

# **Analysis of Employee Motivation in the Company XY**

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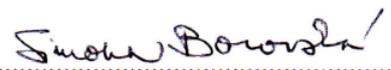
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## **ABSTRAKT**

Tato bakalářská práce je rozdělena na dvě části – teorii a analýzu. Teoretická část obecně vysvětluje pojmy jako je řízení lidských zdrojů a motivace. Dále popisuje různé motivační teorie, motivační strategii a vztah mezi motivací a výkonem.

Druhá část práce analyzuje současný stav motivace zaměstnanců ve firmě XY. Firma XY skutečně existuje. Analýza je založena na rozhovorech s ekonomickou vedoucí, vnitrofiremních dokumentech a webových stránkách firmy. Na základě analýzy jsou navržena doporučení ke zlepšení motivace zaměstnanců.

Klíčová slova: motivace, zaměstnanci, mzda, motivační systém, rozhovor

## **ABSTRACT**

This bachelor thesis is divided into two parts – theory and analysis. Theoretical part explains terms such as human resource management and motivation in general. Furthermore there is description of different motivation theories, motivation strategy and relationship between motivation and performance.

The second part analyzes current employee motivation in the company XY. The company XY is an existing company. The analysis is based on interviews with the head of economic department of the company XY, intradepartmental documents and website of the company. Recommendations based on analysis are proposed in order to improve employee motivation.

Keywords: motivation, employees, wage, motivation system, interview

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# CONTENTS

<b>INTRODUCTION .....</b>	<b>10</b>
<b>I THEORY .....</b>	<b>11</b>
<b>1 HUMAN RESOURCE MANAGEMENT .....</b>	<b>12</b>
1.1 HRM Goals and Activities .....	13
<b>2 MOTIVATION .....</b>	<b>15</b>
2.1 Types of Motivation .....	15
2.2 Motivation Theories .....	16
2.2.1 The Process of Motivation.....	16
2.2.2 Instrumentality Theory.....	17
2.2.3 Content (Needs) Theory .....	18
2.2.4 Process Theory.....	19
2.2.5 Herzberg's Two-Factor Model .....	22
2.3 Motivation Strategies.....	23
2.4 The Relationship between Motivation and Performance.....	24
2.5 Motivation and Money .....	24
2.6 Motivation Programme of the Company .....	25
<b>3 SUMMARY OF THEORETICAL PART .....</b>	<b>27</b>
<b>II ANALYSIS .....</b>	<b>28</b>
<b>4 INTRODUCTION OF THE COMPANY XY.....</b>	<b>29</b>
4.1 The Basic Information about the Company XY .....	29
4.2 History and Present of the Company XY .....	29
4.3 Goals and Visions of the Company XY.....	30
4.4 The Company XY in the Marketplace .....	31
4.5 Organization Structure of the Company XY .....	32
<b>5 ANALYSIS OF CURRENT EMPLOYEE MOTIVATION SYSTEM IN     THE COMPANY XY .....</b>	<b>34</b>
5.1 Aims of Analysis .....	34
5.2 Methods of Data Collecting for Analysis .....	34
5.3 Rewards and Motivation According to Directives of the Company XY .....	36
5.4 Information Based on Interviews with the Head of Economic Department.....	39
5.5 Strengths and Weaknesses of Motivation System in the Company XY.....	45
5.6 Summary of Analytical Findings .....	46
<b>6 RECOMMENDATIONS FOR EMPLOYEE MOTIVATION IN THE     COMPANY XY .....</b>	<b>48</b>

<b>CONCLUSION .....</b>	<b>51</b>
<b>BIBLIOGRAPHY .....</b>	<b>53</b>
<b>LIST OF ABBREVIATIONS .....</b>	<b>55</b>
<b>LIST OF FIGURES .....</b>	<b>56</b>
<b>LIST OF TABLES .....</b>	<b>57</b>
<b>APPENDICES .....</b>	<b>58</b>

## INTRODUCTION

Motivation is inevitable part of each company which wants to run successfully. As a part of human resource management, motivation leads to satisfied employees and therefore to good results of their work. Motivation itself consists of financial remuneration, non-financial appreciation and other types of rewards.

The aim of this bachelor thesis will be to analyze motivation system in the company XY and find both the advantages and the gaps in it.

The title of this bachelor thesis is Analysis of Employee Motivation in the Company XY. The company XY is a real company which does not want to be revealed. The sphere of business of the company XY is manufacturing in the food industry with specialization in healthy products. The company XY employs around 100 employees at the moment and they might be divided into office employees and manual workers. The analysis will consider only manual workers of the company as they need to be motivated in order to meet the production plan of the company and fulfill it properly. The company has developed some motivation programme over the time, but there is a struggle every year with the problem of stereotype of the programme. At some point over the time the employees in the company XY start losing working motivation. They are tired of the same motivation elements and their working productivity may decrease.

The thesis will be divided into two parts – theoretical part and analysis. The theoretical part of the thesis will describe the term human resource management and motivation. Further it will consider motivation theories and strategies according to suitable literature. The analytical part will firstly focus on the company XY itself and the author will analyze the current situation of motivation inside of the company. The analysis outcome will serve for the suggestion of improvements that could take place in the company in the future. The suggested improvements might uplift the current situation of motivation in the company.

## **I. THEORY**

## 1 HUMAN RESOURCE MANAGEMENT

The purpose of the theoretical part of this bachelor thesis is to make the readers familiar with motivation, its types and theories. The theoretical knowledge will be utilized in the practical part of the thesis. The information about motivation will be obtained from the books.

Armstrong's definition of human resource management (HRM) basically sees HRM as consistent and planned activity which focuses on certain goal in managing people working within a company. Employees take part in reaching the objectives of the company individually as well as collectively. (Armstrong 2003, 3)

Regarding the definition above, Armstrong extends it by listing the main features of HRM. The first feature is "an emphasis on the strategic management of people (the human capital of the organization)," (Armstrong 2003, 3) secondly "the development of integrated HR policies and practices." (Armstrong 2003, 3) Other features are being engaged to the company, treating employees well (chance to promote, to learn something new), to unite interests of employees and employers and the last feature is that HRM is supposed to be carried out by a line management. (Armstrong 2003, 4)

"The term 'management' may be applied to either a social group or a process. The term 'management', when applied to a process, conjures up in the mind a variety of images of managerial work. Management may be seen as a science or as an art." (Bratton and Gold 1999, 12) The author would like to add that the term management can also be applied to oneself – one person (e.g. time management of a person). The following figure presents management as science, as art, as politics and as control.

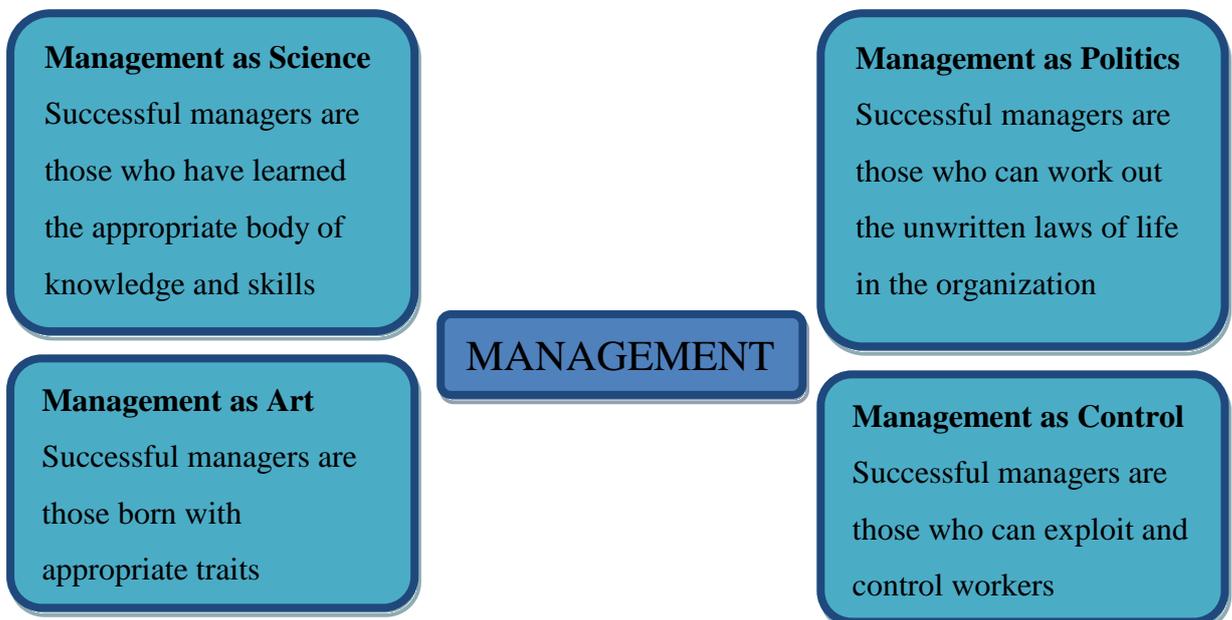


Figure 1. Management as Science, Arts, Politics and Control

Source: Bratton, John and Jeffrey Gold. 1999. *Human Resource Management: Theory and Practice*. (New Jersey: Lawrence Erlbaum Associates, Inc.), 13.

## 1.1 HRM Goals and Activities

Armstrong gives an account of HRM aims. One of the most significant of them is reaching the objectives mainly through high performance of people. Moreover these people should be motivated and should have job engagement. It is also important to feel the importance of identification with values of the company and be enthusiastic about the job. Skilled employees create human capital advantage. Another goal is to retain or hire committed and skilled employees. This means development of recruitment strategies. Human resource development is also one of the goals and tries to provide development opportunities. Recognition and evaluation of employees also belongs among the HRM goals as well as good relationships between management and employees. (Armstrong 2003, 4-8) "These aims are ambitious and could be regarded as mere rhetoric." (Armstrong 2003, 8)

However the HRM goals are meant to be helpful and possibly carried out in the companies, it seems to be a bit more difficult to implement all of them into the day-to-day running of the company. As Armstrong suggests above, it is more Utopia than reality.

HRM activities are following (Mathis and Jackson 2008, 6-8):

- Strategic HR Management – Basically means HR planning of future employment of people in terms of using HR technology.
- Equal Employment Opportunity – Variety of employees is welcomed.
- Staffing – Qualified people are recruited according to the job positions needed within the company.
- Talent Management and Development – New employees are trained at the beginning. Employees are also prepared for possible future growth within the company; their performance is assessed by performance management.
- Total Rewards – Basic pay for employees may be slightly changed in order to make employees more competitive.
- Risk Management and Worker Protection – Worker protection, health and safety must be followed according to legal requirements as well as work security.

- Employee and Labor Relations – Effective relationship between managers and employees, keeping employee rights and communicating HR policies and procedures.

## 2 MOTIVATION

"Motivation comes from wanting to do something of one's own free will. If you are free, you can choose to do something." (Baldoni 2005, 4)

"Motivation is purely and simply a leadership behavior." (Baldoni 2005, 5)

Gregar states that motivation is connected to goal oriented behavior. Motivation is a process in which a person sets the goal and focuses his energy and behavior to reach it. (Gregar 2007, 57)

Motivation is one of the basic items of Human Resource Economy. Human Resource Economy includes (Gregar 2007, 56):

- Organization of work
- Rewarding
- Motivation

### 2.1 Types of Motivation

There are two ways of motivation at work. Firstly, employees are motivated by themselves by work which satisfies their needs. Another way is that managers motivate employees financially or in a different way. (Armstrong 2003, 217)

Herzberg, Mausner and Synderman (1957) identified two types of motivation as first. Those two types are intrinsic and extrinsic motivation.

- Intrinsic motivation – This kind of motivation basically comes from peoples' minds and makes people behaving in a certain way. It covers so-called self-generated factors. Among these factors belong e.g. responsibility and autonomy. It also includes peoples' desire to have an interesting and challenging job, possibility do broaden the horizons and improving skills and possibility to promote at work. Intrinsic motivator might have deeper and long-lasting effect. (Armstrong 2003, 217-218)
- Extrinsic motivation – Extrinsic motivation is the one which comes from outside, not by people themselves. It means what is done for people to motivate them. On the other hand there is also negative type of motivation – punishments. Extrinsic motivation consists of rewards and punishments. Rewards can have various forms such as higher pay, advancement and praise. Punishments are e.g. criticism and disciplinary action. Extrinsic motivators can have quite powerful effect which will probably not be long-lasting. (Armstrong 2003, 217-218)

## 2.2 Motivation Theories

During the research of the process of the origin of motivated behaviour it gave rise to many motivation theories. These theories tried to find out what are the basic factors of motivation and motives. The theories were accepted more or less successfully also as a source of knowledge. The source of knowledge might be used as a tool for business administration. (Gregar 2007, 58)

### 2.2.1 The Process of Motivation

Similarly to Gregar, Armstrong describes motivation as goal-directed behaviour. "A motive is a reason for doing something." (Armstrong 2003, 216) To motivate others means to get them into the angle they are desired to be. People feel motivated when they know that particular action gets them towards the achievement of certain goal and a reward which is satisfaction of their needs. (Armstrong 2003, 216)

Arnold, Robertson and Cooper have created a list of three components of motivation (Armstrong 2003, 216):

- "Direction – what a person is trying to do;
- Effort – how hard a person is trying;
- Persistence – how long a person keeps on trying."

Essential knowledge for managers is to know the process of motivation. This is the main part of the motivation in the company. The managers should lead people to do their best using the motivational processes offered by the company. The company can support the motivation "by providing incentives and rewards, satisfying work, and opportunities for learning and growth." (Armstrong 2003, 216)

Skinner also sees managers as major part in motivation of employees: "Managers can develop and tailor a work force to meet the particular performance needs of an organization." (Vroom 1990, 11)

According to Beer and Walton there are three conditions that are essential for employee motivation (Vroom 1990, 16-17):

- "Employees must believe effective performance will lead to certain rewards... .
- Employees must feel that the rewards offered are attractive... .
- Employees must believe a certain level of individual effort will lead to achieving the corporation's standards of performance."

Following figure illustrates the process of motivation. People have needs and they want to achieve something. So they create a goal they want to achieve. They take action to achieve set goal and when they achieve it, their needs will be satisfied. This behaviour might be used again in the future to satisfy similar need. And the other way round "if the goal is not achieved, the same action is less likely to be repeated." (Armstrong 2003, 217)

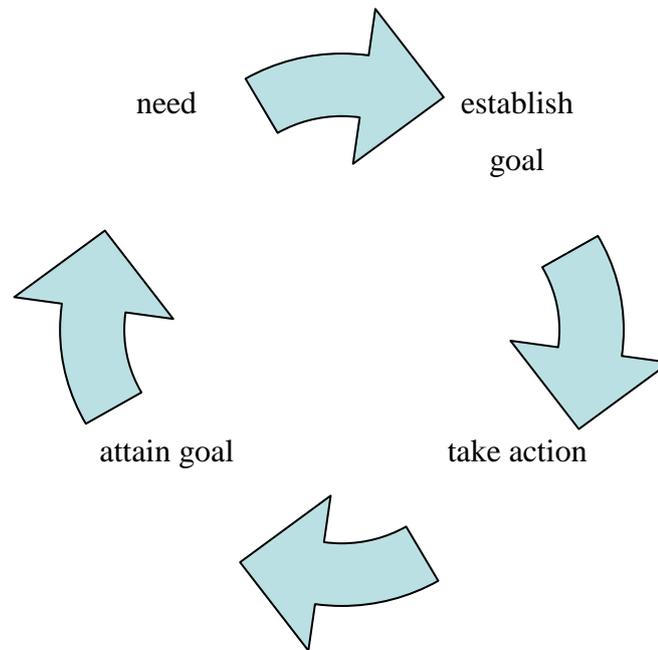


Figure 2. The process of motivation

Source: Armstrong, Michael. 2003. *A Handbook of Human Resource Management Practice*. (9th ed. London and Philadelphia: Kogan Page), 217.

Armstrong suggests that unsatisfied needs are recognized either consciously or unconsciously. (Armstrong 2003, 216) Conscious and unconscious are further described by McClelland (McClelland 1987, 6-16):

- Conscious intents – They can assume what happens not only because they take into account motivation but different determinants as well. If people say they want to do something, it will probably happen.
- Unconscious intents – "... some of the motives reflected when people talk about themselves may be more obvious to others than to the people themselves; that is, they appear to be unconscious of them." (McClelland 1987, 15)

### 2.2.2 Instrumentality Theory

The essential meaning of this theory is that one thing leads to another thing. Basically "instrumentality theory states that people only work for money." (Armstrong 2003, 218)

The first appearance of this theory dates back in the second half of nineteenth century. The best motivation is if the rewards or penalties are directly fixed to performance of the employees, "thus awards are contingent upon effective performance." (Armstrong 2003, 218) Roots of this theory are in Taylorism. Taylor (1911) wrote: "It is impossible, through any long period of time, to get workmen to work much harder than the average men around them unless they are assured a large and permanent increase in their pay." (Armstrong 2003, 218)

Instrumentality theory is widely used and might be sometimes successful. But there is no recognition of other human needs except of money. Another threat is that the formal control system might be distorted by friendly relations between workers. (Armstrong 2003, 218)

### **2.2.3 Content (Needs) Theory**

The main idea of this theory is that unsatisfied need causes tension and imbalance. In order to gain back the balance, the aim which will satisfy the need is found and person's behaviour points directly towards the achievement of the goal. And therefore it leads to fulfillment of the need. (Armstrong 2003, 219)

"Not all needs are equally important for a person at any one time – some may provide a much more powerful drive towards a goal than others, depending on the individual's background and present situation. Complexity is further increased because there is no simple relationship between needs and goals. The same need can be satisfied by a number of different goals ... ." (Armstrong 2003, 219)

#### **Maslow's Hierarchy of Needs**

This classification of needs is very well-known. Maslow (1954) divided needs into five general categories. (Armstrong 2003, 219)

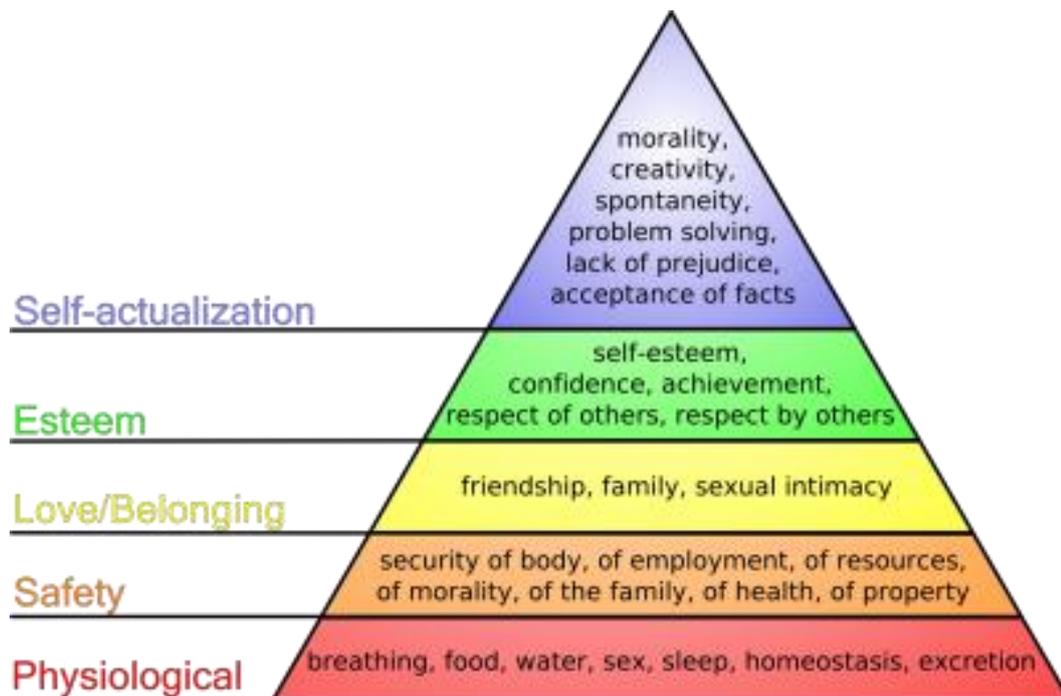


Figure 3. Maslow's Hierarchy of Needs

Source: Right Health. Maslow's Hierarchy of Needs.

[http://www.righthealth.com/topic/Maslow's\\_hierarchy\\_of\\_needs](http://www.righthealth.com/topic/Maslow's_hierarchy_of_needs) (accessed December 11, 2010).

When the need from the bottom of the pyramid is satisfied, the next higher need is the one which person's attention is turned on. However the need at the top of the pyramid – self-fulfillment cannot be ever satisfied. If the person is fully satisfied, motivation vanishes. But this cannot happen. There are always lower needs which need to be satisfied. Once a person reaches and satisfies the needs from the esteem and self-fulfillment section, they become stronger. On the other hand "lower needs decline in strength on satisfaction." (Armstrong 2003, 220)

Maslow's theory has been authoritative but it cannot be applied on all the people in the same way. The people have various priorities and it makes it difficult to use the hierarchy in the same order for everyone. Even Maslow himself did not stick to his hierarchy in strict order. (Armstrong 2003, 220)

#### 2.2.4 Process Theory

Basic needs and psychological processes are emphasized. Another term for this theory is cognitive theory due to the fact that it deals with "people's perceptions of their working environment and the ways in which they interpret and understand it." (Armstrong 2003, 220)

Unlike Maslow’s theory, process theory gives much more appropriate view of motivation. Process/cognitive theory offers better and realistic advice on motivation techniques to managers. (Armstrong 2003, 221)

The processes are (Armstrong 2003, 221):

- "Expectations (expectancy theory);
- Goal achievement (goal theory);
- Feelings about equity (equity theory)."

**Expectancy Theory**

Vroom’s expectancy theory is described as a theory where employees "believe they will get what they want." (Green 1992, 1) Employees’ certainty about gaining desired includes three beliefs where all of them are different. (Green 1992, 1)

"The first is believing that they can perform well enough to get what is offered. The second is believing that they will get it if they perform well. The third is believing that what is offered will be satisfying." (Green 1992, 1-2)

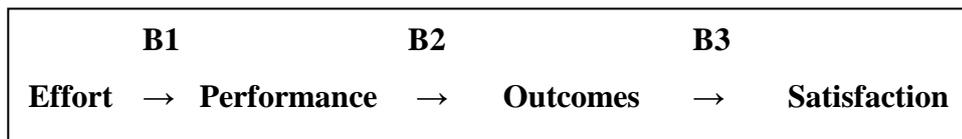


Figure 4. Expectancy Theory

Source: Green, Thad B. 1992. Performance and Motivation Strategies for Today's Workforce: A Guide to Expectancy Theory Applications. (Westport: Quorum Books), 2.

Green both summarizes the expectancy theory and describes it by listing three conditions which must be met when employees are motivated to perform (Green 1992, 4):

- "The employee believes that effort will lead to performance (B1)
- The employee believes that performance will lead to outcomes (B2)
- The employee believes that the outcomes will lead to satisfaction (B3)."

It is not only motivation what is needed. Even if the employee is motivated well he/she does not have to perform well. Effort and motivation are required when it comes to performance, but standing on its own it does not promise performance. Another requirement is skilled employee. Motivation cannot be enough for performance without skills. The last necessary thing is working environment and working conditions. (Green 1992, 5)

Good points to think about are presented by Armstrong. Extrinsic financial motivation is only effective if the amount of the reward deserves the effort. Intrinsic motivation might

be stronger than extrinsic one because of the personal experience and credit of an individual. It means that positive outcome might be expected from them. (Armstrong 2003, 221)

Porter and Lawler (1968) introduced a model based on Vroom's ideas. The model proposes two factors establishing the effort put into jobs by people (Armstrong 2003, 222):

- "The value of the rewards to individuals ...;
- ... their expectations about the relationships between effort and reward."

Combined together the higher the value of awards and the higher the possibility of getting those awards, the bigger effort occurred. But effort on its own is not enough. There are two things affecting the success (Armstrong 2003, 222):

- "Ability – individual characteristics such as intelligence, manual skills, know how;
- Role perceptions – what the individual wants to do or thinks he or she is required to do ... ."

### **Goal Theory**

Latham introduces goal-setting theory as a result of action of goals and feedback on self-regulation. They urge people to think about themselves and evaluate themselves. (Latham 2007, 219)

Latham and Locke (1979) developed goal theory and its basic content is that motivation and performance arise when people have a certain goal to achieve. It also applies to a bit tough goals as well as a feedback on achievement. Taking part in stating a goal is important for the reason. The reason is that there must be consensus when it comes to crucial goals and the way how to achieve these goals should be strengthened by guidance and advice. (Armstrong 2003, 222)

Erez and Zidon (1984) highlighted the interesting finding about demanding goals. If this type of goal is being processed with commitment to the goal, the performance is better than in easy goals. (Armstrong 2003, 222)

### **Equity Theory**

The main principle of equity theory is the feeling of person to be compared to another person and how the person is treated at work. People should be treated similarly and adequately with a reference group. The process of equity is a comparative process including how the person feels. The motivation of the people increases when they feel a

good treatment. Otherwise they are demotivated while feeling treated unfairly. (Armstrong 2003, 223)

According to Adams (1965) there are two kinds of equity. First one is called distributive equity. It deals with feelings of people who are considering the reward compared to their contribution. Distributive equity also contains comparing themselves to other employees. Secondly it is procedural equity. Procedural equity contains employees' feelings of fairness in terms of performance appraisal and promotion. (Armstrong 2003, 223)

Tyler and Bies (1990) identified five factors that provide perception of procedural fairness (Armstrong 2003, 223):

- "Adequate considerations of an employee's viewpoint;
- Suppression of personal bias towards the employee;
- Applying criteria consistently across employees;
- Providing early feedback to employees concerning the outcome of decisions;
- Providing employees with an adequate explanation of the decision made."

### **2.2.5 Herzberg's Two-Factor Model**

"The only way to motivate the employee is to give him challenging work in which he can assume responsibility." (Herzberg 1968, 53)

Herzberg, Mausner and Synderman (1957) developed two-factor model in terms of research of accountants and engineers. (Armstrong 2003, 224)

The researchers gained the understanding that employees could say which conditions at work are satisfying and which are dissatisfying. Following this knowledge, people were asked to report really good and really bad time they felt while at work and how long did it last. The result of such interviews was a division into good and bad periods. (Armstrong 2003, 224) The two kinds of periods are described as following (Armstrong 2003, 224):

- Good periods – This type involves the content of the job, in detail it combines what the employees achieve, if they are recognized and afterwards promoted on the basis of good performance as well as recognition. Moreover it is autonomy, responsibility and work on its own what also belong to the group of good periods.
- Bad periods – "Most frequently concerned the context of the job."

Herzberg himself summarized the research in a following way. There are two groups of employees' wants. First one has the needs surrounded around the job as the occasion for

the personal development and growth. Second group pays more attention to working conditions, corresponding pay and administrative practices. According to this research Herzberg developed the two-factor model. The two-factor model consists of satisfiers and dissatisfiers. (Armstrong 2003, 224)

Gregar describes those two as following (Gregar 2007, 61):

- Satisfiers – Or so-called motivators themselves motivate the person to achieve better and higher performance (e.g. good collective of people).
- Dissatisfiers – Might be also called hygiene factors; dissatisfiers feature the environment and in principle they prevent dissatisfaction with the job (e.g. safety at work).

Herzberg's theory influenced and contributed to job enrichment movement. This movement was seeking the working positions which will be supporting and maximizing the opportunities for inner satisfaction from work. And furthermore it will have the opportunity of personal growth. (Gregar 2007, 61)

On the other hand Herzberg's two-factor model was also criticized. The main reason of this attack was the missing relationship between satisfaction and performance. It has been said that the questioning method lead to two factors. It has been also suggested that "small and specialized samples" (Armstrong 2003, 224) were generalized. The last criticism concerns the fact of not having evidence proving the relationship of satisfiers and higher productivity. All the criticisms came from academics. Despite their criticism, two-factor theory is still used. It is easily understandable and "based on 'real-life' rather than academic abstraction." (Armstrong 2003, 225) The result of the two-factor theory was that Herzberg's influence on job enrichment movement was vast. (Armstrong 2003, 224-225)

### **2.3 Motivation Strategies**

Gregar explains motivation strategy as a way of focusing on satisfaction of employees' needs interconnected with reaching the set goals of the company. Motivation strategy consists of making systems combining employee's needs and stimuli of organization. Managers' main task is to join the goals of the company to the behaviour of the employees which matches with the goals of the company. The main problem of motivation is to identify the goals of the employee and the ones of the company in the process of satisfaction of the needs. (Gregar 2007, 62)

Armstrong outlined the following factors which can affect motivation strategies (Armstrong 2003, 229):

- Taking together the process of motivation complexly, simplistic approaches (instrumentality theory) to motivation have hardly any chance to succeed.
- A need for recognition is essential. It is much easier to motivate employees in the environment where they are recognized and "valued for what they are and what they do." (Armstrong 2003, 229)
- People need work giving them tools to reach the goals, "a reasonable degree of autonomy, and scope for the use of skills and competencies should be recognized."
- "The need for the opportunity to grow by developing abilities and careers." (Armstrong 2003, 229)
- The environment of the company in terms of values and norms can have influence on "the impact of any attempts to motivate people by direct or indirect means." (Armstrong 2003, 229)
- The leadership which shows the way and boosts the achievement by supporting of the employees improves motivation.

## **2.4 The Relationship between Motivation and Performance**

Usually the most required satisfactory elements are connected with higher pay, a chance for advancement, participative management, good relationship with colleagues and variety of given tasks. However satisfaction depends on individuals' needs and the environment where they work. Regarding the research which has been done, there is no proof that satisfaction and performance are strongly connected. (Armstrong 2003, 225)

"A satisfied worker is not necessarily a high producer, and a high producer is not necessarily a satisfied worker. The claim that good performance results in satisfaction rather than vice versa has not been proved."(Armstrong 2003, 225)

## **2.5 Motivation and Money**

Money is what employees want. But do all of them want only money? There are some doubts expressed by Herzberg, Mausner and Synderman (1957). Their belief was that if people do not have money, they are not satisfied. On the other hand if they have money, the satisfaction does not last for long period of time. (Armstrong 2003, 227)

Every single person is different. Everyone perceives evaluation by money differently. For sure the people are all motivated by money, but not to the same extent. The thing is that some people might be much more motivated by finances than other people. (Armstrong 2003, 227)

Money helps to satisfy a lot of needs. Starting from basic needs as to eat and live somewhere and feeling secure, continuing satisfying needs of self-esteem and status. We can buy things which our friends cannot afford. Money is symbol which is different for different people, even for one person it varies in different situations. (Armstrong 2003, 228)

The financial incentives motivate people. There is a problem with less confident employees. These employees do not trust in their abilities, therefore they are not motivated because they do not expect to complete the task they were given. Another problem is that people who only work for money do not have good feelings about their job, they are not pleased and it may cause that they do not do their job well. Positive motivation is the way how to recognize a good worker. But employees should be paid fairly compared to the amount of work they have done and also compared to their colleagues' pay. (Armstrong 2003, 228)

## **2.6 Motivation Programme of the Company**

Within the company it is important to focus on several questions - how to manage the employees and groups of employees, how to evaluate the results they have achieved, how to develop the conditions for advancement of employees' productivity, how to help them to display their initiative, keeping work discipline and so forth. (Gregar 2007, 62)

The process of dealing with these questions is developing so-called motivation plan of the organization. This particular plan focuses on the optimal work force while reaching the goals of the company as well as on the optimal satisfaction and development of the person in a work process. The plan uses the knowledge about the nature of working action and the knowledge about motivation sources of the employee. The development of such motivation plan does not include only financial rewards, it is much wider. Motivation programme is set together differently for various groups of employees. Its main tasks besides dealing with financial rewards are of human resource management character (Gregar 2007, 62-63):

- Development of the career of the employees
- Evaluation of the performance

- Formation of working conditions
- Development of the communication inside of the company
- Creation of relationships at work

During the process of composing the motivation programme it is necessary to use general findings about motivation of working process. Vácha (1985) proposed the following 10 rules (Gregar 2007, 63):

- Create positive motivation field (goals, strategy, information)
- Provide measurement of individual and group achievements
- Connect rewards to individual and group achievement
- Set the required level of achievements
- Evaluate the achievements regularly
- Establish a competition between individuals and groups
- Do not tolerate standard or substandard achievement
- Discuss and remove the reason of the poor achievement
- Help the ones who got behind
- Fire the employees with long-term poor achievements

Motivation programme is closely connected to human resource management. It is essential to formulate it understandably and display it that everyone can see it. Motivation programme of the company reflects the characteristics of the company. (Gregar 2007, 63)

### **3 SUMMARY OF THEORETICAL PART**

Theoretical part of this bachelor thesis was based on knowledge gathered from the books. The basic terms such as HRM and motivation were explained. Also several motivation theories were outlined. Last part of the theoretical part dealt with the motivation strategies and the motivation programme in the company.

Supposing that most of human life people spend at work it is necessary to feel good and like the job itself. The theory showed that there are many ways how to motivate the employees. Each employee is motivated by something else, e.g. it might be money for one and recognition for another one. Knowledge included in theoretical part will be further used in the analytical part of the bachelor thesis.

## **II. ANALYSIS**

## **4 INTRODUCTION OF THE COMPANY XY**

The analytical part of the bachelor thesis will start with the introduction of the company XY and further information about its business, history and vision. Following part will be the analysis of motivation system in the company. Further strengths and weaknesses of the motivation system will be considered. The last part of analysis will be changes to motivation system suggested by the author of the thesis.

### **4.1 The Basic Information about the Company XY**

The company XY is a real company which does not want to reveal its true name. The company XY is a manufacturer in the food industry. The production of the company focuses especially on healthy nutritious products. The range of products is wide:

- Dry soy and vegetable beverages
- Puffed wholemeal bread
- Baked and loose muesli
- Durable bakery products
- Food supplements
- Other products for healthy lifestyle

The company also provides manufacturing of base materials for further manufacturing usage for food production, bakeries, dairies and ice-creamers. (XY website, accessed April 6, 2011)

### **4.2 History and Present of the Company XY**

The company XY was founded in November 2000 as limited company. Firstly it produced dry soy and vegetable beverages. These beverages were mainly sold in the drug-stores and wholesale healthy lifestyle stores. Over the time gradual development and investment in manufacturing machinery led to the extended assortment of production of healthy lifestyle products. (XY website, accessed April 6, 2011)

Nowadays the company XY is a high-capacity producer of healthy lifestyle food products for private subjects. High-capacity manufacturing requires a lot of space. Therefore the company started to enlarge the stock room and built a new stock in 2005. At the end of the year 2009 the company bought neighbouring building and interconnected it with existing building. The manufacturing is carried out in 8 individual plants in the area of 5000 square kilometers in extent. (XY website, accessed April 6, 2011)

Since 2004 the company XY owns the certification of quality management system in agreement with the international standard ISO 9001:2001. Being acquainted with the system of critical points and quality control has had a great impact on communication with the business partners, purchasers and also inside of the company. Soon after receiving ISO 9001:2001, the company XY started to collaborate with the company XZ in order to supervision of the ISO 9001:2001. Later on in January 2007 the re-certification took place and approved the fact that the quality management system in the company XY is in agreement with ISO 9001:2001 international standard. (XY website, accessed April 6, 2011)

The system of critical points HACCP (Hazard Analysis Critical Control Point) is also being used in the company XY. The principles of the international system HACCP need to control all the operations connected with manufacturing of products. The control is necessary to make sure the quality of food is high. The company XY also pays attention to the fact that many consumers eat organic (BIO) food and this lifestyle becomes more and more popular nowadays. The company has started to manufacture also this kind of products to satisfy their customers. "The company XY was registered as the bio-food manufacturer by the Ministry of Agriculture of the Czech Republic as of 29 November 2007." (XY website, accessed April 6, 2011) During the development and testing of the new products the company XY cooperates with specialists from research institutes and doctors.

The company XY does not have any particular personal strategy.

### **4.3 Goals and Visions of the Company XY**

The main goal of the company XY is to keep the turnover at the same or higher level, as well as to keep the quality of the products and to have long-term employees. The base of the future success is continual development and investing into new technologies. The key word here is quality. The company XY maintains the traditional recipes. Making the production more and more high quality leads to products of high quality which satisfy the customers. The production must be always of the same quality because of keeping the loyalty of the customers. The price of the products remains the same and does not go down at the expense of the lowering the quality. The term quality applies as well on the packaging of the products and the commodities from which the products are made.

To come up annually with the new product, make innovations or varieties (e.g. flavor, new packaging) of existing products is very important for the company XY. In case that

some products in the marketplace are not sold as much as they should be, it is better to stop sell it. Keeping the employees in the company XY is also an important goal. It is always better to have the same employees who are perfectly skilled at working with existing technologies which leads to production of high quality products, not wasters. It is essential to have a respect to customers' needs and demands.

The company XY also cares about the environment and about disabled people. It contributes to two associations of people with disability. Some people with slight disability are given opportunity to carry out some smaller tasks in the company XY. Those workers work under the supervision of skilled tutors and they fully respect the rules of food production. Such cooperation is beneficial for both sides – the company XY as well as the disabled people who can work. (XY website, accessed April 6, 2011)

#### **4.4 The Company XY in the Marketplace**

The company XY supplies customers mainly through the distributing companies or drug-store wholesales. That means that the company XY shifts the distribution to other companies who sell it further to final customers in retail stores. Up to 10 % of supplies go to retail stores; it is very small and limited part of the whole production. Losing the important customer would be very perceivable for the company. On the other hand the loss of minor customer would not make any difference in production. The company XY supplies not only the Czech marketplace but also European market including not only countries of European Union but also other European countries. (interview with the head of economic department, March 10, 2011)

Suppliers of the company XY are both within European Union and the third countries. It depends on the quality, price and need of the commodity. The company XY does not hesitate to stop cooperation with suppliers if their goods are not of good quality, the price is too high or provided services are not satisfying.

The position in the marketplace of the company XY is quite strong among other four competitors in the Czech Republic. Within the production of dry soy and vegetable beverages the company XY covers 80 % of the marketplace in the Czech Republic. The company XY has very strong position in sale of dry soy and vegetable beverages. Another well-sold commodity is muesli which covers 30 % of the marketplace in the Czech Republic. The company XY keeps still the same level of quality and price of its products to fight the competition. (interview with the head of economic department, March 10, 2011)

Following figure shows the turnover of the company in last three years.

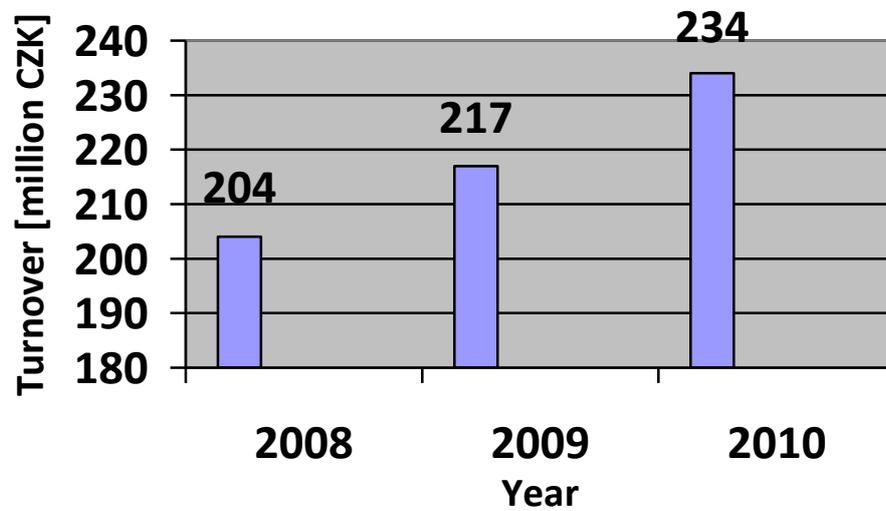


Figure 5. Turnover of the Company XY in Years 2008, 2009 and 2010 in Millions CZK.  
(Own elaboration according to the information from interview with the head of economic department, April 1, 2011).

#### 4.5 Organization Structure of the Company XY

The company XY currently employs 100 employees who are divided into several departments and positions as suggested in the figure below.

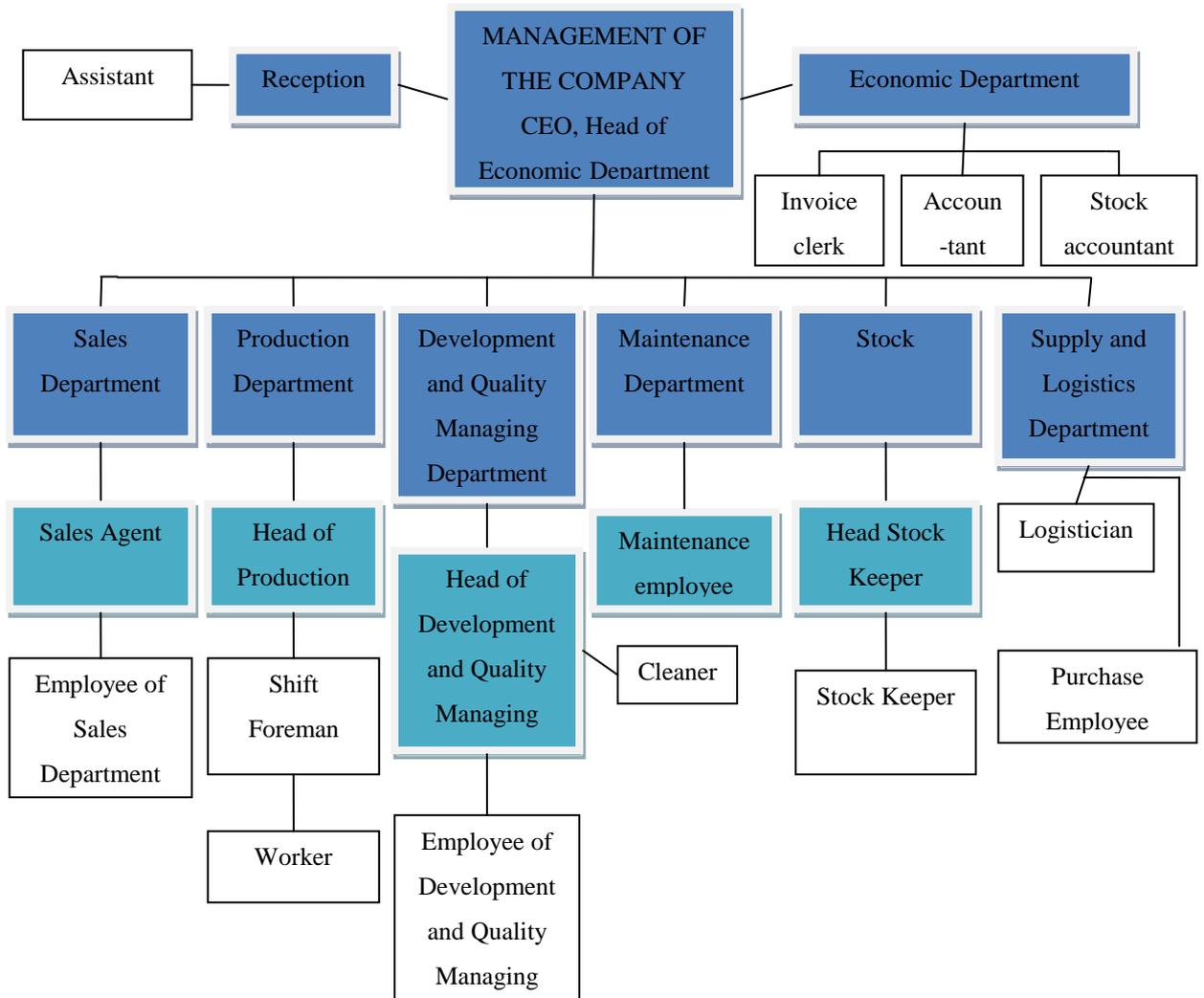


Figure 6. Organizational Structure in the Company XY

(Own elaboration according to Directives of the Organization System and Structure of the Company XY 2011).

The organizational structure of the company was taken from the directives of the company XY. The author is aware of the fact that reception and assistant are at the same level as the CEO of the company according to the Figure 6. Reception and assistant certainly should be placed below the CEO.

## **5 ANALYSIS OF CURRENT EMPLOYEE MOTIVATION SYSTEM IN THE COMPANY XY**

The questions about motivation are asked rather frequently in the company XY. There are motivation elements in the company XY but there is also tendency to slide into stereotype after some time the motivation elements have been used. That is the reason why the topic of motivation was chosen for this thesis.

### **5.1 Aims of Analysis**

The aim of the analysis is to focus on current motivation system in the company XY and analyze it. The analysis considers only manual workers of the company as they need to be properly motivated to keep the production at the same or higher level. The author will analyze also reward system of manual workers as a part of motivation system. The analysis enables to note the inadequacies of the current motivation system as well as its qualities. After such analysis the author of the thesis can suggest innovation of the motivation system and also come up with suggestions for changes in employee motivation in the company XY.

### **5.2 Methods of Data Collecting for Analysis**

There are three methods used to analyze the current motivation system.

- Interviews with the head of the economic department of the company XY – the purpose of interviews is to get an insight into the real situation of motivation. The interview is the only way to gain the information about existing situation permitted by the company XY. There were two interviews that took place in the company XY. The aim of the interviews was to get as much information about employee motivation and the company XY as possible. Both interviews lasted one hour and the extracts of them are written down (Appendices P I and P II). Both interviews were confidential; the name of interviewee is withheld by mutual agreement.
- Intradepartmental documents – Directives of the Organization System and Structure of the Company XY, Directives of Reward System of the Company XY, Employee Satisfaction Questionnaire.
- Website of the company XY – the website provides the author with the basic information about the company XY.

The author wanted to collect the information via questionnaire given to employees of the company XY. But the company XY did not consider this way as suitable one. The company XY gave reasons for this decision that the employees would have mixed feelings about the questionnaire. In case they get such questionnaire asking them about their satisfaction with current motivation system and preferences in benefits, they would feel that the company wants to give them extra benefits in the foreseeable future. The employees would be looking forward to be rewarded differently. Although the company XY plans to change the motivation system, it will take much longer period of time to introduce these changes. In the meantime the employees would be expecting quick changes and different benefits but nothing would happen. They would perhaps feel disappointed and that might cause decrease of motivation. Motivation decrease could directly affect the labour productivity. Those are the arguments why the company XY did not wish to allow the author to explore the motivation system in direct touch with employees via questionnaire.

The author thinks that proper explanation of usage of the questionnaire for writing a bachelor thesis to employees before they would fill it could minimize any mixed feelings and expectations. As the company XY keeps in personal touch with all their employees, the head of economic department was able to answer all necessary questions from the employees' point of view.

The author states that the questionnaire would certainly provide more objective insight into the motivation of employees in the company XY. Interviewing only one person in the company might not provide accurate information needed but the author could not interview anyone else. The interview with the head of economic department who is also executive of the company XY was literally the only way how to get the necessary information.

The company XY does not have any personal strategy. Personal activities are carried out by the head of economic department. When the company XY needs new staff, they post an advertisement in the newspapers and on the Internet. Interviewing the new employees also runs the head of economic department of the company. There is no special budget for personal activities.

### 5.3 Rewards and Motivation According to Directives of the Company XY

The company XY introduced new reward system at the beginning of 2010. The main reason for this change was to motivate the employees to be more responsible to the planned tasks they have to accomplish. The change also implies to evoke the motivation to broaden the skills of employees in order to enable them to perform wider range of working operations. Each employee is individually assessed by the head of production. The assessment depends on evaluation of skills, knowledge and experience of the individual. Firstly new employee is classed into certain wage group according to the working position. Afterwards he/she is individually assessed by the head of production and can move forward into different wage group according to skills and experience. Every one of these wage groups has particular hour-wage which is in final evaluation influenced by % of reached achievement. Therefore the wage consists of two parts – output wage which takes a share up to 10 % of the final wage and hour-wage influencing the final wage up to 90 %. This wage structure refers to employees in the production department of the company XY. Maintenance employees and stock keepers are evaluated by hour-wage only, because it is difficult to measure their output. (Directives of Reward System of the Company XY 2010, 2)

The following table shows the wage groups in the company XY. There is not written exact basic hour-wage as the company does not want to publish this type of information. The information in the table comes from the directives.

Table 1. Wage Groups in the Company XY.

<b>Wage group</b>	<b>Hour-wage CZK per hour</b>	<b>Required skills for enlistment of employee to wage group</b>
D1	X	Piling up on the palette, simple operations.
D2	X+5 CZK	Operating on the packaging line, simple setting of machines, filling in the material.
D3	X+10 CZK	The ability to work independently on every machine, filing of production in job orders, quality control of products.
D4	X+17 CZK	Complete keeping of record + D3, adjusting tasks.
D5	X+28 CZK	D4 + leading of the collective, responsibility for quality and flow of the material.
D6	X+37 CZK	Operating of more lines and plants at once + D5.

D7	X+49 CZK	D6 + independent work while adjusting and repairing the machines, complex knowledge of all plants, knowledge of requirements of ISO 9001 and HACCP.
D8	X+59 CZK	D6 + independent work while adjusting and repairing the machines, complex knowledge of all plants, knowledge of requirements of ISO 9001 and HACCP.
D9	X+75 CZK	D6 + independent work while adjusting and repairing the machines, complex knowledge of all plants, knowledge of requirements of ISO 9001 and HACCP.

(Own elaboration according to Directives of Reward System of the Company XY 2010, 2)

In order to motivate employees to fulfill the planned production and to remove lost time during production, the hour-wage is compared with data about fulfillment of output. The data is collected by the head of production. The wage of employees of production is rated by combination of both given hour-wage and fulfillment of output in particular month. That means that the wage of employees will be lowered or increased according to average fulfillment of output of an individual in particular month. (Directives of Reward System of the Company XY 2010, 2)

The source of information of fulfillment of given tasks during the production is the 'Process of Production' form (Appendix P III). The form includes both the plan of production and the real state of production including the number of manufactured product during the working shift. Besides this information, the form also includes the percentage of output, record of clean-up and the information about lost time during the production. The shift foreman fills in the form every one shift separately; the form also includes the names of workers at particular shift, type of product and quantity of product. The record of present workers and the real number manufactured product takes place in this document. The shift foreman is responsible for full and true information. The forms are afterwards controlled and signed by the head of production. After the data from the form is evaluated, each worker is assigned reached percent of realized plan. Such data is further collected and saved in electronic form and serves as the base of wage creation. Every month the head of production evaluates the average achievement of each worker and pass the information on to the head of economic department. There are examples of counting the base of wage according to directive. (Directives of Reward System of the Company XY 2010, 3)

The head of economic department indicates that noting of data in the 'Process of Production' form in production department runs on daily basis as it is described in the directives.

### **The Examples of Counting the Base of Wage**

1. The worker is in D3 wage group (X+10 CZK), the average reached output is 100 %, the resulting hour-wage is X+10 CZK.
2. The worker is in D3 wage group (X+10 CZK), the average reached output is 80 %, the resulting hour-wage is X-5 CZK ( $X+10 \text{ CZK} \times 0,8 = X-5 \text{ CZK}$ )
3. The worker is in D3 wage group (X+10 CZK), the average reached output is 110 %, the resulting hour-wage is X+17, 5 CZK ( $X+10 \text{ CZK} \times 1,1 = X+17, 5 \text{ CZK}$ )

(Directives of Reward System of the Company XY 2010, 3)

Such combination of hour-wage and output wage is a part of motivation system. In reality this combination of hour-wage and output wage partially loses its meaning after several months. The workers are not able to keep the productivity at the same level. This combination does not motivate them enough to achieve better results; they eventually stop keeping it in their minds. The author supposes that this is the most visible weakness of the motivation system in the company XY. This problem will be certainly considered in suggestions for improvements further in the thesis.

There might occur another problem. The final output of the plant does not depend only on one worker. It is always team of workers in every shift who work together in order to reach the same goal – the quality largest possible output. The shift foreman can help to direct the team to good cooperation. The basic rule here is communication. In author's opinion there is a good approach towards the evaluation of employees. Each of them is evaluated individually and the head of production department and the shift foreman know personally each employee, his/hers strengths, weaknesses and skills.

The major motivation element is the "Attendance bonus" which was introduced in the company XY in June 2008. This bonus is paid to employees who attend all planned shifts during every calendar month. If the employee works every planned shift during the month, he/she gets 100 % of the attendance bonus - 2000 CZK. The bonus can be paid even if the employee partially misses one shift, in this case the bonus will be cut to 1500 CZK. If the employee does not work one full shift and more, the bonus is not paid. (Directives of Reward System of the Company XY 2010, 4)

Such bonus is highly motivating for the employees. The amount of money (2000 CZK) they can get is quite high and it would certainly make the paycheck much more attractive to everyone. The company XY is satisfied with the attendance bonus mainly because it has greatly eliminated absence of the employees due to several reasons e.g. oversleeping, sick days, visiting the doctor. The author sees the attendance benefit as "fuel" for employees - the thing that really motivates them and drives them further to accomplish the given number of shifts. Following table shows the amount of sick day in past four years.

Table 2. The Amount of Sick Days in Years 2007, 2008, 2009 and 2010 in the Company XY.

Year	Sick Days
2007	2250
2008	2521
2009	1091
2010	237

(Own elaboration according to the Interview with the Head of Economic Department of the Company XY March 10, 2011)

#### **5.4 Information Based on Interviews with the Head of Economic Department**

The head of economic department is also executive of the company. The management of the company is carried by Chief Executive Officer and the head of economic department. So it is one of two highest positions in the company. This position makes her competent to be interviewed by the author.

There are approximately 80 employees in the production department of the company XY. The larger part of them consists of women 55-60 % and the rest are men. The production proceeds either in three-shift working from Monday till Friday or continuous working which includes day and night shifts (both last 12 hours) and the employees rotate short (Wednesday and Thursday) and long (Monday, Tuesday, Friday, Saturday and Sunday) working week. The production department consists of eight plants. There are 2-8 workers at each plant at each shift.

Each employee is different and it is very difficult to say whether they enjoy working itself or not really. There are many long-term employees in the company XY. The working

environment in the company XY is evaluated rather positively from the employees' point of view. The employees' feelings about the working environment were gained from day to day communication with the head of economic department and the employees. The employees are paid extra according to the law when working overtimes, weekends, holidays and night shifts.

The employees are provided with chilled lunch boxes to which the company XY contributes and the rest is paid by the workers. There is so called "day room" where the employees can rest during their break and have their lunch. Drinking water is available in barrels placed in many places inside of the company buildings. The coffee maker is placed in the day room and it provides coffee to employees free of charge. The company also offers a possibility for employees to buy the products for wholesale prices.

Given by the law the employees are provided with working clothes and shoes as well as with working aids. The expiration date of such clothing is noted in the directives and when it expires, the company supplies the workers with new ones. The company provides certain number of working clothes, shoes and aids per employee within the law. The company does not run trade union or council of employees.

The employees are in general getting on well between one another. The head of economic department observed the workers and she states that they get along. Also daily communication with leading employees in production gives her insight into collective of workers. It can be said that the collective of workers is alright. Although time to time the conflict occurs. The company always tries to deal with the problem immediately and explain to both sides of the conflict that they are supposed to work as a team and not to fight. The head of production or shift foreman are responsible for keeping the team informed and for good communication. The quality of production depends on good communication. If the production output is superior and large the team-leader praises his team. And vice versa if some worker keeps making the same mistake over and over again, the head of production comments on this problem. In case the particular problem might concern other workers (e.g. poor quality of packaging, improper weight of the product) the leading person can comment on the problem in front of the whole team. If the problem does not concern the whole team, then the head of production talks to the worker face to face alone.

The promotion in the company XY is possible but it is not regular practice. The workers do not usually ask for promotion. Simple reason might be the personality of an

individual. The promotion in this case means to lead a team of others which is a lot of responsibility for the leader. Not everyone likes to take responsibility. The author thinks that given opportunity of possible career growth would lead to more motivated employees.

The stereotype during the working process might sometimes appear. It mainly depends on the amount of workers at one plant. If the two workers are enough to carry out the production, they spend entire shift doing the same job. If there are e.g. six workers, they alternate every two or three hours and perform different types of jobs. The production differs in type of product, weight and packaging of the product. The workers usually work at one plant, alternating between the plants is very rare. The reason is mistakes they make because they are not used to perform different type of job. Over the time the workers are skilled at doing certain types of jobs what leads to performance of fast and quality job and higher productivity of work. The author thinks that alternating among more plants would provide more varied types of jobs for the employees and therefore they would not feel much stereotype. However in that case the variety of jobs would be at the expense of quality and amount of production which would be inconvenient for the company XY.

The company XY trains the employees in using new technologies, new production processes, new directive and new organization scheme. The head of production introduces the changes to workers, trains them and controls their understanding the new task and ability to work properly with new technology. All employees from production department attend 30 minutes long education training every two weeks. On average it is 13 hours of education training per one employee per year.

The company XY annually organizes the evaluation of the particular year in the company which is connected with gathering of all employees. The employees get the Christmas bonus in financial form every year. The head of economic department found out from daily contact and conversations with the workers that they are motivated mostly by the money. The employees are not interested in receiving vouchers of any kind (cosmetics, massage, etc.). The head of economic department states that they prefer money because they can use money everywhere. They are not limited to certain service to use it for. The company XY does not give them such gift vouchers. The motivating elements are for the employees mainly the money, regular paycheck and security of having job. The company XY has found out that the contribution to employees' pension insurance is not perceived as a benefit by the workers. In the past, the company XY contributed to pension insurance of its employees. But during the dialogues with employees about their motivation and

satisfaction in the past the employees did not perceive contribution to pension insurance as a benefit. So the company stopped contributing to pension insurance. The company's observation has discovered that the lower educated the person is the less he/she cares about the pension insurance. Long term employees do not get any specific one-shot gift for loyalty to the company after working in the company e.g. 5, 10 years.

Some employees feel injustice of their financial evaluation. It happens approximately once a month that the employee is not satisfied with the paycheck. The employee talks either to the head of production department or the head of economic department. There are two reasons why this happens. The first one is when the accountant makes wrong calculation and lowers the wage of the employee by mistake. The employee of course gets the difference between good and wrong calculation back. The second reason is that the employee feels that he/she gets less money than he/she should get according the job they do. When this happens, the company XY has a talk with the dissatisfied worker and together they talk about his/her strengths, weaknesses, achievement and evaluation. Such dialogue runs between the employee and the head of economic department. In many cases the employee learns from the dialogue and from the insight into his paycheck history that he/she is evaluated properly and his/her wage has growing tendency from the beginning of the employment. In case the employee's feelings about the injustice are right, the company tries to adjust the wage to the performance and skills he/she truly deserves. That means that employee is transferred into higher wage class according to his skills and experience. The author thinks that solving the problem with the wage is good and the dialogue with the employee and the head of economic department contributes to solution of the problem. But would not it be better to avoid the problem at first? The author supposes it would be better. E.g. the accountant should check the paychecks properly and the management of the company could time to time question the employees about their feelings of satisfaction with the wage.

If the workers do not achieve the given plan they are not financially punished by the company. The head of economic department explains the reason for this as apprehension that punished workers would leave the company and it would have an immediate impact on production. Finding and training new employees would take some time and in the meantime the company would have lower level of production. Therefore one of the main goals of the company XY is to have long-term employees and the company prefers to motivate them for higher achieved results and not to punish them. The author understands

the fear of loss of punished employees. On the other hand if the workers do not fulfill the given plan several times in sequence, the author supposes that it probably signifies decreasing motivation to work.

The company XY was not affected by the global financial crisis at all. In fact its tendency was and still is growing. The peak of the crisis in 2008 did not affect the number of employees, the company did not sack the employees but on the contrary they hired new ones. The company faced large fluctuation before 2008. But the situation has become stabilized. One of the company's goals is to have stable employees. The following table shows the amount of employees who ended employment in last four years.

Table 3. The Amount of Employments Ended by Employees in Years 2007, 2008, 2009 and 2010 in the Company XY.

Year	Number of ended employments
2007	56
2008	46
2009	27
2010	21

(Own elaboration according to the Interview with the Head of Economic Department of the Company XY March 10, 2011)

The number of work injuries is not high at all; it is 1-2 injuries per year, most often cuts and bruises. The company XY does not experience the problem with injuries. The machines are securely protected. The employees are introduced to safety rules according to the law. The accident usually happens if the employee does not keep the safety rules. The cost of injuries depends on the type of injury; usually it is cost of sick leave.

The company XY made a questionnaire for the employees about their satisfaction at work in 2005. The purpose of the questionnaire was to find out the level of satisfaction of employees with the job. At that time there were only 31 employees. After this experience with questionnaire the company XY decided to carry out the next surveys of employees' satisfaction rather personally. The head of economic department states that conversation with employees in person brings better feedback than the questionnaire. The following table shows the results of employees' satisfaction at work in 2005. The questions are rated in scale from 1 to 5 where 1 is the best as at school and 5 is the worst mark (1-excellent, 2-

very good, 3-good, 4-sufficient, 5-insufficient). 31 employees filled the questionnaire in and some questions are not answered by all of them.

Table 4. Results of the Questionnaire about Employees' Satisfaction in the Company XY in 2005.

	1	2	3	4	5	Number of answers
1. Working environment	13	18	0	0	0	31
2. Height of wage	4	5	11	3	7	30
3. Turns of shifts	8	10	8	3	2	31
4. Excessive working demands	8	15	8	0	0	31
5. Overtimes	9	17	4	0	1	31
6. Approach of the Shift Foreman	16	12	3	0	0	31
7. Approach of the Head of Production	10	15	3	1	1	30
8. Approach of Quality Managing Department	14	11	5	1	0	31
9. Approach of the owners of the company	12	9	5	4	0	30
10. Social benefits	11	8	6	1	4	30
11. Collective	10	19	0	2	0	31

(Own elaboration according to information from Employee Satisfaction Questionnaire 2005)

Mode (most frequent number) of answers to questions 6, 8, 9 and 10 is 1 – excellent. Mode of answers to questions 1, 3, 4, 5, 7 and 11 is 2 – very good. Mode of answers to question 2 is 3 – good. Median (middle value) of answers to question 6 is 1 – excellent. Median of answers to questions 1, 3, 4, 5, 7, 8, 9, 10 and 11 is 2 – very good. Median of answers to question 2 is 3 – good.

The table shows that the employees were satisfied with working environment, working demands, overtimes, approach of the shift foreman and collective of workers. It is both satisfaction and dissatisfaction when it comes to approach of the head of production, approach of quality managing department and approach of the owners of the company. The employees were rather dissatisfied with the height of wage, turns of shifts and social benefits.

As the largest strength of the motivation system author considers attendance bonus. According to the author the weakest part of motivation system is the combination of hour-wage and output-wage. The main reason for this opinion is that the output is dependent on the whole team of workers. Although it strengthens team work, the author supposes that

individual appraisal of the worker would work better in this case. No matter how hard one worker works, the rest might have lower working pace and the output could be average and not higher. Imagining that the team consists of 5 workers, when three are working very hard to meet the production demands and the two workers' working pace is rather slow, the production results are lowered because of the two slower workers. If this situation happens daily, the hard-working members of the team get tired of the situation and their working productivity starts to fall. Supposing that fact it is partially rather demotivating. Not every shift is of course average; some of them may produce larger output. But according to information from the head of economic department, monthly wage differs only slightly from month to month.

## **5.5 Strengths and Weaknesses of Motivation System in the Company**

### **XY**

The company XY obviously tries to learn about desires of the employees. In the past it turned out that the form of questionnaire is not suitable for such purpose because they get much better and broader feedback when talking to the employees in person. So they started to move towards more personal approach when finding out the motivating elements of employees. The example of personal approach is e.g. the head of economic department meets the workers from the production department after having education training and ask them questions about their motivation and satisfaction, whether they have any suggestions or opinion.

The current motivation system has both strengths and weaknesses. The author has divided it from the personal point of view as following.

#### **Strengths:**

- Attendance bonus – Adds extra 2000 CZK to the paycheck eliminates working absence, motivates employees to work.
- Contribution to providing lunch, free coffee and water – Satisfies the basic human needs, employees do not have to pay full price for it.
- Annual Christmas bonus and annual gathering of the employees – Christmas bonus rewards the employees for their year-long work in the company XY, annual gathering is an opportunity to meet co-workers and bosses in informal and friendly way.
- Products for wholesale prices – Attractive price for the employees.

- Training to introduce the way of operation of new technologies – Important to keep the employees skilled and confident at working with technology.
- Job security and security of monthly wage – Employees feel secure that they have enough money to live and they are not threatened by the feeling that they can lose the job any day as the company is prosperous.
- Personal approach to employees – Employees have direct access to the management of the company and they can talk to the superiors anytime about anything.

**Weaknesses:**

- Combination of hour-wage and output-wage – Employees do not perceive it as motivating element after few months because they cannot keep the output so high all the time.
- Career growth is possible but does not happen very often – Possible career growth would probably influence working motivation of employees.
- Occasional disagreement with the height of monthly wage – Preventing disagreement might strengthen working motivation of employees.
- If the production plan is not accomplished, the company XY does not draw any conclusion for the workers – The employees might continue not fulfilling the given production plan without caring about it.

**5.6 Summary of Analytical Findings**

The part of the thesis called analysis consists of introduction of the company XY, its history, present, structure and future visions. The analysis itself firstly introduces the methods used for collecting the necessary data and these are the interviews with the head of economic department, intradepartmental documents and website of the company. Further the analytical part considers the motivation as it is given in the directions of the company. There is described the way the employees in the production department are evaluated. It is hour-wage in combination with output-wage. Each worker and his/her performance are noted individually by the shift foreman who also keeps records of employees' performance and output. Combination of hour-wage and output-wage might not be that motivating. However the attendance benefit is highly motivated for the workers.

The employees are satisfied with attendance bonus and minor bonuses such as Christmas bonus. However sometimes appears the feeling of injustice about the financial

evaluation in accordance with provided work. In general the employees in the production department of the company are mostly motivated by money. Most of them do not understand the importance of pension insurance or do not feel the need to be promoted at work.

Possible solutions to the negative aspects of motivation system of the company XY will be outlined in the next chapter.

## 6 RECOMMENDATIONS FOR EMPLOYEE MOTIVATION IN THE COMPANY XY

In this part of the thesis the author will suggest possible proposals for improvement of the employee motivation in the company XY.

### **Hour-wage and Output-wage**

The author suggests to slightly change the system of rewarding the employees of production department. As mentioned several times above, the hour-wage in combination with output-wage is focused on the whole team of workers. Focusing on one individual worker and his performance certainly has an impact on employee's working motivation. That is the reason why the leading employee should note the differences among the workers and keep the detailed record of it. At the end of the shift he would calculate the amount of fulfilled plan among workers individually depending on their performance (e.g. the total output would be 100 %, the hard-working workers would deserve 105 % of output-wage rate and slower workers would get 95% according to their performance). The proportion of combination of hour-wage and output-wage would change a bit. At the moment it is 90 % created by hour-wage and 10 % covered by output-wage. The hour-wage would stay the same according to author and the output-wage would be combination of 5 % of team output and 5 % individual output.

The contribution of this idea would be more individual evaluation of the workers that would probably cause more working motivation to reach the higher results and therefore to be evaluated better.

However this solution is perhaps very difficult to bring into practice as it is time-consuming for the leading employees to carry out the paper work. The expenses on this suggestion would be to pay the leading employees for the time they spend counting the individual performance. The author estimates it is approximately one extra hour for each leading worker at each shift. Roughly speaking it is three-shift production on eight plants which means 24 extra working hours would need to be paid by the company for every working day. It is five working days when there is three-shift production. Supposing the leading employee gets X+28 CZK per hour, the expenses of one working day would grow X+28 CZK times 24. On the other hand the cost of workers' wage would not change. Employees with better performance and output would get higher wage and employees with

worse performance and output would get lower wage, so in total the wage costs would be the same. There would be only different form of the same "budget."

### **The Employee of the Month**

The author suggests rewarding the employee of the month. The employee with the highest results in working productivity would be rewarded every month. The contribution of this suggestion would certainly strengthen working motivation of the employees who would work harder to be rewarded. The expenses of this suggestion would be 1000 CZK as a monthly reward for the employee of the month. This amount of money would be paid to the employee as a bonus to his/her monthly wage.

### **Career Growth**

Certainly not all the workers want to be promoted, but those of them who desire promotion, the company XY would provide "training." The author suggests that the suitable applicants for the free higher positions would be trained by the company and by the head of production in order to meet requirements for the working positions. It is always better to look for the suitable people inside of the company. The suggestion is to inform the employees about the opportunity of career growth and of training by the company. The contribution of this suggestion would be that the higher positions would be occupied by the best workers who have already been working for the company for some time. Another contribution would be the higher working motivation of the employees who desire future promotion.

There would be almost no expenses. The news about opportunity would be announced at regular fortnightly education training meeting. The employees who want to apply for higher positions would attend the training in their spare time and the employees who would train them would do so during their regular shifts.

### **Warning when the plan was not fulfilled**

The author suggests warning the employees in case they did not fulfill the given production plan as it causes loss for the company. The employees would be warned twice that their performance was not as expected. And if that happens third time in short time-period they would be punished by lowering the attendance bonus from 2000 CZK to 1000 CZK. This suggestion would contribute to working motivation and high working productivity. There are no expenses of this suggestion.

### **Reward for Long-term Employees**

The company XY does not honour the long term employees e.g. for working in the company for e.g. 5, 10 years. The idea is to give the employee some kind of one-shot appreciation for being loyal to the company for long period of time. The appreciation might be e.g. gift basket. This suggestion would contribute to good relationship of the employees and the management of the company; it probably would not influence working motivation or working productivity, but it would certainly has an impact on satisfaction of an employee. The expenses to honour the long term employees are not high (500 CZK per one employee) and most of all it is one-shot gift. Supposing there are 10 long-term employees every year, the cost is 5000 CZK per one year.

The author proposed five suggestions from which the top three (hour-wage and output-wage, the employee of the month and career growth) considers as more important. The last two (warning when the plan was not fulfilled and reward for long-term employees) are additional suggestions for the company XY. To sum up the recommendation part it is important to keep the employees motivated to work and appreciate their work and loyalty to the company.

## CONCLUSION

The topic of this bachelor thesis was Analysis of Employee Motivation System in the Company XY. The aim of the thesis was to analyze current situation of motivation in the company XY, to reveal both strengths and weaknesses of the system and to suggest recommendations to improve the current situation in the company.

Thesis is divided into two main parts – theoretical part and analysis. Theoretical part explains the terms human resource management and motivation. There were described motivation theories and motivation strategies. It was inevitable to get to know the theory before starting to deal with analytical part.

The second main part – analysis firstly introduced the company XY, its history, present, organization structure and future visions. The analysis of current motivation system in the company XY used three methods to gain the information. It was interviews with the head of economic department, intradepartmental documents and website of the company. Although the author wanted to question the employees about their motivation, she was not allowed to do it. Therefore most pieces of information came from the interviews with the head of economic department. The analytical findings showed that the employees in the production department of the company were motivated mainly by the money. Both strengths (attendance bonus, Christmas bonus etc.) and weaknesses (career growth does not happen very often, combination of hour-wage and output-wage) were discovered.

The author proposed recommendations to improve the motivation system in the company XY; recommendations suggested slight change of combination of hour-wage and output-wage, the employee of the month, career growth, warning when the plan was not fulfilled and reward for long-term employees. The recommendations suggested to evaluate the individual properly for the actual piece work he/she has done, to be rewarded as an employee of the month for the one with the best results, to give an opportunity to participate the training and be promoted, trying to avoid insufficient fulfillment of the production plan by warning the employees and to honour the long term employees with one-shot gift.

The author hopes that given suggestions will be useful in the future changes of the motivation system in the company XY. To have satisfied, committed and motivated employees is the base for success of the company. One of the goals of the company XY is

to have long-term satisfied employees who can perform quality work. Motivated employees most likely have high working productivity.

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**LIST OF ABBREVIATIONS**

CEO	Chief Executive Officer
CZK	Czech crown
e.g.	Exempli gratia – for example
etc.	Et cetera – and so on
HACCP	Hazard Analysis Critical Control Point
HR	Human resource
HRM	Human resource management
ISO	International Organization for Standardization

**LIST OF FIGURES**

Figure 1. Management as Science, Arts, Politics and Control.....	13
Figure 2. The process of motivation .....	17
Figure 3. Maslow's Hierarchy of Needs .....	19
Figure 4. Expectancy Theory .....	20
Figure 5. Turnover of the Company XY in Years 2008, 2009 and 2010 in Millions CZK.....	32
Figure 6. Organizational Structure in the Company XY.....	33

**LIST OF TABLES**

Table 1. Wage Groups in the Company XY. ....	36
Table 2. The Amount of Sick Days in Years 2007, 2008, 2009 and 2010 in the Company XY.....	39
Table 3. The Amount of Employments Ended by Employees in Years 2007, 2008, 2009 and 2010 in the Company XY.....	43
Table 4. Results of the Questionnaire about Employees' Satisfaction in the Company XY in 2005. ....	44

## APPENDICES

- P I      Extract of the Interview with the Head of Economic Department, March 10, 2011.
- P II      Extract of the Interview with the Head of Economic Department, April 1, 2011.
- P III     'Process of Production' Form

## **APPENDIX P I: EXTRACT OF THE INTERVIEW WITH THE HEAD OF ECONOMIC DEPARTMENT, MARCH 10, 2011**

Extract of the first interview with the head of economic department of the company XY is noted via bullet points. The length of the interview was approximately one hour and it took place in the company XY.

- The company started with production dry soy and vegetable drinks.
- Later on added other products (muesli, puffed wholemeal bread, food supplements).
- The company founded in 2000, gradual development and investment into new technologies and buildings.
- Nowadays production of healthy life style products.
- The samples continuously controlled in the laboratories.
- 2004 Certification of quality management ISO 9001:2001.
- 2007 Certified producer of organic (Bio) products.
- The company XY uses the system HACCP.
- The company XY have suppliers within Europe.
- The customers of the company XY are mostly distributing companies which sell the products further to retail shops.
- There are four main competitors. The company covers Czech market place by 80 % of dry soy and vegetable drinks and 30 % of muesli.
- There are 100 employees, of which 80 works in the production department.
- Turnover of the company was 2008 204 mil. CZK, 2009 217 mil. CZK and 2010 234 mil. CZK.
- The main goal of the company is growing profit, quality of products and long-term employees.
- Other goals are traditional recipes of the products, focusing on customers' wishes, and investment to new technologies.
- The company XY cooperates with specialists, research institutes and doctors while developing new products.
- There is no personal strategy in the company XY. Personal activities are carried out by the head of economic department.

## **APPENDIX P II: EXTRACT OF THE INTERVIEW WITH THE HEAD OF ECONOMIC DEPARTMENT, APRIL 1, 2011**

Extract of the second interview with the head of economic department of the company XY is noted via bullet points. The length of the interview was approximately one hour and it took place in the company XY.

- Employees are motivated mainly by attendance bonus (2000 CZK) since June 2008.
- Attendance bonus cut down sick days (2007-2250 sick days, 2008-2521, 2009-1091, 2010-237)
- They get Christmas bonus (financial form).
- The company contributes to the price of lunch; it provides free coffee and water.
- Employees do not get any vouchers, because they prefer money.
- Employees can buy products of the company XY for wholesale prices.
- There is education training every fortnight lasting 30 minutes.
- The company do not contribute to pension insurance of employees, because in the past (when the company contributed to it) they did not consider it as benefit.
- There is annual friendly gathering of the all employees of the company.
- There are 8 production plants. Each shift at each plant has 2-8 workers.
- The observation of the head of production and conversations with employees indicate that the collective of workers is alright.
- Rarely there are conflicts between workers. If so, the head of economic department explains the importance of good relationship in combination with working productivity.
- There is no trade union or council of employees.
- The crisis did not affect the company. The company still has growing tendency.
- The wage of employees of production department consists of 90 % of hour-wage and 10 % of output-wage.
- During the shift the workers alternate the jobs every few hours in case there is more than 6 workers; if there are only 2 workers, they do the same job all shift.
- There is either three-shift working (Monday till Friday) or continuous working (12 hour long shift) - long (Monday, Tuesday, Friday, Saturday and Sunday) and short (Wednesday, Thursday) working week.

- Career growth is possible but does not happen often.
- There happen 1-2 accidents per year, usually cuts and bruises, costs of these is sick leave.
- There was massive fluctuation before 2008 (2007-56 people left, 2008-46, 2009-27, 2010-21).
- Conversations of the head of economic department and employees indicate that they need to feel secure about the job and monthly pay.
- Feeling of injustice of employees in reward happens approximately once a month. Following step is dialogue of the employee with the head of economic department and talking about the problem and solving it.
- The employees are paid extra for overtimes, night work, weekends and holidays by the law.
- The company supplies the workers with working clothes, shoes and aids by the law.
- Communication among leading employees and workers works alright. The leading worker both praises them and criticizes them if necessary.
- There are 55-60 % of women in the production department.
- Employees are not punished if they do not realize the production plan.
- The head of economic department knows from the interviews with employees that they evaluate working environment as good and clean.
- Problem with stereotype of motivation programme of the company.
- In the past the company made a questionnaire about employee satisfaction. The company prefers now to talk to the employees in person than using the questionnaire.

## APPENDIX P III: 'PROCESS OF PRODUCTION' FORM

<b>PRŮBĚH VÝROBY - Provoz č.7</b>				
<b>Datum:</b>		28.4.2011		<b>Směna:</b>
		noční		
výrobek	pracovníci	plán	vyrobena ks*	normo - hodiny *
rýže sója 120g	Malošík, Tylová	dokončí		
přejezd	od 22.00 Bursa			
pšeničný Globus		1 200		
Carrefour rýžový 100g	Malošík, Kubínová, Vlasatá	dokončí		
přejezd				
Carrefour rýžový se slunečnicí 100g				
<b>provedení velkého úklidu skontroloval a úklid převzal* (podpis pracovníka):</b>	<b>Vedoucí pracovník směny</b>		<b>plnění normy*</b> (uvést skutečné % splnění normy)	
<b>SKLO NA PROVOZE (viz. seznam)</b> (stav a IRZ vedoucího pracovníka směny)		<b>KŘEHKÉ PLASTY NA PROVOZE (viz. seznam)</b> (stav a IRZ vedoucího pracovníka směny)		
<b>VÝSLEDEK VÝROBNÍHO AUDITU:</b>	%	<b>audit provedl: (podpis prac.)</b>		
<b>Důvod sníženého hodnocení:</b>				

\* - vyplní vedoucí pracovník směny (vedoucí provozu, směnový mistr), který je odpovědný za uvedení pravdivých údajů

verze č. 1 (9.8.2010)