

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Management



Bachelor Thesis

Effective leadership and motivation of employees

Anna Orazova

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Anna Orazova

Economics and Management

Thesis title

Effective leadership and motivation of employees

Objectives of thesis

The aim of the thesis is to identify the relationship between leadership and motivation in the business context.

Two research questions will be researched to identify: (1) how does effective leadership affect employee motivation, and (2) whether formal and informal leadership affect employee motivation differently?

Methodology

This thesis is divided into two main parts.

The first (theoretical) part contains a review of appropriate current literature on the topics of leadership and motivation.

The second (practical) part is based on quantitative analysis, and will use a questionnaire distributed amongst employees. This will be analysed, following which an interview will be held with a more senior member of the company.

Conclusions will be drawn from the results, and solutions will be proposed to address any problems affecting the level of motivation.

The proposed extent of the thesis

Approx 40-50 pages

Keywords

Leadership theory, Motivation principles

Recommended information sources

Blake, R. and Mouton, J., (1978) *New Managerial Grid*, Gulf publishing Co, ISBN-13: 978-0872014732
Frey, B. S. (2001). *Successful Management by Motivation: Balancing Intrinsic and Extrinsic Incentives*.
Berlin: Springer Science & Business Media. ISBN 9783540424017. 306 p.
MULLINS, L.J. *Management and organisational behaviour*. Harlow: Financial Time Prentice Hall, 2010.
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The Bachelor Thesis Supervisor

Ing. Richard Selby, Ph.D.

Supervising department

Department of Management

Electronic approval: 26. 11. 2019

prof. Ing. Ivana Tichá, Ph.D.

Head of department

Electronic approval: 26. 11. 2019

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 27. 11. 2019

Declaration

I declare that I have worked on my bachelor thesis titled "Effective leadership and motivation of employees" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on

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I would like to thank my supervisor Ing. Richard Selby, Ph.D. for his advice, endless patience and support during my work on this thesis.

Efektivní vedení a motivace zaměstnanců

Souhrn

Práce zkoumá vedení a motivaci zaměstnanců. Potvrzuje se, že motivace hraje zásadní roli při zajišťování řádného zapojení zaměstnanců do pracovních procesů a vysokého výkonu. Výsledky praktické části ilustrují současnou situaci s motivací a vedením zaměstnanců v českém hostelu síť hotelů a ubytoven. Ukázalo se, že hotel má značné problémy: vzhledem ke svému finančnímu modelu nemůže svým zaměstnancům nabídnout dostatečnou finanční motivaci a vedení nedokáže zcela pochopit roli nefinanční motivace a potenciál vedení ve společnosti. Pro společnost bylo vyvinuto několik doporučení, včetně doporučení, jak upravit model větších finančních bonusů, zkrátit časový plán motivačního plánování, zapojit odborníky třetích stran a zaměřit se na snížení fluktuace zaměstnanců pro zvýšení motivace zaměstnanců.

Klíčová slova: a&o Hotels and Hostels, finanční motivace, formální vedení, motivace zaměstnanců, motivace, nefinanční motivace, neformální vedení, řízení, vedení lidí.

Effective leadership and motivation of employees

Summary

The thesis investigates leadership and motivation of employees. It has been confirmed that motivation plays an essential role in ensuring the staff's due involvement in work processes and high performance. The findings of the practical part illustrate the current situation with employee motivation and leadership in the a&o Hotels and Hostels network. It has been shown that the hotel endures significant problems: due to its financial model, it cannot offer sufficient financial motivation to its employees, and the management fails to comprehend completely the role of non-financial motivation and the potential of leadership at the company. A number of recommendations have been developed for the company, including the ones to make modify the model for greater financial bonuses, reduce the timespan of incentive planning, involve third-party experts, and focus on lowering staff turnover rates for increasing employee motivation.

Keywords: a&o Hotels and Hostels, employee motivation, financial motivation, formal leadership, informal leadership, leadership, management, motivation, non-financial motivation.

Table of content

1	Introduction.....	10
2	Objectives and Methodology	11
2.1	Objectives	11
2.2	Methodology.....	11
3	Literature Review	12
3.1	Motivation: Definition and Characteristics	12
3.2	Specifics of Motivation at the Workplace	17
3.3	Leadership and Its Types	19
3.4	Leadership in Corporate Culture	21
4	Practical Part	23
4.1	Overview of the Chosen Company.....	23
4.2	Interview with the Manager.....	24
4.3	Polling among Employees	28
5	Results and Discussion	36
6	Conclusion	38
7	References.....	40
8	Appendix.....	43
8.1	Structure of the Interview with the Manager.....	43
8.2	Structure of Employee Survey.....	43

List of figures

Figure 1: Maslow’s hierarchy of needs	13
Figure 2: Alderfer’s ERG theory	14
Figure 3: McClelland’s theory of needs	15
Figure 4: Herzberg’s two-factor theory	16
Figure 5: Employees’ answer to Question 1 “To which extent are you satisfied with your job? Please rate 1 (not satisfied at all) to 5 (completely satisfied).”	29
Figure 6: Employees’ answer to Question 2 “To which extent are you motivated? Please rate 1 (not motivated at all) to 5 (totally motivated).”	30
Figure 7: Employees’ answer to Question 3 “What impact do formal leaders (managers) have on your motivation? Please rate 1 (lowest impact) to 5 (highest impact).”	31
Figure 8: Employees’ answer to Question 4 “What impact do informal leaders (colleagues) have on your motivation? Please rate 1 (lowest impact) to 5 (highest impact).”	32
Figure 9: Employees’ answer to Question 5 “What kind of motivation is more important for you? Financial / non-financial / both.”	33
Figure 10: Employees’ answer to Question 6 “What kind of motivation should be enhanced? Financial / non-financial / both.”	34
Figure 11: Employees’ answer to Question 7 “Do the managers take into account your opinion sufficiently when designing the incentive programs? Yes / no.”	35

1 Introduction

A company's human potential is one of the key assets and main factors preconditioning the effectiveness of its overall business performance. The extent to which the companies are able to drive their staff's maximum performance predefines their opportunity to become innovative, satisfy the demand of customers and overcome their competitors. To fulfill such goals, an entity's manager should use effective staff motivation techniques, at the same time delivering high-quality leadership to direct the general corporate effort.

The choice of this topic for the research is justified by the fact that effective leadership and motivation are indispensable in any field of professional activities, and the knowledge of this domain is important for young professionals who seek developing their skills and expertise. The motivation for this particular topic is also due to the author's personal interest in professional motivation and the present-day methods and tools used to enhance employees' motivation.

The performance of this research dedicated to leadership and motivation is set to illustrate the current specifics of the two phenomena and to explain who they are practically applied in companies and what benefits they can bring.

2 Objectives and Methodology

2.1 Objectives

The aim of the thesis is to show the relationship between leadership and motivation, to understand key concepts that link both. In order to explain how the relationship can be improved, the contribution of various theoretical models of leadership and motivation will be investigated. The main objective is to propose solutions that eliminate potential problems of company which affect level of motivation and cause weaknesses in work.

The **research questions** of the thesis are the following:

- RQ1: Based on the example of the chosen company, how does effective leadership affect employee motivation.
- RQ2: Do formal and informal leadership affect employee motivation differently?

2.2 Methodology

The main **methods** to be used included secondary and primary research. Secondary research was used to cover the main theoretical aspects of the topic and reveal appropriate data. The quantitative method was used to analyze (measure) motivation of employees and leadership styles of managers. Employees were interrogated according to a questionnaire which was based on relevant literature and personal experience. An interview was held with the manager. The results were transformed into tables and graphs.

3 Literature Review

3.1 Motivation: Definition and Characteristics

Before proceeding to the analysis of motivation at the workplace, it is worth considering the main basic characteristics of this phenomenon.

There are different definitions of motivation in literature today. Thus, according to the definition by Mitchell, as cited in Mullins (2010, p.471), motivation should be understood as *“the degree to which an individual wants and chooses to engage in certain specified behaviours.”* Dubin, as cited in Mukherjee (2005, p.114), argues that motivation is *“the complex of forces starting and keeping a person at work in an organisation. Motivation is something that moves the person to action. and continues him in the course of action already initiated.”* According to another definition cited in Mukherjee, namely the one offered by McFarland, motivation should be seen as *“the way in which urges, desires, aspirations, striving or needs direct, control or explain the behaviour of human being.”* Napolitano (2018, p.6) defines motivation as from the psychological point of views as *“a combination of dynamic factors at any given moment, which influence an individual's behavior towards a goal in time.”* Finally, van Dam and Marcus (2007, p.208) state simply that motivation stands for *“an individual's inner readiness to engage in certain activities.”*

Thus, although the definitions provided above are slightly different, they all convey the same general idea: motivation stands for a range of factors which prompt an individual's particular sets of behavior. As a result, it can be stated that there are several key functions inherent of motivation, namely the stimulation of an individual's actions, the direction shaped for such actions, and the control over and support of the individual's behavior within the given conditions.

Today, there are many theories dealing with motivation and the explanation of this phenomenon. Below, the most widespread of such theories are investigated.

1. Maslow's hierarchy of needs.

Rakowski (2011, pp.4-5) states that, according to Maslow, all human motivation factors can be presented in the form of a pyramid (Figure 1 below). A human being always seeks satisfying their physiological needs first (lowest pyramid level): the need for food, sleep,

clothing, shelter, and so on. As these needs are satisfied, the next level is engaged, embracing all needs related to safety. When physiological and safety needs are procured, the person can proceed to fulfilling their other needs, including the ones for love and belonging, esteem, and self-actualization. The main idea of Maslow's model is that motivation needs tend to progress with the fulfillment of the previous level of needs. Maslow noted that the particular order of needs can be different for particular individuals or situations. Today, the theory remains one of the most influential in motivation studies, however its main criticism includes rigidity, ignoring of cross-cultural differences, and the general order of stages in the structure.

Figure 1: Maslow's hierarchy of needs



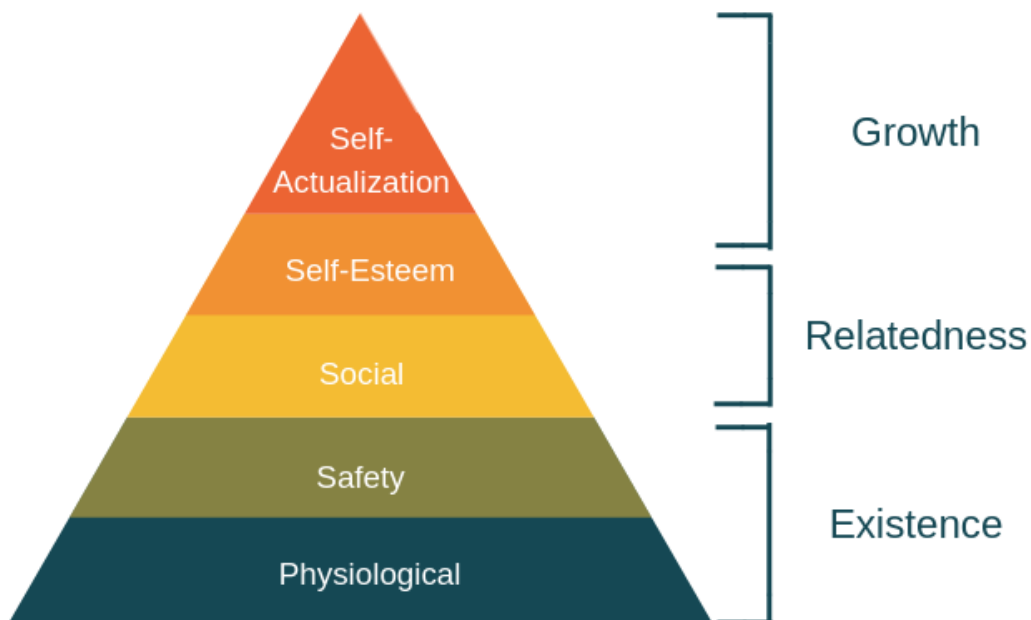
Source: McLEOD, 2018

2. Alderfer's ERG theory.

As can be seen from Figure 2 below, the motivation theory developed by Alderfer proceeds from the theoretical findings of Maslow and develops them. According to Kessler (2013, p.254), the acronym ERG in the theory's name stand for Growth, Relatedness, Existence. Alderfer believes that needs in the pyramid can be united into classes. Thus, Maslow's physiological and safety needs are united into existence needs; relatedness covers social needs and self-esteem, and growth needs extend over self-esteem and self-actualization. The main differences with Maslow's theory, however, are the following.

First, Alderfer claims that needs on different levels can be pursued by an individual at once. Second, different levels of needs can be satisfied in different times, unlike Maslow's claim related to their sequential fulfillment. Another important difference is that Alderfer believes that, should a particular need on a particular level be not satisfied, the individual can return to seek satisfying another need on this level to compensate for the lost opportunity.

Figure 2: Alderfer's ERG theory



Source: Expertprogrammanagement.com, n.d.

3. McClelland's theory of needs.

In contrast to the three previous theories focusing on the hierarchy of needs, McClelland delivers a three-dimensional model of motivation (Figure 3 below). As explained by Robbins (2001, pp.134-135), McClelland assumes that there are three main work motivations: achievement, affiliation, and power. Achievement motivation embraces the needs related to reaching particular achievements, mastering new skills, obtaining new competences, and so on. Affiliation motivation is related to the need for the sense of belonging and relatedness. Finally, power motivation stands for the need to have power over one's own actions and over others' actions at the same time. McClelland argues that

all three motivators are present within a person inherently, however only one of them dominates, which shapes the main motivation guiding the person's actions.

Figure 3: McClelland's theory of needs

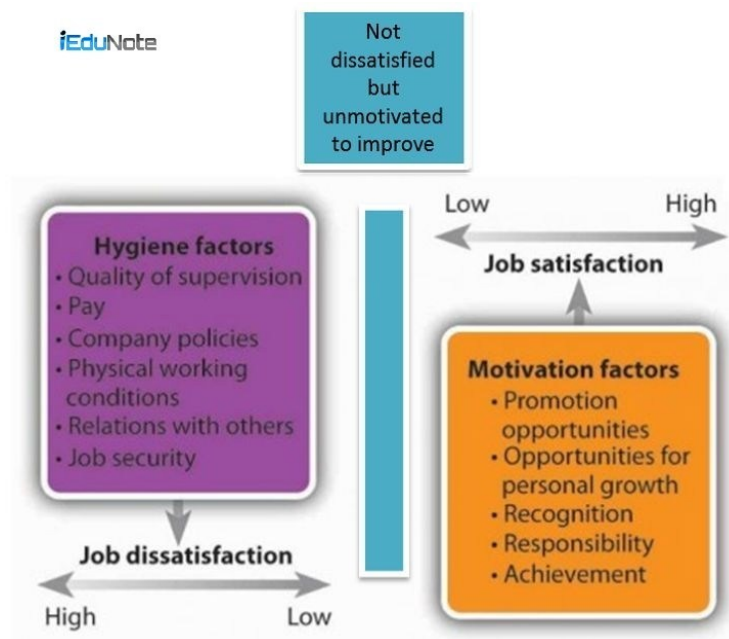


Source: Free-management-ebooks.com, n.d.

4. Herzberg's two-factor theory.

Thompson (2013, pp.33-34) states that Herzberg's theory of motivation assumes the existences of two key groups of motivation factors, namely hygiene and motivation factors (Figure 4 below). Motivators include achievements, responsibility, meaningfulness and challenging nature of work, involvement in decision-making, and so on. These factors contribute directly to the employees' level of interest in their work and commitment to the organizations overall high performance. Hygiene factors include salary, benefits, conditions of work, job security, and so on. In contrast to motivators, hygiene factors on their own cannot give positive satisfaction to employees; however dissatisfaction arises when hygiene factors are absent. The optimum situation for an organization is when both motivation and hygiene are high.

Figure 4: Herzberg's two-factor theory



Source: iEduNote.com, n.d.

While the theories outlined above are commonly referred to as content theories, there are also the so-called process theories dealing with the nature and specifics of motivation. For example, as McPhail (2015, p.346) suggests, an example of such theories is Skinner's reinforcement theory. According to this theoretical framework, the provision of benefits for positive achievements can drive repeated occurrences on the part of the rewarded person in the future. At the same time, reinforcements which eliminate a person's negative state, etc. can be referred to as negative reinforcements. Another framework is Vroom's expectancy theory. According to it, there are three factors shaping a person's motivation to engage in a particular kind of activities, namely expectancy (belief that greater effort will yield success), instrumentality (belief that there is an interconnection between activity and goal), and valence (the person's evaluation of the reward for their success).

Thus, based on this overview, it can be stated that motivation is a multifaceted phenomenon embracing a wide range of factors of different nature. The next chapter investigates the specifics of motivation at the workplace.

3.2 Specifics of Motivation at the Workplace

Mullins (2010, p.471) states based on Mitchell that there are several key characteristics inherent of motivation at the workplace. Thus, motivation should be categorized as an individual phenomenon. This assumes that every individual has a different kind of motivation shaped by their personal habits, wishes, etc. Next, motivation at the workplace is intentional. This stands for the fact that motivation remains under the employee's control and is associated with their choice of action. Another important characteristic is that motivation is multifaceted: it consists of arousal (i.e. what makes people activate) and the direction or choice of behavior (*"the force of an individual to engage in desired behaviour"*). Finally, the author argues that motivation should not be considered itself as behaviour: it just relates to action and both the external and the internal forces which affect an individual's decision related to their course of action.

Taking into account the general parameters and characteristics of motivation considered in the previous chapter and the traits of motivation at the workplace analyzed in this chapter, it is possible to summarize the main functions of employment motivation based on Marquis and Huston (2009, p.429):

1. Consolidation of human resources. As soon as employees within an organization become more motivated, managers get an opportunity to consolidate the human potential and to achieve a greater synergic effect.
2. Greater effectiveness of employees. Motivation acts as a stimulus for employees to deliver better work results, which in its turn translates into greater overall corporate financial performance.
3. Improved loyalty. Motivated employees are more inclined to share the general corporate values and to become involved in the processes related to the fulfillment of the stated mission, vision and goals of the company. In its turn, this leads to reduced staff turnover, and thus to improved work quality.
4. Improved corporate relationships. As employees feel themselves motivated thanks to the management's wise organizational policies, they can become integrated more easily into all internal social relationships and communication with the other employees and the managers, which is a key prerequisite for better performance.

5. Achievement of corporate goals. Thanks to the functions outlined above, effective employee motivation allows in maximizing overall performance in the long run and achieve excellences across different vectors of corporate business activities.

Mullins (2010, p.472) notes that motivation at the workplace can be divided into extrinsic and intrinsic. Extrinsic motivation relates to all tangible benefits which employees can obtain as a result of their effective performance: salary and fringe benefits, promotion, better conditions of work, security, and so on. At the same time, intrinsic motivation covers the psychological factors such as the employee's ability to get appreciation, recognition of their achievements, and other intangible rewards. Armstrong and Baron (2005, p.103) note that these types of motivation can be classified as financial and non-financial, adding that important elements of non-financial benefits are the sense of engagement and commitment, skills development ad career planning.

According to Frey and Osterloh (2002, pp.5-11), intrinsic motivation at the workplace plays a role not less important than financial motivation. The authors believe that companies mostly fail when trying to substitute intrinsic employee motivation with extrinsic one only. Furthermore, according to Frey and Osterloh, the introduction of performance-related pay, i.e. when wages are dependent directly on the amount of performance delivered by an employee, can demotivate the staff.

Considering the specifics of performance management in terms non-financial motivation, Armstrong and Baron (2005, p.105) point out specifically that it is vitally important for companies to raise the level of their staff's commitment. This can be achieved through the integration of common organizational goals and the individual goals of employees. In addition to raising direct financial motivation, this also allows building employee loyalty.

Mullins (2010, p.473) states further that intrinsic motivation can be subdivided into intrinsic satisfaction and social relationships. Thus, while intrinsic satisfaction is associated with the nature of the work and the employee's interest in reaching professional growth at the workplace, social relationships are associated with group working, shared values, and the aspects of status and dependency.

Pasfield (1999, p.25) suggests that relying excessively on either financial or non-financial motivation within an entity cannot yield positive results. On the contrary, to achieve

effective employee motivation, the management should be able to balance effectively the extrinsic and intrinsic aspects of motivation.

Frey and Osterloh (2002, pp.78-80) classify all performers within an organization into several key types, namely the following: income maximizers, status seekers, loyalists, formalists, and autonomists, with each of these types of employees reacting differently to different motivation tools the management applies. Only income maximizers can react directly with greater motivation to the introduction of performance-related pay. At the same time, the authors suggest that while direct financial motivation can raise the number of ideas submitted by employees, it at the same time lowers the quality of such ideas, as employees become interested primarily in direct monetary rewards.

Bearing in mind these findings, it is worth now proceeding to the analysis of leadership and its types.

3.3 Leadership and Its Types

Similarly to motivation, there are different definitions of leadership in literature. For instance, Goyder (1998, p.14) notes that leadership can be defined as “*a process of influence which brings about changes in people's attitudes and/or behaviour as a consequence of interaction between leaders and followers in a given context.*” Burns, Bradley and Weiner (2011, p.56) define leadership as “*the process in which one engages others to set and achieve a common goal, often an organizationally defined goal.*” Bennis, as cited in Rost (1991, p.52) suggests that leadership is “*the process by which an agent induces a subordinate to behave in a desired manner.*”

Therefore, although slight differences exist in terms of the interpretations of leadership by different researchers, in general, this concept stands for the behavior of particular individuals which gives an impetus to other individuals to follow them and accept their ideas. Based on this, it can be stated that leadership at the company is interconnected closely with employee motivation. Thus, as Podmoroff (2005, p.40) states, this interconnection is due to the fact that no one can constrain another person to do anything. Even though employees have their labor contracts, this does not necessarily mean that will be highly motivated to perform their job, and therefore will not deliver effective performance expected by the management. Therefore, the managers' task in this case is to

find the best approach to every employee so as to drive their greatest performance through motivation. The manager's personality is important, as the style of leadership and the particular approaches which a manager in relation to their employees shape largely the employee's interest and readiness to deliver the expected results.

Regarding the types or styles of management, there are different classifications available in literature. Below, the most widely used classifications are considered.

1. Autocratic leadership. Ghuman (2010, p.398) notes that the autocratic style of leadership is based on the centralization of powers in the hands of one individual. The leader makes the decisions on their own, without any powers delegated to the subordinates. The communication with the subordinates is downward, which means that the manager delivers instructions to the employees, and the employees have to fulfill the tasks given. The main advantages of this type of leadership are the following: it allows for faster action, as no time is required for the coordination of decisions; all responsibilities are clear; the requirements for lower-level managers are less rigorous, as the top manager is responsible for the results. However, the main disadvantages are the following: the motivation of employees is smaller, as they do not participate in the decision-making processes; ideas are less innovative; the risks of errors are higher; etc.
2. Laissez-faire leadership. As explained by Young and Travis (2011, p.162), this type of leadership is opposite to autocratic leadership. In this style of leadership, the leader delegates maximum authorities to the subordinates, providing them with opportunities of participation in decision-making and self-fulfillment in personal growth. The main advantages of this approach are the following: greater creativity and innovation; higher employee motivation through participation; effective solution generation. However, the main disadvantages include the lack of effective discipline and control; less structured responsibilities and functions; lack of coordination between individual stakeholders.
3. Participant leadership style. According to Ghuman (2010, p.398), within this style of leadership, the manager focuses on raising the level of the staff's involvement in corporate decision-making. The communication between the managers and the employees is bilateral and the decisions are approved jointly. This approach can be

effective in terms of motivation, however it assumes significant time expenditures and possible issues with the coordination of effort.

4. Transformative leadership. As noted by Ghuman (2010, pp.398-399), within this approach, the manager acts as a charismatic leader whose function is to motivate the employees to reach higher performance with the own example. The manager delivers the general idea and acts as the coordinator of common effort. Transformative leadership combines the advantages and disadvantages of the other styles of leadership described above.

It should be understood that different styles of management are appropriate of different cultures, i.e. the choice of a management style is affected by the regional specifics and the eagerness of people to accept higher power distance or not, and so on. At the same time, the particular style of leadership is preconditioned directly by the individual traits of the leader's character.

In addition to this, it is worth noting that leadership can be either formal or informal. According to Bryman et al. (2011, p.128), formal leadership exists within the given corporate hierarchy, when the functions and responsibilities of a leader are stipulated explicitly in job instructions or are otherwise performed formally. On the contrary, informal leadership is exercised regardless of the formal structures. Therefore, formal leaders are managers or other persons having appropriate powers, while informal leaders can be any persons having a positive image and authority in the eyes of the work team. Both formal and informal leadership is important in corporation for generating the staff's maximum motivation.

Taking into account this data, it is now worth outlining the specifics of leadership in corporate culture.

3.4 Leadership in Corporate Culture

According to Craig (2018), leadership plays an essential role in corporate business in general and in corporate culture specifically. Thus, as explained by the researcher, *“Leaders have a responsibility to demonstrate the beliefs of the company and reinforce behaviors that reflect those values.”* Leaders provide an example to be followed by the rest of the work team, hence they predefine and shape corporate values. By embodying the

desired changes, leaders contribute to the spreading of corporate values across the company so as to reach the desired corporate aims and fulfill the vision. Craig states further that *“leadership shifts and every leader influences the changing work culture, which can easily go from good to bad or from bad to worse. Leaders must honor those who came before if the engine runs well, but change is inevitable — employees and leaders all play a part.”*

Alvesson (2012, p.117) suggests that every organizational culture is unique on its own, which is preconditioned by the impact of numerous factors. Leadership is one of such aspects, as it leaves its marks on the contents of the organizational culture and the nature of the values shared within the work team. As explained in the previous chapter, this process is affected by both formal and informal leadership. Leaders propose and impose their ideas and actions, which are thereafter laid into the core of general corporate business policies and the organization’s values themselves. Therefore, leadership should be seen as one of the markers of corporate culture.

According to Davis (2003, p.5), an important task of a company’s management is to preserve the formal and informal leaders to ensure the continuous development and improvement of corporate values and standards. At the same time, leadership is not a rigid structure, and new incoming leaders can contribute to the spreading of new values, which should be seen as an opportunity to drive the organization forward.

Based on the findings of the theoretical chapter, it is now possible to proceed to the practical part of the research.

4 Practical Part

4.1 Overview of the Chosen Company

The company chosen for the practical part of this research is a&o Hotels and Hostels, a network of enterprises functioning in the field of hospitality. The chain of hostels and hotels was founded in Germany in 2000 by Oliver Winter, who is currently the company's Chief Executive Officer. a&o Hotels and Hostels operates 39 hotels in 23 cities across Europe. The focus of this research is put on the company's facility operating in Prague, at the address Metro Strizkov, Decinska 1.

The enterprise's business model is based on combining the features of a hotel and a hostel within the same facility. As the company's official website states, *"The unique combination of hotel and hostel under one roof makes a&o an interesting concept. The hotel area offers comfortable rooms at reasonable prices, the modern hostel area gives guests the possibility to only pay the price for one bed in an appealing ambience with international flair."* (a&o Hotels and Hostels 2019).

The hotel facility in Prague is located far from city center. However, it stands close to the highway and to a metro station, which makes the hostel attractive for visitors. The price range set by the hostel is stable and amounts to 10 euros per night for dorm rooms and 25 euros per night for single/double room. The hostel offers all basic facilities such as hot water, wi-fi, bathrooms, as well as a bar, guest kitchen, lobby TV, and an ATM. Moreover, the hostel allows carrying out meetings and welcomes guests with pets. Reception works 24/7, which makes the hostel specifically suitable for guests seeking a one-night stay. As the hostel aims at offering low prices to its customers, there are no additional services offered upon customer request.

The hostel's staff includes 17 persons, with 4 administrators: 1 front-office manager, 1 manager responsible for food and beverages, 1 sales manager, and 1 head director.

Given these facts, it is now possible to proceed to the analysis of the findings related to motivation at the workplace and leadership as implemented in the company.

4.2 Interview with the Manager

The interview with the company's manager (head director) was held in person in Prague. The interview featured open questions preliminarily prepared by the thesis author. The manager was offered to answer the questions, with a focus on obtaining the required information related to the specifics of motivation at the workplace and leadership at a&o Hotels and Hostels in Prague. The questions included in the interview are provided in Appendix 1 to the thesis.

Answering the first question of the interview on the types of motivation used at the company, the manager noted that a&o Hotels and Hostels uses both financial and non-financial motivation, however the main focus is put specifically on financial motivation. The main reason for the focus on financial motivation is the fact that the hostel's employees have wages smaller than the average in Prague hotels, which is due to the hostel's chosen pricing strategy. Therefore, the manager believes that providing additional financial motivation is indispensable for the enterprise to ensure a sufficient level of motivation of its employees. The main form of financial motivation is bonuses which the company pays to the employees. There are two forms of bonuses: the first is based on a particular employee's performance. Thus, if an employee demonstrates high work results and ensures a high level of satisfaction of guests, the company provides them with additional motivation. Another form of bonuses is not tied to individual performance and depends on the overall corporate financial results. This type of bonuses is most often paid in periods when the company has high occupancy rates and gets increased revenues. However, the manager affirms that such bonuses are not paid on a regular basis. The situation depends on the overall financial balance which the enterprise has been able to achieve up to date, plans regarding investment, and so on. At the same time, the manager pointed out that the company is not limited by the parent corporation in terms of the forms and amounts of financial motivation it provides to its employees.

As for the forms of non-financial motivation, the manager stated only the fact that the company identified the employee of the month and additionally states the example of the employee to others for raising their motivation. There are no other important non-financial means of motivation which the company applies.

Regarding the division of responsibilities in terms of the development and implementation of the remuneration programs, the manager noted that, taking into

consideration the small size of the company's staff, he is the only person responsible for the implementation of remuneration programs. He noted that the parent corporation only provides basic guidelines and recommendations for the creation of such programs, but their actual contents are formulated and implemented on site. No subordinates are involved in the process, and therefore the manager bears the sole responsibility for the effectiveness of all such programs and their outcomes.

The manager stated further that he believes the most effective form of remuneration to be the bonuses based on corporate performance. The main reason for it is due to the fact that such bonuses are greater in material terms. The effectiveness of the remuneration schemes based on individual performance is smaller. Finally, the manager believes that the smallest effectiveness is demonstrated by non-financial motivation tools. At the same time, he noted that no actual measurements have been carried out, and therefore there are no quantified results suggesting the actual effectiveness of either of the motivation schemes the company uses at the workplace.

As for the planning activities related to the organization of motivation incentives, the manager noted that such planning is organized on a yearly basis. Based on the company's financial plan for the upcoming year and the expected amounts of profits to be drawn, the manager evaluates the approximate amount of funds which can be allocated for the purpose of providing financial motivation to the employees. The plans can be amended on an ongoing basis, however this is not done in written form: the manager carries out all such activities based on his own understanding of the situation and possible changes in the company's policies in terms of how they can affect future cash flows and the fulfilment of financial plans. The initial plans and approximate amounts are approved on the level of the parent corporation and can be discussed in case of any discrepancies or different expectations. At the same time, the manager said that the company never uses the services of any third parties in the field of financial and business consulting. Thus, all planning and the implementation of all motivation schemes at the company are performed by the company's management only.

The manager noted that this scheme and the related procedures are similar in all regional branches of the company's presence, and the cooperation between the center and the subsidiaries in terms of the regulation of financial and non-financial motivation is similar in different countries. The parent corporation controls the overall financial plans

submitted by the subsidiaries, but at the same time provides them with quite liberal opportunities of ongoing changes in corporate policies and any modifications required to improve financial performance.

Answering the question on the role of leadership at the company in terms of motivation, the manager stated that he found this question hard. However, in his opinion, the manager himself plays the role of the company's leader, namely in terms of motivating the employees to show higher work performance. At the same time, he stated that he does not see any important role played by informal leaders. In his opinion, one of the company's current weaknesses is the low intensity of ties between the employees, which makes it hard to spread common corporate values and a single corporate culture among all staff members. As a result of the actual lack of informal leaderships as an element of motivation, the manager sees his formal leadership as a key pillar of employee motivation at the hotel.

Regarding the potential of informal leaders, the manager noted that it is quite hard to fulfill, as the intensity of staff turnover at the company is quite high. This means that employees leave the company and new ones are hired often, which is also one of the consequences of the company's pricing strategy and the limited resources which it can afford paying to its employees as wages and financial bonuses. In these conditions, there are no old staff members which could take on the role of informal leaders, and therefore the manager noted that he currently does not focus on this side of activities. At the same time, he claimed that, should the situation in the company change, the management will surely consider raising the level of staff motivation through the potential of informal leaders and through the optimization of cooperation between formal and informal leaders.

Answering the question on the actual level of the employees' satisfaction with their job, the manager noted that they are mostly satisfied. However, this satisfaction is rather 'temporary', which means that the employees consider this job as a temporary source of income and most often keep seeking another job with higher salary expectations. Another reason for choosing this job is also the need for practical experience in the field of hospitality. Thus, the manager noted that the level of motivation among employees who consider it as a temporary job is higher: namely, this is true speaking of students. At the same time, employees who have no better opportunities of job tend to demonstrate smaller levels of satisfaction with the job.

At the same time, the manager believes that most employees are satisfied with the conditions in which they work and tend to show overall sufficient levels of commitments. However, the manager answered that no polls are ever held to research the actual levels of the staff's satisfaction with work and motivation from work, and therefore these are only his personal evaluations based on the practice of communication with the employees and the vision of the current situation at the company.

The same is true speaking of the level of the employees' financial motivation. Since the manager believes that the primary source of motivation for the hostel's employees is financial, the overall level and patterns of motivation are similar to the level and patterns of satisfaction with work. The manager stated that he believes the overall level of motivation at the company to be sufficient for achieving the desired quality of service and level of performance. However, he does not see any practical need in measuring this level of motivation and in monitoring any changes occurring in this level right due to the high turnover of employees noted earlier in this chapter. Moreover, the manager thinks that in these conditions, direct control over the employees can be an even better tool to ensure their best performance and motivation. As the company is small, the manager himself can control all operations performed by the staff, which means that the employees do not have chances to underperform or to deliver their work in an undiligent manner. The manager believes such tight control to be particularly important in the conditions when the employees interact directly with the hostel's guests and have to do their best to ensure appropriate levels of customer satisfaction.

As for the company's plans to improve its motivation programs in the future, the manager noted that there are currently no strategic plans assuming any major changes in the existing policies. The only important aspect which, according to his vision, requires significant improvement, is the improvement of the ambience at the company through the spreading of common corporate values. Again, the manager highlighted that this aim is hard to fulfil due to the high levels of staff turnover and other associated difficulties. However, the company plans to organize additional trainings and communication events in which its employees would be able to communicate with each other, share their ideas, and so on. The manager will take part in such activities himself as well. Beyond this, no major changes are planned for now, but they can be implemented as soon as the parent corporation suggests such changes.

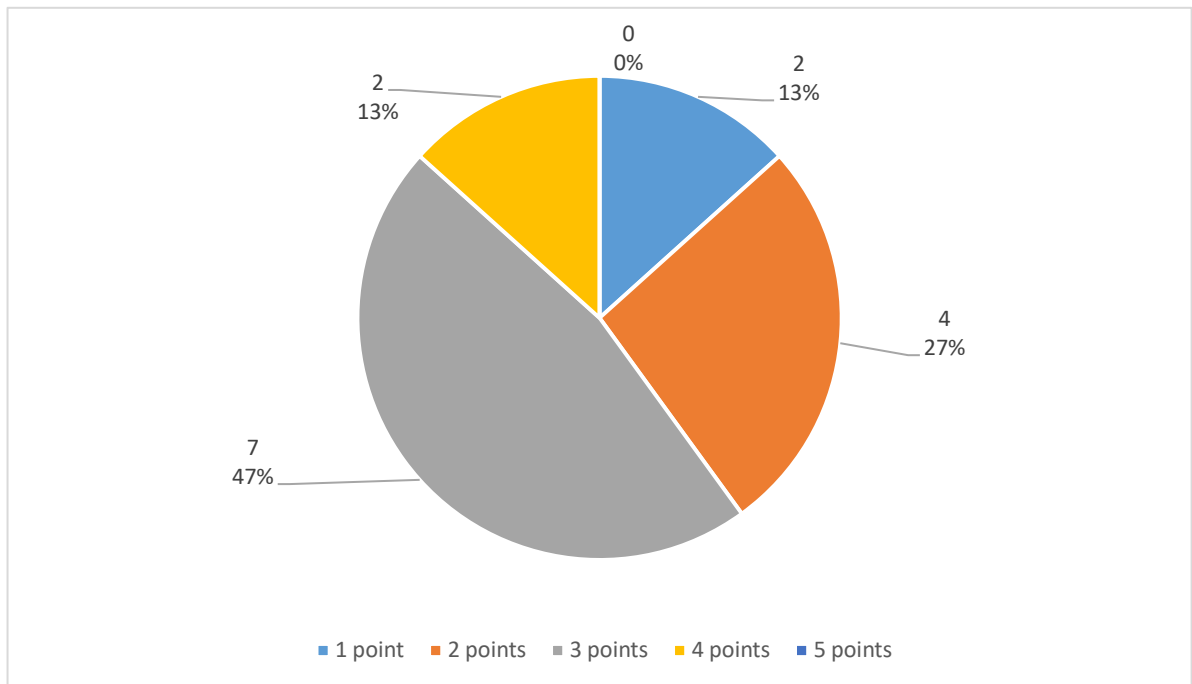
Based on the findings of this interview, several conclusions can be drawn. Thus, first of all, the manager believes that the main source of motivation for the company's employees is the amount of financial bonuses they receive. As a result, the company pays only minor attention to its non-financial motivation schemes and mostly promotes financial motivation. On the other hand, as the company's resources are limited, its financial motivation programs are limited as well and are not performed on a regular basis. Second, the manager believes that the role of informal leadership at the company is currently small, which is due to the limited role of non-financial motivation on the one hand and to the high levels of staff turnover on the other hand. The company recognizes the role of informal leadership, but at the same time currently makes no effort to ensure the due use of the potential of informal leadership to drive higher employee motivation. Third, the manager bears the sole responsibility for all activities associated with motivation at the workplace; however, he does not evaluate the level of the staff's motivation and does not believe any such evaluations to be justified for the company. Lastly, despite the existing problems with staff motivation and other organization issues, the company currently plans no major changes in its associated policies and business strategy.

These issues will be analyzed later in another chapter of the thesis. Now, it is possible to investigate the results of the poll held among the company's employees in order to understand the opinion of the staff on the mechanisms of motivation and the role of informal leadership at the company.

4.3 Polling among Employees

The polling among the company's employees was held by the author in person. The question of the survey were distributed among the employees. All were closed questions, with options of answers provided to the respondents. The structure of the interview was designed by the thesis author in a way to cover the key aspects related to the topic of the research and to add to the answers collected from the company's manager in the course of the interview. The structure of the survey held among the employees is provided in Appendix 2 to the thesis. In total, 15 employees were polled in the course of the survey.

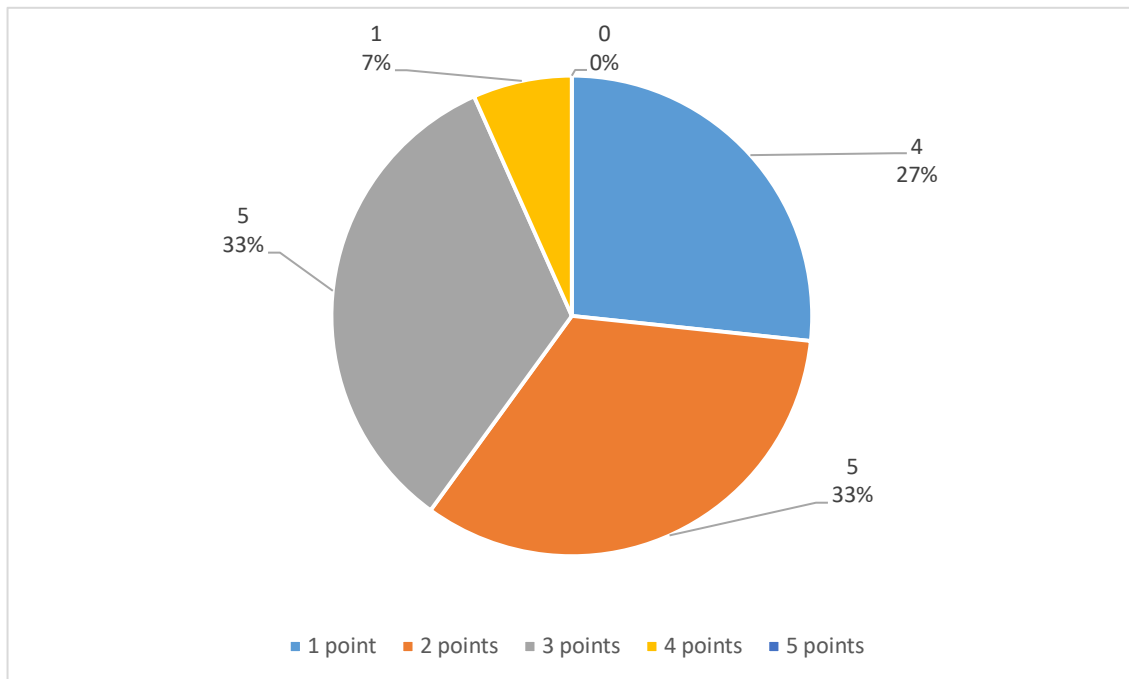
Figure 5: Employees' answer to Question 1 "To which extent are you satisfied with your job? Please rate 1 (not satisfied at all) to 5 (completely satisfied)."



Source: Own survey.

As can be seen from the figure above, answering the question on their overall level of satisfaction with their job, most employees (47 %) rated their level of satisfaction 3 points out of 5. In overall terms, 87 % of the respondents rated their level of satisfaction 1-3 points out of 5. This testifies that most employees are not sufficiently satisfied with their current job, which can be due to different reasons and requires additional investigation. At the same time, it can be stated that this rather low level of satisfaction with the job position can affect significantly the overall level of employees' motivation to achieve better performance.

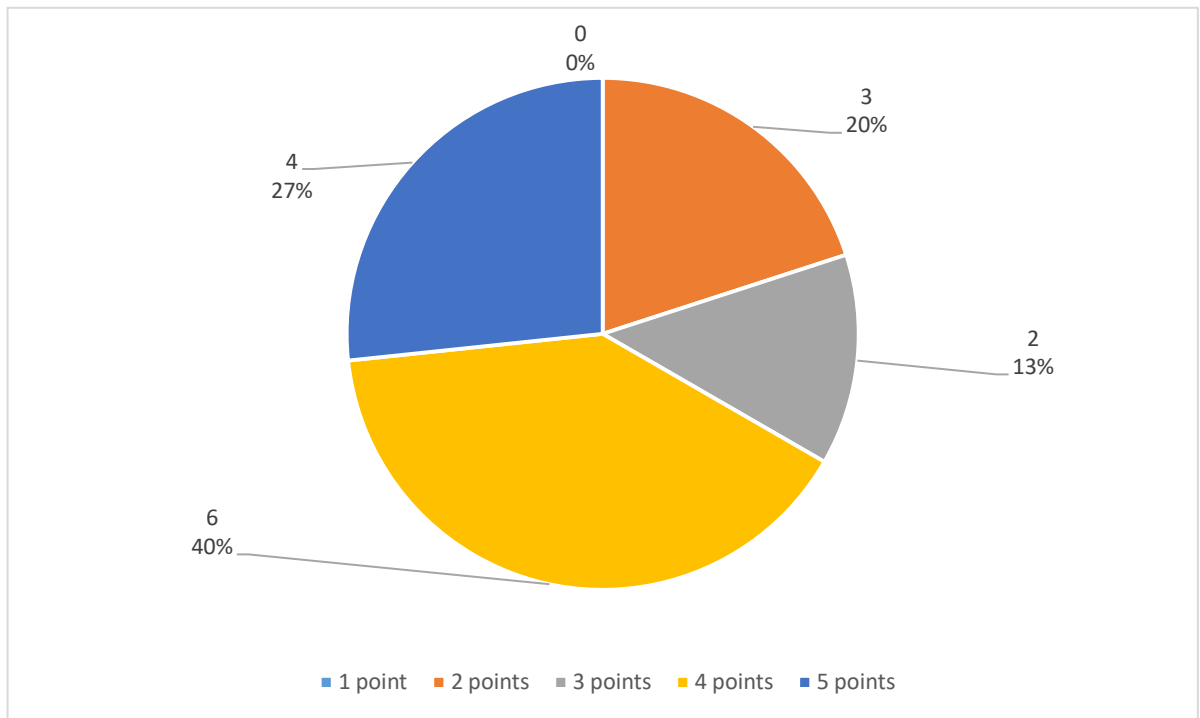
Figure 6: Employees' answer to Question 2 "To which extent are you motivated? Please rate 1 (not motivated at all) to 5 (totally motivated)."



Source: Own survey.

The figure above illustrates that the previous assumptions were correct. Thus, similarly to the low levels of satisfaction with their current job, employees tend to demonstrate low levels of motivation. In aggregate, as much as 93 % of the respondents rated their level of motivation 1 to 3 points out of 5. Only 1 respondent rated in 4 out of 5. This proves that the current conditions of work and other associated factors do not make the employees sufficiently satisfied with their job, and, as a result, their motivation is significantly weaker than it could be. Due to these circumstances, the employees tend to demonstrate lower performance, which affects the financial results that can be achieved by the company. The existence of this problem also suggests that the manager should undertake actions to improve the current situation and raise the level of the employees' motivation.

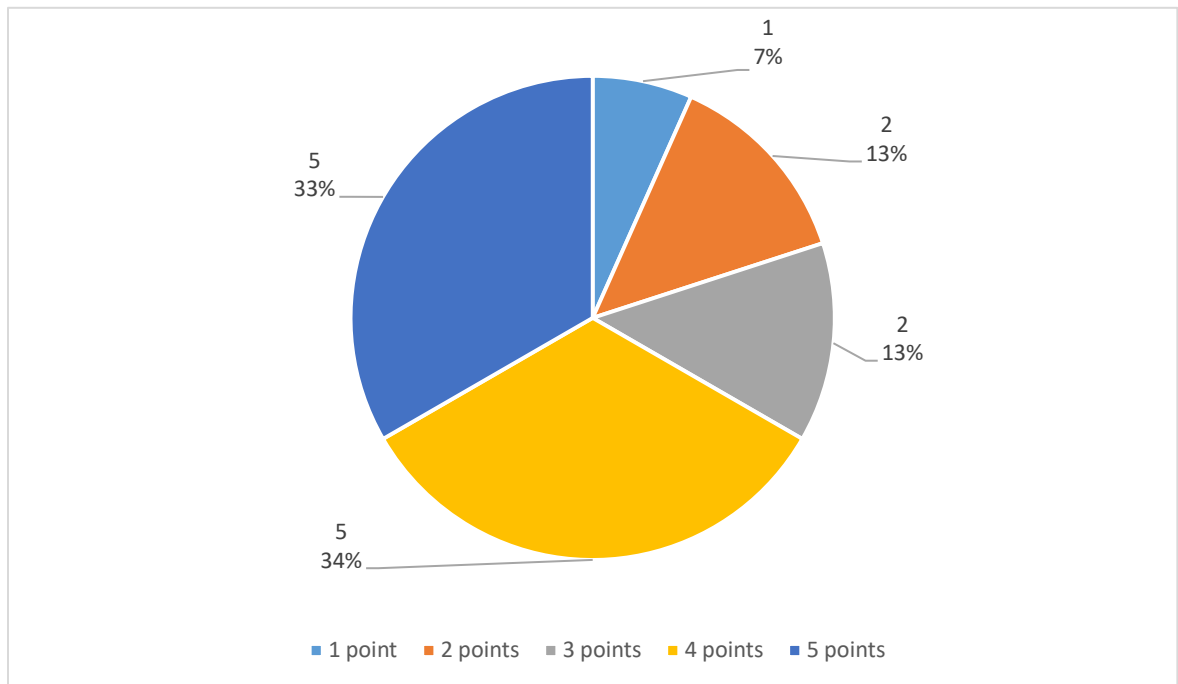
Figure 7: Employees' answer to Question 3 "What impact do formal leaders (managers) have on your motivation? Please rate 1 (lowest impact) to 5 (highest impact)."



Source: Own survey.

As the illustration above shows, for 2/3 of the respondents the level of formal managers' impact on work motivation is high (10 respondents rated this impact 4 to 5 points out of 5). These findings prove that the activities which the manager undertakes in the field of motivation and in the field of business administration in general have direct effects on the level of the employees' motivation and ability to deliver the best work results. This should be taken into account by the manager when designing plans for improving the staff's overall motivation.

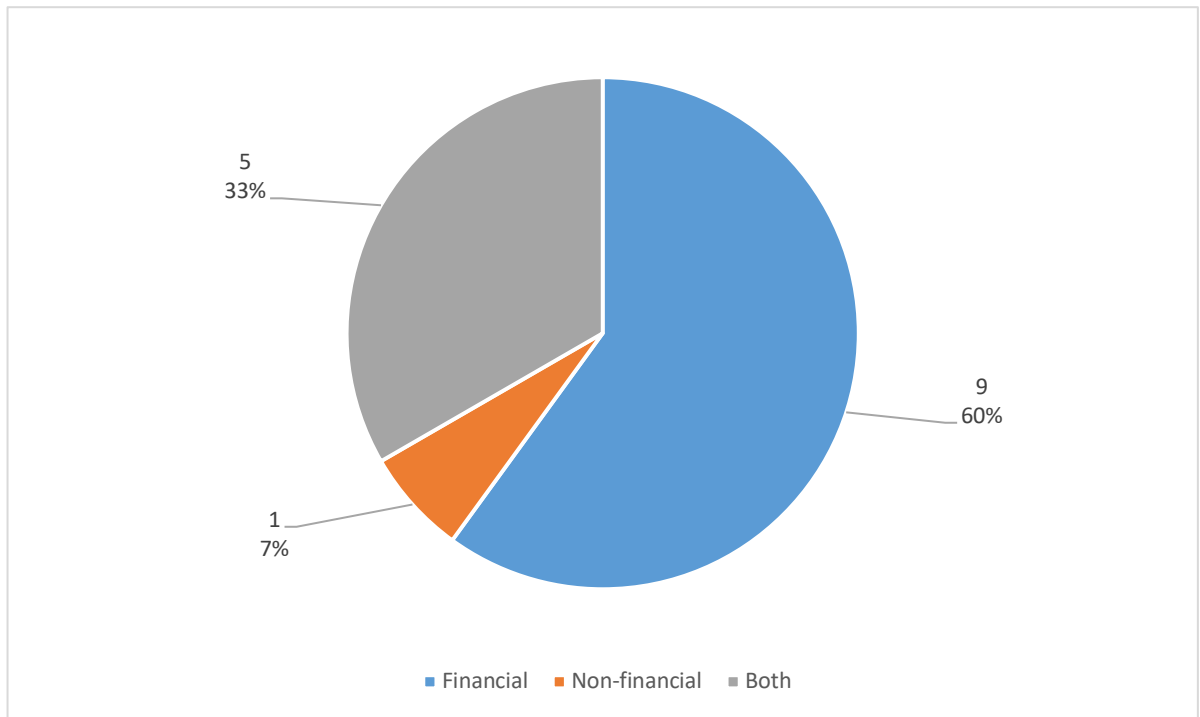
Figure 8: Employees’ answer to Question 4 “What impact do informal leaders (colleagues) have on your motivation? Please rate 1 (lowest impact) to 5 (highest impact).”



Source: Own survey.

As the chart above reveals, the results of the survey are almost similar for the impact of informal and formal leaders: 67 % of the respondents rated the impact of informal leaders on their motivation 4 to 5 points out of 5. This testifies that both formal and informal leaders affect significantly the overall level of the staff’s motivation. Also, this suggests that the current low use of the potential of informal leaders by the manager in the implementation of the incentive programs in the company can be an important factor constraining the company’s growth through the limitation of the employees’ motivation.

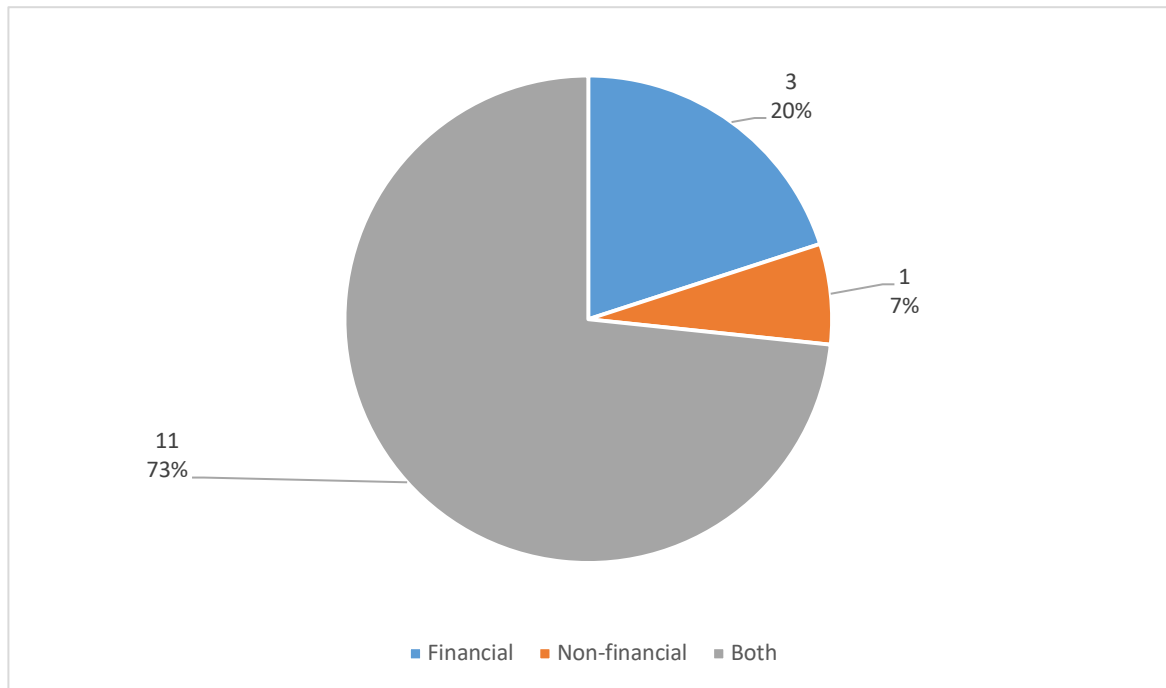
Figure 9: Employees' answer to Question 5 "What kind of motivation is more important for you? Financial / non-financial / both."



Source: Own survey.

As the chart above reveals, for as much as 60 % of the employees, financial motivation plays the most important role for the company's staff, which is in line with the manager's words regarding the essential nature of salaries as the motivator for the staff. At the same time, only 7 % of the employees answered that non-financial motivation is more important for them. The reason for this significant difference in the numbers can be due to the overall low levels of salaries at the hostel: as employees find the level of financial motivation insufficient, they tend to demonstrate greater interest in raising right the level of salaries and not any non-financial benefits.

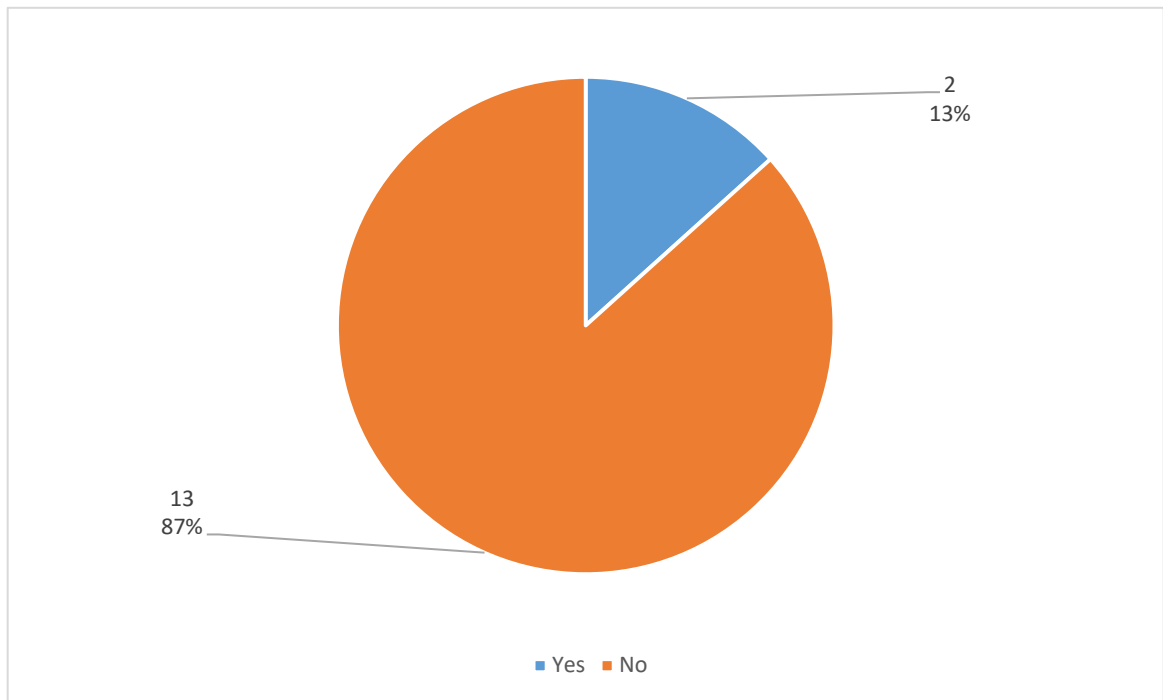
Figure 10: Employees' answer to Question 6 "What kind of motivation should be enhanced? Financial / non-financial / both."



Source: Own survey.

As can be seen from the figure above, the previous assumptions can again be confirmed. Thus, only 1 respondent noted that they would like to see their non-financial motivation to be enhanced first of all. At the same time, 20 % of the employees voted for raising the level of non-financial motivation, and 73 % noted that they would like both their financial and non-financial motivation improve. This proves that the company endures difficulties with motivating its staff in both financial and non-financial terms, and therefore corrective actions may be required on the part of the manager for the purpose of improving the quality of the staff's performance.

Figure 11: Employees' answer to Question 7 "Do the managers take into account your opinion sufficiently when designing the incentive programs? Yes / no."



Source: Own survey.

Finally, as the chart above suggests, 87 % of the respondents believe that the manager does not take into account the employees' opinion when designing the company's incentive programs, according to the answers provided by the respondents. On the one hand, this might testify that the company should paying greater attention to the involvement of its employees in the processes of decision-making. On the other hand, this might also be another sign that the employees are not satisfied with their current level of financial earnings and would like to earn more.

Taking into account these facts collected through the interview with the manager and the survey of the employees, it is now worth proceeding to the discussion of the results.

5 Results and Discussion

The findings of the practical part of the research suggest that the overall level of staff motivation at the company is rather weak. The employees are not satisfied with their level of financial earnings, and their associated financial motivation is low (87 % of the employees rated their satisfaction with the job 1-3 points out of 5 and 93 % of the employees rated their level of motivation with job 1-3 points out of 5). The manager recognizes this fact, however the company's policies aim at lowering the actual prices set for the customers. In such conditions, the company has to spare fund on its payroll, which translates into lower motivation on the one hand and into greater staff turnover on the other hand. Based on these findings, it can be recommended for the company to revise its current policies. The long-term business results from lowering the intensity of staff turnover through increased wages can be greater than the associated investment. However, at the same time, it should be borne in mind that the hostel is dependent on the decisions of the parent corporation, and therefore its own actions in this domain are rather constrained and limited.

As for the factors of non-financial motivation, the manager recognized that their actual inclusion in the company's reward programs is low, which is predefined by the factors noted above. It can be assumed that the company should indeed focus on the financial element of its incentive programs on the current stage, as noted above. However, the manager should not neglect the role of non-financial motivation either. For instance, a recommendation for the company can be to focus more on forming common corporate values through teambuilding activities. Even though staff turnover rates are high at the hostel, this does not entail the lack of opportunity to work on mutual corporate values, which will be transmitted to the next generations of staff and which will form the company's image in the eyes of its customers.

The existence of bonuses tied to both the company's overall performance and the individual performance of the rewarded employee can be deemed positive for the hostel's staff in terms of motivation. However, a recommendation for the company can be to make these reward regular, even though their actual amounts can differ subject to the hostel's seasonal performance. This could raise significantly the employees' confidence in their long-term work at the company, which will entail their greater level of motivation for demonstrating higher work results.

A considerable weakness in terms of the company's incentive programs is that the manager is the only person responsible for designing, implementing, and controlling all such programs. Also, a drawback is that the company does not resort to the services of third-party professionals. This limits the opportunity which the entity has to improve the quality of its overall management, and namely in the field of staff motivation. The use of such third-party assistance could help balance the company's effectiveness in the designated areas, thus improving the communication between the management and the staff and contributing to the staff's better performance.

Another recommendation for the company can be to change the timespan of its planning. The current focus on yearly planning can be insufficiently flexible. On the other hand, the company's activities are seasonal, which means that using excessively short periods for corporate planning can be ineffective as well. An optimum timespan for planning the incentive programs can be a semester, i. e. 6 months. During this period, the management could react more flexibly to all changes, and at the same time the modifications brought to the company's incentive policies could affect more effectively the ultimate level of the employees' motivation.

The use of leadership at the workplace for improving employee motivation can be deemed insufficient at the hostel as well, even though 67 % of the employees rated both the role of formal and informal managers as high in terms of shaping their motivation. The findings of the survey held among the employees testify that the role of both formal and informal leaders is high. However, the manager neglects the potential of informal leaders based on assumptions that the high levels of staff turnover make it ineffective to increase the quality of both non-financial motivation and the involvement of informal leaders. The creation of a unified corporate culture is indispensable for high-quality staff motivation.

Another recommendation for the manager could be to involve the employees in the process of discussion related to the development of incentive programs, This could raise the staff's sense of commitment and its motivation to deliver high performance.

If the hostel's management takes into account these recommendations and fulfils them this could contribute to the staff's motivation and thus to the company's overall better financial performance.

6 Conclusion

The role of employee motivation at the workplace can be deemed one of the essential factors in predefining the actual level of the staff's involvement in corporate business processes and in the achievement of maximum effectiveness in terms of both individual and the overall corporate performance. In order to guarantee the best financial results in the long-term perspective, managers should apply sufficient effort to guarantee that the staff have due motivation.

There are different incentive schemes which managers can use in practice for the purpose of increasing the level of motivation of their employees. In more general terms, there are two types of motivation, namely financial and non-financial. While financial motivation, which consists in the employees gaining sufficient funds for good living conditions and social-standards, non-financial motivation stands for the entirety of measures and tools which contribute to the employees filling their sense of value, achieving self-fulfillment, and gaining an important role in the work team. Both financial and non-financial motivation are required for the employees. If the managers fail to guarantee sufficient motivation in terms of either of the motivation types, the staff will not demonstrate its maximum performance, and, as a result, the firm will be unable to maximize its commercial performance in the long run.

Leadership is one of the important factors which affect the level of employee motivation. Both formal and informal leadership can play an essential role in driving the staff's higher commitment and performance. The managers need to optimize the impact of formal and informal leadership.

The practical part of the thesis considered a&o Hotels and Hostels, and namely the company's hostel facility operating in Prague. The specifics of the hostel is that it offers minimum prices to its guests for one-night stays. In order to afford such low prices and still gain profits, the hostel needs to spare funds. One of the sources of such spared funds is the limited salaries paid to the employees.

The manager of the hostel noted that the company does not have a developed system of motivation tools. The company is limited in terms of the funds it can assign to bonuses and cannot ensure their regularity. At the same time, the manager believes that as the hostel cannot provide due financial bonuses to its employees, it is rather unjustified to provide non-financial motivation either. Planning at the company is organized on a yearly

basis. Regarding the role of leadership, the manager noted that the hostel's main problem is the high rates of personnel turnover: those employees who can become informal leaders at the team are likely to quit the hostel in search for better work conditions. As a result, today the company does not focus on teambuilding and other similar activities destined to spread common corporate values.

The findings of the survey held among the company's employees testify that the hostel's staff indeed is not satisfied with the level of financial motivation provided by the management, and as much as 87% as rather not satisfied with their job (3 to 5 points out of 5). 60% of the employees stated that financial motivation is more important for them, but as much as 1/3 of the respondents named both financial and non-financial motivation as equally important. Also, despite the manager's belief, 2/3 of the respondents recognized the high role of both formal and informal leaders in their effective motivation at the workplace.

Several recommendations have been developed for the company based on the findings of the thesis. Namely, the hostel can be advised to modify its business model by contributing more to employees' financial motivation. This should allow lowering employee turnover and raising the levels of staff involvement. Planning could be run on shorter periods for quicker and more effective reaction to all changes. The use of formal and informal leadership mechanisms should contribute to the formation of the hostel's common corporate culture. The involvement of third-party professionals in the development and fulfillment of the hostel's incentive programs could allow further increasing their effectiveness. If the hostel adheres to these recommendations, this could allow raising staff motivation in the long-term perspective and thus raising overall financial performance.

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8 Appendix

8.1 Structure of the Interview with the Manager

1. What types of motivation does your company use?
2. Who is responsible for the development and implementation of the remuneration programs?
3. Which particular forms of remuneration do you believe to be the most successful in your company?
4. How is the planning of your motivation incentives organized?
5. How are such policies implemented in the subsidiaries?
6. What is the role played by leadership in your company in terms of motivation?
7. Do you use the potential of informal leaders?
8. To which extent are the employees satisfied with their job in your opinion?
9. To which extent are they motivated?
10. How are you intending to modify your motivation programs in the future?

8.2 Structure of Employee Survey

1. To which extent are you satisfied with your job? Please rate 1 (not satisfied at all) to 5 (completely satisfied).
2. To which extent are you motivated? Please rate 1 (not motivated at all) to 5 (totally motivated).
3. What impact do formal leaders (managers) have on your motivation? Please rate 1 (lowest impact) to 5 (highest impact).
4. What impact do informal leaders (colleagues) have on your motivation? Please rate 1 (lowest impact) to 5 (highest impact).
5. What kind of motivation is more important for you? Financial / non-financial / both.
6. What kind of motivation should be enhanced? Financial / non-financial / both.
7. Do the managers take into account your opinion sufficiently when designing the incentive programs? Yes / no.