they would perform as well without any reward. Even in this case the answers was not far from the theory we have compiled. 27 people said they would not perform as well, while 14 say that they would perform equally regardless. 14 people are more than we expected. The reason that these 14 employees responded that they still would perform as good is unknown. However, it may be because they feel that the salary they get at the end of the month is a reward and that it is sufficient to other rewards. Or maybe keeping their jobs is a reward in itself. Companies choose to reward their employees have staff that perform better than companies that do not use any incentive system. They also believes that a reward system would be able to get more people to become interested in working of the company and, above all, it means that they have employees who want to stay in company. (Bau & Dowling 2001)

In the fifth and final question we asked about the reward system is essential in order to exceed their goals, ie do more than what is expected from the employees. In this case, we got a better hit rate on yes. For then you have to do more than just your goals, you need to actually make an effort and go the extra mile and that is something most of us do not like to do without getting any kind of reward ever. In order to ensure the effectiveness of an organization it is highly required that workers are motivated and which you can achieve with the help of reward system. Rewards



may also get an individual to perform better and create motivation and satisfaction. It may also be a good way to retain important people in the organization and the reward can also get the employee to feel important and needed. If good performance in the organization is rewarded, it will most likely happen again. (Nilsson & Ovle, 2013)

#### 5.3 Discussion

We got many answers and reflections from the interviews and the survey that have support from the theoretical framework. But there are areas we think that the company can develop to be more effective.

Company X uses both financial and non-financial reward and both have good effect in different ways. Financial rewards have positive effect on the motivation on all of the respondents and non-financial rewards only on the two respondents that work fulltime. In this area we think that Company X can develop their reward systems in a way so the rewards are more adapted to the individual and their employment status to get the most effective results. For the fulltime employees they could lay more focus on non-financial rewards and for the part time employees they could focus on financial rewards.

In the survey we got a big spread in what motivates the employees the most. This also is something that shows that it is important to adapt rewards for each individual due to the fact that people get motivated by different things/rewards. In the survey we did not ask about background, age or employment status and therefore we cannot evaluate who gets motivated from what factor. We think that Company X should investigate in this to se if there is any general pattern in motivation factors among employees. If there is a pattern, they can use that information to adapt the rewards more to take advantage of this as a motivating tool as much as possible.

One of the respondents tells us about the disadvantages of getting a reward that does not have a suitable value. Only one mentions that he/she experienced it, but how many did he/she spread the negative experience to? We think that this is something that co-workers talk about and therefore



this kind of information is easily spread. The useless reward only gave an effect on the individual that got it but the negative experience that it lead to probably gave an effect on many others. So even though there is only one that mentions this we think that it is an important factor to take into consideration for the company.

Only one of the respondents feels included in the goal setting and only when he/she already achieved the main goal. According to Latham & Locke (1979) it is important that the employees are involved in setting goals and that they accept the goals for them to be effective as a motivating tool. In this area we think that Company X has a opportunity to develop their process and start to include the co-workers in the discussion and setting the goals.

Designing a reward system is difficult and in this essay we have realized that there is no reward system that can be implemented in every situation and company. There is no reward system that will work for all employees. The company should use a system that fits the needs of the employees to get the outcome they seek. Because most of the rewards are individual and performance-based, rewards should be adapted to different individuals. It is important to ensure that these rewards are good enough for the specific person that the reward is intended for. For instance a 65 year old man may have a different need than a 18 year old girl. If a company wants their rewards to be coveted they should consider these factors.



#### 6. Conclusion and recommendation

In this chapter we are going to outline the main conclusions in our thesis. The following chapter reconnects us to our problem analysis and presents the conclusion. Our suggestions for improvement can be discerned in this section.

# 6.1 Do reward systems motivate the employees at Company X?

The conclusion that we can make is that rewards and reward systems motivate most parts of the employees at Company X. Financial rewards motivate the majority most, but there is a quite big spread. Therefore we think that the direct answer to the question is a simple yes, but to develop this answer and making conclusions about what rewards that motivates and especially how much is very hard, probably impossible. There are individual factors that affect this; we think that making a conclusion about this, you would need to investigate all the employees at the specific workplace and you would have to do it regularly and often since peoples life situation and preferences changes.

We also came to the conclusion that it is important that the "extra work" is worth the effort of getting the reward and that it is important for the workers to feel involved in setting their own goals, if reward systems could be used as a motivational tool. The employees are not going to make an extra effort if the reward for them is not interesting or if they do not feel that the goal is reasonable and fair.

# 6.2 What reward systems are in use at Company X?

We have come to the conclusion that Company X uses several different types of reward system to motivate their employees. The main and most effective ones are the financial, in the form of bonuses, shares and increased salaries. However, much of the financial bonuses are not individual performance-based rewards. As previously mentioned these bonuses are depended on



how much the employee work in time and therefore we did not go into it in this study. However, this is a way for the company to keep their employees in the long run.

Another reward system that is systematically used is the so-called *internal rewards*. These are everything from acknowledgement and honour to promotion. These are especially important for those who work full time, while those who work part-time prefer the financial rewards more.

Another conclusion we have drawn is that the reward system is more than just getting a direct reward in your hand or some acknowledgement. Reward system can also be indirect. Some of the employees were not as eager to receive a reward for everything they did. We interpret this as some of them consider the job itself as a reward. To receive a salary at the end of the month may be what keep them going. Even if they did not win a competition on two movie tickets one week this did not affect their performance that much. To keep the job, which then leads to a salary in end of month, was motivating itself.

Finally, we believe that if an employee is satisfied in the company and have good working conditions, the small rewards are not as essential. Obviously, they can motivate and stimulate employees to perform, but the difference is not crucial.

# 6.3 How can Company X make their reward systems more effective?

We think that Company X has an opportunity to make their reward system more effective by investigate more in which individual motivates by which factor. If there is a possibility of finding a pattern for this we see a big opening to develop the systems that they already using to maximize their results.

During our studies we already found a possible pattern that fulltime workers get motivated more from non-financial reward than the part time workers. We think that the company can and should use this to their advantage due to the fact that non-financial reward probably is more profitable for the company. Therefore we think that the company should focus on non-financial rewards when it comes to the reward systems that apply on the full time employees.



As mentioned those who work part-time prefer the financial rewards more. Our reflection of this is that maybe the ones that work part-time feel that they need to compensate for the safety that the permanent full time worker has. It can also be because the part-time employees have lower salary than the full time workers and therefore think that financial rewards are bigger motivating factors. If it is the latter one, we think that it could be relevant to investigate what is most effective for the company, raising the salary or keep using financial rewards.

We also think that the employees should be more involved with setting the goals and determining the rewards, this will lead to more acceptance towards the goals, which in turn lead to getting the employees motivated. If the employees get to have an impact in deciding what the reward should be there will be less risk of negative feelings about useless rewards. We think this can have a huge effect on the view that the employees have on the company's reward system and are therefore important to take into consideration.



# 7. Proposals for further research

At the beginning of our investigation we had in mind that the reward system is an obvious and quite simple question. How hard can it be to set up a reward system to motivate employees was a question we asked ourselves. We very soon got to realize that it is not as simple as it sounds. Every individual is unique and all the rewards do not always have an impact on all individuals. In theory, we have not encountered that companies customize rewards to individuals. We therefore believe that it would have been interesting to examine a company that does it and see if they have had a more successful outcome in comparison with a similar company that does not have personalized rewards.

Another proposed continuing research is to conduct the study from a managerial perspective. However, it is good to have in mind that it is difficult to get hold of managers and probably also hard to get an honest answer. They have more responsibilities and obligations towards their company, which limits their openness in their responses. If you do a research on the managers perspective you could then compare the managers perspective on the reward system with the employee. Do they have the same perception?

Due to the fact that there are regulations concerning the use of variable commission in this industry it would be interesting to investigate further in how the company adjusts to this law. What kind of reward systems where in use before the law? Has this effected the results for the company?

We also discussed what we would have done differently if we had more time. We had then wanted to compare the call centre X with other call centres in order to get a broader perspective. It had also been interesting to compare with other industries. Are there different reward systems in various industries? If so, why?



Finally, we believe that a further research topic in the reward system versus commission had been interesting. Is reward system the same thing as commission or is it two completely different things. One could examine the two companies in the same industry in which one use commission and the other one only reward system. Which one is most effective and why?



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#### **Interviews**

Interview with respondent A, 2015-05-04 Interview with respondent B, 2015-05-04 Interview with respondent C, 2015-05-04 Interview with respondent D, 2015-05-05 Interview with respondent E, 2015-05-06

#### **Attachments**

# 1. Employee interview

- 1. Tell us a little bit about your background, what role do you have in the company?
  - Studies
  - Time in company
- 2. What are reward systems for you?
  - Definition
- 3. Tell us about the reward systems that are currently used in company X.
  - Individual/group
  - Financial/Non-financial
  - All the time? Short time-intervals?
- 4. What do you think is the purpose with using reward systems?
- 5. How do you relate to the reward systems that are used in company X?
- 6. Do you feel that you perform better when there is a reward system?
  - If yes, what reward
  - If no, could it?
- 7. Do you experience any disadvantages from reward systems?

# 2. Survey

# This survey is anonymous

**Definition of reward systems =** money/acknowledgement/promotion/glory given for good performance

| 1. | Do reward systems motivate you?                     |
|----|---|
|    | o Yes   |
|    | o No  |
|    | o No answer   |
| 2. | What kind of rewards motivates you the most?        |
| 3. | Do you get rewarded for your achievements?          |
|    | o Yes   |
|    | o No  |
|    | o No answer   |
| 4. | Would you perform as well without rewards?          |
|    | o Yes   |
|    | o No  |
|    | o No answer   |
| 5. | Are rewards important for you to exceed your goals? |
|    | o Yes   |
|    | o No  |
|    | o No answer   |
|    |   |
|    | Thank youl  |