

FINANCIAL AND NON-FINANCIAL MOTIVATION OF MANAGERS

Aneta KUŹNIARSKA^{1*}, Aleksander PRUS², Izabela STAŃCZYK³

¹ Jagiellonian University, Institute of Economics, Finance and Management; aneta.kuzniarska@uj.edu.pl,
ORCID: 0000-0002-2786-2781

² Jagiellonian University, Institute of Economics, Finance and Management; aleksander.prus@doctoral.uj.edu.pl,
Grupa Azoty S.A.

³ Jagiellonian University, Institute of Economics, Finance and Management; izabela.stanczyk@uj.edu.pl,
ORCID: 0000-0002-1496-130X

* Correspondence author

Purpose: Appropriate motivation of managers is an important element in achieving the intended financial results of the organization and the implementation of its strategy. The aim of the study was to assess the existing financial and non-financial system of managers employed in the chemical industry and their expectations.

Design/methodology/approach: The research was aimed at finding out which elements of motivation are best perceived by managers and what additional elements are worth applying to achieve better efficiency in their work. The study used purposive sampling, the respondents were representatives of the management staff at both the chief executive level as well as directors and managers. The research tool was a questionnaire.

Findings: Managers pointed out that the most common component of variable remuneration is the bonus (95%), which depends on the results of their work. In terms of salary supplements, medical care is the most valued. However, the factor that most motivates most to work is a stable income and job security.

Research limitations/implications: The analysis is based on respondents' subjective declarations.

Practical implications: Those in charge in the organization should be aware of the needs and expectations of managers in terms of financial and non-financial elements of remuneration that affect the level of their motivation to work.

Social implications: An analysis of managers' needs and expectations regarding financial and non-financial motivators especially in the chemical industry can be the basis for building or optimizing these systems in the organization.

Originality/value: the research results presented are related to the motivation of managers in the chemical industry – there are only very few publications on this topic.

Keywords: motivating, financial elements of motivating, non-financial elements of motivating, motivating managers.

Category of the paper: Research paper.

1. Introduction

Motivation in the organization is an impact on employees, including managers, focused on creating higher work efficiency and shaping such attitudes and behaviors that the employer and managers care about on his behalf (Oleksyn, 2014). It is particularly important to motivate managers to achieve higher results thanks to their work related to team management. Various incentives are used to motivate. Their role is not only to evoke interest in the desired behavior, but to serve as an instrument for modifying and shaping desired behaviors and their patterns by controlling the environment, not by directly changing employees' attitudes and value systems. According to the theory of reinforcement, rewarding such behaviors increases the likelihood of their repetition in the future (Borkowska, 2006). There is a variety of these stimuli, external and internal, which can be material and immaterial. They can also be agreed individually or prepared for individual professional groups, including managers. Therefore, an effective system for motivating managers should include an appropriate component and remuneration. The aim of the study was to assess the existing financial and non-financial system of managers employed in the chemical industry and their expectations.

2. The essence of motivation for managers

Motivation is a human desire, and it is impossible to separate the two states. They are always strongly intertwined (Kopertyńska, 2009, pp. 17-18). Through this, three levels of motivation can be distinguished (Sroka, 2017):

- subordination – employees carry out the orders of the supervisor, as if they themselves did not have enough knowledge in a given topic and could not do something themselves,
- goal identification: the desire for a goal arises and in order to achieve it, employees must clearly define the benefits of their actions,
- commitment: at this level, the employee also has a specific goal and must understand that they themselves are primarily responsible for achieving it and, as a result, must perform their work properly.

At the same time, there are rules of employee behavior modeling, which are reflected in motivational systems (Kazuś, Firek, 2019):

- do not reward everyone equally, use rewards for above-average performance; equal rewards for all reinforce poor or mediocre performance and ignore outstanding ones,
- remember that failure to respond can modify both inappropriate and appropriate behaviors from the organization's point of view; For example, not recognizing successes and above-average results can lead to significantly weaker performance from that individual in the future,
- equip employees with knowledge of what they can do to increase their effectiveness, provide clear and concise criteria and measures of effectiveness that enable them to understand what they need to do to be well evaluated and receive a "reward",
- inform employees about what they are doing wrong,
- Do not punish in the presence of others – publicly admonishing an employee is humiliating and can cause resentment towards the management from the punished individual and other group members.

On the other hand, the effectiveness of remuneration can be assessed in terms of (Juchnowicz, 2011):

- the extent to which key objectives of remuneration systems in the organization are met, including the acquisition and retention of key employees and their effective engagement in work and the organization,
- the fulfilment of traditional remuneration functions: income, cost, motivational and social,
- contributing to the achievement of the company's strategic goals.

The indications outlined above also apply to managers at various levels of management. The importance of the motivating function was pointed out by L. Iacocca, who stated that management is nothing more than the ability to motivate people, emphasizing the fact that managers should be not only decision-makers, but also inspirers capable of motivating subordinates (Zelga, 2018). Understanding motivation — what triggers, directs, and sustains human behavior — has always been important to organizational leaders because they work with and through people (Kazuś, Firek, 2019). In this context, when designing motivation systems, it is important to recognize the needs of the managers, their leadership qualities and to match these elements with specific theories of motivation that will allow for a better alignment of financial and non-financial packages for each manager (Stańczyk, 2018). Therefore, there are many factors that affect the shape of the remuneration system for managers. They can be divided into three basic categories (Pocztowski, 2018):

- characteristics of managers, particularly their competencies and motivation, as well as the values they uphold,
- characteristics of the organization, including its size, industry, the technology used, strategy, structure, and organizational culture,
- characteristics of the environment, created by economic, political, legal, technological, socio-cultural conditions.

In the era of Industry 4.0, competences are of particular importance for the organization because they are built on the basis of the competences of the managerial staff, especially through teamwork based on creativity, imagination, and creative output of managers, which requires an appropriate level of motivation (Kuźniarska, 2022).

According to Poczowski (2018), the components of managers' compensation include fixed remuneration (financial and benefits), variable remuneration (bonuses, rewards, profit sharing), and deferred remuneration (shares, stock options, pension plans, insurance, savings) (Poczowski, 2018). Salary incentives are mainly aimed at satisfying the basic needs of employees and their families. On the other hand, non-wage elements make work a source of satisfaction and an opportunity for personality development (Kopertyńska, 2011). The attractiveness of financial incentives is determined by the correlation between effort and wage and the purchasing power of that wage. Financial incentives are divided into two subgroups (Sekula, 2008, pp. 186-187):

- fixed – there are relatively stable remuneration rules that provide the employee with a fairly equal level of income in each period (months); they are characterized by a high degree of certainty of receiving the reward,
- variable – they depend on the variability of conditions and the reasons for which the employee may be entitled to such remuneration.

Fixed remuneration is most important as a stabilizing element, and variable remuneration primarily serves as a motivating factor to achieve current goals and indirectly generate profits. Non-financial remuneration, on the other hand, is a kind of indicator of a manager's importance in the organization, satisfying their need for recognition and strengthening their sense of self-worth, which plays a significant role in this professional group (Poczowski, 2018). However, as emphasized by K. Raźniewski, a director in the Human Capital team of EY Poland, a manager needs a considerable amount of self-motivation, perseverance, and a sense of mission to be effective (Koc, 2015). Interesting examples of non-financial remuneration for managers include (Beck-Krala, 2010):

- competence development programs, which are designed to help develop professional skills - mainly hard skills,
- talent management programs, which are designed for employees who demonstrate leadership qualities - known as Talent Management,
- individual development programs – managerial coaching, which focuses on the individual development of a manager's competences,
- Business Academy, which are designed to prepare managers to achieve the company's goals and strategies,
- language training, which is offered to a larger scale for managers.

According to a study by Bigram, Legg Mason and Wolters Kluwer, the biggest motivator for managers is money. As many as 69% of respondents put the basic salary in the first place. Flexible employment and monetary bonuses and incentives tied for second place. The third most popular motivating factor for managers is non-financial benefits (Koc, 2015). According to information provided by Bigram, "unlike managers in the West, Polish executives approach bonuses and commissions with caution, they value stability and "certainty" of remuneration much more" (Bigram, 2022).

3. Research methodology

The aim of the study was to assess the existing financial and non-financial system of managers employed in the chemical industry and their expectations. The study used purposive sampling, with the respondents being representatives of the managerial staff, including top-level executives, directors, and managers. When analyzing the respondent profile, the main criterion considered was seniority, and some of the results were presented in correlation to it. This allowed for the evaluation of the substantive assessment of the responses. It was assumed that seniority may affect the expectations and assessment of the incentive system. The research was conducted between 2021-2022.

The research tool used was a survey questionnaire consisting of 5 scaled questions (Taherdoost, 2019) and one metric question related to seniority. The tool was prepared based on a questionnaire used by M. Armstrong and A. Cummins (Armstrong, Cummins, 2015). The survey is considered to be the basic tool for assessing knowledge, attitudes and practices in a specific topic, and it comprises a set of predefined questions based on the research objective (Sharma, 2022).

4. Analysis of research results

The study involved 39 managers with varying lengths of service as described below:

1. 0-10 years – 14 managers (36%),
2. 11 -20 years – 12 managers (31%),
3. over20 years – 13 managers (33%).

Before evaluating the incentive system, respondents were asked to indicate the frequency of receiving selected components of remuneration (see fig. 1).

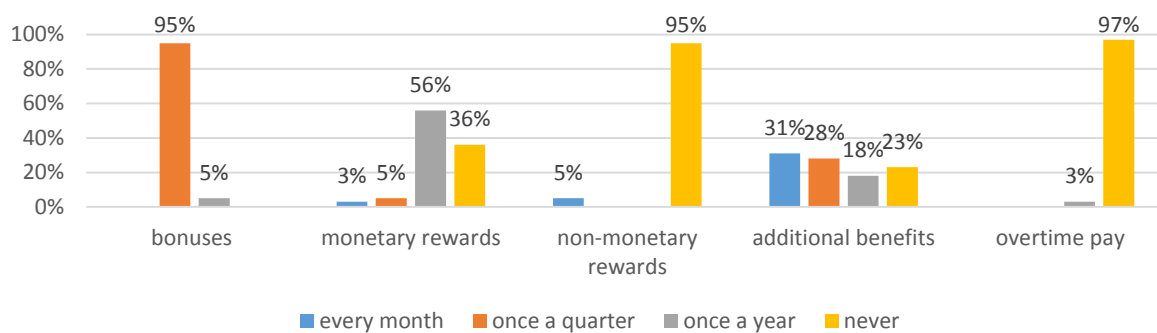


Figure 1. Frequency of occurrence of remuneration components.

Source: own elaboration based on research results.

Respondents indicated that only a few receive additional benefits every month (31%), material rewards (5%) and cash rewards (3%). The most commonly used motivational element for executives in the organization is the quarterly bonus (95%), while material rewards (95%) and overtime pay (97%) are not typically offered.

Subsequently, the respondents were asked to comment on claims regarding the company's current bonus system. Figure 2 presents the structure of their responses calculated as an average, where: 1 means – Strongly disagree; 2 – Disagree; 3 – No opinion; 4 - Agree; 5 – Strongly agree.

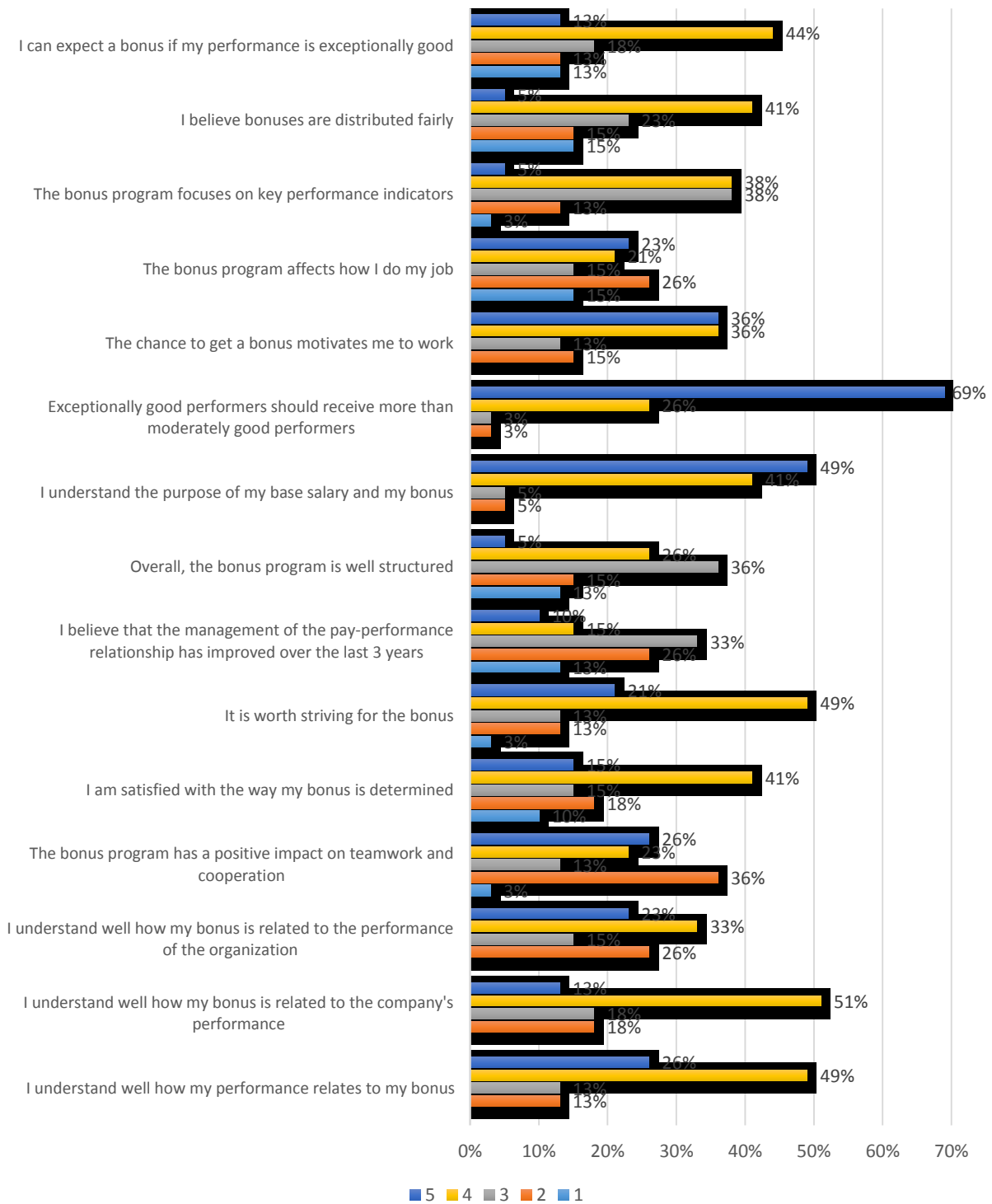


Figure 2. Evaluation of the current bonus system.

Source: own elaboration based on research results.

In the current bonus system, respondents rated the distribution of performance-based bonuses highest (69% of respondents) and declared they understood this type of activities (49%). Half of them declared they understood the functions performed by fixed and variable remuneration (49%). The linking of the bonus amount to the company's results (51%) as well as the need to make efforts to obtain it (49%) were positively evaluated. The bonus was

a motivating factor for 72% of respondents, and 46% believed that the distribution of the bonus is fair. Interestingly, in total, only 31% of them positively assessed the bonus program, and 39% believed that it did not have a positive impact on teamwork and cooperation.

Subsequently, the results were subjected to a correlation analysis with respect to seniority.

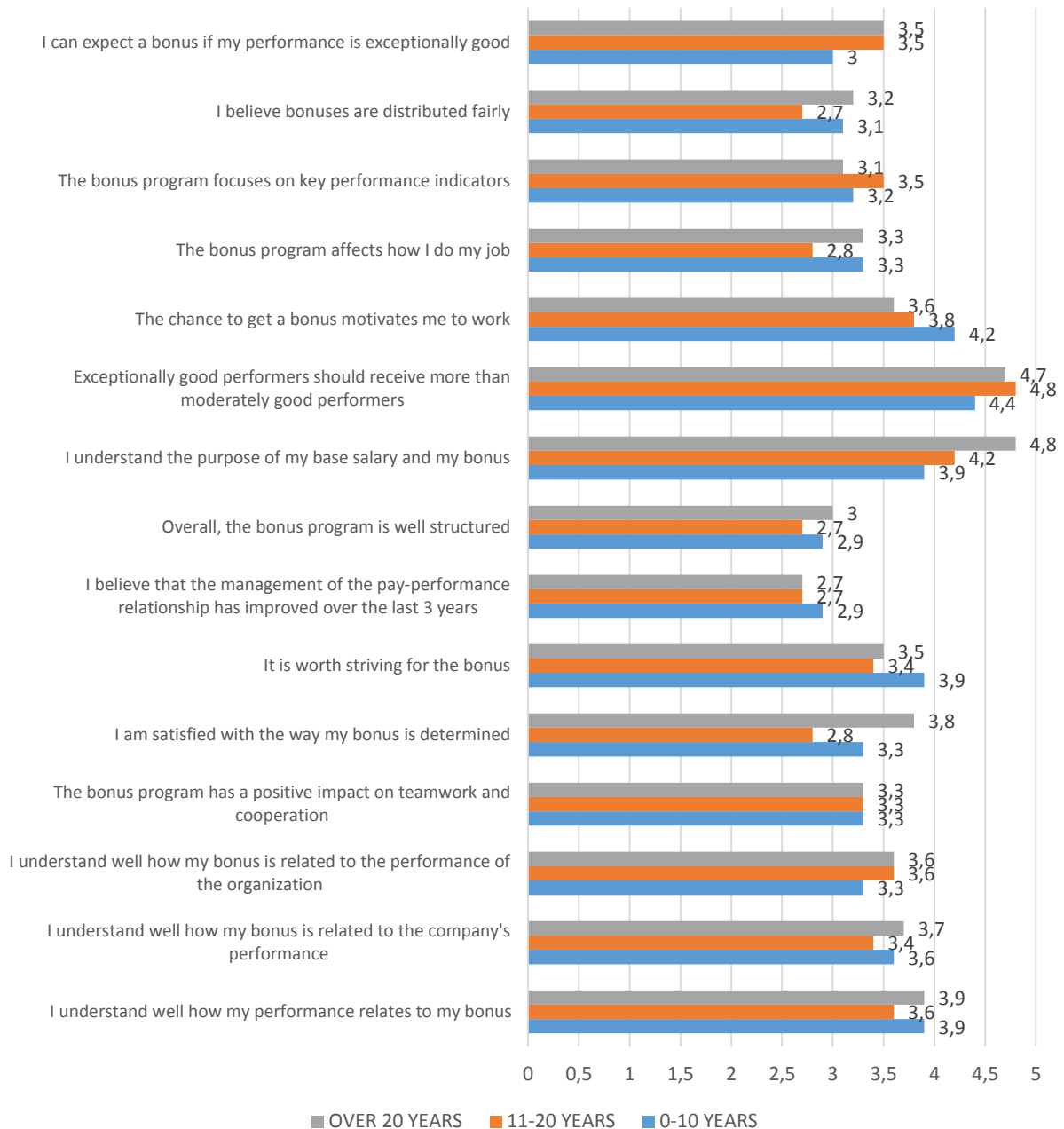


Figure 3. Assessment of the current bonus system in correlation to seniority.

Source: own elaboration based on research results.

To compare the expectations of managers depending on seniority, the Kruskal-Wallis ANOVA test was used. In all tests performed, a significance level of $p < 0.05$ was assumed (Kruskal, Wallis, 1952).

On the basis of the test, one important difference was found – regarding the understanding of what the basic salary is for, and what the bonus is for, depending on seniority. People with more than 20 years of experience show significantly greater understanding than people with 0-10 years of experience. In other cases, no significant differences were observed.

In the next stage, respondents were asked to compare the importance of the salary supplements they received. To this end, they were asked to assign a score up to a maximum of 100 points to be distributed among the benefits. The average number of points for each benefit is shown in Figure 4.

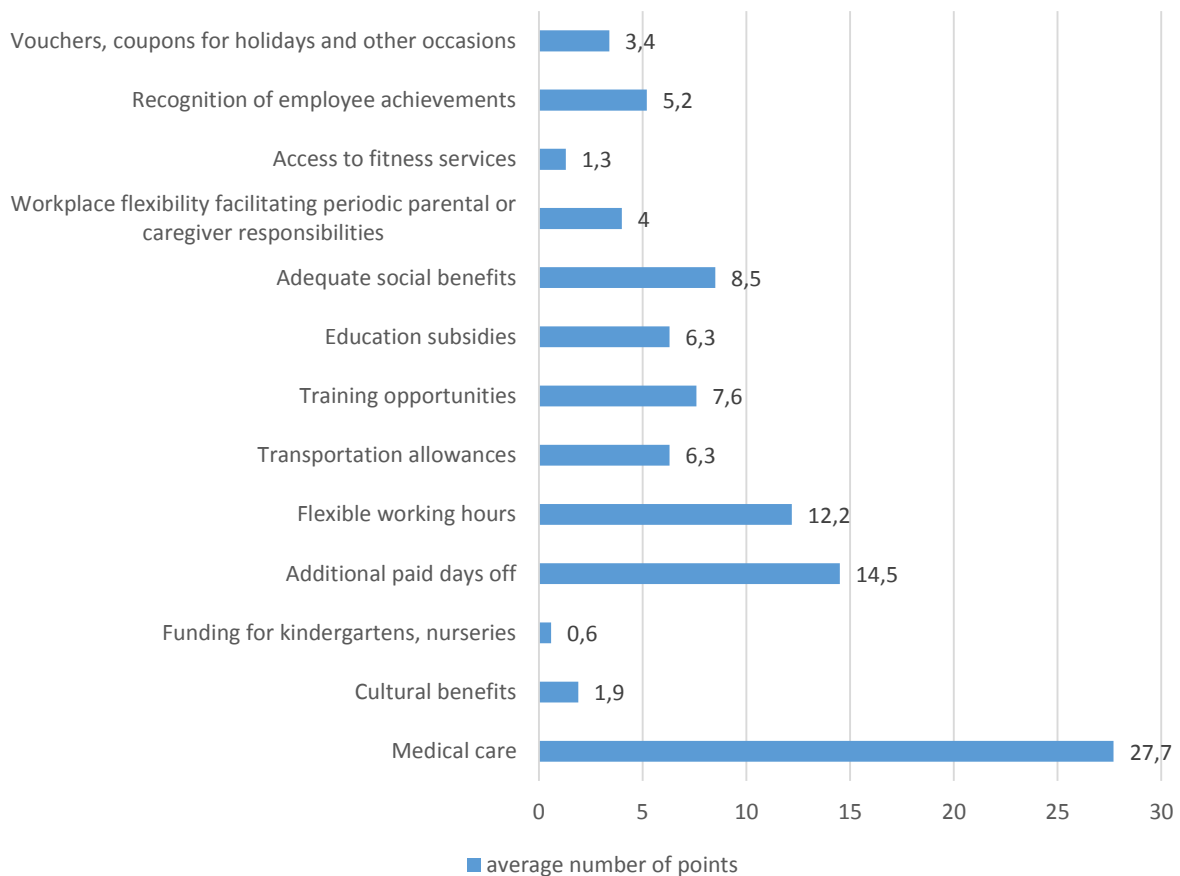


Figure 4. Assessment of the importance of salary supplements.

Source: own elaboration based on research results.

Managers rated the importance of medical care the highest (an average of 27.7 points out of 100), followed by additional paid days off (14.5 points) and flexible working hours (12.2 points). Subsequently, the importance of benefits was assessed based on seniority.

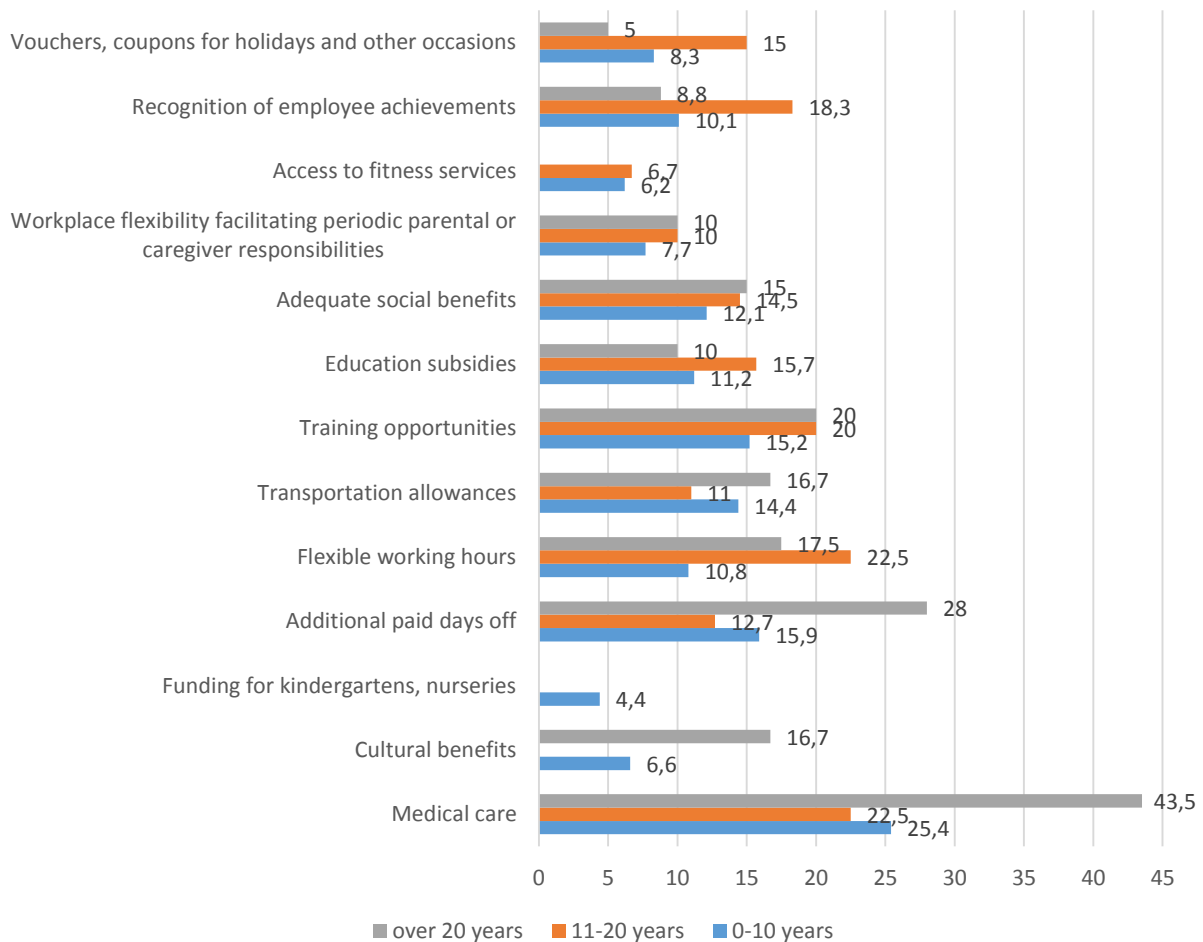


Figure 5. Assessment of salary supplements in correlation to seniority.

Source: own elaboration based on research results.

On the basis of the test carried out, the following significant differences were found depending on the length of service:

1. Managers with more than 20 years of service significantly rated medical care (43 points compared to 25.4 points for those with up to 10 years of work experience and 22.5 points for those with 11-20 years of work experience).
2. Financing of kindergartens, nurseries - only managers with 0-10 years of work experience selected this option.
3. Additional paid days off - managers with work experience of over 20 years significantly rated this benefit higher than those 11-20 years of work experience.
4. There was a significant difference in the assessment of the importance of flexible working hours depending on seniority. Individuals with work experience over 11-20 years significantly rated this benefit higher than those with a work experience of 0-10 years.

In the next stage, managers were asked what motivates them to work. The rating was made on a scale of 1 to 5, with 1 being the least important and 5 being the most important. The results are presented in Figure 6.

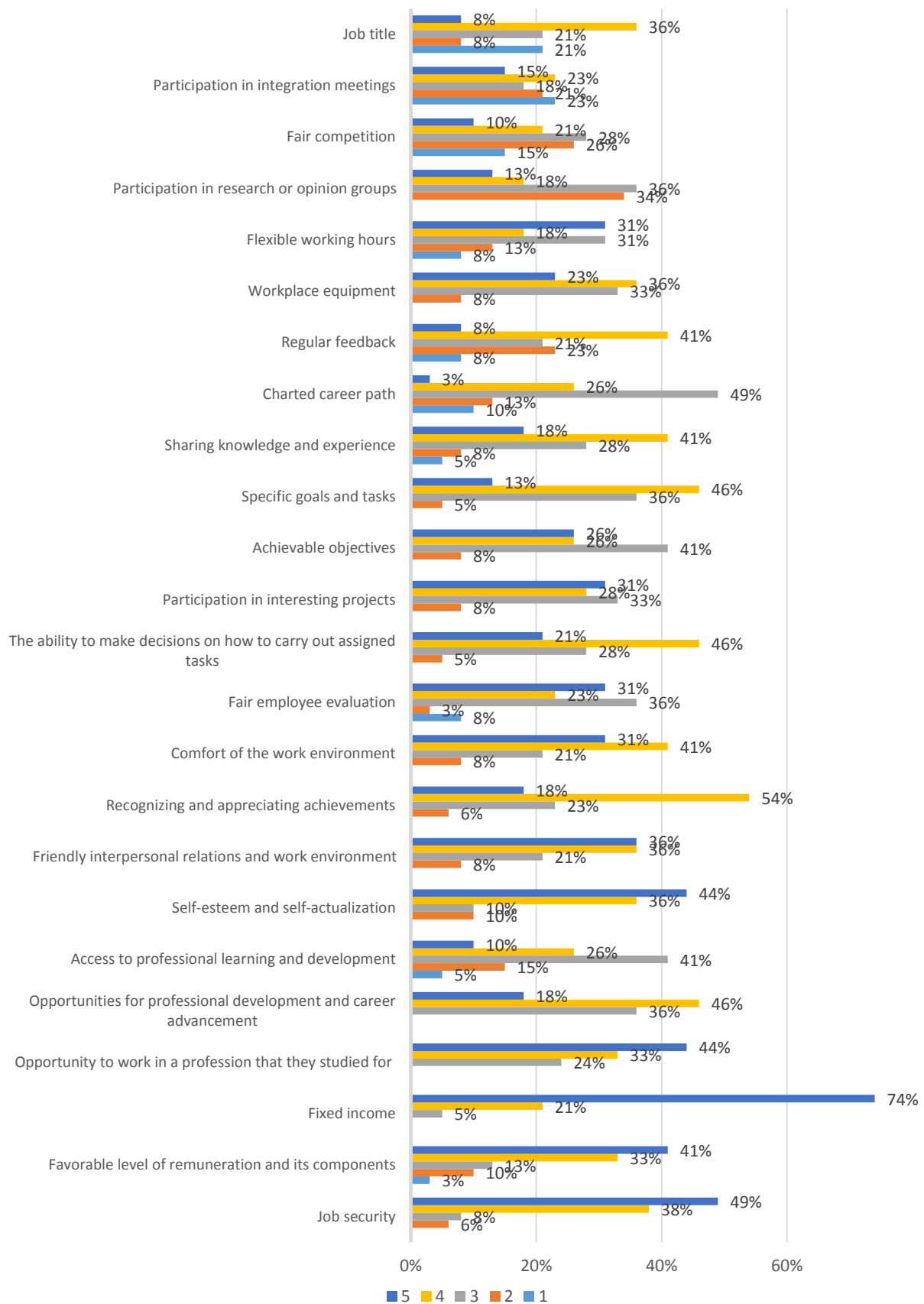


Figure 6. Assessment of the elements of motivation of managers.

Source: own elaboration based on research results.

Among surveyed managers, fixed income (74%), job security (49%), opportunity for self-fulfillment and working in a profession that they studied for (44% each), and a favorable level of remuneration (41%) were rated the highest (rated 5 on the scale) as elements of their motivation. Interestingly, integration trips (44%), fair competition (41%), and participation in research or opinion groups (34%) received relatively low ratings (i.e., level 1 or 2 overall). In the opinion of 49% of respondents, career paths were not considered to be a significantly important element of motivation.

The results indicate the importance of monetary factors in motivating this professional group.

Respondents were also asked about the elements of work that should be taken into account when awarding bonuses to managers. Figure 7 presents the structure of their responses calculated as an average, where 1 is the least important, 5 is the most important.

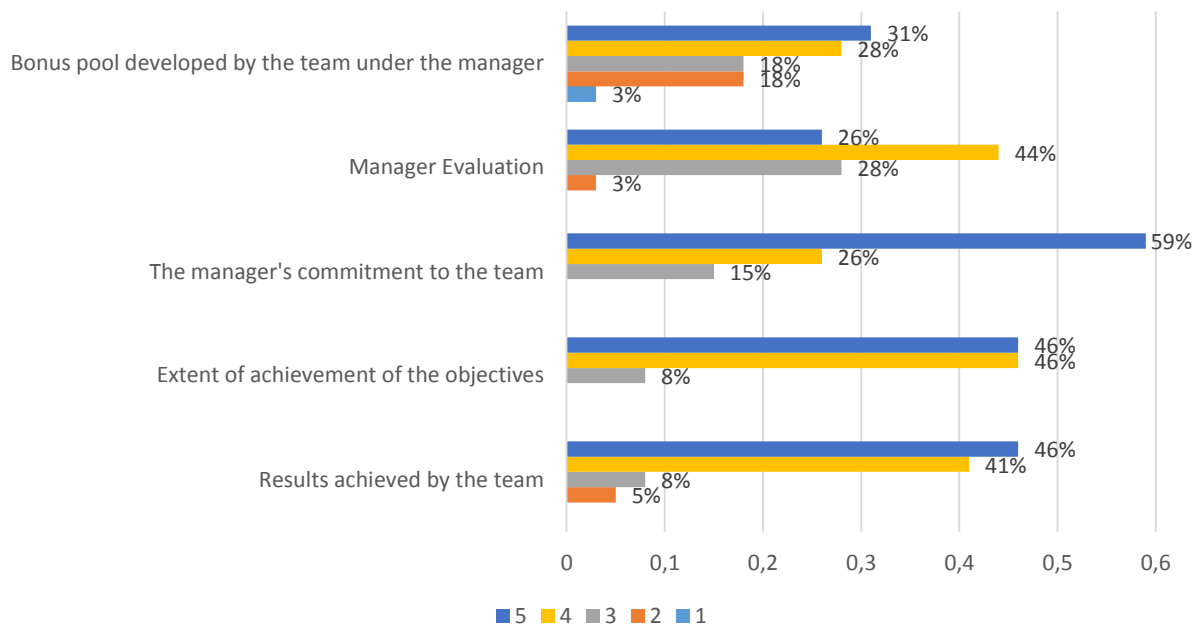


Figure 7. Assessment of factors influencing the awarding of the manager's bonus.

Source: own elaboration based on research results.

59% of respondents indicated that commitment to the team should be the most important factor in awarding a bonus to a manager, while slightly fewer respondents, 46% each, considered results achieved and the degree to which goals were met, to be important.

5. Summary

The use of both financial and non-financial elements in motivating managers is crucial for the organization to achieve their intended goals. The presented research demonstrates a clear

specificity of the components used for organizations in the chemical industry. It is worth noting the timing of the conducted research, which was during the COVID-19 pandemic. This was an important aspect and contributed to the the results of the research. Managers who provided responses highly value the level of remuneration they receive regularly, which is also related to maintaining their job security. Having access to additional medical care, especially during the turbulent pandemic period, was also found to be significant. One of the important findings of the research is the need to obtain information regarding the factors that influence the allocation of bonuses for managers. Respondents pointed out that the reward should reflect their own contribution to the team's work. As for the limitations of the presented research, a shortcoming that should be pointed out is that the questionnaire used as a tool presents a subjective declaration of the respondents. In identifying directions for further research, attention should be paid to the size of the studied group. The results presented here relate to a single company in the chemical industry. This may serve as a benchmark for other organizations, but it is worthwhile to extend the research to other industries and then compare the conditions of financial and non-financial motivation in different types of organizations.

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