Bachelor's thesis

International Business

Human Resource Management

2016

Saku Tähti

EMPLOYEE SEGMENTATION AND MOTIVATION

TURUN AMMATTIKORKEAKOULU
TURKU UNIVERSITY OF APPLIED SCIENCES

Saku Tähti

EMPLOYEE SEGMENTATION AND MOTIVATION

Human resource management plays a crucial role in any successful company's story, and has grown ever more important during the last decades. Well executed HRM is certain to increase profitability through various ways like increased efficiency through employee commitment and satisfaction. Human resource policies vary from company to company since the study of HRM has spawned numerous theories regarding the subject, which managers then adapt and apply as they feel fit. However, sometimes companies have so many employees that they must seek new, more unconventional methods of managing their employees effectively.

Such is the case with -. Needless to say, employee satisfaction is of utmost importance for a company such as -, and managing that amount of people is not easy as it is very time consuming, and frankly almost impossible to cater to the needs of every employee.

The main focus of this study is in creating a new employee segmentation method for more effective employee rewarding policies, while examining the factors behind employee motivation in -.

Research findings indicate that while reasonably motivated and satisfied with many aspects of the company's HR policies, the employees of Turku office require more personalized rewarding systems, as the current model offers little to no chance to impact what kinds of rewards they get. The new segmentation method, which was based on Maslow's Hierarchy of Needs, offered mixed results as some answers supported the theory while others showed that there are still various factors which need to be take into account when attempting to segment employees.

Saku Tähti

TYÖNTEKIJÖIDEN SEGMENTOINTI JA MOTIVAATIO

Henkilöstöhallinto on keskeisessä osassa jokaisen menestyneen yrityksen tarinassa ja on tullut yhä tärkeämmäksi viime vuosikymmenten aikana. Hyvin hoidettu henkilöstöhallinto nostaa yrityksen tuottoisuutta usein eri keinoin, kuten työntekijöiden sitoutuneisuuden ja hyvinvoinnin tuottaman tehokkuuden kautta. Henkilöstöhallinnon toimintaperiaatteet vaihtelevat yhtiöittäin sillä henkilöstöhallinnon tutkimus on tuottanut useita terioita, joita johtajat soveltamat hyväksi kokemallaan tavalla. Joskus työntekijöiden suuri määrä kuitenkin pakottaa yrityksiä etsimään uusia, jopa erikoisiakin keinoja joilla hallinnoida työntekijöitä tehokkaasti.

Juuri tästä on kyse -. On sanomattakin selvää että - kaltaisella yhtiöllä työntekijöiden tyytyväisyys on erittäin tärkeää, mutta tällaisen työntekijämäärän hallinnointi ei ole helppoa sillä se vie erittäin paljon aikaa ja on suoraan sanottuna mahdotonta ottaa jokaisen tarpeet erikseen huomioon.

Opinnäytetyön päätavoitteena on kehittää uutta segmentointimenetelmää tehokkaampaa palkitsemisjärjestelmää varten, sekä samalla selvittää tekijöitä - Turun toimiston työntekijöiden työmotivaation taustalla.

Turtkimustulokset osoittavat että Turun toimiston työntekijät ovat kohtuullisen motivoituneita ja tyytyväisiä moniin puoliin yrityksen hallinnointityylissä, mutta he kaipaavat parempia, enemmän yksilöllisiä palkitsemisjärjestelmiä joissa on valinnanvaraa. Segmentointimenetelmä, joka pohjautuu Maslow:n Tarvehierarkiaan, antoi ristiriitaisia tuloksia. Osa saaduista vastauksista tuki menetelmää, ja toisaalta osa osoitti että on vielä lukuisia tekijöitä joita pitää ottaa huomioon tämänkaltaista segmentointimenetelmää rakentaessa.

ASIASANAT:

Henkilöstöhallinto, HRM, Segmentointi, Kategorisointi, Motivaatio, Tarve, Työviihtyvyys

CONTENT

APPENDICES

PICTURES

FIGURES

LIST OF ABBREVIATIONS (OR) SYMBOLS

HRM	Human resource management
HR	Human resource
PM	People management

1 INTRODUCTION

1.1 Background

A core role in any modern company's success is played by human resource management (HRM), which has been studied for almost a hundred years now, since the 1920's. Changing working environments eventually brought emphasis to employee's well-being and potential if treated well and rewarded accordingly based on their success. Needless to say, managing employees inside a company is seldom easy. A well executed HRM policy is usually a very complex system based on creating value to a company through its workforce by such methods as, e.g. increasing productivity and commitment of the employees, which in turn yields better results in their work. In a way, human resource management works as an intermediary between the workforce and the managerial level, providing the former with guidance, training and support while developing a comprehensive rewarding and praisal system. (Armstrong, 1977, pp. 53-55)

Key concepts within human resource management's include such topics as motivation, needs and values of the employees. By nature, these areas are interrelated by a certain degree of causality, for example a need for security in one's life will surely fuel the motivation to look for a secure workplace where one can stay for a longer period of time. On the other hand, if another person is not afraid of uncertainty, and likes change, that person is more motivated to look for different work from time to time. The main factor, however, is that motivation itself seems to consist of multiple factors like the aforementioned needs and values plus something more personal. The existence of these personal factors is backed up by the fact that motivation also varies greatly from person to person, and consequentially has been subjected to research from time to time in order to define what "makes or breaks" one's motivation, so to speak. The seek for unraveling the secrets behind human motivation has

spawned numerous studies and theories, e.g. Victor Vroom's Expectancy theory (1964), Clayton Alderfer's ERG theory (1969), Abraham Maslow's Need Hierarchy theory (1943) and Frederick Herzberg's Two-factor theory (1959). We will be taking a closer look at the latter two in the theory part of this study.

Should motivation be a figurative carrot, then human resource management department is definitely the one holding the stick where the carrot is hanging on. In the early twentieth century, human resource management did not exist in it's current form, and at the time it was called personnel management. Personnel management acts as a important step in the evolution of HRM, but it worked from a different viewpoint. PM was strictly about cost-efficiency, and employees were seen more as expendable assets, and a company could always find new ones who complied to the rules and values of the working environment. While PM did utilize motivation by creating services for the employees, it did so by usually offering the same benefits to everyone. (Creative HRM) It was not until the 1970's when corporations started using the name HRM for their employee management. HRM focuses on the same issues as PM, but instead of just cost efficiency, tries to build value for the company through it's employees, which are viewed as more valuable assets. Key differences between HRM and PM are, however, a deeper understanding of motivation and globalization, which brought people from different cultures to a same working environment, making it clear that people cannot be treated in only one way. (Creative HRM) One method to maintaining good personnel relations is a comprehensive rewarding system, which caters to the needs of as many different people as possible. These systems vary greatly in each company, as some might be content with granting monetary compensation for good work, whereas others are more complex and draw inspiration from other areas in life. For example, gamification is a rewarding system which takes aspects from video games to working life, e.g. people take part in HRM activities and earn points, which in return can be used to gain benefits. (Van Grove, 2011) However, while the success of a rewarding system is usually measurable, companies are continuously looking to improve these systems and through them, their profitability.

The case company - also struggles with finding out successful ways of dealing with their employee satisfaction and -'s situation is extraordinarily tricky due to the fact that the employees include people from so many different walks of life with varying jobs, and moreover needs, values and motivations. - . This study and its target group will take place in the - office in Turku, with circa 140 people working at this branch. For future reference, when - employees are mentioned in this study, I mean these circa 140 people, unless specified separately.

Throughout the years, the HR director of -, -, has been working with countless people and differet personalities, and at some point he started noticing similar motivational behavior within certain types of people. Later on, he started investigating whether these behaviors could be something inherent, and now he wants me to find out it would be possible to validate a categorization system based on his earlier work and HRM theories, in order to segment their work force for more focused services, like customized rewarding systems, for the employees.

1.2 Purpose of the study

The ultimate goal of this study is to investigate the main work motivations, and their defining values, of the employees of - office in Turku, while validating a categorization system which was discussed earlier.

The motivation and value definition will be conducted to every employee individually via a questionnaire while trying to see whether the categorization works or not, based on how similar the answers inside one category are.

Whether the categorization works or not, the questionnaire and this study will provide - with valuable information about their employees and their job satisfaction. - is currently trying to create more effective rewarding methods, so there is a dire need for data of this kind. Additionally, should the segmentation work, it will help - in the future while dealing with the sheer amount of people they are associated with. Therefore the research questions will be the following:

1. What keeps employees satisfied and motivated at -?
2. Can they be segmented in different categories according their needs (Maslow)?

1.3   Limitations

It is important to note that while this paper aims to draw patterns from the motivations of certain groups of employees based on their needs, these results are still only applicable to the commissioning company only and should be subjected to a fair amount of scepticism and different approaches before being applicable to anyone else. Furthermore, the segmentation will only draw aspects from Maslow's need hierarchy and Herzberg's two-factor theory due to scope limitations and many factors such as the role of culture, was left unexplored because of the commissional nature of this paper. Suggestions for further studies will be provided towards the end of the paper.

Additionally, the questionnaire and interviews were conducted while following the commissioning company's managerial guideline and values, meaning the questions were composed in a way that serve their goals and thus, might be interpreted to be biased. To elaborate, some of the questions might have been asked in a different way or using different words if not conducted in collaboration with the company, thus leading to differen answers.

2 THEORY

As discussed, motivation and how it is built are the key factors when defining what kind of services and rewards employees appreciate. The theory part of the study will go through the most prevailing definitions and studies regarding values and motivations while forming a solid basis for the categorization. Going through the pertinent theories will also serve as a foundation for the following questionnaire while providing reflection for the upcoming results.

2.1 Motivation

Motivation has been studied by countless scholars around the world, and the concept and definitions of motivations are almost as numerous as its researchers. However, the general consesus seems to be that motivation is composed from a number of factors which vary from person to person. Some of these factors are more easily manipulated, while some of them are extremely personal and hard to define let alone control. A fitting definition of motivation, describing its ambiguity, comes from Koontz and O'Donnell, and goes as the following: "Motivation is a general term applying to the entire class of drives, needs, wishes and similar forces." (Hiriyappa, 2009). In working life, motivation is seen as the level commitment and effort the employee shows towards his or her objectives.

By tradition, managers have tried to have an impact on employee motivation by rewarding the employees through increasing payment. In a simple way, this represent a form of exchange, made up of two elements; how much is paid versus how much work is expected for the pay. (White & Druker, 2004) While this method is certain to be effectivein certain situations, there is usually a point where monetary rewards start losing effectiveness, meaning certain needs have been satisfied and some other methods must be undertaken to further increase

the employee's motivation and thus, effectiveness. Sometimes, however, employees are able to motivate themselves by being able to accomplish personal goals through working. Therefore, motivation has been divided into two categories: *intrinsic* and *extrinsic*. (Armstrong, 1977, p. 253)

Intrinsic motivation is defined by all the acting forces inside a person, which fuel their motivation. For example, a sense of self-accomplishment, the importance of one's work and the freedom to express oneself. Working environment also plays a pivotal role in defining intrinsic motivation, namely how well one's values are reflected and accomplished in the environment. (Armstrong, 1977, p. 254)

Extrinsic motivation on the other hand holds the external parts, or something done to the workers. For example rewards like pay, as discussed before, belong to this category. It is notable that also negative aspects such as criticism and disciplinary methods belong here as they can also act as drivers which employees try to avoid by working more effectively. (Armstrong, 1977, p. 254)

Armstong claims extrinsic motivation to be impactful yet short-term, which can be more easily affected and intrinsic motivation to be the contrary; slowly built, long lasting and even more powerful due to the fact that the core of intrinsic motivation lies within the employees needs and values. (Armstrong, 1977, p. 254)

Now that motivation as a concept has been examined, we can move to the pertinent theories of motivation.
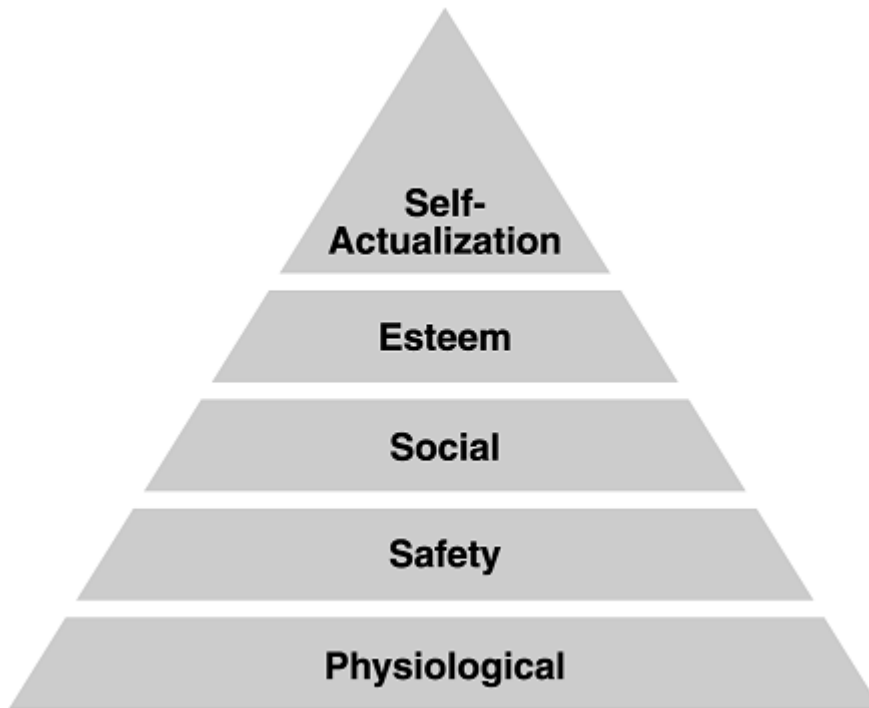
2.2 Maslow's hierarchy of needs

Perhaps the most known motivational theory, Maslow's hierarchy of needs has been used for segmentation in numerous fields of business like marketing, and it has also been developed further by other scholars like Clayton Alderfer who explained Maslow's five needs in his own ERG theory. (Manktelow)

Maslow defined five basic needs of a person which he suggested were in a hierarchical order. A lower hierarchy need had to be fulfilled before the next, e.g. a person does not feel any social belonging if he has no shelter.

The five needs from the most basic, "survival" needs to more advanced, "self actualization" needs:

1. The need for food, water, oxygen and sex etc. Also known as *Physiological needs.* Can be described as somewhat animalistic, basic needs that everyone has. In work and everyday human life these manifest, for example, as the need for a continuous pay, which again enables these needs to be fulfilled in the modern world.
2. *Safety needs.* Need for shelter and general stability in one's life. Reflects as a need for a steady job and added benefits as insurance and health care.
3. *Social needs.* Maslow's third level is the need for social belonging. While this need is usually interpreted as the need for love, in work life it can be seem to be reflected in the need for good work partners and encouraging working environment. Also seen as a form of "pack mentality"-
4. *Esteem needs.* Closely related to social needs, esteem needs present the need for recognition. After fulfilling social needs, the individual has to feel appreciated and approved by its peers.
5. *Self-actualization needs.* The need for self-expression. Not only an individual needs to be approved by their peers but finally, by themselves.

In working life this usually takes the form of seeking a job where one can truly express themselves by seeking challenging tasks. (Maslow, 1954, pp. 35-47)

Picture 1: Maslow's Hierarchy of Needs

As demonstrated in the picture, the most basic needs have to be satisfied before a person can climb to the next stage. Maslow's hierarchy also implies that some form of individual development also happens while more psychological needs emerge. (Armstrong, 1977, p. 258)

The theory has been under critique for multiple aspects. First and foremost, the hierarchy is quite strict, and it has never been empirically proved that all individuals follow this form of development. In addition, the methodology executed by Maslow is questionable at the very least, considering for example the sample group for self-actualization, which was only 18 people who Maslow himself considered as self-actualized. (McLeod, 2014) Furthermore, these 18 people, or their biographies and work which Maslow studied, are all of certain sex and social class, reducing the validity of his research methods. (McLeod,

2014) Also, Malsow's theory highly implies that the final need will never be fully satisfied but a person will keep seeking self-actualization continuously, and therefore the complete fulfillment of other needs has also been questioned. (Beardwell & Claydon, 1994, p. 493) A study by Louis Tay and Ed Diener from the University of Illinois investigated the basic human needs of people world wide, reaching the conclusion that while some universal human needs indeed do exist, they do not follow any certain hierarchy e.g. people living in extreme poverty still require and seek love and belonging, despite lacking everyday food and shelter. (Tay & Diener, 2011)

What makes Maslow's theory interesting regarding this study is not the hierarchy but the well explained need categories and their applicability to working life.

2.2.1 - segmentation theory based on the hierarchy of needs

The introduction part mentioned the need for a new categorization method, which the HR director - has been working on. In addition to himself, he has worked with a handful of people regarding the segmentation but so far the work has been closer to an "educated guess" than anything based on motivational theories. He has also tried some form of segmentation with a small group of people but lacked scientific data to back it up. Unfortunately, this earlier segmentation was not documented in a way that it could serve as a reflection in this study.

The core idea behind this categorization is that different types of employees seem to be after certain goals when working in -, and these goals seem to be based on some inherent needs, e.g. someone requires money so excessively that other aspects of work have little to no meaning to him.. Moreover, defining these needs might be crucial in being able to cater to the extrinsic and intrinsic

motivational factors of these people, thus increasing productivity and commitment levels.

When applied to Maslow's need categories, we can identify five different types of people and their main drivers for work (based on - earlier work):

1. *Survivors* – People who work, first and foremost, for money. For these types of people, work is work and basically means to an end. Something that brings bread to the table. According to -, some people do not seem to have any bigger plans, just to "get by". Refers to the very basic Maslow's needs.
2. *Career chasers* – Those seeking stability in their jobs. Long assignments, steady income and certainty in the future are the main incentives when these types seek work. In promise of good career development, these people are sure to offer good commitment. Refers to Maslow's safety needs.
3. *Participators* – Category for those who work for social reasons. For them, work offers some unique social interactions which in turn fuel the passion to work. E.g. best friends work at the same place, customers act as important social connections etc. In addition, this group also includes those who work because of outside pressure, for example teenagers who get a summer job because their parents want them to. Refer's to Maslow's social needs.
4. *Hedonists* – Those who work in order to be able to accomplish more advanced goals, like being able to afford a long journey abroad. While quite interrelated with the first group, there is a distinct difference in their long-term orientation. A person in this category is usually more flexible than a *survivor*, as long as their personal goal, e.g. the journey abroad, is met. Refers to Maslow's esteem needs.

5. *Innovators* – Those who feel that their work is a way to express themselves. Innovators enjoy their line of work by nature, which separates them from the other categories. The employees in this category know which part of their job they love, and thus are motivated as long as they are given assignments in which they can pursue their "true calling", so to speak. Refers to Maslow's self-actualization needs.

Reflecting back at Maslow's study, it is quite easy to relate these categories to the need hierarchy in the respective order. In comparison, there is definitely more interrelation in the categories than in the Maslow's theory. For example, the *Hedonists* category shares similar traits with *Survivors*. The main difference between *Hedonists* and *Survivors* is that while both pursue some form of material goals, the latter is satisfied just by getting enough money to make a decent living, while the former definitely wants something more. Additionally, the similarities between *Career chasers* and *Innovators* are also apparent, but the difference is the value found in the work itself (*Innovators)* versus the value sought through the work, e.g. stability in one's life (*Career chasers*). In shorter words, liking their job is not self-explanatory for the *Career chasers*. Another notable fact is that there is no strict boundaries to these categories, meaning that a person might be committed to a certain job because it fulfills all kinds of needs but usually there is one dominant category which is represented in each employee, e.g. someone might be very ambitious and career-oriented, but does not want to change working place because the community and the atmosphere is so important. In this case, that person would, despite their need for accomplishment and esteem, belong to the *participators* category. Hence, we can divide these categories into primary and secondary categories, based on which is the one keeping the person working where they currently work.

The categorization is made relevant by the fact that while it relies on Maslow's needs largely by personal experience, it does not rely on it's most criticized aspects, namely hierarchy and independency of each need. As mentioned in

part 2.2, Maslow's hierarchy of needs has been studied numerous times and from numerous points of view, and the lates consensus by Tay and Diener is that these needs do exist in people world wide, justifying their applicability for a new approach in employee motivation. (Tay & Diener, 2011)

Finally, for example the *innovators* segment might sound like they are superior, "ideal" workers, but this is not necessarily the case. While their passion is fueled by their self-expression, they might also be the easiest to lose e.g. if not given interesting work, they might be the most active segment to look for another job where they can again express themselves, based on the category description. In addition, the *survivors* could seem like only materialistic people, but it is highly likely that the questionnaire and further examination brings up other aspects from the segment that were not previously observed by - or his associates.
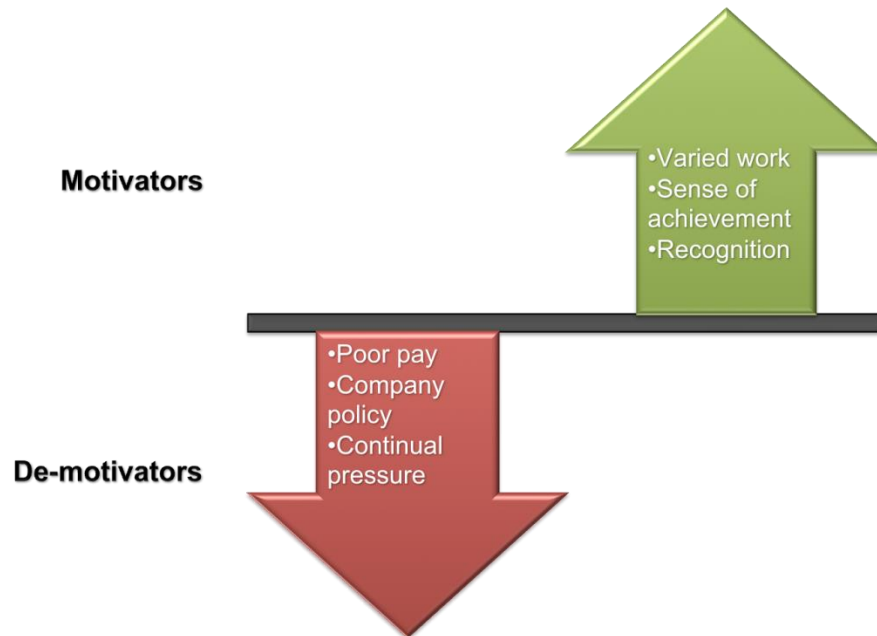
2.3 The two-factor model of Herzberg

Known to some people as "The Pittsburgh study", a model explaining working motivation through the terms *satisfaction* and *dissatisfaction*. Developed by Frederick W. Herzberg along with Mausner, Peterson, Capwell and others (The Motivation to Work, 1957), the study's main focus was set on explaining why certain work situation was observed by the employees on a positive light, while some other situation had a negative impact. The control group of this study consisted of circa 200 employees in the field of business and technology, of whom all had adequate educational background. (Kressler, 2003, p. 21)

The study was set in motion by interviewing their subjects, asking to explain to the researchers the conditions under which they felt notably good or bad during their everyday work. What the researchers found out was that the results could be grouped up to two categories: *what happened in the work itself* and *what happened in the working environment*. (Armstrong, 1977, p. 262) These results were further re-defined into different sets of triggers, which caused feelings of either satistaction or dissatisfaction in different conditions of work. Initially named *Motivators and Hygiene factors*, the former represents conditions which cause positive feelings, or feelings of satisfaction like recognition, responsibility, accomplishment and self-development. *Hygiene factors* on the other hand represent aspects that influence the employee from the outside like pay, equal treatment and benefits like health insurance, but also working conditions like good lighting, air conditioning and cleanliness. The *Intrinsic* and *Extrinsic* motivations mentioned at the start of the theory part were also originally derived from *Motivators* and *Hygiene factors* in the respectful order. *Hygiene factors* as a term is rather vague and often misleading to people who are not familiar with the theory in wholeness. It origins from the explanation that these factors are something that can be maintained by the employer, and if left unattended, will spread like and inflectional growth. Herwig Kressler brings up a fine point regarding the terminology, namely that the whole study would be much easier to

understand should Herzberg have used terms *Frustration(dissatisfaction)* and *Positive Motivation(satisfaction)*. (Kressler, 2003, p. 22)

Regardless of the terminology, the main advance made by Herzberg and his partners, however, is the distinction made in how differently these two factors impact an employees motivational level. *Motivators* act as personal developmental factors, and according to Herzberg, they are the source of true satisfaction, or motivation. *Hygiene factors*, on the other hand, form something we can call a basis, to build true motivation on. When unfulfilled by, e.g. non-competitive salary, they start causing what Herzberg labeled as dissatisfaction, which causes decreased motivation. However, when dissatisfaction is fully eliminated, it can be neutral at best, and can only act as a good foundation to build motivation on but can never actually increase satisfaction. In layman's terms, eliminating dissatisfaction causes an employee to feel "not bad" at the most, which is very different from satisfaction, or, "feeling good". (Kressler, 2003, p. 22) The bottom line is that a lack of *motivators* is always worse than some negative *hygiene factors*. A lack of motivators can severely harm an employees attitude towards work, and even lead to situations like performance issues or even leaving the job. (Kressler, 2003, p. 23)

The following figure further highlights, Herzberg's claim is that *Satisfaction* and *Dissatisfaction* run on two different tracks with both starting from neutral, and ending in either positive motivation or frustration respectively.

Picture 2: Two-factor model of Herzberg

Herzberg's two-factor theory has also been under critique for several aspects. As mentioned earlier, one of the pitfalls is the terminology. As important as it is to the theory, the sheer amount of new terminology unavoidably creates confusion within the theory. Although scholars and researchers may find the distinctions between *motivators, intrinsic motivators* and *satisfaction* quite clear, Herzberg would have made his theory far more applicable by simplifying the terminology or grouping up unnecessary terms into something more singular. This does not, however, affect the credibility of his research by any means. A fine example is once again provided by Kressler:

"Several years ago the author took part in a discussion during which it became evident that one of the participants (a manager) believed "hygiene factors" actually referred to sanitary arrangements" (Kressler, 2003, p. 21)

Another main criticism towards the two-factor theory is that the study itself did not pursuit to discover any connections, whatsoever, between the employee's motivational level and their working performance despite the fact that the study is so closely tied to real-life situations. As Michael Armstrong presents it:

"It has been suggested that the two-factor nature of the theory is an inevitable result of the questioning method used by the interviewers. It has also been suggested that wide and unwarranted inferences have been drawn from small and specialized samples and that there is no evidence to suggest that the satisfiers do improve productivity" (Armstrong, 1977, p. 263)

Finally, despite all the critique presented, Herzberg's theory is overall very widely regarded as the foundation of motivational theories among companies, most likely due to the fact that it is indeed based on real-life situations, unlike many of it's more academic counterparts. The importance of definining *Intrinsic* and *Extrinsic motivation* is also unquestionable. In addition, Herzberg brought up very tangible ways to affect the motivational levels of employees, which not many studies did not do before.

The two-factor theory is important in this study since it helps define whether there is variation between how each segment puts value on numerous *intrinsic* and *extrinsic* factors that affect them.

3 METHODOLOGY

The aim of this thesis is to segment employees of - based on the aforementioned categories (see chapter 2.2.1), find out what they value in their work and what motivates them and finally compare those answers between different segments to see whether the categories hold water. If deemed viable, the results of the study will later be used for further research and application of new services for the employees of -. As the research revolves around trying to prove and find out more about a phenomenon experienced by the HR director of -, the nature of the research is that of exploratory. Saunders et al. describe exploratory study as "…finding out what is happening; to seek new insights; to ask questions and to assess phenomena in a new light". (Saunders, et al., 2009, pp. 139-140) However, they also point out that usually the best way to conduct research like this is to use qualitative methods, but I believe that the open nature of the questionnaire will provide enough relevant data outside statistics to label this study as an exploratory study.

The segment, in which each employee will be placed in, will be decided by a question about their working preference. Even though the segmentetation is the main goal of this questionnaire, there is also a follow-up question that asks the employees to justify their choice so that we can see whether there were any misunderstandings in the segments provided and if the employees themselves have any other needs we did not take into account. The questionnaire is constructed based on the theory part of the thesis, the commissioning company guidelines and feedback from the HR director of -.

Saunders et al. identify two primary data collection and analysis methods, quantitative and qualitative. Qauntitative method utilizes more absolute, numerical data collection styles like qeustionnaires and such analyzing styles as statistics. Qualitative method, on the other hand, focuses more on techniques

like interviews and generates non-numerical data, which can be analyzed by categorizing the said data, for example. (Saunders, et al., 2009, p. 151)

The data collection method chosen for this thesis is quantitative. The nature of the research is such that we have to study a large group of people and analyze a lot of data in addition to the segmentation, so a qualitative research would be too time consuming. Additionally, the data gathered will later, be compared with other statistics by the company, so the data needs to be in a statistical form. That being said, the questionnaire will still be featuring many open questions as the research is exploring something new, and to prove validity, a lot of information will be needed beside statistical data in order to deem it successful.

3.1 Reliability and validity

In academic studies, reliability often refers to the consistency of the research findings if others would make a similar study on the subject. (Saunders, et al., 2009, p. 156) The definition of reliability varies a bit depending on which scholar you ask, but it always revolves around the ability to replicate the results in different environments. Saunders et al. list four general threats to reliability, namely: *subject or participant error*, *subject or participant bias*, *observers error* and finally, *observer bias.* (Saunders, et al., 2009, p. 156)

Subject or participant error deals with the fact that certain questions asked at different times might yield different results. For example, employees will usually be on a more cheerful mood on a Friday afternoon than on a Monday morning, and thus it is advisable to conduct a research during more neutral days, or during a longer period of time. *Subject or participant bias* refer to employees giving answers that their bosses want them to give if the atmosphere within the company is very strict. This can be eliminated (to some extent) with anonymous answers. Anonymity, however, can be a double-edged blade since it dangers the reliability of the answers to a certain degree. The researcher must make a careful choice whether to use anonymity or not by assessing the atmosphere and the insecurity levels of the respondents before constructing the questionnaire. (Saunders, et al., 2009, p. 156)

The questionnaire that was constructed for this thesis was sent to the respondents via Zef, a questionnaire building tool used by companies, that the employees had used before to answer different questionnaires. Using Zef ensured that the employees would be comfortable with using a familiar program, thus ensuring more responses. The questionnaire was also delivered non-anonymous since I did not observe any insecurities with any employees I was in contact with personally. Furthermore, there was a question about the openness of the whole communication atmosphere in the company, which would provide more tangible insight on how reliable the answers are. In addition, the segmentation part of the questionnaire is highly personal as it labels employees to certaing groups, it was made clear that none of the

segments are better than others, and none of the answers are "more right" than others.

Observer error and *observer bias* deal with the margin of error on the researcher's account. It must be realized that different people ask questions differently and also interpret answers differently, and researchers are no exception. (Saunders, et al., 2009, p. 157) These threats can be eliminated, to some extent, by careful planning of the questionnaire. It would be commendable to let another person review the questionnaire before delivering it and better yet, use a control group to see how they understand the questions. Both of these actions were done while preparing the questionnaire.

The questionnaire was delivered to the thesis advisor for more insight from outer perspective, while working with both the marketing and HR directors of the company. As mentioned in the earlier sections, the questionnaire was influenced by the company's managerial guidelines. Basically, these guidelines had an effect on *which way* the questions were asked. To clarify, the company currently has a managerial style focused on improving three main points in their HR policy. Translated, they go as: *From critizicing to improving, From just managing to enjoying* and *From waiting to preparing*. Traditionally, a questionnaire like this would aim on finding out what is wrong and what should be fixed. However, following these company guidelines I needed to try and avoid asking negative or "loaded" questions, and instead I focused on finding out what can be improved and what is good but could be better. As my questionnaire was influenced so heavily by the commissioning company, it naturally affects the reliability of the study, or rather the ability to replicate it. To be frank, personally I do not feel that the actual research findings are of any less valence since I took a lot of care while preparing the questionnaire, but the *observer bias* are always present to some extent due to the fact that I have become a part of the company during this study. Finally, the questionnaire was sent to a control group of four people working in the company's HR department who gave their feedback about the questions. The feedback was then carefully

assessed, and all the necessary changes were made to the questionnaire in order to shape the questions in a more understandable form.

Validity deals with questions about the research findings themselves. To put it more clearly, validity examines whether the results really mean that the researcher claims, and for example whether there is causality between the findings. (Saunders, et al., 2009, p. 157)

The nature of this research is exploratory, and validity is definitely the biggest concern here. In order to avoid some logical fallacies and false assumptions, some actions were taken. The segmentation is backed up by years of experience as well as work done by several parties but it is still very theoretical. To see whether people could actually identify themselves in the segmentation, many questions included an open aswer part to get comments about the questions. I believe that this gives the questionnaire the validity it needs, as we can see whether we overlooked something important in the segmentation, provided enough people give their comments in the open answer sections. Furthermore, the open comments from the respondents will help with enduring any external examination since we have something more tangible than only statistical data.

The questionnaire was sent to circa 150 employees in the Turku office of - during the spring of 2016. The questionnaire was conducted in Finnish since most if not all employees in the Turku office speak Finnish as their mother tongue, ensuring a better response rate. To give the employees some further incentive to answer this important questionnaire, there was a travel gift card worth 150€ that was raffled between the respondents.

4 RESEARCH FINDINGS

The employees of - were given a week to answer, with a reminder message being sent to them after 4 days. The questionnaire contained various open questions so not everyone answered every question, but for example the first question got 135 answers from 150 respondents, which translates to an answer rate of 90%. The lowest amount of answers any question had was 78, and the rest were hovering around 100 answers. Considering that many of these questions were open answers, I would say that the questionnaire gives enough reliable data to examine the findings and draw conclusions.

The employees were from various departments in the - office, like accounting, marketing and HR, so the results give quite a wide array of different points of view altogether.

4.1 Segmentation

The segmentation, or testing its viability rather, was perhaps the most important part of the questionnaire so seeing it getting most answers of any questions is promising to say the very least. The first two questions were both aimed for the segmentation, the first being the actual segmentation of the employees and the second acting as an explanatory question, asking for the employees to justify their choice. Additionally, they were asked to present a claim of their own, to see whether something was missed in our segmentation, but none of the 106 respondents gave out any other claims, they only justified their own answers. It can be speculated that the remaining 29 respondents who left the second question unanswered might not have recognized themselves in any of these claims, but it might as well be that they just had nothing to say, the topic did not interest them etc. Notable is, however, that in some of the open answers people mentioned that they had to do a tough choice between two of these claims, but in the end I see it as a positive note since having difficulty in deciding suggests that they had to do a lot of pondering and not only choose a random segment in a hurry.

As the figure 1 shows us, each of these segments found answers, which implies that people recognized themselves there. 41,5% of the respondents are part of the *innovators* segment, and a bit surprisingly, only 8,1% belong to the *survivors* group, which was initially thought to be the biggest one, based on - estimation. However, there are two likely explanations for this unexpected result:

 First of all, the claim in the *survivors* segment is perhaps the boldest one, while the others are a bit "softer" so the employees might have thought of this questions as a measure of one's modesty, meaning they would rather answer what they think we would want to see. The existence of this problem was noted while creating this questionnaire as one of the control group members pointed this out, and I decided to shuffle the claims so that the boldest looking one would not be first, and the most modest one would not look like the best option. In addition, it was made very clear for the respondents that there was no right

answer to this question so this first explanation is less likely to be true. Be that as it may, the second explanation is far more likely:

Since - is a staffing service and they are experts on personnel, most if not all of their employees are very carefully hired to their main office. It might be that their hiring process is successful in finding the right person for the right job internally, hence the high number of *innovators*. I find this explanation more appealing than the first due to all the measures taken beforehand to prevent the first explanation happening, although both of these explanations will remain as speculation.

Nevertheless, the segmentation and its comments suggest that it is applicable at the very least, but it most definitely needs more testing in different environments and with different people.

1. Työ on minulle uran luomista – Tahdon panostaa uraani jotta saan luotua siitä...: 25 vastausta
18.5%

2. Työ on minulle joustavaa – Oma elämäntapani vaatii siihen mukautuvaa työtä, ...: 19 vastausta
14.1%

3. Työ on minulle vain työtä – Myyn aikaani ja osaamistani, ja työnantaja maksaa...: 11 vastausta
8.1%

4. Työ on minulle sosiaalinen tapahtuma – Työ on tärkeä osa sosiaalista elämääni...: 24 vastausta
17.8%

5. Työ on minulle enemmän kuin työtä – Työ on minulle tapa toteuttaa itseäni ja ...: 56 vastausta
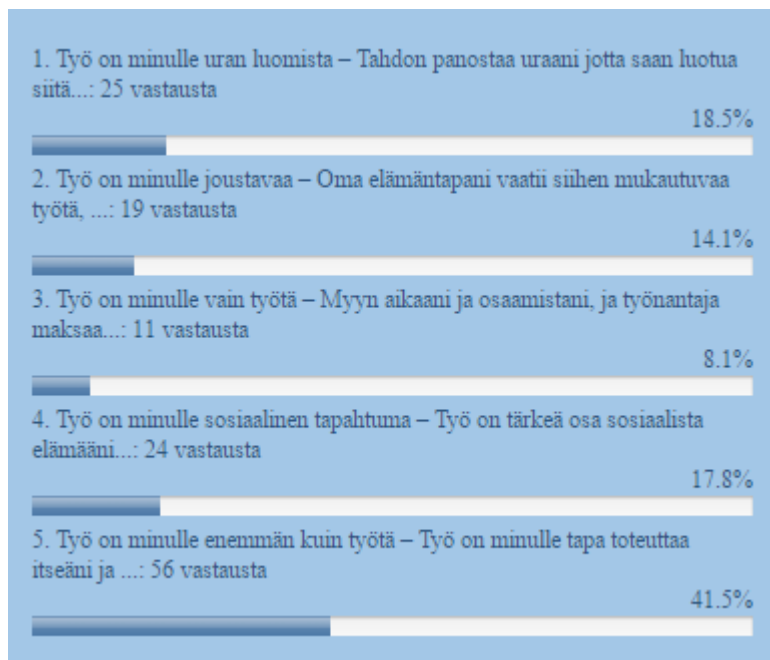41.5%

Figure 1. Segmentation based on Maslow's need theory (1=Career chasers, 2=Hedonists, 3=Survivors, 4=Participators, 5=Innovators)

4.2   Satisfaction within the segments

The questions number three, four and five were aimed at finding out whether the people within the segments are satisfied with the way how - treats them, and to see whether there were any major similarities or differences between the segments.
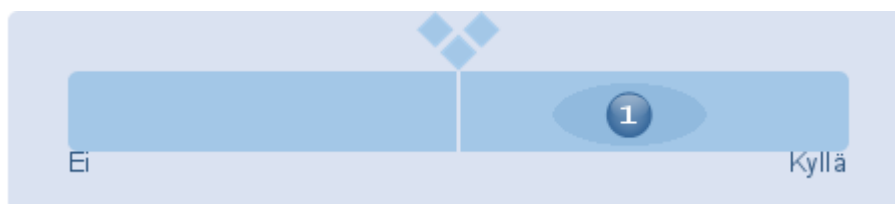

Figure 2: Does - support your work? (Left= Does not support at all, Right= Supports perfectly)

Figure 2 represents the answers to the question number three, and as we can see the general feeling was that - supports it's employees in a decent way but there is still room for improvement. The spread within each segment was mostly unnoticeable, but notably the satisfaction within the *survivors* segment was the lowest one by far, 59% while the other segments ranged from 70-74%. The reason behind this might just be dissatisfaction with their salaries, as the segment description suggests, but in order to find more reasons we must take a look at the open answers on question four.

The findings in the question four were, if not surprising, then interesting at the very least. As expected, there were indeed similarities within the answers. For example, in every segment there were some people who were unsatisfied with their salaries and would appreciate more money. However, rather surprisingly the one segment which seemed the most unsatisfied with their salary was *hedonists* when initially this group was thought to be *survivors*. Apparently, what makes the *survivors* least satisfied in question three was not money, but according to their answers, the lack of assistance they get in their work. Several

answers mentioned the burden they experience while working, and the sheer amount of work that was expected to be done by them. They hoped for more support in their work, and not only in the form of praise or acknowledgement but personnel to share the workload. This wish was mostly unique to the *survivors* segment, and should be noted by -.

Another curiosity in the results was how the answers between the segments looked similar at first glance, yet had differences when a closer look was taken. One of the best example of this is the wish for more team work. Both *hedonists* and *participators* were the ones who asked more team work, but where *hedonists* asked for team work as a form of sharing experiences yet developing individually, the *participators* clearly asked for co-operation between different departments and more social get-togethers, and working as a community. Training was also one of the key words in the answers, but its meaning also varied from segment to segment. Whereas *career chasers* and *innovators* both hoped for more training, the *career chasers* directly asked for just training and sales training in particular, the *innovators* also asked for new tools and adequate training to use them to enhance their working experience.

Wish for more challenge in one's work was unique to a handful of people in the *career chasers* segment, which can be seen as the opposite of what *survivors* hoped for. Additionally, where *survivors* hoped for more tangible support in the form of assistance, the *career chasers* hoped for constructive criticism and suggestions of how they could improve their work.

The final question in the work satisfaction part was number five, which would give - some idea of how their workers are currently satisfied with their rewarding systems.

Figure 3: Does your employee reward you accordingly? (Left= Does not reward accordingly at all, Right= Rewards perfectly)

As Figure 3 shows us, the employees are reasonably satisfied with the way - currently rewards them, but there are clearly people who are not satisfied. The spread is also larger between the segments this time. The *innovators* were again the most satisfied segment with an average of 70%. *Career chasers* and *participators* were both in the middle ground with an average satisfaction rate of 67%. *The hedonists* had an average of only 60%, which is not a surprise considering many of them hoped for more salary. Clearly the lowest satisfaction with rewarding was with the *survivors* group, with a grim average of 49%, which implies that something is severely wrong when it comes to rewarding the people within this segment. Based on the earlier data, the excessive work load experienced by some of the *survivors* might also prevent them from enjoying the rewards, which would explain their disappointment with the rewarding systems.

4.3   Internal and external factors and segments

Reflecting back at Herzberg's two-factor model (see chapter 2.3), question six tried to examine how each segment values various internal and external motivational factors.

In appendix 2 we have the charts which show us the average grade which each segment gave. It must be noted, however, that everyone did not answer every section but the least answers any section had was 86, which translates into 57% of the respondents.

That in mind, the responses still give us a very good look at how each segment values each factor. There were, again, some results which were expected based on the whole segmentation theory and other results which were, frankly, quite surprising. To elaborate, and to give an example, it was expected that *survivors* would value salary most of all, as they did. However, *hedonists* were also expected to rank salaries and rewardings highest, but instead they seem to value autonomy, communication and interesting work assignments more than others. Valuing autonomy is somewhat explained by the segment characteristics, but the other grades seem to suggest that there are some characteristics in this segment which are yet to be identified, which again seems to convey that the segmentation needs further testing with a different group before put to use in their business.

Career chasers have graded the factors as the segment characteristics imply, valuing promotion opportunities, training and appreciation by both their peers and management alike. *Innovators* graded every factor among the highest, while only ranking the highest in responsibility. These results also fit the characteristics of the segment, suggesting that the people who regard themselves as the *innovators* enjoy every aspect of their job and feel that responsibility acts as a motivator to fuel their inner need for satisfaction through their job.

Lastly, the *participators* gave the highest grade in working environment, which is not at all surprising considering the segment characteristics. Be that as it may, it was expected that they would give a somewhat higher grade to factors like appreciation by their colleagues and communication. This result might suggest that either the factors were inadequate or not explained right or that there are also some traits within the segment which have not been recognized.

4.4 Communication within -

Questions seven and eight served the purpose of examining the amount and openness of communications between the managerial level and the employees. They also were aimed at giving viability to the study by gathering concrete information about the communication rather than just trusting the words of a few employees and superiors.

Figure 4: Is the communication open enough? (Left= Not at all - Right= Very open)

Taking a look at figure 4, we can see that the openness of the communication between the management and employees seems to be in a decent shape, however, there is again room for improvement. Those happiest with the communications were *career chasers*, with a 72% score while the unhappiest were *survivors*, who scored only 52%. It can be speculated that this variation is tied to the departments where the respondents are working but since the segments can consist of people working in any position, it is very hard to say anything concrete. If anything, this score only shows that the openness of communications needs some sort of reform in general.

Figure 5: Is there enough of communication between the management and the employees? (Left= Not nearly enough, Right= More than enough)

Figure 5 gives us similar feedback than figure 4, as it implies that the amount of communication should increase. The segments also tell a similar story, *career chasers* scoring the amount of communication at 70% while *survivors* gave it only 52%. Rest of the segments fell in between, a little closer to the 70% though.

The communications part of the questionnaire is not strictly tied to the segmentation, but again offers the commissioning company some insight on how these segments react to the questions. So far, the *survivors* group seems most pessimistic regarding their working motivation, and this pessimistic stand does not seem to change when talking about the communication within the company.

4.5   Work place changes and their implications to each segment

Since - has gone through numerous changes throughout the years, ranging from new electric desks to changes in organizational level, questions nine and ten were conducted in order to find out how people in each segment reacted to these changes.

The changes which were perceived most valuable differed only a little, and for example every segment mentioned the addition of electric tables, positivity in general atmosphere and the clarity of company objectives and division of labour.

Having said that, there were differences in *why* these changes were felt important. *Career chasers* clearly implied that the changes in division of labour, hiring additional personnel and the addition of electric tables straight up affected how well they could concentrate on their job and how easily they could improve their own work, whereas *survivors* just explained that these changes take weight off their shoulders, making the job more sensible without the feeling of too much burden. *Innovators* named organizational changes very impactful since they increased the sense of community, which again they claimed to lead to better results. *Participators* also mentioned the increase in internal communications which have led to more open atmosphere.

None of the segments gave noticeably similar suggestions for future changes, but collectively some trends were present, e.g. remote work, improvements in communications and rearrangements in the office to provide seclusion in one's work.

5 CONCLUSIONS

The purpose of this study was finding out about the motivational levels of the employees, and possible factors that might impact their motivation. However, from the company's point of view, the ground zero lied in testing out the segmentation theory, which would again lead to further examination by the company if proven adequate. This study was conducted from a human resource management point of view, thus relying heavily on the company's policies.

Research question number one investigated the reasons why the employees felt (or did not feel) motivated in -, while also taking a glance at how satisfied they are in their work. The results from the questionnaire showed us that the employees feel reasonably satisfied in their work as a whole, yet there are multiple aspects, such as collaboration between the departments, feedback systems between the managers and employees and division of labor and resources, that VMP can work with in the future with the information they gained from the study. Notable is that many of the employees feel satisfied with the current way of how their wishes are taken care of, e.g. how their working conditions and health were taken care of in the form of new desks. Yet, one thing that seemed to cause most frustration was their rewarding system, which many people felt was inadequate and did not offer enough freedom to choose between different rewards.

The second research question delved into a new segmentation theory that has been under testing by the HR director of the company, as well as many of his acquaintances. However, this paper developed the theory further, and tested it out with a large group of people, which had never been done before. The results of the test were handled critically, and they suggest that there are indeed some similarities within the answers of the people who chose the same segment. For example the evidence that was gotten from the internal and

external factors question (see section 4.3) shows us that the segments indeed valued factors that were thought they would, but there were many exceptions.

That being said, the open questions proved to be very successful in finding out what the employees value, and I made some suggestions on what to improve based on those answers. As some of the responses mentioned the need for counseling and advice from more experienced workers, I proposed that VMP could work on a mentoring or tutoring program. In the proposed program, a senior worker would aid a newer employee, giving advice and support, acting as a mentor of sorts. The mentor would then reveive some form of compensation while the younger employee would receive the much needed advice, serving both parties and creating value for them. The mentor system could be further infused with the ongoing implementation of a gamification system. Another aspect which I suggested is a "bigger picture" –system, meaning that the current company goal, or the bigger picture, would be divided into goals for each department. Reaching these goals would bring rewards or points in the aforementioned gamification system for the employees of the department, thus bringing some aspects of provisional salary for each employee, as it was perceived problematic by some employees that only sales personnel have the possibility to earn more based on how hard they work.

All in all, I believe that the segmentation theory might be viable, but it needs more testing in different environments and under different circumstances since many of the results gotten can still be seen as speculation. Nonetheless, they will still serve as an excellent point of reflection for the company should it pursue the segmentation theory in the future when developing new services for the employees. For example, if the current segmentation questionnaire is to be presented to some of the rental workers, the company now has results in a form that can be put to comparison. Furthermore the comparison might prove essential in highlighting flaws in the current segmentation, thus making it easier to improve.

5.1 Suggestions for further studies

At the beginning of this commission the study of the segmentation theory was more wide, and included things like implications to the company's HR policies, studying how they would change their rewarding systems etc. Alas, bachelor's thesis is quite limited in length and scope and thus a lot of important matters were left out, and the paper had to only focus on the core part of the theory, leaving a lot of issues that could be elaborated further.

For example, as mentioned in the limitations section (see 1.3), the company culture most likely has a huge impact on the results, and it is very hard to tell how it altered the results. Another study might take that subject under a microscope, as well as taking into account the aforementioned subjects like rewarding systems. Also, studying how things like gender and age affect the segmentation might yield some interesting results. Targeted interviews might also reveal more, for example how people have developed throughout their lives, and would they have chosen a different segment if the study was conducted in a different time.

In addition, scrutinizing the segmentation while taking more motivational theories into account would certainly give it a lot more credibility.

Be that as it may, I am personally glad with the results I have gotten so far with the study, and the company that hired me for this study has given me a place to work so I can continue examining this segmentation and its possible future effects on -.

SOURCE MATERIAL

6 BIBLIOGRAPHY

Armstrong, M., 1977. A handbook of Human Resource Management Practice. In: London: Kogan Page Limited, pp. 53 - 55.

Beardwell, J. & Claydon, T., 1994. *Human Resource Management.* s.l.:Pearson education Limited.

Creative HRM, ei pvm *HR management history.* [Online] Available at: http://www.creativehrm.com/hr-management-history.html [Haettu 30 March 2016].

Creative HRM, ei pvm *Personnel Management in the 20th century.* [Online] Available at: http://www.creativehrm.com/personnel-management.html [Haettu 30 March 2016].

Hiriyappa, B., 2009. Organizational Behavior. Teoksessa: *Organizational Behavior.* New Delhi: New Age International, p. 141.

Kressler, H. W., 2003. *Motivate and Reward - Performance Appraisal and Incentive Systems for Business Success.* New York: Palgrave MacMillan.

Manktelow, J., ei pvm *Alderfer's ERG Theory.* [Online] Available at: https://www.mindtools.com/pages/article/newTMM_78.htm [Haettu 7 March 2016].

Maslow, A., 1954. *Motivation and Personality.* s.l.:Harper & Row, Publishers, Inc.

McLeod, S., 2014. *Scanned retina.* [Online] Available at: http://scannedretina.com/2014/07/24/maslows-hierarchy-2/ [Haettu 9 March 2016].

Orava, J. & Turunen, O., 2013. *Osta, Vuokraa, Vaurastu.* Helsinki: Talentum Media Oy.

Saunders, M., Lewis, P. & Thornhill, A., 2009. *Research Methods for Business Students, fifth edition.* Harlow: Pearson Education Limited.

Tay, L. & Diener, E., 2011. Needs and Subjective Well-Being Around the World. *Journal of Personality and Social Psychology.*

Van Grove, J., 2011. *Gamification: How Competition is Reinventing Business, Marketing & Everyday Life.* [Online] Available at: http://mashable.com/2011/07/28/gamification/#i6EnA_wg2uqi [Haettu 30 March 2016].

-

White, G. & Druker, J., 2004. Reward Management. Teoksessa: *RewardManagement.* London and New York: Routledge, p. 26.

Pictrure 1: Image courtesy of : http://www.shyentrepreneur.com/pre-business/maslow%E2%80%99s-hierarchy-of-needs-for-a-small-scale-business/

Picture 2: Image courtesy of:
https://stakeholdermanagement.wordpress.com/tag/motivation/

Internal and external factor grade by segment (school grading 4-10)

	Working Environment	Salary	Rewarding (monetary)	Rewarding (non-monetary)	Perks	Appreciation (colleagues)	Appreciation (management)	Responsibility	Autonomity
1. Career Chasers	8,5	8,5	7,7	7,8	7,6	9,2	9,5	8,4	8,7
2. Hedonists	8,7	8,4	8	7,6	8,1	8,8	8,7	8,2	9
3. Survivors	7,7	8,8	8,2	8,2	6,4	8,1	8,8	7,3	7,5
4. Participators	8,9	8	7,4	7,5	7,6	8,7	8,8	8,4	8,8
5. Innovators	8,5	8,6	8	8	7,7	9	9	8,8	8,9

	Interesting work assignments	Training and Self-development	Promotion opportunities	Communication and The general flow of information
1. Career Chasers	9	8,7	8,3	8,6
2. Hedonists	9,2	8,1	7,7	9,1
3. Survivors	7	7,4	7	7,8
4.Participators	8,8	8	7,5	8,8
5. Innovators	9,1	8,5	7,7	8,9