

# IMPLICATIONS OF EMPLOYEE MOTIVATION ON THE ORGANIZATION'S PERFORMANCE

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**DOI: <https://doi.org/10.36004/nier.cecg.IV.2022.16.25>**

## **Summary**

*The objective of this study is to analyze the performance indicators correlated with the salary policies of Romanian companies. The concept of employee motivation by the CEO of a company must be found in the long-term strategy of the entities. This can be done by involving staff in engaging actions like workshops, by regaining confidence and allowing freedom of action for everyday projects. With a balanced and visionary management an increase in loyalty and involvement among employees can be achieved while decreasing any potential. Having considered these matters, we conducted an empirical study following the financial indicators on the Romanian listed companies. In this study we followed and showed the correlation between profitability indicators and the importance and involvement of human capital on the performance of the enterprise.*

**Keywords:** *human capital, salary policies, economic performance, employee motivation, management, strategy.*

**JEL:** *M41, M49, M52.*

**UDC:** *331.2+331.101.3*

## **Introduction**

Many companies are looking for solutions to get the best out of their employees, and this continues to provide many challenges for managers, researchers and entrepreneurs. Geopolitical tensions, problems in the competitive environment, problems caused by external factors, such as the COVID-19 pandemic, are just some of the situations they have to face. Motivating staff through salary entitlements, providing the most comfortable working space, giving free or preferential shares, providing technological equipment for the work and other monetized or unmonetized benefits are just some of the ways of motivating employees and trying to keep skilled people working for the company.

The main purpose is to research, develop and implement managerial strategies to motivate employees in order to enhance individual and organizational performance. To achieve this, the following objectives had been considered:

- analyzing the theoretical-conceptual aspects of adopting personnel strategies at the organizational level;
- analyzing the theoretical aspects of motivation and demotivation tendencies among employees;

- analyzing the effects of managers' involvement in the helping employee achieving a high degree of motivation.

As for the **research methodology**, it has been done by investigating theories, studies conducted in scholarly articles published in international databases such as Web of Science, Springer, Scopus or Science Direct.

### **The role of corporate governance on human resources management**

We can find that the corporate governance exists only at the top level of the organization and is definitely not present at the level of other organizational structures, including human resources (Kaehler, 2018). As long as top management appreciates the belief that human resource management is valuable, through methods that lead to the valorization of human resources, departments can make an essential and effective contribution to business strategy (Boanda, 2019). If the CEO and his team learns qualities and experience for the business to work, if he manages to develop interpersonal skills through which to motivate and lead executives to communicate openly and transparently information (Petrovic, 2018), he creates the context through which professionals can get directly involved in the HR area to implement practical models that fill an optimal employee motivation strategy that brings results. Elements such as modesty and consistency, the motivation to create something valuable together with the other members of the management team, having valuable character traits but also a rich experience, make the CEO a leader who succeeds in building a healthy company (Domnişoru, 2019).

The performance of a manager is given by his ability to motivate everyone in his team to perform at his best and thus increasing the overall performance (Bodea, 2014). That is why the need has arisen to study and find out what are the best ways to increase motivation among employees in both large and small companies (Chowdhury, 2014).

Finding the best solutions to achieve the best performance in the labor market for employees proved to be a real challenge for managers, researchers and entrepreneurs. Companies have tried to find the best ways to integrate and involve their employees in their medium and long-term strategy, because the health of companies is also determined by how motivated employees feel to work with the plans of the management team.

Some companies have tried to implement certain management methods such as holocracy as a new line of management, whereby they have tried to give employees more autonomy so that they can make their own free decisions with which to come to the support of the companies (Mosamim, 2020; Bernstein et al., 2016). Other entrepreneurs have studied and tried to apply research done in the field of emotional intelligence (EI) to determine which style is more suitable for implementation, the relationship-oriented or task-oriented style at work (Secrieru, 2021). Other companies have made a detailed diagnosis of the most appropriate HRM style to adopt at the firm level for performance (Chowdhury et al. 2014), focusing on rewarding employees through salary entitlements, bonuses and benefits that can lead to a high quality of life, but also investing in education, workshops,

training, etc. They have also sought to implement the Kaizen business model as a sustainable management model (Bratu, 2017). But these models did not always give the desired results.

Having considering all of these, the following question arises: *what do we do with the new Western culture in which development through work has lost its meaning?* We see that we are moving towards a culture in which the development of the individual through work has lost its attractiveness, a culture of narcissism in which everyone is looking for happiness and is no longer willing to make sacrifices for the collective welfare, for the realization of plans, no longer willing to excel in what they do in order to achieve something lasting and valuable. Everyone seeks to show how good they are, without having a solid background of knowledge and experience on which to draw.

Dorin Bodea (2018) in his book "The Inconvenient Truth at the Top of Organizations" offers the results of his own case-study, expounding more extensively in his work "The Values of Romanian Employees", where he concludes that these values in postmodernism are represented by the hyperconsumption of any other activities that reflect subjective experiences, uniqueness and value. Compared to the modern employee, where work and morality were intertwined, the postmodern employee develops the phenomenon of exchanging elements of morality and development through work with elements that define happiness through hyperconsumption of all kinds of pleasures, be it entertainment, listening to music, video games, travel, etc. Thus, in most Western countries the time spent listening to favorite songs, watching TV series and entertainment is greater than the time spent on work, training or education.

Another element that emerged from the study is the repositioning of values through another facet of the same phenomenon: downshifting - which translates into a return to a lifestyle that is as simple as possible, but as ecologically and spiritually rich as possible, at the expense of achieving the outcomes that define high social status and a promising career. Thus, there are people who embrace this trend and choose to resign from well-paid positions in powerful corporations embracing other jobs that give more meaning to their lives. Many inexperienced but highly educated employees seek from the outset to negotiate for the highest possible salary benefits, management positions, believe themselves to be competent and superior to everyone else. Therefore, their belief is that in order to achieve performance and to be seen to be doing well, they must cheat, steal, break rules and compromise.

But, *What is the solution and how should organizations handle such situations?* The first step is introspection. In a time when the digital revolution is redefining the individual, knowledge is no longer about deepening but rather a complexity of connections converging towards a democracy of knowledge, in particular a democracy of organizations and also a change in management strategy.

At a time when the whole process of digitalisation is increasing rapidly and is already part of our culture and society, individualism and subjectivism are taking priority over morality. Due to unlimited access to information, employees' knowledge and skills are no longer relevant, but rather the involvement and

participation in the production process or the provision of services and trade, trust and loyalty to the organisation in the competitive environment remain relevant. However, the West has also brought good things, organisations have experienced well-being due to the individualism and egocentrism of employees, only in collaboration with each other. Thus, top management in some companies understood these needs and learned to work together even with malicious and selfish people to the highest standards, pursuing common interests. These managers have practically validated themselves in this world of postmodern companies. By pursuing employee well-being and quality of life, management has succeeded to balance work, creativity and material gain (Bruckner, 2017), this gives meaning to an effective work style, directing employee behaviour towards performance and well-being (Bodea, 2018).

The progress and efficiency of human capital is not only beneficial for organizations and employees but also for the state, as human capital is a social good. Labor migration creates a macro-social context due to the investment in education and training but also due to the fact that each employee develops skills at work or even more, invests in their own education and then uses the skills and experience gained in this way in other companies. The social investment approach also includes the public contribution whereby the state supports education through allowances and subsidies, making the labour market more flexible and ensuring that people can adapt to changes in the competitive work environment (Suciu, 2000).

A study conducted by Chowdhury (2014) on small companies, whereby the two forms of human capital expressed in the literature as general human capital, defined by the level of formal education that the employee obtains through training in the public education system and which can be used in any company; and specific human capital, defined by the experience gained on the job that increases the productivity of the employee. This specialized training in most cases cannot be used outside the company, which is why the management of the entity is willing to invest in the development of employees because it is estimated that the increase in production, even under the conditions of wage increase, is much more profitable than the level of investment (Cerna, 2021). The two levels of education that employees can accumulate, both on the job and within the entity define the human capital of the organisation.

Migration from one company to another, entails serious problems for small entities, as every employee wants to work in a big company, on a better salary, having better working conditions, maybe a new office or maybe a more flexible work schedule and an experienced, relationship-oriented team. But what motivates employees to stay in small entities and perform? Small businesses face many problems in attracting and retaining skilled labour because resources are limited compared to their larger and stronger counterparts. Effective management of these resources therefore becomes necessary. Research in the field estimates that small firms lose around 10% of their workforce each year (Tarasco, 2006), so experienced employees become a scarce, even critical resource for the performance of small firms.

Chowdhury (2014), conducted a study based on data from 1572 professionals in 100 small firms, representing a firm-level dependent variable, namely the average

productivity of a worker. This measures firm productivity on the basis of formal education, task-specific experience (based on current job) and firm-specific experience (based on all previous jobs). The study also presents a control variable, namely the level of industry sales reported on a single employee. It concludes that as firms have shifted towards and sought specific experience for each individual employee, performance has increased due to professionals with higher education. They were more responsive and able to adapt to integration and change as opposed to firms that did not seek these elements. Moreover, another imperative, again due to inherent constraints and economic and human potential, is to focus only on increasing the experience of directly productive employees, as research indicates that it is more profitable to hire highly educated people into professional positions and retain non-college educated employees in their current entry-level positions, rather than seeking to promote them to these positions of responsibility. Also, retaining highly educated employees for as long as possible in the same position leads to productivity. However, for small firms this is a big challenge. Offering cash incentives, through salary increases and bonuses, perhaps even equity awards, rewarding employees with free shares or other monetised and non-monetised benefits, can keep engagement high among highly educated professionals. This option is found to be more desirable as promotion options are limited in small firms and task-specific experience is important.

Favourable differences in a firm's productivity are due to the need to understand the fundamentals of work processes and the repetition of work. Therefore, it becomes necessary for employees in entry-level positions to obtain higher education. If this is not possible, a move to other jobs within the same department can be considered for an organisation-wide development of human capital.

The objectives and activities of those involved in governance affect the organisational management present in all departments. The influences of the governance factor affect the performance of professionals in the field of work in terms of tenure, training and remuneration, and therefore the whole work activity (Bretos, 2018). Thus, it corroborates some criticisms that view the function of human resource management as always management-oriented. The ownership structure also affects managers' strategic goals and incentives (Lima, 2021) and develops a tendency to pursue risks to short-term results rather than freedom of professional expression among managers.

### **Research methodology**

In this research, carried out on a sample of 21 companies listed on the Bucharest Stock Exchange, we extracted from the companies' financial statements and annual reports data on: average number of employees, payroll, production sold, income from stocks of products, income from the production of fixed assets and real estate investments, the qualification status of employed staff, in order to calculate the average annual salary and annual labour productivity. The study is conducted over the period 2017-2021, and includes in the sample 11 companies operating in the energy sector and 11 companies operating in the production of industrial equipment.

Based on the collected data, the level of average annual wage and annual labour productivity is calculated as follows:

- **Average annual salary (Sm)**, is calculated with the formula:

$$Sm = \frac{Fd.S}{\bar{N}s} \quad (1)$$

The **size of the wage fund (Fd.S.)** is given by the level of the gross wage, the level of employer contributions for 2017 and the level of the insurance contribution for work from 2018 onwards.

The **average number of employees ( $\bar{N}s$ )** represents the human potential of the entity during one year. According to the National Institute of Statistics in Romania, the average number of employees includes all persons employed and paid by the establishment, whether they are persons employed on individual employment contracts for a fixed or indefinite period, or whether they are seasonal workers, managers or administrators of the entity.

The average number is calculated as the simple arithmetic average of the sum of the daily number of employees, including weekly rest days and non-working days divided by the total number of calendar days (365 days or 366 days).

- **Labour productivity (Wa)**, is the human potential to create goods and provide services over a given period of time and is determined as the ratio of the output of the year (**Qe**) to the average number of employees ( $\bar{N}s$ ) and is calculated with the formula:

$$Wa = \frac{Qe}{\bar{N}s} \quad (2)$$

The **output of the financial year (Qe)**, as a value indicator expressing output, expresses the direct and useful result of industrial-productive activity over a given period of time (month, quarter, year). It includes the value of all goods and services produced by the firm during the period.

$$Qe = Qv \pm \Delta Qs + Qi \quad (3)$$

where, Qv = output sold;

$\Delta Qs$  = change in stored production

Qi = output of fixed assets and investment property.

Stored production and fixed assets are valued in production costs.

It is assumed (**H1**) that a high wage level affects labour productivity through motivation and a high level of highly educated professionals (**H2**) in organisations contributes to a high level of labour productivity. In order to determine the level of wages we calculated for companies in the energy sector (A), the level of the wage fund which we compared with that in the production of goods and equipment (B).

For each company we used the following calculation model:

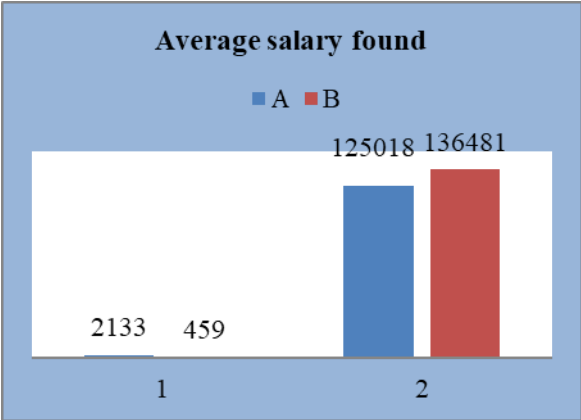
$$Fs.m. = (a+b+c+d+e)/x \quad (4)$$

where, (a+b+c+d+e) represents the annual wage fund for each company (a=2017, b=2018 etc.), which relates to the five years studied (x). Then, we used the same reasoning to calculate the average wage fund at the industry level for the 11 companies (y).

$$Fs.m = (a+b+c+d+e+f+g+h+i+j+k)/y \quad (5)$$

**Main results**

The results are similar with small differences. The differences are due to the cumulative average number of employees. Compared to companies in zone A, employees of companies in zone B are paid 21.52% more, but labour productivity is at a much lower level (Figure 1). Studying the annual reports of Zone A companies, it appears that staff working in positions requiring higher education are rewarded with free or preferential shares.



**Figure 1. Correlation between the average number of employees and pay policy**

Source: Own analysis after financial reports

It is concluded according to hypothesis **H1**, that a high level of pay does not necessarily motivate to increase work productivity output and there are other elements that matter, such as: healthy workplace relations, a pleasant working environment, due respect, etc. This leads to full employee engagement.

It is tested according to hypothesis **H2** whether a high level of highly educated professionals in organisations influences work productivity.

In the following, the listed companies will be divided into two categories according to the area in which they operate and the indicators **I<sub>1</sub>** and **I<sub>2</sub>** will be established. Indicator **I<sub>1</sub>** is determined as the ratio of average labour output to average wage bill and indicator **I<sub>2</sub>** represents the dynamics of employed staff in

relation to the level of professional development. This indicator will receive values from value 1 to value 4, as follows:

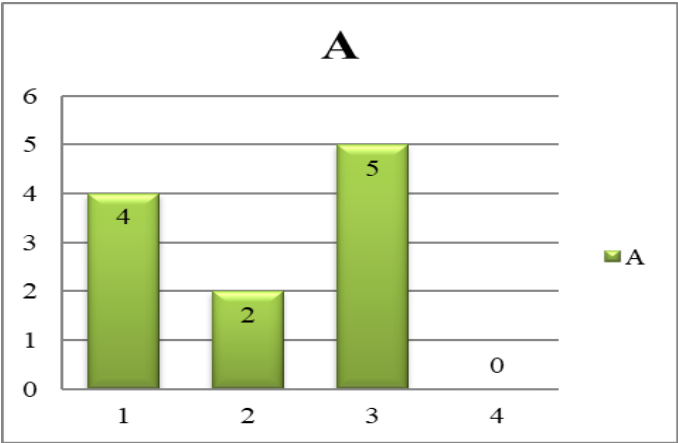
- 1- employees with higher education;
- 2- employees with secondary education;
- 3- qualified employees (on the job);
- 4- unskilled employees.

**Table 1. The impact of professionals with higher education on labor productivity**

Simbol A	I <sub>1</sub>	I <sub>2</sub>		Simbol B	I <sub>1</sub>	I <sub>2</sub>
PTR	3	3-1		TRP	9	3-2-1
SNG	7	3-2-1		ONE	11	1-2
SNP	10	1-2		CRC	11	3-1
TNG	5	1-2		ALU	4	3-2-1
SNN	6	2-1		CEON	6	3-1
EL	3	1-3		MCAB	2	3-4-1
TEL	13	1-2		VNC	5	2-3-1
COTE	13	2-1		PREB	4	2-1
RRC	9	3-2-1		SNO	3	3-1
COMI	2	3-1		TBM	3	2-1
OIL	2	3-1		MECF	3	1-2
Score	73			Score	61	

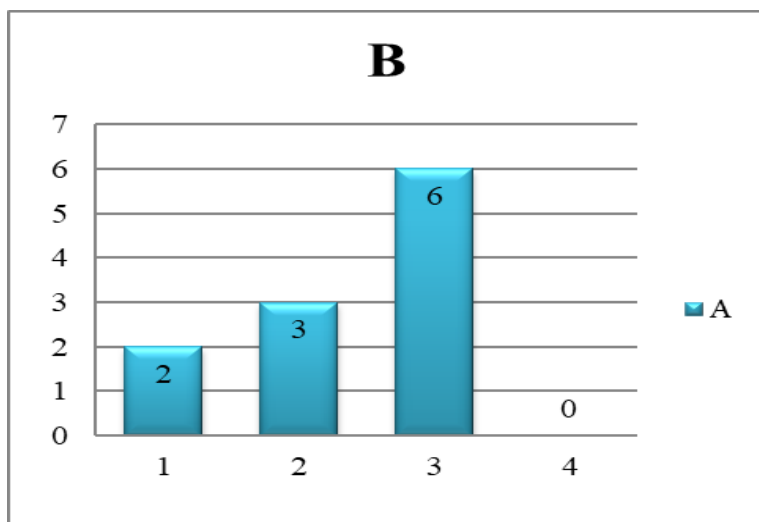
Source: Own analysis after financial reports

The results show a much higher labour productivity score is determined for companies operating in the energy industry compared to those operating in manufacturing.



**Figure 2. Employees with higher education**

Source: Own analysis after financial reports



**Figure 3. Employees with higher education**  
Source: Own analysis after financial reports

A high level of highly educated and skilled people is observed, as shown in Chart 2, to lead to higher labour productivity. Thus, it supports hypothesis H2 that a high level of skilled and educated people improves the flow of production and not only. The studies of Chowdhury (2014) and (Cerna, 2021) are also confirmed.

### **Conclusions**

In these critical times with respect to unnatural changes favoring a legislation to adapt to an uncertain market, increasing organizational performance depends largely on investments made in employees, technological equipment, digital solutions, and modernization of work equipment. In order to achieve performance-enhancing objectives, it is necessary for HR professionals to identify the real problems of employees, to identify the elements that lead to well-being and good mood, and to seek to create the right framework to deepen healthy relationships aimed at achieving a desired level of performance.

Work-related aspects that produce both economic and social satisfaction as a result of employee motivation are an important aspect to be addressed. Thus, rewarding work through wages, creating pleasant working conditions, an environment in which workers can improve their skills, reward through promotion, through empowerment and other non-monetary benefits, reflect very important factors for well-being and performance.

The CEO, together with the management coordinating departmental structures and accounting professionals, works towards organisational wellbeing by providing strategies to streamline corporate reporting.

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