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Intangible rewarding methods as a management tool

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ABSTRACT

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Rewarding has one of the most significant roles within an organization. A right kind of rewarding maintains and increases motivation which supports reaching goals and strategy implementation. This study goes deeper to the effects of intangible rewarding, motivation and its source. The target of the research was a business unit within a large company and their perceived experience on rewarding, focusing especially in intangible rewarding. Intangible rewarding is also dealt from the manager's perspective, its challenges and possible development ideas.

The study was carried out with qualitative methods. The research material was collected in theme interviews from the business unit. The interviewees were the unit manager and two of his subordinates. The research results indicated that the rewarding system created by the company encourages the employees to work at basic level. When pursuing for better results, the most motivating and encouraging factor was the manager's style in leading and the use of intangible rewarding. Feeling appreciated was considered the most motivating factor. This was achieved by positive feedback and increased responsibility. Continuous development regarding rewarding was considered necessary for the company's success.

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Palkitsemisella on yksi tärkeimmistä rooleista organisaation sisällä. Oikeanlainen palkitseminen ylläpitää ja lisää motivaatiota, joka tukee tavoitteiden saavuttamista ja strategian toteuttamista. Tässä tutkielmassa syvennyttiin aineettoman palkitsemisen vaikutuksiin sekä motivaatioon ja sen lähteisiin. Tutkimuksen kohteena oli yksi yksikkö suuressa yrityksessä ja heidän kokemukset palkitsemisesta, keskittyen aineettomaan palkitsemiseen. Aineetonta palkitsemista käsiteltiin myös esimiehen näkökulmasta, sen haasteita ja kehitysideoita.

Tutkimus toteutettiin kvalitatiivisilla menetelmillä. Tutkimusaineisto kerättiin liiketoimintayksiköstä teemahaastatteluin. Haastattelun kohteina olivat yksikön esimies ja kaksi hänen alaistaan. Tutkimustuloksissa havaittiin, että yrityksen luomat aineelliset palkitsemisjärjestelmät kannustavat työntekijöitä työskentelemään perustasolla. Pyrittäessä parempiin tuloksiin työntekijöiden kannustavin ja motivoivin tekijä oli heidän esimiehen johtamistapa ja hänen aineettomien palkitsemiskeinojen käyttö. Motivoivimpana asioina koettiin arvostuksen tunne, joka luodaan positiivisella palautteenannolla ja lisäämällä vastuuta. Jatkuva palkitsemiskeinojen kehittäminen koettiin olevan yrityksen menestymisen kannalta tarvittavaa.

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1. INTRODUCTION

What is rewarding? What kind of impact does it have in an organization? Rewarding and its perceived benefits is a much studied and discussed topic in the field of human resource management. Rewarding is a tool for the management to communicate with the organization and its employees. It is a way to motivate people and support the organization's strategy and reaching goals. Rewarding signals the organization which are important things (Vartiainen & Kauhanen 2005, 17). Employees have very different motives to perform well: the fear of losing one's job, avoiding negative feedback, achieving higher salary, group pressure or the need to work independently and having more responsibility. Employees are the ones that keep the organization going as they contribute to success and bring competitive advantage to the company.

Rewarding system is a large concept which can be divided into two categories; tangible and intangible rewarding (Kauhanen 2012, 108). There is broad information on rewarding, especially on tangible rewarding methods. Intangible rewarding methods are rather left behind in comparison. Rewarding is traditionally seen as a financial benefit for the members of an organization. However, according to Linkola's (2007) modern concept of rewarding, intangible rewarding methods, such as employee benefits, career development and intangible recognition are also seen as rewarding methods. New rewarding methods are constantly developing and arising, which companies can choose from (Hakonen, Hakonen, Hulkko & Ylikorkala, 2005, 46). Other intangible rewarding methods are e.g. the possibility to develop, enhancing feedback policy, flexible work schedule or different kinds of appreciation. (Vartiainen et al. 2005, 21) Tangible methods are rewards that are financial, such as salary and bonuses.

Being a good manager to personnel is a major business success factor (Hyppänen 2013, 141). Management has a large role in rewarding as they are the ones who run the company (Juuti 2006,13). However, a fine rewarding system doesn't replace irresponsible and poor management. In order to having a working rewarding system, good leadership is required (Sistonen 2008,13). Managing and rewarding is easy to plan in theory. However, the fact is, that finding the most suitable and efficient rewarding method which can be realized is extremely difficult. Operating conditions

can change rapidly and the diversity of the personnel is increasing. The manager should know his/her subordinates in order to successfully reward each one the best way possible. It is also important for the manager to be fair and ensure his actions in rewarding are transparent for the employees. It is not possible for a manager to have one way of leading, as the situations and people are very different: there is no such thing as one best way of leading employees. (Kauhanen 2015, 141-142)

Many managers don't understand the opportunities rewarding brings to an organization. By rewarding appropriately, managers can achieve great success. Intangible rewarding methods often have the largest impact on people (Vartiainen et al. 2005, 21). They are used either in showing appreciation for a job well done or to encourage staff to achieve goals. As Kauhanen (2012, 18) stated *"Rewarding acts as a management tool that supports the organization's success and encourage personnel. Rewarding is a way to encourage the staff to work towards organizational values and its goals. Rewarding supports organization's success and is an investment which supports competitiveness both on the short and long run."*

On the other hand, rewarding can also affect negatively, such as feeling injustice or in a form of harmful competition (Hakonen et al. 2005, 52). Scorecards can be placed so that they don't take into account the disadvantages caused when trying to achieve higher scores. Teams can have specific goals which the employees try to achieve any way possible, regardless of the quality of the service. This again causes dissatisfaction among customers and co-workers, and additional costs to the company. Scorecards that are based solely on performance can lead to partial optimization instead of having a long-term view in business. This, in all ways, is not what companies desire. (Rantamäki, Kauhanen & Kolari 2006, 50) Hereby, scorecards have to be created in a way that they measure activity as widely as possible.

Well working intangible rewarding is worth studying for, as it is significantly dependent in the industry, company and the personnel. A well-built rewarding system rewards for excellent performances and fairly distinguishes them from the inferior ones (Sistonen 2008, 210-211)

1.1 The research topic and background

The topic of this thesis is about intangible rewarding methods and their perceived benefits. The empirical context will be in a large company located in Finland that provides banking, insurance and investment services. With the limits of this thesis the focus is on one business unit of the company which is located in Leppävaara, Espoo and their methods in intangible rewarding. Interviews are done both to the manager and the employees. The target was chosen due to existing contacts in the company and general interest in the subject.

The underlying presumption of the research is “Rewarding acts as a management tool that supports the organization's success and encourage personnel” (Kauhanen 2012, 108). However, it is important for managers to acknowledge the separation between the intangible rewarding methods that truly work with those that cause negative outcomes. This, to wit, reflects employees’ behavior and the organization’s success.

This thesis will discuss rewarding, however, focusing in the intangible rewarding methods. Tangible rewarding methods are also discussed shortly due to its usage in the company and for creating a deeper knowledge on the matter. The relationship between rewarding and motivation is dealt with two different motivation theories; self-determination theory and reinforcement theory.

1.2 The objectives of the research and research problems

This thesis focuses on intangible rewarding system and its possibilities as a management tool. The purpose of this thesis is to find out how intangible rewarding methods effect on subordinates and how should the management use it. The research questions are divided into one main question and to two sub-questions. The main research question is:

What are the perceived effects of intangible rewarding methods?

- With this question, we will solve what kind of impact do intangible methods have on subordinates when used by managers

To achieve an answer to the main question, we need sub-questions which support the main research question. They are:

What are the positive effects?

What are the negative effects?

- These questions help us find out whether intangible methods have a positive or negative impact on subordinates.

1.3 Theoretic framework and research context

This thesis will be based on self-determination theory and reinforcement theory. The effect of intangible rewarding methods on employees' behavior is dealt with self-determination theory. Self-determination theory is a motivation theory where intrinsic and extrinsic motivation play as big factors (Gagne & Deci 2005, 334-340). They are outcomes of different rewarding methods. Reinforcement theory deals with the employee's assumptions on rewards and how they effect on their behavior (Hakonen 2015, 140).

The business unit includes the manager and his team. The team concludes both women and men from ages of 23 to 50. Other units of the company are quite the same size, however, the research results are still not to be universalized. Possible results cannot be generalized to other units. People react differently in rewarding which makes the results more of directive than defining. This study can possibly turn the attention on issues that need development and give birth to further study. The results may help the unit understand the role of intangible rewarding management better.

1.4 Research methods

This research explores a phenomenon; thus, qualitative research methods are to be used to achieve deeper knowledge regarding the matter (Eriksson & Kovalainen 2008,5). To achieve a deeper knowledge on the role of intangible rewarding methods, the empirical approach of the thesis will be made on the basis of theme interviews

which is the most used data collection method. When used well, thematic interview is an extremely effective method due to the possibility of directing the interview without controlling it throughout. (Koskinen, Alasuutari & Peltonen 2005, 105) The interviewees are the unit manager at the target company and also two of his subordinates. The interview questions have been refined with the thesis director.

I will use inductive and content analysis in this thesis. The analysis of the material is based on its complex and detailed analysis. Therefore, the purpose is not to test the theories neither does the researcher determine the importance of the matters. (Hirsjärvi & Sajavaara 2009, 164) Inductive analysis means that the material is processed by separating, summarizing and seeking similarities and differences. This helps to form a description of the phenomenon under research (Tuomi & Sarajärvi 2002, 105).

The interviews were analyzed by dividing them into themes according to the questions in order to analyze all the answers on one topic at a time. For example, all comments on intangible rewarding were categorized separately in one group. As the questions were different with the manager and employees, it was easier to look at the relation between their answers regarding the topic. When interesting information was found in the material, more related comments were searched from other interviews. Thus, the material was clearly structured by topics and the results were easier to find and analyze.

1.5 Structure of the study

This thesis has six chapters in total. The first chapter, introduction, includes the subject, preview of the research, research objectives, research problems and the theoretical framework.

The second and third chapter focus in the theoretical approaches of the study. The second chapter deals with motivation theories. This is studied by motivation theories. The third chapter will deal with rewarding and the role of both intangible and tangible rewarding methods. Finally, we will discuss the challenges of intangible rewarding.

The fourth chapter is the empirical side of the thesis. I will describe the chosen research methodologies and explain the material obtained. We will focus on the intangible rewarding methods of the target company's' team in the fifth chapter by presenting research results. After this, the research results will be analyzed more specifically as well as the research questions will be answered.

The sixth and the last chapter is the summary of the thesis where the results of the research will be condensed. Conclusions will be presented based on the research results. Ultimately, possible further research will be presented.

2. MOTIVATION THEORIES

This thesis will be researching the role of rewarding in a target company based on two theories: self-determination theory and reinforcement theory. Self-determination theory deals with intrinsic and extrinsic motivation and their effect on behavior whereas reinforcement theory deals with how rewards effect on a person's' behavior. Both theories include a bit of same contents, however making the points even more reliable.

2.1 Self-determination theory

Self-determination theory deals with intrinsic motivation and its effect on a job's level of interest. To understand self-determination theory, it is important to be aware of the separation between intrinsic and extrinsic motivation. When a task is performed on pure interest and for the satisfaction it produces, it can be referred as intrinsic motivation. A person that feels strong intrinsic motivation doesn't necessarily care about recognition but is driven by the satisfaction the work creates. Intrinsic motivation is strongly connected with self-actualization and the need for development. (Viitala 2004, 153) Intrinsic motivation is often longer-lasting and more permanent in comparison to extrinsic motivation (Salo-Gunst & Vilkkö-Riihelä 2000,45). When one's action are based on the expectation of an award, gratitude or avoiding punishment, one is driven by extrinsic motivation; instead of the task itself, satisfaction is caused by external consequences. (Hakonen et al. 2005, 148)

Self-determination itself means the right to decide on your own things. According to this theory, one wants to act on their own point of view. In addition to biological needs, people have three universal psychological needs: the need to have autonomy, need of fellowship and competence (see Figure 1). Autonomy, in this context, means the need to be independent, self-governing and act voluntarily on one's own wish, which is thought to be the most significant factor in defining motivation. (Hakonen et al. 2005, 149)

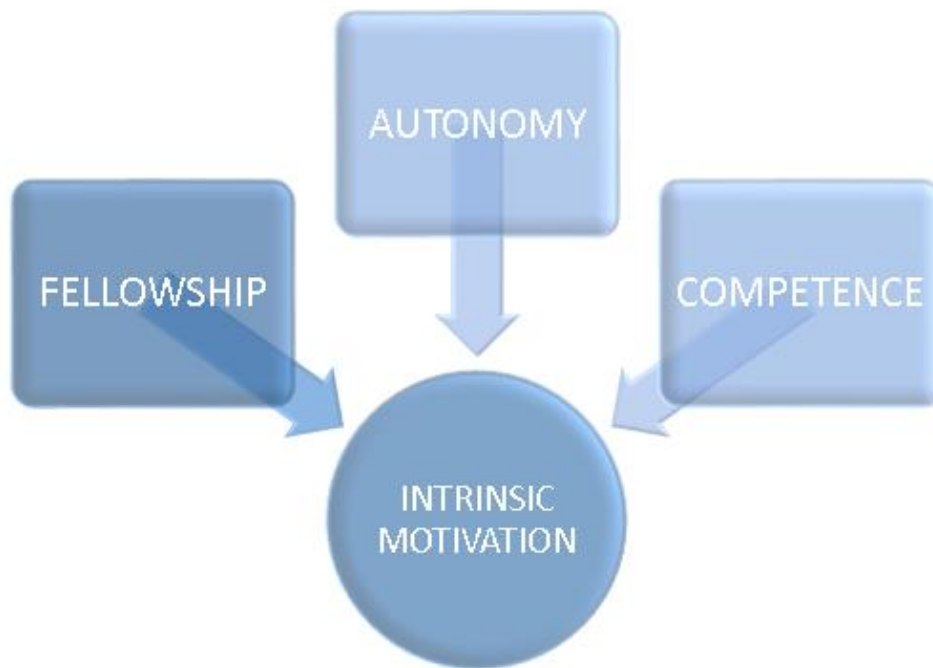


Figure 1. Intrinsic motivation and its components. (Hakonen et al. 2005, 149)

Most motivation theories focus on explaining the variation of the quantity of motivation, instead of its quality or type. According to self-determination theory, motivation types can be put in a continuum that describes the degree of autonomy. At the opposite ends of the line are extrinsic and intrinsic motivation. The more autonomy there is, the more the behavior is based on intrinsic motivation. (Hakonen et al. 2005, 149)

Why should managers support intrinsic motivation among employees? According to studies, people driven by intrinsic motivation are more pleased, well-being, committed, creative and efficient compared to ones driven by extrinsic motivation. Extrinsic motivation factors are described as controlled motivation types which tend to create pressure in accomplishing tasks among employees. Having the opportunity to make personal decisions leads to empowerment, autonomy and hereby increases the interest in a task. The more a task is found interesting, the more one takes responsibility and invests in it. (Hakonen et al. 2005, 150) Deci (1999) claims that extrinsic rewards often weaken job commitment and decrease achieving work goals.

There is a clear correlation between intangible rewarding and intrinsic motivation, and considerably of criticism regarding tangible rewarding. According to many studies, tangible rewarding methods based on performance weaken intrinsic motivation,

whereas verbal awards increase it. Intangible rewarding methods such as possibility to influence, flexibility in working hours and education act as supportive factors in autonomic motivation. Especially the possibility to influence increases the experienced feeling of autonomy. (Hakonen et al. 2005, 151-155)

To sum up; achievement-based tangible rewarding methods are seen as external, controlling factors that weaken one's intrinsic motivation while intangible rewarding methods support intrinsic motivation. (Hakonen et al. 2005, 148)

2.2 Reinforcement theory

Unlike in self-determination theory, the focus is solely on external circumstances - one's inner factors are not relevant. Unlike other motivation theories reinforcement focuses only on the outcomes of one's action, not what causes the action. The interest is in external circumstances and outcomes, and the correlation between them. Not what's happening inside of a person's mind. (Hakonen 2015, 139-140)

Reinforcement theory is based on an idea that people react to external simulations; a person can be controlled with rewards and punishments. Above all, a person acts on the expectation in what is going to happen as in result of their behavior. Reinforcement, in other words, means confirming. Thus, in order to having a person do something wanted, it can be confirmed with external simulations. This results as increased work efficiency. It gives a quite mechanical impression of people. (Hakonen 2015, 139-140) Thus, managers should reward their employees to strengthen the desired behavior of their employees. Both tangible and intangible rewarding methods have the same impact. When one gets an award on their behavior, they are more likely to repeat it again. However, it is important that managers express clearly the desired behavior to make it as easy as possible for employees to act on it. Secondly, the reward has to be given as fast as possible after accomplishing a task. Third, the reward has to be in line with the operation itself. (Hakonen 2015, 140)

3. REWARDING

Ferguson & Brohaugh (2009, 358) state that during difficult times companies have to hold on to their best employees. This is done by giving recognition and rewarding appropriately. Rewarding is used as a management tool, because it works as an action guideline for the personnel. By rewarding on good work performance, management desires to motivate and commit competent employees. (Vartiainen et. al 2005, 282) It is also a way to create positive feelings such as pride and joy (Hakonen 2015, 148).

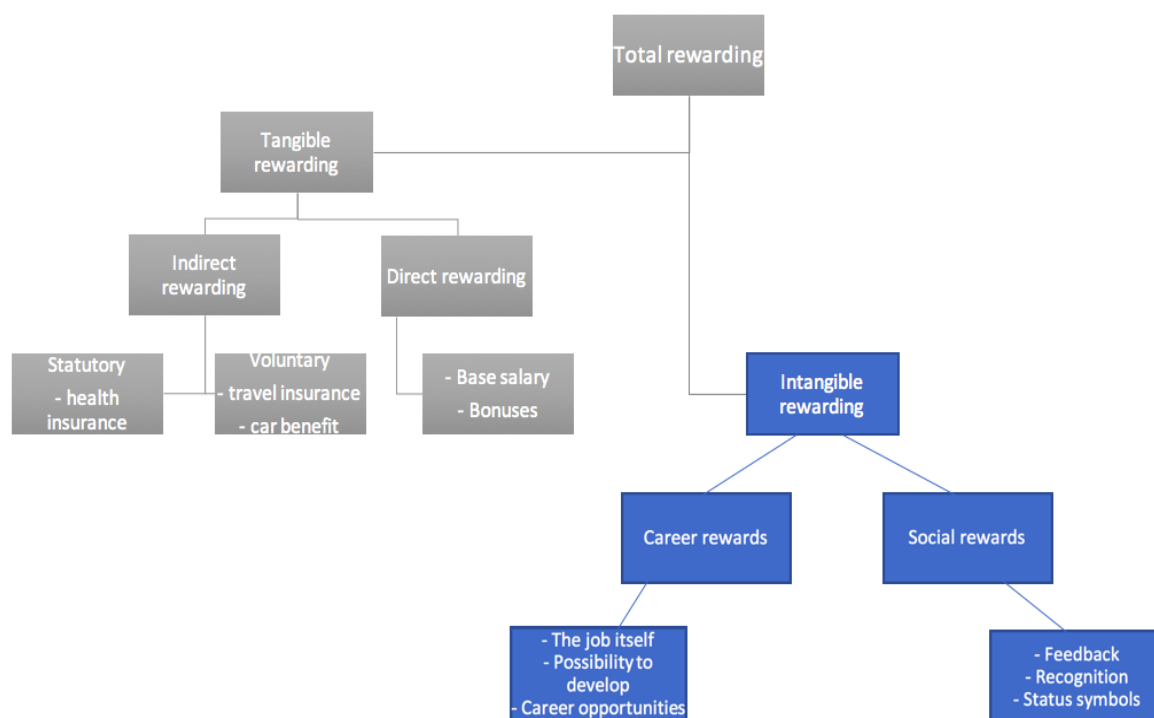


Figure 2. Total rewarding

In this chapter, we will discuss total rewarding and its two dimensions; tangible and intangible methods (see figure 2). As the key focus is on intangible rewarding, we will concentrate in it but also have a look on tangible rewarding methods in order to see the big picture. Tangible methods are economic e.g. base pay, bonuses and benefits. As income level rise, financial rewards are not as significant anymore. Intangible rewarding is the other side of total rewarding and its significance is constantly rising. (Kauhanen 2015, 114) Intangible rewarding methods deal with work context, development opportunities and other such matters.

Vartiainen & Kauhanen (2015, 282) state *“Rewarding is a two-way process between the organization and its members which both counterparts benefit from; it is a way to communicate with the employees the desired performance”*

Every organization defines its own rewarding mechanism. Its purpose is both supporting the organization's' strategy and motivate employees. In order to have a working rewarding system, it is vital to know the staff by listening to them and offer a rewarding system that they truly value. (Hakonen et. al 2014, 25-37) Every manager should have the opportunity to flexibly and spontaneously reward their employees, when they perform better than expected (Ferguson & Brohaugh 2009, 361). We will deal with the challenges that intangible rewarding brings subsequently.

3.1 Tangible rewarding

Most common tangible rewarding method is time-based salary, often referred as monthly salary (Hakonen et al. 2005, 70). According to Chiu & Wai-Mei Luk (2002), salary has two tasks; managing personnel costs and motivating employees. Performance-based salary is an essential way to encourage employees and make them feel valued within the company (Hulkko et al. 2002, 14). Ciu & Wai-Mei Luk (2002) also state that with performance-based salary, companies can encourage employees towards more efficient goal-oriented organization. Scientists have very clearly two opinions on rewarding tangibly; Rynes', Gerhart' & Minette' (2004) publication states that money is a vital source of motivation to most people, thus, it has positive effects in rewarding. On the other hand, according Hertzberg (1987), external incentives weaken intrinsic motivation substantially. This, as said before in self-determination theory, leads to inferior work results due to weaker motivation.

Positive performance-based outcomes are e.g. less absence among employees, reduction in costs, higher productivity and commitment (Hakonen et al. 2005,122). However, a study by Camerer & Hoghart (1999) gave discordant results on performance-based salary and its effect on work performance: tangible rewarding didn't have a significant impact in individual's performance. On the contrary, in some cases, it even affected negatively.

3.2 Intangible rewarding

Intangible rewarding methods are often referred as psychological or non-financial rewarding. They are often based on a manager's commitment, daring and insight. Psychological rewarding is a vital part in creating job satisfaction and commitment (Hakonen 2014, 35-36). Some motivation theories don't find wage incentives important. Maslow's (1954) hierarchy of needs -theory expresses that after one's most essential physiological needs are fulfilled, wage incentives aren't relevant anymore. Peltonen & Ruohotie (1987, 44) state that as these basic needs are fulfilled, salary doesn't serve as a guide in work behavior anymore. Motivation theories argue that as income level rise, its importance diminishes and other factors' relevancy increases. (Kauhanen 2012, 111-134)

As said previously, intangible rewarding is something that is not financial. It can be divided into two categories; career rewards and social rewards (see figure 2). The job itself, flexible working hours, possibility to develop and career opportunities are career rewards, whereas status symbols, feedback, recognition, praising, and public confessions are categorized as social awards. (Kauhanen 2015, 119)

3.2.1 Social rewards

Social rewards cannot be measured in money. They are recognitions that cause delight and motivation among subordinates. They make employees feel important and valued in a work community. *Recognition* and saying "thank you" are key ways of social rewarding. According to Rauch (2005, 26), an employee's self-esteem and work motivation increase if he feels that the organization values his efforts.

Every McDonald's restaurant implements social rewards by presenting its employee of the month on their restaurant's wall. Yet, giving public recognition doesn't fit the Finnish organization culture in fear of jealousy among co-workers even though it is a very effective way to reward. However, it takes consistency and fair actions from the manager. Managers could give public recognition by mentioning their employee's achievements in an organizational event. (Viitala 2004, 286)

Viitala (2004,161) claims that *feedback* is also an important instrument to motivate people. Positive feedback has a way of empowering people. When used appropriately, it can lead to good results, but it takes practice and skills (Hyppänen 2013, 150). Achieving something successfully arises personal satisfaction, however, public recognition makes the satisfaction even more strong. Employees want to feel accepted and valued which is why every encouragement adds their belief in their own ability. Negative feedback might increase fighting spirit and pursuing better achievement but it can also paralyze and cause timidity. At worst, it can cause one to escape situations where failure is possible. By sincere, positive feedback managers can strengthen employee's ability to believe in his/her talents and increase the feeling of appreciation which can lead to increased organizational commitment. Deci & Ryan (2000) have proposed three ways of motivating employees. The first one deals with feedback. People have a natural tendency to see themselves and their abilities positively - competent. Thus, negative, especially public feedback should be avoided. However, if it's not possible, the feedback should be expressed precisely and possible solutions should be thought right away (Hyppänen 2013, 151). Positive feedback should be given every chance possible.

As said before, giving feedback is avoided in Finnish culture. Many Finnish organizations tend to think that no feedback is a good sign, even if not giving any feedback might give the idea that the achievement has no value. Hearing positive feedback is just as important in order to learn. Nevertheless, this is often misunderstood in Finland. In addition, positive feedback increases the tolerance to receive negative feedback. (Viitala 2004,161)

Status symbols are physical ways of expressing one's position in the company. Generally, employees in high position within the firm have the best rooms, own parking lots or a company cell phones in use (Viitala 2004, 286). This is a smart way to reward successful employees; they feel appreciated while co-workers will work harder in order to achieve the same status. However, caution is also in order when giving such rewards; it doesn't necessarily do good for the organization to emphasize the value of a particular employee (Viitala 2004, 286). Managers should make the rewarding as clear and justified as possible to avoid feeling of injustice.

3.2.2 Career awards

Some people appreciate having the possibility to work whenever and where ever they want; *flexible working hours* are an effective way to reward employees. By enabling employees to change shifts and come and go as they want, managers support their well-being. Other significant privileges are e.g. working from home and longer vacations. Also accepting working in commute as working hours is highly appreciated. Manager's positive attitude to employee's individual work schedules enhances satisfaction and job commitment. (Hakonen & Nylander 2015, 37) However, this is not possible in many companies. For example, many B2B and service providing companies have strict opening hours from 8am to 4pm, which makes flexible working hours impossible to arrange.

The job itself, its content, is an essential factor that affects motivation, especially intrinsic motivation. Interesting tasks that support one's skills are desired especially among highly educated employees. Studies show that people want to be challenged in their job, find it interesting and have the possibility to develop both as an employee and person. This is related with the *possibility to develop*. It means different things to people: to some it means formal education, while to others it means the chance to develop and learn new in the current job. It is in the hand of the manager to support their employee's chances to develop. Having the chance to educate oneself is quite important in Finnish culture, as society appreciates education and qualification. (Hakonen et al. 2015, 37-38)

It is also quite common that employees change organizations in order to develop one's career and be challenged. Losing a qualified employee is always a loss for an organization. Managers should react positively to this and know how to successfully add *career opportunities* within the organization and make the changes within the firm possible flexible. (Kauhanen 2015, 121) Countries such as USA and Japan are known from their flexibility in changing tasks within an organization. A sales manager can be changed into a human resource manager overnight. Finland has an old set of mind when it comes to this; one can only progress in their current sector. (Kauhanen 2012, 136 & Hakonen 2015, 38)

3.3 Challenges

Intangible rewarding can bring out many challenges. In order to achieve better rewarding methods, these challenges should be monitored continuously. Rewarding is a sensitive subject, which means that not everybody can be pleased with its system.

To achieve positive outcomes by intangible rewarding, a manager should know his/her employees. In other words, listen to them. People react to feedback individually; some are pleased to have public positive feedback while some might find it uncomfortable (Hyppänen 2013, 151). However, feeling uncomfortable can be caused by one's fear of jealousy among co-workers. A good manager should recognize his/her employees' differences, as attitudes and self-esteem affect how the feedback is received. In addition, a manager should think about the appropriate time and place for feedback. The most crucial factor is the way the feedback is given. In addition, giving too much positive feedback can decrease its value when given. All of these factors have to be taken into consideration and act accordingly (Hyppänen 2013, 151)

Balzac S.R. (2014) states that rewarding teams can also cause challenges. Some reward team members for their individual performance which is fatal. The star performer will try to make himself look as good as possible, even at the cost of a co-worker. This causes internal competition and prevents the development of cooperation and trust in the team.

As mentioned before, intangible rewarding methods increase intrinsic motivation. When developing rewarding methods, managers should know their employees and which matters motivate them. They should take into consideration that external rewards may have negative effects on employee's intrinsic motivation. Psychological rewards, such as ability to show one's competence are often more effective than tangible rewarding. (Vartiainen et al. 2005, 141) However, some people are in fact driven by external motivation which can cause confusion (Hyppänen 2013, 141). Motivation and its creation is a complex phenomenon with many challenges. Managers should be aware that to some, the degree of power correlates with motivation while others are motivated by having a good team to work with. Additionally, managers should pay respect to employee's age, gender and life situation when rewarding.

Furthermore, rewarding rules can cause dissatisfaction and feeling injustice. Adam's (1965) *justice theory* underlines that people compare their rewards to others in the same position. If the effort and the reward are not experienced equal with each other, it causes dissatisfaction and possible underperformance. According to this theory, one's actions are most efficient when the reward correlates with the effort put. Macalau & Cook (2001, 5) state that rewarding has to be fair, transparent and understandable to avoid intentional negative effects such as dissatisfaction.

Choosing a rewarding method is often based on different indicators that are used to evaluate employee's performance. Employees might feel that the indicators are unreliable or the manager giving rewards is unqualified for the task. Thus, a manager's job is to make it clear which are the goals and how is the performance evaluated. (Salimäki et. al 2005) In addition, these indicators often measure factors that are in fact very irrelevant or at worst, can cause deterioration in employees' actions. They are often based on numbers which often results in downturn of quality. Employees will give effort solely on the tasks that are possible to measure, while not giving attention to matters that are more difficult to measure (Wright 1994). This, on the long run, can reflect negatively in results.

4. RESEARCH METHODOLOGY

The empirical part of the thesis will handle rewarding in the target company from both the manager and the employee's point of view. The interviews will help achieve knowledge of its impact within the team and give a view from both receiving and giving end of rewarding. The research is done qualitatively.

Qualitative research examines the subject comprehensively, which suits the research goals of this thesis (Hirsjärvi et. al 2009, 161). The purpose of this thesis is to gain deep information which makes qualitative research the most suitable method. The objectives of qualitative research are generally motivation, attitudes, beliefs and values. Instead of focusing in what people say, the goal is to understand what they truly mean. The interviews are thematic to enable free discussion. (Puusa, Reijonen, Juuti & Laukkanen 2014, 85-86)

The research target is a single unit of a large organization which provides banking, insurance and investment solutions. With this research, we will sort out the manager's use of intangible methods and their effect on employees. Face-2-face, hour-long interviews with the unit's manager and two of his employees are the research materials used in this thesis. According to Eskola and Suoranta (1998, 18-20), the interpretation of results and their precise analysis is more relevant than the size of the material. The biggest challenge is making a high-quality analysis from the material. The interviews were done separately to each person and the questions differed between the managers' and the employees. Existing contacts in the company made the interviews easy to arrange and create. I found the topic of this thesis interesting due to the growth of efficiency of the unit when a new (current) manager took place in managing.

The interview questions were semi-structured and the main interviewee was the unit manager. He had the most knowledge on rewarding and emphasized especially intangible rewarding methods, which eventually led to better results of the unit. The initial contact with the manager concerning this thesis was made in September 2017. Since then, we were in contact via email as we planned the research. The subject is very sensitive, which made the response rate of employees quite low (2 out of 5). The

interview questions were based on the theories of the thesis. All interviews were thematic (Attachment 1) and recorded on October 24th, 2017.

4.1 Interviews and reliability of the research

The manager had different questions than his employees. The manager answered questions dealing with the goals of his unit and rewarding methods in use. He also gave his general opinion on intangible rewarding methods by giving good examples from his experience. The assumption is that the manager's action and his answers represent the whole company. However, this is not the case. The manager made it clear that his approach as a manager varies significantly from the instructions given from his superiors. We will deal with this more precisely afterwards. The purpose of the team members' interviews was to find out how they understand the rewarding system and how is it experienced.

The key instrument of the interview is the interviews frame of reference done earlier. It has two key functions: ensuring that the needed questions are asked and that the interview is as natural as possible. (Koskinen et. al 2005, 108) The order of the questions changed slightly, as the interviewees answered the upcoming questions beforehand. The goal was to get as open and broad answers as possible, not necessarily regarding the question presented. Many follow-up questions were given and clarification was requested. The interviews were recorded and transcribed. The purpose was to find answers regarding the research questions and possible ideas for developing rewarding methods.

The research method worked very well with the research questions set. However, the reliability of the research is rather weak. A 40% response rate can be thought to be a comprehensive sample in qualitative research, which is enough to describe the phenomenon quite well within the team and can be used internally.

These results should not be generalized to the whole company, but used only within the team itself. Even though the research subject was a team in a large organization, other units operate very differently. As mentioned previously, everything about rewarding differs extremely between individuals, which makes it impossible to

generalize to other units. The purpose is to find the meaning of intangible rewarding and its effects within the team. If there is need for development in rewarding methods, further research should take place in other units if possible.

5. RESEARCH RESULTS AND ANALYSIS

This chapter introduces the research results from the empirical part. The research results are viewed on the grounds of the theories presented in the theoretical part. First we will dive into the used intangible rewarding methods as perceived by the manager. Secondly, we will search both positive and negative effects of intangible rewarding. Then we will discuss the team members view on the matter. Finally, possible ideas for development are presented based on the material from the interviews.

The manager has worked for the company for 9 years in several different units. He has been transferred from one unit to another when there has been signs of lack in efficiency. As a unit manager he has a very close touch with his staff. His answers can be considered trustworthy and up-to-date concerning the organization. In the section of team members, we will focus in their experience in receiving rewarding. More precise information on the team's demographic factors are not told to avoid the possibility of linking the answers to team members. The team members are referred as team member A and B. The unit manager is referred as manager.

5.1 The role of rewarding in the company

In this subchapter, we will get acquainted with the used rewarding methods and their correlation to achieving the company's goals. The rewarding methods will be studied on the basis of the theories presented in the theory section previously. We will have an overview of the manager's and employee's opinion on both tangible and intangible rewarding methods. Finally, suggestions of development in rewarding methods will be presented. This research is limited in rewarding methods used in one unit of the company. The thematic interview questions will serve as frame of reference in this thesis.

According to the manager, the company's sole goal is to *"to make profit for shareholders"*. In addition, the unit's goal is to *"serve customers efficiently with quality and create excellent experience for the customer"*. These statements are the goals that guide the unit's actions.

The company gives annual goals for the team, which can also change monthly. These goals are measured by three to six indicators. The company's goals can be e.g. increasing market share, which is chopped into numbers and given as goals for units. This is a problem according to the manager. These indicators are easy to track and measure, however, they measure the wrong things. It results in someone taking advantage of it while others who work with quality get irritated because their work's level of quality is not seen in any indicator. *"These statistics and numbers given to employees actually encourage them to work wrong."*

If the goal is to increase the market share of loans to a specific percent, it easily results in lowering prices. Customers come in due to lower prices and the team focuses on making as many deals as possible, not caring about the quality of the service given, as it is not seen in indicators. *"In the end, the customer's benefit is a slightly cheaper loan, but with negative outcomes."* The manager states that he has seen situations where customers have left with cheaper insurance which in the end insured nothing.

"I have never been a manager that leads with numbers. I don't actually even believe in it. It is important to be aware of them, to be aware of the situation, but the numbers cannot be factors that control doing."

Kauhanen (2015, 69) states that some organizations give the employees the company's goals and the indicators tracked and let the employees find their own way in achieving the given goals. However, the manager prefers the goals to be individual and personal. *"A manager should know his employees and tear down the statistic goals into practice."* This means making employees understand their own doing, its significance and what should be done differently to achieve the results. *"Also finding the motivation to do so. This is the part which takes the most time. The more you give specific orders to employees, the less motivated they are."*

According to the manager, the best results are done, when the goals are not discussed at all. The focus is solely on working as well as possible. Those units in which the goals have not been discussed have always reached to best results. However, *"this is dependent in the individual. Some people prefer the given numbers and statistics, while to others they mean nothing"*.

The manager meets with his subordinates every two weeks for an hour where they discuss personal goal achievement. He notes that these are extremely important meetings for work development. *“I prefer asking them their feeling in a scale from 1 to 10. If I know one’s rate on a normal day is eight, and during a meeting he says he is feeling like a six, I won’t discuss numbers and his underachievement. We focus on how to get back in the eight again.”*

“I find being present on a daily basis is a much better way to measure work quality.”

The manager notes that seeing a happy, satisfied customer is what truly counts. *“This is a situation a manager should recognize and give compliments to the employee. When things are done with a good atmosphere, the numbers will follow.”*

5.1.1 Tangible rewarding methods

The team members all have the same wage, which is decided by the company, regardless of the amount or quality of work done. This is found to be very unmotivating by the employees. *“Salary should be discussed together with the employee to achieve the highest level of motivation”,* says the manager. In addition to having the same monthly wage, there are no significant bonuses in use. These bonuses are given once a year and can be 50 euros at most. *“In order to motivate employees to work more efficiently, the yearly bonus should be at least a month’s salary or even two.”* Since the reward is not good enough, employees do not feel they work as motivational factors in attempting better results. On top of that, the bonuses are not given, if the company itself doesn’t achieve its goals. This again means that if an employee has achieved one’s goals, one will not receive bonuses if the company doesn’t achieve their own goals.

The manager emphasizes that having a good salary is vital in order to fulfill basic human needs. It is not enough that the employees have a good feeling about the workplace, but the reward has to be seen in the salary also. *“Some people find work just a place where they make money at 8 hours a day. They are the most difficult employees to motivate. They do not feel the need to do better because they are happy with the basic income level they receive in order to have money for leisure time.”*

5.1.2 Intangible rewarding methods

The manager finds intangible rewarding methods extremely important; it is easily said that money is the thing that counts, which is not correct. He states that e.g. bonuses motivate briefly, whereas the small rewardings, such as breakfast together and positive feedback raises the feeling among employees that they are truly valued. He finds recognition and appreciation the most important rewarding methods; that an employee finds one's job valuable and that the job is appreciated by others. *"It is done by giving positive feedback and more responsibility."*

"Giving negative feedback is found very easy in Finnish culture. The challenge is giving good feedback for good work." This does not concern only the giving end - the manager - but also the employees receiving positive feedback. It is very difficult to some to receive compliments and express positive affections on others accomplishments. He also states that Finland has a long tradition of hunting mistakes and using too much time in finding out who is guilty, instead of finding out what happened and how can the mistake be avoided next time. *"It is important to be aware of what happened, but also finding out immediately how can this situation be fixed and ways to move on -- too many working hours are used to find someone to blame."*

Giving feedback is a surprisingly complex matter. If it's given too much, it decreases its value. However, if it is not given often enough, employees feel unappreciated. *"The most difficult and important thing is to find the golden line."* The manager has worked in seven different units during the nine years in the company. He has found that best feedback is the one that is given by colleagues. *"If a manager succeeds in creating a work environment where colleagues encourage each other for good performance, he has done an excellent job."* This reflects in everything; scores, less absence and flying colors in well-being indicators. It also decreases the role of the manager in giving feedback.

Some people cannot deal with public feedback or recognition, even if it were positive. In these cases, managers should know their subordinates and give feedback properly. *"Unfortunately, Finnish people are also quite the jealous type."* The manager notes that in some cases pointing out specific persons might cause dissatisfaction among

employees. *“This is also why it is important to have an environment where employees encourage each other.”* However, if an employee has worked hard for years, a simple recognition from the manager might simply not be enough. At this point, gratitude from upper management is in order. *“The CEO can join a morning meeting, which is an honor for the employer and a significant motivator for the future.”*

Flexible working hours are not possible within the company, but not found bad by the manager. If there was a chance to work from home, he would favor it. However, the bank is only open from 8.00 am to 4.00 pm. *“There are many other ways to reward and motivate employees.”* The subordinates career opportunities are quite limited within the company. However, the manager constantly encourages his subordinates to take part in various projects which can eventually help earn experience and also educate the employees. There are many possibilities to develop and get educated within the company: the manager evaluates that every employee has about four trainings per year. In addition, there are internal trainings and weekly meetings. *“These are something that the employees do not possibly appreciate, because it is found to be automatic and obvious.”* He highlights that he makes every meeting a situation to learn and develop from. *“I also meet with every subordinate every two weeks for one hour. I start the meeting simply by asking how is he/she.”* This is considered to be very important both in educative and motivational ways. Knowing the employees, staying in touch with them and showing interest makes them feel valuable and helps the manager find appropriate rewarding methods as he gets to know them.

Status symbols are not used within the company. However, it is vital that employees have the appropriate tools they need in order to work efficiently. *“It doesn’t mean they have to have the newest iPhone or MacBook.”* It has been seen that employees get motivated when they have gotten the chance to effect in the purchase.

“All in all, I feel our company's rewarding methods don’t encourage our employees well enough to develop and do their best at work. I try my best helping them with other, intangible rewarding methods, which I can personally affect. I have found it very effective.”

5.1.3 The role of rewarding by team members

The team members announce that they are aware of the goals of the unit and rewarding methods. According to both team members, their motivation and results have increased since the current manager took place. The goals of the unit used to be presented in complex numbers but the current manager has succeeded in turning them into practice for them. This has been found very relieving and motivating by the members. Both team members also appreciate verbal rewarding from the manager. *“I find it very motivating when the manager gives compliments about my success. It makes me feel appreciated”*, says team member A. B adds: *“I have had many different managers, and everyone has struggled with giving appropriate feedback. By appropriate feedback I mean both positive and negative.”* B emphasized that the manager doesn't hesitate to give positive feedback and recognition, which he appreciates. This is directly related to reinforcement theory: one will attempt to improve their performance, if one expects getting positive feedback and recognition.

Team member A emphasizes the manager's role as coach *“from whom we learn every day on how to work better”*. His actions effect the most on A's motivation. *“I prefer recognition and compliments to help me keep motivated, which our manager is aware of.”* Employees appreciate rewards differently. While some are motivated by money, some rather want appreciation. (Viitala 2004, 158) Both team members imply that the financial rewards are not encouraging enough to try to pursue. According to Viitala (2004, 158) people evaluate the correlation between effort and the reward promised.

Team member A finds the job interesting, which according to theory means that one's intrinsic motivation is high. However, team member B states that the job wouldn't be as interesting and challenging without the manager's effort in it. As mentioned previously, lack of interest in the job itself affects intrinsic motivation. On the other hand, to increase intrinsic motivation, the manager stated that he offers many trainings and projects which support and develop the employees' skills.

Team member A notes that wage incentives do not encourage to work with better quality: *“Seeing my customers satisfied and happy with the service directs my goal achievement. I believe good service comes from professional employees.”* This can be

seen as a social reward which is formed in a social encounter where both ends of the party appreciate the relationship. The answer also highlights the company's goals: serve customers efficiently with quality and create excellent experience for the customer. On the other hand, team member B doesn't find it motivating enough. Team member B would prefer higher wage incentives to improve working.

Team member A describes the relationship with intangible and tangible rewarding methods as intangible rewarding being more motivating: *"I prefer having more responsibility to getting small bonuses."* This correlates with self-determination theory; the more autonomy there is, the more motivated a person gets. B states: *"Financial incentives motivate to work better. However, the job itself has to be meaningful."* This means that rewarding is an effective way in achieving goals, in the condition that the meaning of work remains. Thus, intrinsic motivation can be seen as a basic requirement for arising extrinsic motivation.

Team member A believes that goals based on performance are a threat for working with quality. *"The pace has to be very fast in order to achieve the given goals. This often results as mistakes and superficial encounters with the customers"*. However, team member B sees performance-based goals more as an opportunity than a threat. All in all, team member A and B agree that there is nothing they want to change regarding intangible rewarding methods. However, wage incentives could be more significant.

5.1.4 Improvements

The manager emphasizes that the indicators in use should be changed to the better. *"They encourage the employees to work as in an assembly line, as robots"*. Some indicators can be e.g. *"call every customer once a year"*. But how is the call made? It is often a quick call instead of a genuine way to discover the customer's needs. In addition, customer service is an essential part of the unit's goals which also needs to be an indicator. However, it is known to be difficult to measure. Thus, managers should actively take part in their employee's daily routines and be observant. He states that currently he is the only manager that has compulsory sessions with his subordinates: *"it should be a rule, not an exception"*.

The manager finds the rewarding system quite fair as the basic salary is the same for everyone, but there is always room for development. Currently an employee has no saying in the rewarding system: it could be decided together. However, rewarding methods are decided mainly by the board of the company.

When it comes to tangible rewarding, the manager notes the personnel fund to be quite tenuous. Also, team members both agree that better bonuses are in order. The manager finds the system very unmotivating that hard working, goal-achieving employees do not get their bonuses, if the company itself doesn't succeed.

Team member B notes that rewarding should be more transparent to "*recognize my value in rewarding*". However, according to Burchett & Willoughby (2004) research, as transparency increases, it is easier for employees to notice if their wage is more inferior to others. This, in turn, causes dissatisfaction to one's salary.

5.2 Discussion of the results

It is impossible to build a rewarding system that pleases everyone. The team members have quite the same opinions on intangible rewarding but slightly different views on tangible rewarding. All in all, the interviews indicated that the team members were generally pleased with the rewarding methods, especially concerning the manager's effort in it. On the other hand, there are also areas that need development.

Both team members emphasize the meaning of intangible rewards: they feel that the best rewarding method is receiving positive feedback, feeling valued and finding their job meaningful. This affects their motivation, commitment and satisfaction. The jobs meaningfulness, variability and context are related to self-determination: by giving employees the chance to develop, work independently and responsibility, their level of motivation increases as mentioned in the theory section. As mentioned in the self-determination theory, these are ways to increase intrinsic motivation, which is the most important source of motivation (Salo-Gunst & Vilkkö Riihelä 2000, 46) If the job is not found interesting and challenging, motivation decreases. The manager has done a quite good job regarding this: the team members are pleased.

The interviews of the team members emphasize intrinsic motivation which increases the role of the manager in rewarding. The desire for self-development and feeling valued stood up in both interviews. As negative factors, they mentioned poor bonuses. If the company desires to reward their employees financially, it has to be done in a larger scale, so that it has a meaning. This was especially emphasized by the manager. However, the tangible rewarding methods in use don't seem very critical for the team members as they are satisfied and still working in the company.

The manager mentioned, that the best type of rewarding is feedback given from colleagues. The team members didn't emphasize it in their interviews. It can either be due to the lack of it or it being considered something self-evident. The general perspective of the atmosphere within the team was left behind, though it is a very relevant aspect concerning intangible rewarding.

In comparison to small bonuses, team member A noted that having more responsibility is more valuable. *"Knowing that with good work the manager will give me more responsibility motivates me to work harder"*. This correlates directly with reinforcement theory: people behave in a certain way depending in the expectation what is going to happen. The role of the manager has been quite impressive: the team members seem to be very satisfied in his ways of rewarding intangibly. The manager has succeeded to truly know his subordinates and reward them in ways that work for both of them.

Subjectively speaking, the rewarding system used in the company doesn't act as a helping factor in achieving goals. However, the unit under inspection and the manager's actions do. The intangible rewarding methods direct the team members properly. They were pleased with the manager's way of leading and didn't have anything negative to say.

However, the scorecards should be developed. Answers are in need to questions like: "What is the goal? How is it measured and evaluated? In teams or individuals? What kind of scorecards are in use? How often?". Unfortunately, too many organizations use indicators that measure irrelevant things. In addition, the company's time span of goals should be shortened to insure committing and making it easier to reach goals. Other possible ideas for developing rewarding methods should be taken forward within the

company, so that they can be fixed. It is important that everyone has a chance to effect in the company's action. This increases empowerment and responsibility according to self-determination theory (Hakonen et al. 2005, 150).

6. SUMMARY AND CONCLUSIONS

The main research question was to solve what kind of impact do intangible rewarding methods have on subordinates when used by managers. The conclusion was made on the grounds of both theory and answers from the interviews. The answers were very broad and helped understand both the managers and the subordinate's aspect of rewarding better. However, the manager's interview was much more broad and informative compared to his employees. The employees were not as cooperative as wished as their answers were quite narrow. The sub-questions were also answered as the interviews developed further.

The staff is the most vital asset of every organization. No organization could function without the staff's contribution and expertise (Kauhanen 201, 147). It is clear that *intangible rewarding methods have a large impact regarding the staff: their motivation, work commitment, goal achievement, absence and general wellbeing*. This again reflects the company's results. From both the managers and the subordinates point of view, *intangible rewarding methods are the most significant factors which keep the unit going*. However, there are also negative effects, which give the answer to the second sub-question of this thesis.

It is very difficult, almost impossible, to set rules on how to reward intangibly and even more difficult to evaluate its value. To some it means everything while others find it irrelevant. Intangible rewarding is pretty much in the hands of a manager: as said previously, its usage is based on a manager's commitment and daring. In addition, intangible rewarding can cause feeling neglected, injustice or malignant competition.

Good leadership is required in order to have a functioning rewarding system. As mentioned before, the manager has a big part in the rewarding system's effectiveness and usage. When reflecting the manager's and the subordinate's answers to theory, the manager can be thought to be a great leader. He emphasizes the importance of being present in subordinates' daily routines, giving recognition, making employees feeling valued and appreciated, and giving them the chance to develop and educate themselves.

The manager has also shown incredible maturity when it comes to the company's rewarding methods. Even though he is not completely pleased with the current rewarding system, he has an appropriate attitude and does the best he can out of it. His actions in supporting the subordinates' development have required extra effort from him. He is constantly in contact with his employees, affecting the employee's ways of working and enabling their development. This also effects on the subordinate's satisfaction towards the present rewarding systems.

From an organizational management point of view, it seems that intangible rewarding serves as the best and most motivating method (Kauhanen 2015, 119).

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ATTACHMENTS

Interview questions

Background:

How many years have you been working for this company?

What is your role in the company? Previous experience?

Theme interview:

Goals and rewarding methods:

- What is the goal of your unit?
- Explain the used rewarding methods and how is it implemented in different organizational levels (individual, team, organization)?
- What is your general opinion on intangible rewarding methods?

Tell me about the tangible rewarding methods that are used?

Tell me about the intangible rewarding methods that are used?

- flexible working hours (plustunnit, telecommuting)
- possibility to develop
- status symbols
- giving feedback
- opportunity to influence
- receiving feedback
- recognition

The role of rewarding in the company:

- How do the existing rewarding methods help achieving goals? Do they fulfill their purpose?
- Is the quality of the work inspected? How does bad work quality effect in rewarding or does it effect?

- Are the rewarding systems changed frequently and do single employees have a chance to affect in it?
- If you could decide, how would you change the rewarding methods?

Subordinates

- How well do you know the rewarding methods of the company?
- What do you think of them? Do you think they are encouraging enough to try to pursue?
- Are you aware of the goals of your unit?
- Which rewarding methods help you motivate the most?
- Do you find the job itself meaningful? Does the job offer interesting challenges?
- Does verbal rewarding encourage? What kind of meaning does it have?
- Do you find tangible rewarding more effective than intangible?
- Which rewarding method effects the most in motivation?
- Do the used rewarding methods motivate you enough to do your best in your job?
- Do you feel injustice or competition among co-workers?
- Do you find performance based goals as a threat or opportunity?
- Do you find the rewarding system fair?
- If you could decide, how would you change rewarding in your unit? What is good and what is bad?