

Arlett Stojanović

Beyond the call of duty –  
Is there a difference in motivation of  
staff in profit and nonprofit organi-  
zations in Bosnia and Herzegovina?

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### Abstract

This paper looks at the conditions that influence employee motivation at the organizational and individual level in profit and nonprofit organizations. The large presence of international organizations in Bosnia and Herzegovina (BiH) offered a unique opportunity to test the hypothesis that profit organizations have more sophisticated human resource (HR) systems than nonprofit organizations, which could not be confirmed. At the level of individual motivation factors the paper found differences but also some consistencies between individual motivation factors for staff of both organizations. To contribute to an under-researched area the paper further looked into differences in individual motivation factors of national and international staff in a nonprofit organization. The findings confirm differences based on origin. The results of the study have practical implications for HR managers in nonprofit organizations since the paper highlights possibilities how to use the HR system to improve employee motivation.



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by Arlett Stojanović

Thesis paper submitted to East European Studies Online to fulfill the requirements of the Master of Arts program

First tutor: Gulnaz Sharafutdinova

September 2007

**This work is dedicated to my husband Dragan**

who always supported my zeal for new challenges and more responsibility, and without whom the accomplishments of the last two years would not have been possible.

**...and to my family**

who taught me that there is no such thing as 'impossible'



## Introduction

The following research contributes to the existing literature on motivation in three areas: comparison of motivation factors in profit and nonprofit organizations, reviewing motivation within intergovernmental nonprofits regarding possible differences between national and international staff, and motivation in the context of Eastern Europe, specifically Bosnia and Herzegovina.

Although motivation is a well researched phenomenon in the profit sector, little can be found comparing motivation in profit and nonprofit organizations. This paper will highlight similarities and differences in HR systems and identify good practices that support motivation. It also aims to clarify if motivational factors on the individual level are different between employees in profit and nonprofit organizations.

Secondly, the study provides more in depth information about motivation within intergovernmental nonprofits, particularly differences between motivational factors of national and international staff. The number of intergovernmental organizations is constantly rising, as is their influence in world trade, economic development, or environmental issues. All of these organizations have a core of very mobile international staff that is complemented with staff hired directly in the country where the organization's program is implemented. Better insights into factors that motivate national and international staff of these organizations could help to adjust the human resource management systems in a way that employee motivation is addressed more effectively. Since relatively little is known about this area the paper explores this point in more detail.

Thirdly, similar to many other topics the bulk of research on motivation has been carried out in the Western world. Very few studies have looked at motivational factors in contemporary Eastern Europe. The results of those studies<sup>1</sup> indicate that findings of Western research might not be applicable. Starting with Herzberg's Two-Factor theory it has been repeatedly confirmed in mainstream (Western) research that intrinsic, non-monetary factors have a stronger motivational effect on employees than monetary factors. Recent studies in Eastern Europe have shown the opposite. This paper will contribute to the discussion by exploring the importance of different extrinsic and intrinsic motivational factors to employees in BiH.

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<sup>1</sup> Hewitt Associates (2006)

In terms of structure the paper's first part covers research methodology, variables, and hypotheses. The methodology reflects a two-sided approach to motivation at the organizational and individual level. Conditions that influence motivation at the organizational level are reviewed through the HR systems. Motivation at the individual employee level is based on a quantitative survey on motivational factors.

The second part of the paper provides a theoretical framework by presenting several classic motivation theories, which contribute to a better understanding of the issues covered by this study.

Following these background information the next part presents the research findings. The findings are clustered in three parts. The first part covers the HR systems in profit and nonprofit organizations and how they are linked to motivation. The second part looks at motivation factors at the individual level with a special focus on the comparison between national and international staff. These findings will also be discussed in light of the cultural and situational context of BiH. The last part of the findings section looks at possible changes in employee motivation over time in a nonprofit organization.

Building on the research findings the next chapter discusses practical implications of the results. It suggests ways how the HR system of the reviewed organization can be amended to better address motivation factors that were ranked highly by employees.

In the course of the research several issues were highlighted that could not be addressed within this paper. They are referred to in the last part to offer 'motivation' for future research.

## **2. Research methodology, variables and hypotheses**

### ***2.1 Definitions***

Motivation is often defined as the initiation, direction, intensity, and persistence of behavior<sup>2</sup>. Motivation is usually *initiated* by the need to overcome a deficiency. The *direction* is given by the goal that the person is motivated to achieve. The *intensity* describes the amount of effort or how hard somebody is trying to get something and finally *persistence* describes the ability to sustain that will over a certain

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<sup>2</sup> Geen (1995), p.26

period of time. Consequently, motivation is a dynamic and time limited phenomenon.

Motivation can be divided into intrinsic and extrinsic types of motivation.

“**Intrinsic motivation** is evident when people engage in an activity for its own sake, without some obvious external incentive present. A hobby is a typical example”<sup>3</sup>. Intrinsic motivation at the work place is, as Schermerhorn stated, built directly into the job itself. Sources of intrinsic motivation can be feelings of competency, personal development, and self-control people experience in their work<sup>4</sup>. ‘Rewards for achievement’ are absent in the intrinsic motivation model.

**Extrinsic motivation** encompasses external factors that are used to stimulate employee performance. They can be tangible like pay, benefits (stock options, medical insurance, pension fund) and status symbols (bigger office, official car). Praise, on the other hand, is an intangible extrinsic motivator. In all cases the stimulus resides outside the individual.

**Profit and nonprofit organizations** can be distinguished by their organizational purpose. Profit organizations can produce products or services but their ultimate aim is to create profit. Nonprofit organizations can also provide a wide range of (mainly) services but their final goal is something else than making profit. Typically the organizational purpose is to support an issue or matter of private interest or public concern for non-commercial purposes, without concern for monetary profit.<sup>5</sup> Nonprofit organizations highlighted within this paper are exclusively intergovernmental organizations (IGO) with sovereign states as members. Their scope and aims are of public interest.

The paper also looks at **national and international staff**. The first category includes citizens of BiH who work in the country. The second category covers all other employees who are non-BiH citizens.

**International organization** is by definition any organization with international scope, presence, or membership and as such it may include profit and nonprofit organizations.

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<sup>3</sup> Wikipedia, Motivation (2007)

<sup>4</sup> Schermerhorn (1996), p. 145

<sup>5</sup> Alvarado (2000), p.6

## 2.2 Variables and Indicators

Assessing ‘**motivation**’ as the dependent variable requires the identification of independent variables that have a strong influence on motivation and at the same time have different strengths when viewed for profit and nonprofit organizations.

The selected variables are:

1. The human resource management system as a mirror of the management’s concern for employee motivation
2. Individual employees’ motivation factors
3. Employee motivation over time

1. The first variable looks at the organizational level, more specifically the **human resource (HR) management system** that is in place. Employee motivation is one aspect of HR management. Therefore, this variable will provide a better understanding of the context and framework for employee motivation in different organizations<sup>6</sup>. The indicators that used to operationalize the variable and to provide ground for comparison between the organizations are:

- ✦ Performance appraisal system and its consequences
- ✦ Professional development program
- ✦ Career development options
- ✦ Other rewards and benefits

2. The second variable moves the focus from the organizational level to the individual. It tries to establish what **individual motivational factors** are most important to national and international employees in nonprofit organizations. There are ten different factors that respondents were asked to rank

- ✦ **Salary increases (other performance related benefits)** The classic example for extrinsic motivation are performance related benefits in form of salary increases or bonuses.
- ✦ **Seeing results of work** This factor addresses intrinsic motivation that is caused by the job itself and its immediate consequences (short term outputs). Employees in all sectors have the possibility to see the result of their work, directly or indirectly.
- ✦ **Recognition by peers, manager, or clients** Appreciation of ones work by superiors, colleagues, and external counterparts is another important extrinsic motivator. Positive feedback on employee activities is likely to

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<sup>6</sup> Akingbola (2006), pxx

cause more satisfaction at work, which causes people to work harder – a positive ‘vicious’ cycle.

- ✦ **Healthy office atmosphere and relationships** Another factor that tries to capture an intangible aspect of individual motivation is related to atmosphere at work and interpersonal relationships. The atmosphere at the work place, i.e. hostile or supportive can affect motivation positively or negatively.
- ✦ **Possibility to make a difference through your work** This factor is another intrinsic motivation factor linked to the job content. In comparison to ‘seeing results of work’ it looks at the long term impact achieved through work. It could be the satisfaction that derives from a product that improves the quality of life of its users. It might also be a more immaterial change, like improved citizen participation or reduced poverty.
- ✦ **Opportunity and speed of promotion and career development** This factor can be a source of intrinsic motivation for people who aspire to move up within the organization.
- ✦ **Nice work environment (office, modern equipment)** This factor adds another facet of extrinsic motivation through work conditions. It can be understood in terms of office space, functioning equipment, modern communication tools that can be decisive to carry out tasks quickly and effectively.
- ✦ **Good salary** A good base salary can be a very important extrinsic motivation factor.
- ✦ **High level of autonomy within your work** This factor is related to intrinsic motivation, however, it depends to a great degree on external conditions, i.e. the leadership style of the supervisor. It assesses the importance individual employees attribute to responsibility, and the freedom in planning and decision making.
- ✦ **Transparency of information and decision making process** This factor affects extrinsic motivation. It refers to the inclusion of employees in the information flow, development of plans, and in general participatory decision making.
- ✦ **Other** The ‘other’ option provided the possibility to add further factors, which also allowed an ex-post analysis of these additional issues.

These ten plus one factors were inspired by Herzberg’s concept of motivational factors (for more details see part III.). However, the finally chosen factors were tailored to the current BiH setting through pre-survey interviews<sup>7</sup>. Customizing the factors seemed necessary to account for cultural differences. Herzberg’s and other research was based on Western European settings. The Eastern European

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<sup>7</sup> See point 2.4.3 Quantitative Sources for more details

context and the special focus on a comparison between national and international staff warranted a more individual approach.

The final survey data allows various cross references and comparisons between profit and nonprofit, within nonprofit organizations (comparing results for national and international staff) and assessments in terms of gender specific findings.

3. Since motivation is a dynamic phenomenon in terms of intensity as well as priorities a third variable was introduced to look at the **motivation** at the point of time **when** the employee was **joining the organization**, which then allowed comparison with current motivation factors. In answer to the question, “What motivated you to join your current employer?”, respondents were required to either choose between four options or add a reason that was not mentioned. Multiple answers were possible. The following options were available.

- ✦ Good reputation of the employer
- ✦ Attractive salary
- ✦ There was no other option at the time
- ✦ Wish to make a difference with your work
- ✦ Other (please add...)

Similar to the previous variable, the answers allow comparisons within the sample organization, i.e. comparing results for national and international staff.

To guide the application of the variables four hypotheses were developed.

### ***2.3 Hypotheses***

Hypothesis 1: The HR systems of profit organizations build a better link between employee development, performance, and motivation than in nonprofit organizations.

Since motivation has been a topic in profit organizations for decades the hypothesis assumes that conditions in support of motivation are better developed in profit organizations

Hypothesis 2: Staff in profit organizations is motivated by different factors than staff in nonprofit organizations.

The hypothesis reflects the common assumption that people in profit organizations are most motivated by money while those in nonprofits are idealists, which will be tested.

Hypothesis 3: Within nonprofit organizations international staff is motivated by the same factors than national staff.

This hypothesis assumes that all staff that works for a nonprofit organization is basically motivated by the same things.

Hypothesis 4: Motivation to join the international governmental organization did not change over time for the majority of national and international staff.

Although motivation is a dynamic phenomenon that can change over time this hypothesis assumes that for the majority of nonprofit staff motivation doesn't change.

## ***2.4 Research Methodology and Resources***

To test the hypotheses this paper uses different data sources. A semi-structured questionnaire was used to obtain qualitative information. Quantitative input was gained through a survey that allowed a) ranking of motivation factors and b) multiple choice answers.

### **2.4.1. Country Choice and Sample Organizations**

The concept of motivation is under-researched firstly in Eastern Europe and secondly in international governmental organizations, which would favor any country in Eastern Europe with a high concentration of international organizations. The post-war situation in Bosnia and Herzegovina caused a very high level of international community involvement. Consequently, the concentration and variety of international governmental (and non-governmental) organizations is among the highest in the region. On the other hand, bigger international profit oriented companies like Coca-Cola, Nestle, or various banks have a comparable presence in all countries of the region, therefore access to these organizations was not a decisive criterion. Considering all these factors Bosnia and Herzegovina became the country of choice for this study.

To restrict the variance caused by factors other than the targeted, variables the sample included comparable intergovernmental organizations from the nonprofit

sector and profit organizations that correspond in terms of size and geographic coverage. Smaller organizations tend to have less developed human resource management systems or none at all. Hence, to ensure sufficient material for a comparison of HR systems, the sample was restricted to organizations with 100 or more employees. Secondly, only organizations with staff made up of local and international employees were selected to ensure a meaningful comparison of differences in motivation of international and national staff. More or less all non-profit organizations in BiH have mixed staff but only two have more than 100 employees. Similarly, one can find many companies with more than 100 employees but only few with several international staff members. The OSCE's Mission to BiH, UNDP BiH, the Coca-Cola Hellenic Bottling Company, and the Hypo Group Alpe Adria were selected as case studies since they fulfilled these criteria.

The **OSCE**<sup>8</sup> was founded as an instrument for early warning, conflict prevention, crisis management, and post-conflict rehabilitation. In addition to the Permanent Council in Vienna, the OSCE has 28 field pres-

ences and Missions. The Mission to BiH began its work in December 1995 as one of the key agencies in the post-war transition process. The Mission works through programs at all levels of government (democratization, education, human rights, regional stabilization). It employs 650 national and international staff.



Picture 1: OSCE logo and Mission head quarter. Source: [http://www.oscebih.org/oscebih\\_eng.asp](http://www.oscebih.org/oscebih_eng.asp)

**UNDP**<sup>9</sup> is the UN's global development network, an organization advocating for change and connecting countries to knowledge, experience, and resources to help people build a better life. It has 166 country offices, one of them in BiH. UNDP BiH employs 155 people to implement projects in five program areas: democratic governance, pro-poor socio-economic development, youth, gender, human security, and environment.

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<sup>8</sup> OSCE BiH (2007), website

<sup>9</sup> UNDP (2007), website



**Coca-Cola HBC**<sup>10</sup> is a Greece corporation that has the exclusive right to produce under the Coca-Cola brand name in 27 countries including BiH. Here production began in 1998. Since then Coca-Cola beverages are produced and sold by Coca-Cola HBC B-H, d.o.o. and its four distribution centers. In recent years, Coca-Cola invested approximately €40 million to expand and improve their business in BiH. About 350 people are directly employed by the Coca-Cola business system.



Picture 3: Mostar Old Bridge with Coca Cola umbrellas and seat-covers, custom-made for this historic site. Source: <http://www.coca-colahbc.com/country/files/en/bosnia/community.html>

The **Hypo Group Alpe Adria**<sup>11</sup> is an Austrian banking group with numerous cross-border activities in eight countries of the Alps-Adriatic region. Its network of branches and offices extends from Austria through Italy and Liechtenstein, from Slovenia through Croatia, Bosnia-Herzegovina, Serbia, Montenegro and Germany on to Brussels. Hypo Group Alpe Adria entered Bosnia and Herzegovina in 2001. The Group was proclaimed the largest investor in Bosnia and Herzegovina in the banking segment in the year 2002. It provides banking, leasing and investment services with about 1000 employees, the smallest number (50) in the leasing branch.



Picture 4: Logo of the Hypo Group Alpe Adria. Source: <http://www.hypo-alpe-adria.ba/>

**These four organizations provide a representative picture** within Bosnia and Herzegovina of the intergovernmental sector through political and development agencies and the profit sector through production and service industry. They qualify for a joint sample because of the comparable size of employee numbers and structure, presence in the field, and international nature. These four organizations were the data sources for this research in terms of qualitative and quantitative material.

#### 2.4.2. Qualitative Resources

<sup>10</sup> Coca-Cola HBC (2007), website

<sup>11</sup> Hypo Group Alpe Adria (2007), website

To test the first hypothesis related to the HR system selected respondents included two categories: human resource manager and top manager. “A key informant in any research protocol should be the person who is in the best position to know about constructs under study.”<sup>12</sup> The human resource manager was chosen as a source that is very knowledgeable about the institutional framework of human resource development, the formal requirements of the appraisal system, career development options, and reward systems. The top manager is able to provide insight into applied motivation techniques and the overall importance given to human resources and motivation.

To obtain the information **interviews** were based on a standardized set of open questions. Answers were coded to ease comparison between the respondents. The interviews were recorded and transcribed.

There were nine respondents from four organizations. The size of the sample is relatively small but it should be kept in mind that irrespective of the number of respondents the information on the system should always be the same.

### **2.4.3 Quantitative Resources**

The second source assessed information at the individual level. The **quantitative survey** obtained feedback on motivational factors of national and international staff in a nonprofit organization. A pre-survey with interviews took place as basis to develop the survey questionnaire. The participants of the pre-sample did not get a possible list of indicators, rather they were asked to freely associate and list all factors that positively influence their motivation. Secondly they were asked what their motivation was when originally joining the organization they now work in.

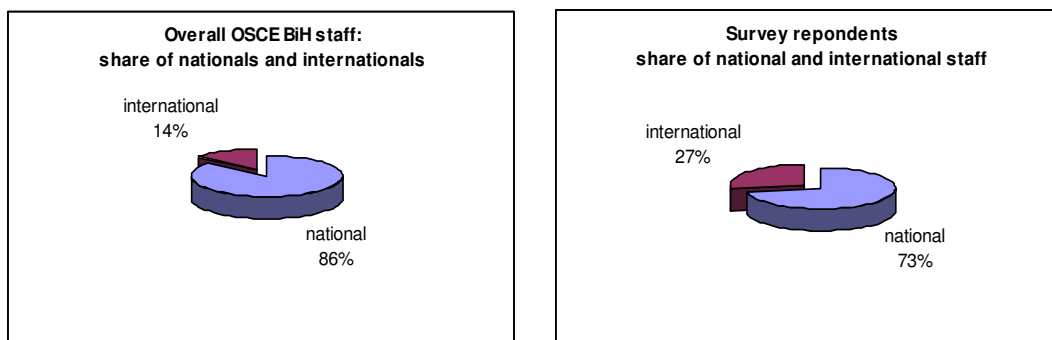
The answers were listed and compared to identify the most common factors. The pre-survey input was also compared against Herzberg’s list of motivational factors. Based on these contributions the final survey was developed. It offered a pre-defined list of possible motivational factors that respondents were asked to rank. The option to ‘add others’ was also offered in case a factor was not included in the list.

### **The nonprofit survey sample**

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<sup>12</sup> Hubert & Power (1985) in McDonald (2007), p.266

For the nonprofit survey data was collected within the OSCE mission to Bosnia and Herzegovina. Internal email distribution lists for OSCE staff were used to form the sample and the total number of people included in the sample was 286. Of those 80 (28%) responded. Seven responses were not usable either due to lack of ranked factors<sup>13</sup> or too short time with the mission (less than one year).



Among the respondents were 53 national staff and 20 international staff (27%). The ratio of national and international staff in the reply does not reflect the overall share in employees with 557 national and 93 internationals (14%). Therefore, the findings at the level of ‘all respondents’ are not representative until they have been adjusted by the factor that accounts for real shares of national and international staff in the whole organization.

The respondents had to rank factors that motivated them according to their effectiveness (Rank 1 –factor with the biggest motivational effect, Rank 2 – second most effective, and so on). All motivation factors that did not receive a numeric value by the respondent were allocated the value ‘11’ as factors of least importance.

### **The profit survey sample**

The attempt to collect data from the profit sector turned out to be very challenging. Interviews showed that the majority of international companies carry out regular employee satisfaction surveys that. Consequently, companies were reluctant to agree to another survey. While reviewing those original surveys would provide interesting background information on the topic, the data would have not been useful to test the hypotheses of this paper since it would not allow a direct

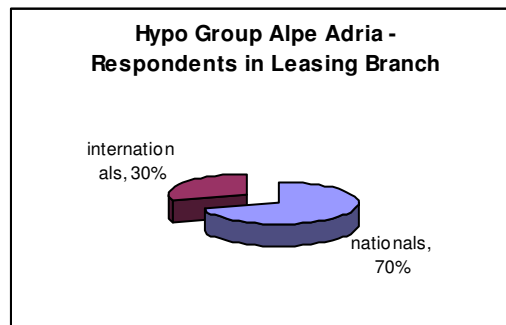
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<sup>13</sup> Instead of ranking the motivation factors from 1 to a higher number (maximum 11) these respondents ranked several factors with ‘1’, several with ‘2’ and so on.

comparison between profit and nonprofit organizations based on the same set of pre-defined factors and questions.

In the end, the Hypo Group Alpe Adria agreed to send the questionnaire to all national and international employees of the Leasing section. Respondents were reached through the bank's email distribution list. Of total 50 employees, 10 (20%) returned useable questionnaires, of those 30% were filled by international and 70% by national staff.

The administered questionnaire was identical with the one used for the nonprofit sample. Respondents were asked to rank the factors. Factors that were not marked received the value '11' from the author to duplicate the analytical method used in the nonprofit sample.



### 3. Theoretical framework

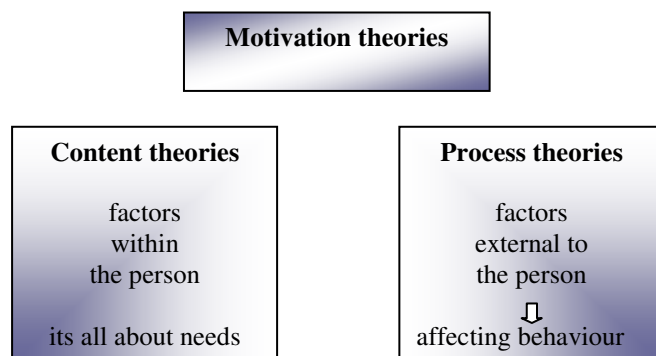
#### 3.1 Introduction

To provide a better introduction to the topic and its role in academic research the following part will present classic motivation theories. Their framework supports the understanding of motivation factors dealt with in the context of this paper. 'There is no single all-encompassing theory that can explain motivation for all types of people in all kinds of circumstances'<sup>14</sup>. Therefore it will be necessary to look at several concepts.

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<sup>14</sup> For more comprehensive overviews on work motivation theories see Campbell and Pritchard (1976), Locke and Henne (1986), and Büssing (1997).

### 3.2 Most common motivation theories



Picture 5: Categories of motivation theories. Source: author

The classic motivation theories fall in two broad categories: content and process theories.<sup>15</sup> The first group is related to the needs of a person. The second school of thought developed later and attempted to

introduce a more dynamic dimension by describing the process through which needs are translated into action.

The quantitative part of this research is closely linked to *content theories*, in particular Herzberg's theory of motivation factors. The qualitative assessment of this paper that targets the organizational level is more related to *process theories* of motivation insofar as it considers system-inherent processes related to motivation (e.g. goal-setting theory finds its practical counterpart in performance appraisal systems).

#### 3.2.1 Content theories

Content theories explain why people have different needs at different times. These needs ("deficiencies that an individual experiences at a particular point in time"<sup>16</sup>) usually fall into three groups: physiological needs (food, sleep), need for social interaction, and psychological needs (self esteem, self-fulfillment). This section will look at Maslow's need hierarchy theory, Alderfer's ERG theory, and Herzberg's two-factor theory.

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<sup>15</sup> Gibson et al (1997), p.125

<sup>16</sup> Gibson et al (1997), p.128

### Maslow’s Need Hierarchy Theory

Maybe the most commonly known motivation theory is Maslow’s five-level hierarchy of needs<sup>17</sup>. According to Maslow needs have to be fulfilled sequentially, e.g. although an employee can have several needs his/her behavior is primarily motivated by the lowest unsatisfied need at the time. Once the

<b>Self-actualization</b> (need for self-fulfillment)
<b>Esteem</b> (self esteem through achievements and social esteem through recognition of others)
<b>Belongingness</b> (need for love and social interaction)
<b>Safety needs</b> (secure and stable environment, absence of pain)
<b>Physiological needs</b> (food, air, shelter)



Picture 6: Maslow’s Needs Hierarchy. Source: author

lower level need is satisfied, the next higher need becomes the primary motivator - the so called satisfaction-progression process.

In the context of this paper it is very likely that different cultural and economic conditions shift the priority ranking of motivational factors. For example monetary factors should have, in line with Maslow’s needs theory, a much higher ranking in environments where employees need to worry about satisfying basic needs for themselves and their family in terms of housing, food, and safety.

### Alderfer’s ERG Theory

Similar to Maslow, Alderfer<sup>18</sup> clusters needs into three (although more simplified) categories: **existence** (**E**: food, shelter, pay), **relatedness** (**R**: meaningful social relationships), and **growth** (**G**: individual self-fulfillment). Alderfer’s needs do not need to be fulfilled sequentially. He stated that in addition to the **progression-satisfaction process** a **frustration-regression process** exist. Thus, if a person is constantly frustrated in fulfilling its growth needs s/he will turn ‘back’ to the level of relatedness and relatedness needs will become the major motivation force. If employee’s needs are blocked by company policy or lack of resources, managers can attempt to redirect subordinates efforts to relatedness or existence needs.<sup>19</sup> Relatedness needs is a factor that is likely to be of different importance in different organizational and geographic cultures. Therefore it was specifically included

<sup>17</sup> Maslow (1943) in Green (2000)

<sup>18</sup> Alderfer (1969)

<sup>19</sup> Gibson et al (2000), p.133

in the list of motivation factors that were tested. Secondly, the specific constellation of international organizations allows to test if interest in promotion is equal between national and international staff and if there is a higher rating of relatedness needs in one group.

### Herzberg’s Two Factor Theory<sup>20</sup>

It is also known as motivator-hygiene or satisfier-dissatisfier theory because it links motivation to two different groups of factors

<b>hygiene, dissatisfier</b>		<b>motivators, satisfier</b>	
(extrinsic conditions)		(intrinsic conditions)	
job context Pay and benefits, company policy and administration, relationships with co-workers, status, working conditions, job security		job content Feeling of achievement, work itself, responsibility, recognition, promotion, growth	
When absent, leads to high dissatisfaction	When present, leads to satisfaction but not necessarily to motivation	When absent, not highly dissatisfying	When present, highly motivating

Table 1: Herzberg’s distinction of motivational and hygiene factors. Source: author.

As previously mentioned, Herzberg’s method to use concrete motivation factors inspired the list of motivation factors for this paper. To limit the surveyed dimensions (that already cover: profit/nonprofit, international/national, motivation when joining/motivation today) it does not distinguish between satisfier and hygiene factors. Although it can be assumed that eventual hygiene factors would rank at the bottom of the pre-defined motivation scale.

### Consequences for practical application

The most interesting practical implication of content theories is the finding that rewards that try to stimulate motivation and thus performance have different effects on different people. Extrinsic rewards like money hold great motivational potential for some while for others an interesting task or autonomy in the job are much better motivators.

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<sup>20</sup> Herzberg (1987)

### **3.2.2 Process theories**

This second group of theories attempts to describe the process through which need (deficiencies) are translated into behavior. The following theories include Vroom's expectancy theory and Locke's goal setting theory since they can be directly linked to components of the HR system that are reviewed in profit and non-profit organizations.

#### **Vroom's Expectancy Theory**

This theory, mostly accredited to Victor Vroom<sup>21</sup>, describes the expectation that work effort leads to certain performance that in turn leads to certain outcomes (first and second level). The first level refers to an immediate outcome of behavior. For example the immediate outcome is the completion of a hand book on personnel management. The secondary outcome refers to the reward/punishment that the first level outcome is likely to cause, e.g. praise of peers or editor.

HR systems apply this through transparent appraisal, reward, and promotion systems where cause and consequence are clearly related. The paper included these components when operationalizing the HR system variable<sup>22</sup>.

#### **Locke's Goal Setting Theory**

Of all motivation theories Locke's is probably the one with the biggest impact on contemporary management. Goal setting is the process of motivating employees and clarifying their role perceptions by establishing performance objectives.<sup>23</sup> The idea is that goal setting improves the intensity and persistency of efforts and gives staff the assurance that behavior will lead to the desired performance outcomes.

This issue is taken up in the quantitative and the qualitative part of the study. At the organizational level it includes the component of performance appraisal and performance management. At the individual level 'seeing results of work' was included, a factor that is directly linked to goal setting and evaluation against goals.

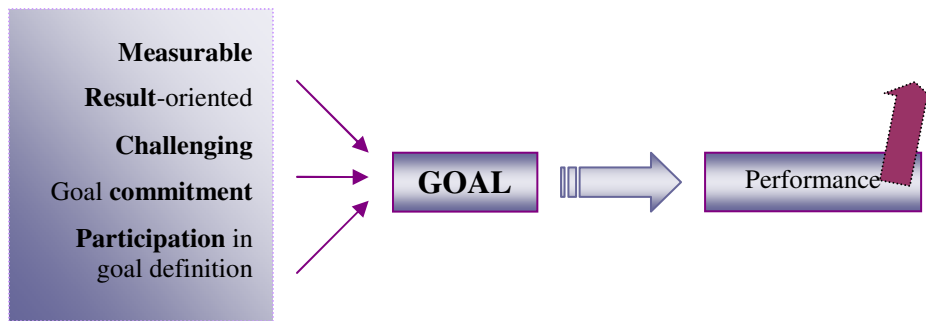
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<sup>21</sup> Vroom (1964)

<sup>22</sup> For details see point 2.2. Variables and Indicators, p.7

<sup>23</sup> Locke (1990)





Picture 7: Locke's characteristics of effective goal setting by author

### **Consequences for practical application**

Process theories provide practitioners with more action oriented advice how to align organizational goals and individual motivation. Assumptions of process theories find their direct expression in organizational HR systems.

## **4. Research Findings**

With the background provided through the chapters on research methodology and theoretical framework the next part presents the actual findings in profit and nonprofit organizations in Bosnia and Herzegovina.

### **Summary of results of tested hypotheses**

#### Hypothesis 1

Based on the reviewed cases the hypothesis 'HR systems of profit organizations build a better link between employee development, performance, and motivation than nonprofit organizations' could not be universally validated. While non-career organizations like the OSCE BiH miss this active link between employee performance, development, and motivation; others like UNDP BiH showed a very strong link.

Hypothesis 2: Staff in profit organizations is motivated by different factors than staff in nonprofit organizations. This hypothesis was confirmed. While the factors that ranked highest for profit staff could also be found among the top factors for nonprofit staff, the inverse review showed a remarkable absence of 'Seeing results of work' and 'Possibility to make a difference' with profit staff although they were dominant among nonprofit staff.

### Hypothesis 3

The third hypothesis was not proven. National and international staff in nonprofit organizations has different priority motivational factors. The biggest difference was visible on the subject of ‘Good salary’ that was of highest importance to national staff but of less importance to internationals. However, there are some factors like ‘Seeing results of work’ and ‘Possibility to make a difference’ that were very important to both groups.

### Hypothesis 4

The fourth hypothesis was proven, ‘Motivation to join the international governmental organization did not change for the majority of national and international staff’. The most often named reason to join the OSCE for the national staff was the ‘attractive salary’ (85%) and for the majority of that group it is still today the most important motivation factor. The most often named reason to join for international staff (67%) was the ‘wish to make a difference’, for the majority of this group it stayed the most important individual motivation factor.

The following part will present the data that led to these results. The first part will cover the organizational level by comparing HR systems in profit and nonprofit settings. The second part reviews motivation from the individual’s point of view. A short comparison between profit and nonprofit staff will be presented but the focus will be on elaborating differences in individual motivation factors of national and international staff in intergovernmental organizations.

#### ***4.1 Link between employee development, performance and motivation as part of the human resource management system***

Most factors that influence extrinsic motivation are institutionalized in the HR system of an organization. All of them (appraisal, goal setting, professional development, rewards, and career) attempt to stimulate desired behavior, in other words motivate the employee to perform in a certain way.

#### **4.1.1 HR systems in nonprofit organizations in BiH**

The human resource management systems of most intergovernmental organizations are based on the UN model<sup>24</sup>. Generally speaking it has more in common with the civil service in public administrations than with HR systems in profit organizations.

There is an important distinction that has to be made within intergovernmental organizations. Most of them are classic *career organizations* with a mix of fixed staff members and more temporary personnel but others, like the OSCE and its Mission to BiH are *non-career organizations*.

The specific nature of the latter – short term intervention with a specific mandate – presupposes an engagement that is limited in time and geographic area. The consequences for HR are, among others, regulations that limit the time of employment. “The OSCE is not a career organization. It is made for short term missions and it looks for ‘ready made’ experts. When a human rights expert is needed, there is no time to learn about the job.”<sup>25</sup>

Career organizations like UNDP have different categories of staff and the closer they are to the core of the organization the more systematic is their career development<sup>26</sup>. Employment length is limited based on the related project’s length but not per se. Life long employment; especially for the leadership cadre is possible.

This difference is consistently reflected throughout the review of the HR systems of both organizations.

#### **Performance appraisal and goal setting**

The first reviewed component, performance appraisal was applied in both organizations but in very different ways. In the OSCE Mission to BiH the appraisal is based on the job description and certain competencies as assessed by the supervisor. The setting of specific goals is not required and usually not part of the process. Performance appraisals are mainly seen as a cooperative tool between super-

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<sup>24</sup> UN International Civil Service Commission website (2007)

<sup>25</sup> Young (2007), interview

visor and employee. They have no consequences, neither positive nor negative. In the best case the appraisal provides an occasion where the employee receives formal recognition for the work s/he has done.

UNDP on the other hand has a very complex Results and Competency Assessment – the same in all 166 country offices. It is based on individually agreed goals and areas of development for every employee. Mid year progress is reviewed and the final appraisal includes self evaluation, evaluation by the supervisor and a review of all evaluations through a Career Review Group that ensures consistent ratings throughout the organization.<sup>27</sup>

Thus, when looking at performance appraisal and goal setting the two reviewed intergovernmental organizations provide a very mixed picture. OSCE's performance appraisal can motivate through recognition for work, while UNDP's system targets motivation in a multi-layered way (participative goal setting, evaluation against goals, equalizing ratings through independent commission, and interest in employee feedback).

### **Professional development**

Professional development and training encompass efforts undertaken by the organization to further work related skills and knowledge. Learning opportunities and personal/professional development are important motivation factors. They can be directly linked to the need for personal growth as highlighted in the content theories. The OSCE uses this component very little while UNDP offers a variety of tools.

Due to its non-career and 'short-term' nature, the OSCE Mission to BiH expects staff to come with highly specific skills. There is no professional development system and the development of employee's technical skills depends to a great extent on individual managers, through opportunities like workshops and seminars.

Both, the review of the UNDP HR system and the interviews showed that 'learning' is a very important issue at the organizational and the individual level. There is a variety of tools accessible to staff: LEAD, the corporate leadership develop-

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<sup>26</sup> Priesner (2007), interview

ment program for young professionals; the Virtual Development Academy; online toolkits; and online courses, short term assignments to other country offices, and practitioner networks that link people world wide on thematic issues. Staff is expected to dedicate a certain amount of time each week to learning. There are learning managers and annual learning plans – it is a concept that penetrates the organization.

### **Promotion and career development**

The reviewed intergovernmental organizations have limited opportunities for promotion or career advancement. They rely mainly on public vacancies to ensure that the best candidate gets the position. The OSCE has no promotion system. A supervisor can identify one employee as ‘high potential’ but that person must still go through the vacancy process. Hence it is not an option to motivate the employee through the prospect of promotion, at least not officially. In career organizations like UNDP, the Career Review Group is responsible for talent management at the country level and international managers have the possibility to participate in the quarterly reassignment exercise where they can apply for higher positions. So within UNDP there is some scope for motivation induced by career prospects.

### **Summary**

Although the nonprofit sector has already been limited to intergovernmental organizations the findings show that the distinction in career and non-career organizations has a great impact on the organization’s HR system. Motivation, in an organization like UNDP, is linked to a complex evaluation system that includes goal setting, personal accountability, recognition for positive performance, and an abundance of learning opportunities. UNDP also utilizes its global network in a way that increases the feeling of involvement and commitment among employees with its positive effects on motivation. While in the OSCE formal motivation mechanisms are mainly limited to annual feedback by the supervisor and ad hoc learning opportunities through seminars and conferences.

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<sup>27</sup> Another interesting aspect is UNDP’s **Global Staff Survey**. Over 80 questions evaluate result orientation, work-life balance, harassment, and the confidence of staff in their leadership, e.g. “Do you have confidence in your Resident Coordinator?”

#### **4.1.2 HR systems in profit organizations in BiH**

The human resource system in bigger international companies in BiH is often more developed than in national companies. The HR system at, for example Coca Cola in BiH consists of various components<sup>28</sup>. The most important ones in terms of motivation are: evaluation, compensation and benefits (as classic extrinsic motivation tools), training and development, and to some extent also engagement and shaping culture. The second examined case, the Hypo Group Alpe Adria has an overall less developed system. Over the last years the company has been growing fast through mergers and acquisitions and according to the management the HR system still needs time to consolidate<sup>29</sup>.

#### **Performance appraisal and goal setting**

The appraisal in Coca-Cola is split into appraisal against results, job description, and assessment of competencies. The evaluation of core staff is carried out by supervisors and an independent third party specialized in employee assessment<sup>30</sup>. Depending on the employee's position goals are set as monthly targets (in sales and production) or as annual targets (for the management level). For the first group the assessment of results and the disbursement of related bonuses take place monthly. Thus extrinsic motivation to reach performance targets is constantly stimulated. The management level has more long-term targets but their salaries, too consist of a fixed and a variable share.

The Hypo Group's appraisal system also includes goal setting and evaluation against previous year's targets. The system is less strict, e.g. measurability of targets is not generally required. Only part of the annual bonus is depending on performance. It is up to the supervisor to determine what performance merits what share of the bonus. The other part of the bonus (the social component as Thomas Tomsich called it) is centrally administered and depends on the overall performance of the company. The bonus size compared to the base salary is greater for lower income groups benefit more than the management.

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<sup>28</sup> Ramović (2007), interview

<sup>29</sup> Tomsich, (2007), interview

<sup>30</sup> Coca-Cola HBC hires different international agencies that provide employee assessments services throughout the firm, including the company in BiH. Those assessments in addition to supervisor appraisals are discussed in the management group. It provides a systematic way for talent scouting.

As a result motivation is supported in two ways. One, achieving set goals should generate intrinsic motivation based on satisfaction with own performance, and secondly, financial rewards support extrinsic motivation. Annual staff surveys are another tool used to gauge employees' satisfaction with the organization, its processes, and systems. It is used by both organizations and it helps to address strengths and weaknesses of the system and thus influences factors that further or hinder employee motivation.

### **Professional development**

Professional development is a very important tool to positively influence employee performance. Coca-Cola HBC had individual annual training plans that consist of a general component related to organizational requirements and a personal component that aims at developing competencies of a particular person. Tools can include training, but also coaching, shadowing, and visits to other countries. Employees that are motivated by these measures view it as an investment in their skills that stay with them even if they would change the employer. Personal growth and skill development are important motivation factors. The Hypo Group does not have individual training plans but rather obligatory trainings that are defined by position, e.g. at the counter, management<sup>31</sup>. Aside from these obligatory trainings employees are offered other technical seminars or are encouraged to propose seminars by third parties that they want to participate in.

Both systems are quite different. Coca-Cola's is linked very tightly to the performance management system (appraisal, job goals, development goals) while the Hypo Group emphasizes technical training linked to positions and self-initiative on further training. Conditions for motivation through personal/technical skill development are given in both systems.

### **Promotion and career development**

Career opportunities within the company are recognized as another motivation mechanism. Coca Cola BiH appointed five out of seven top managers from within

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<sup>31</sup> First and second tier Hypo Group management has to participate in a three year leadership course parallel to their work. The courses are blocked and mostly in Klagenfurt where the head quarter is. There are similar courses for young managers.

the company (80% of all promotions are internal). The top management discusses annually high potentials and what support they need to progress. Career plans are also part of the appraisal and followed up by tailor made professional development and coaching by senior managers. Employees can draw motivation from a very transparent link between performance and promotion.

Supported by relatively flat hierarchies in the Hypo Group talents ‘are easily spotted’<sup>32</sup>. Their performance is discussed by the board and targeted support includes further training but also salary upgrades. Here as well employees have a transparent link between performance and recognition (tangible and intangible).

### **Other compensation and benefits**

In addition companies like Coca Cola also offer fringe benefits that can span from free gym classes to regular medical check-ups because employee satisfaction surveys showed that health is really important to production workers. These ‘other compensations’ can be traced back to content theories of motivation that state that different people are motivated by different things. By offering additional benefits a wider range of employee motivation factors can be addressed.

According to Thomas Tomsich, who compared the situation in BiH and Austria, financial recognition is still the most important motivation for employees in BiH. Employees get per child a saving account in the bank with an annual payment of about 25 Euro. In addition the bank’s branch offices have a social budget that can cover more individual fringe benefits as mentioned for Coca-Cola.

### **Summary**

Although the HR systems of both reviewed profit organizations had the components that provide an active link between employee performance and reward/motivation, they also showed significant differences. The representative of the production industry demonstrated a tighter regime of performance assessment and supportive measures. The interviews illustrated that employees are expected to constantly improve performance and the company provides the necessary tools to support this process. In the service sector the pressure on the individual employee seemed less but also the support system (that exists) was not as structured

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<sup>32</sup> Tomsich (2007), interview



and relied in addition on self initiative. The question that cannot be answered in the scope of this paper is, if a less structured/more flexible system with less pressure is overall better for employee motivation than a sophisticated, well structured system that exerts a lot of pressure.

#### **4.1.3 Research findings through the lens of theory**

The most prominent application of a motivation theory is the use of Locke's goal setting theory in the performance appraisal systems of almost all reviewed organizations (except the OSCE). It is a systemic effort to strengthen employee motivation through the participative agreement of performance objectives. Clear goals provide staff the 'assurance' that their efforts lead to desired performance outcomes, which is also related to Vroom's expectancy theory. The expectancy theory is reflected in the appraisal system because it clarifies role perceptions and goals. The second part related to the expectancy theory appears when performance has a transparent link to promotion, bonuses, and other rewards. These mechanisms were present in all reviewed organizations except the OSCE. Overall process theories dominate the direct application of theories in practical management.

Content theories are reflected in individualized reward schemes that recognize that different rewards hold different motivational potential for people. The most advanced in this context was Coca-Cola HBC. Another aspect linked to content theories, in particular Maslow's needs hierarchy, is the relative high importance of a good salary or monetary benefits that have been highlighted in all interviews and that are reflected in the HR and payment systems of all reviewed organizations.

#### **4.1.4 Conclusion**

Depending on the organization different levels of HR components influencing employee motivation have been found. The only discernable pattern was the greater range of financial motivation tools available in profit organizations. For several components the rift cut through the distinction of profit/nonprofit organization. For example professional development was extremely well developed in Coca-Cola and UNDP.

Among the reviewed nonprofit cases the complexity of HR components is varying widely. It spans from a very basic system that primarily relies on recognition

through annual appraisal to a system that combines goal setting with plenty of learning and development, and career opportunities. Also the profit sector showed different quality levels of HR systems. Thus the hypothesis, that generally HR systems of profit organizations build a better link between employee development, performance, and motivation than in nonprofit organizations, cannot be confirmed.

Conditions that influence employee motivation at the organizational level should always be viewed in context with individual motivation factors. Therefore, the next chapter takes a closer look at motivation factors ranked by individual employees.

#### ***4.2 Individual factors that influence motivation of staff***

Employees in a profit and nonprofit organization have been asked to rank a list of 10 factors according to their ability to motivate. The OSCE was selected as case sample for nonprofit organizations while the Hypo Group provided the profit sample. The same questionnaires have been administered to both groups.

Overall the nonprofit sample has been explored in more depth since motivation in intergovernmental nonprofit organizations and eventual differences between national and international staff is still under-researched.

The first part looks at the nonprofit organization while the profit organization follows in the second.

##### **4.2.1 Motivation factors of employees in nonprofit organizations (including review by origin)**

The analysis of all submitted questionnaires was carried out separately for international and national staff. The result showed differences in the ranking of the 10 motivational factors. However, there is a visible pattern for certain factors that are in both groups among the top three or the last three.

‘Seeing results of work’ was consistently among the top three. The other factors of the top three differ.

At the bottom of the motivation scale the ranking is clearer. Both groups have the same three factors that have the least influence on their motivation, although the order slightly varies. It includes ‘Salary increases and other performance related

benefits’; ‘Nice work environment (office, modern equipment)’ and ‘Transparency of information and decision making process’.

	<b>National Staff</b>	<b>Average score</b>	<b>International Staff</b>	<b>Average score</b>
<b>Rank 1</b>	Good salary	3.2	Seeing results of work	2.7
<b>Rank 2</b>	Seeing results of work	3.6	Possibility to make a difference through your work	3.5
<b>Rank 3</b>	Healthy office atmosphere and relationships	4.4	High level of autonomy within your work	5.0
<b>Rank 4</b>	Possibility to make a difference through your work	4.6	Recognition by peers, manager or clients	5.2
<b>Rank 5</b>	Recognition by peers, manager or clients	5.7	Good salary	5.5
<b>Rank 6</b>	High level of autonomy within your work	6.4	Healthy office atmosphere and relationships	6.3
<b>Rank 7</b>	Opportunity and speed of promotion and career development	7.2	Opportunity and speed of promotion and career development	7.4
<b>Rank 8</b>	Salary increases and other performance related benefits	7.2	Transparency of information and decision making process	8.5
<b>Rank 9</b>	Transparency of information and decision making process	8.0	Nice work environment (office, modern equipment)	8.6
<b>Rank 10</b>	Nice work environment (office, modern equipment)	8.2	Salary increases and other performance related benefits	9.1

Table 2: Ranking of motivational factors by national and international staff, including average scores

The category ‘Other motivational factors’ has been used by 11 respondents in total 17%. The majority of them cited ‘acquiring new knowledge and skills’ as an important motivational factor. Such a high quota of self-initiated addendums on ‘learning and professional development’ indicates that this factor should be included in any further research.

**Motivational factors broken down by gender and origin**

A further breakdown of results by gender revealed that differences appear rather along the category national/international than along gender lines.

	<b>National Female (33)</b>	score	<b>International Female (10)</b>	score	<b>National Male (20)</b>	score	<b>International Male (10)</b>	score
<b>Rank 1</b>	Good salary	3.6	Possibility to make a difference	2.3	Good salary	2.5	Seeing results of work	3.0
<b>Rank 2</b>	Seeing results of work	3.6	Seeing results of work	2.4	Seeing results of work	3.6	High level of autonomy within your work	4.0
<b>Rank 3</b>	Possibility to make a difference	4.1	Recognition by peers, manager, or clients	4.5	Healthy office atmosphere and relationships	4.4	Possibility to make a difference	4.6
<b>Rank 4</b>	Healthy office atmosphere and relationships	4.5	Healthy office atmosphere and relationships	5.2	Possibility to make a difference	5.4	Good salary	5.5

Table 3: Motivation factors by gender and origin, including average scores.

The common top motivation factors of women include the already mentioned ‘Seeing results of work’ but also ‘Possibility to make a difference’, and ‘Healthy office atmosphere’.

The male group has common factors in ‘Seeing results of work’, ‘Good salary’, and ‘Possibility to make a difference’.

Factors that feature only in one group are ‘High level of autonomy’ that is really motivating for international male Mission members and ‘Recognition by peers, manager, or clients’ that is on rank three for international female Mission members.

**Conclusion**

The results analyzed for national and international employees show that there are some common motivation factors but there are also some significant differences, especially regarding the importance of a good salary. Therefore the hypothesis that, within nonprofit organizations international staff is motivated by the same factors than national staff was not proven.

#### **4.2.2 Discussion of findings in the situational and cultural context of BiH**

The findings of the survey give a very clear indication that there are different factors that positively influence the motivation of national and international staff.

##### **Distribution of extrinsic and intrinsic factors**

For international staff intrinsic motivation factors are very important (seeing results of work, making a difference, high level of autonomy).

National staff has mixed extrinsic (good salary) and intrinsic motivation factors within the top three (seeing results of work and healthy office atmosphere and relationships).

##### **Discussion of significant factors in the situational and cultural context of BiH**

The high importance of ‘Good salary’ should be seen in a cultural and situational context. International staff that join international nonprofit organizations made a conscious decision already in their home country between profit and nonprofit, domestic and international. Therefore, people who come to BiH are already ‘filtered’ from a bigger pool of potential employees. In addition it should be mentioned the base salary of international staff in the OSCE is several times as high as the one for national staff.

National staff, on the other hand, comes from BiH. The war and post-war situation drastically reduced prosperity. Employment opportunities are scarce and employment with an attractive and regularly paid salary is even rarer. Therefore international organizations like the Mission are chosen also because of the salary. The majority of national mission staff has family. Culturally, family and the responsibility to care for those who are part of it include a wider group of people – another reason to award good salary such high priority. Take a look back to Maslow’s hierarchy of needs – this seems to be a classic example for the precedent of basic needs over higher needs.

That said it should be pointed out that also national staff made a strong link to the nonprofit nature of the organization expressed through the high ranks that were allocated to ‘Seeing results of work’ and ‘Possibility to make a difference’. This corresponds with the findings of the second survey question that was investigating

motivation to join the OSCE. While 85% joined because of the attractive salary, 54% also joined because they wished to make a difference.

National staff expressed a high preference for ‘Healthy office atmosphere and relationship’. It is ranked three by national staff while it came only on sixth place for international staff. That suggests that there might be a cultural dimension involved. People like to socialize at work and out of work (although not always with the same people). Employment mobility is relatively low and social structures (family and others) are quite strong. It is considered ‘normal’ to be informed about each others life.

‘Salary increases and other performance related benefits’ ranked quite low in both groups. This should be seen in context with the finding of the previous chapter that the OSCE has no system that links performance and benefits.

#### 4.2.3 Motivation factors of employees in profit organizations

The profit organization findings are based a relatively small sample provided by the Hypo Group Leasing branch. Therefore findings will be treated as trend indicators rather than final results.

	National Staff	Average score	International Staff	Average score	Overall	Average score
<b>Rank 1</b>	Good salary	2.8	Opportunity and speed of promotion and career development	3.7	Good salary	3.6
<b>Rank 2</b>	Opportunity and speed of promotion and career development	3.8	Healthy office atmosphere and relationships Recognition by peers, manager or clients	4.3	Opportunity and speed of promotion and career development	3.8
<b>Rank 3</b>	Healthy office atmosphere and relationships	4.0			Healthy office atmosphere and relationships	4.1
<b>Rank 4</b>	High level of autonomy within your work	4.3	Possibility to make a difference through your work High level of autonomy within your work	4.7	High level of autonomy within your work	4.4
<b>Rank 5</b>	Salary increases and other	5.3			Salary increases and other performance related benefits	5.9

	performance related benefits					
<b>Rank 6</b>	Seeing results of work	6.2	Good salary	5.0	Seeing results of work	6.7
<b>Rank 7</b>	Recognition by peers, manager or clients	7.8	Salary increases and other performance related benefits	7.0	Recognition by peers, manager or clients	6.9
<b>Rank 8</b>	Nice work environment (office, modern equipment)	8.0	Seeing results of work	8..3	Possibility to make a difference through your work	7.1
<b>Rank 9</b>	Possibility to make a difference through your work	8.3			Nice work environment (office, modern equipment)	9.0
<b>Rank 10</b>	Transparency of information and decision making process	9.7	Nice work environment (office, modern equipment) Transparency of information and decision making process	11.0	Transparency of information and decision making process	10.1

Table 4: Profit sector employees’ ranked motivation factors, including average scores.

The overall findings indicate relatively clear groupings in factors with top, middle, and low importance. The ‘good salary’ is relatively far up due to the high importance it has for national staff. But ‘opportunity and speed of promotion’ together with ‘healthy office atmosphere’ was marked as highly motivating by both groups.

‘Transparency of information’ and ‘nice work environment’ seem to have little to none influence on employee motivation (similar as in the nonprofit sample). ‘Seeing results of work’ and ‘possibility to make a difference’ also rank relatively low.

The results reflect the profit nature of the organization but also cultural aspects that were already discussed in the context of the nonprofit sample, e.g. high importance of ‘good salary’ and ‘healthy office atmosphere’

#### **4.2.4 Comparison of individual motivation factors in profit and nonprofit organizations**

Absolute statements on details in differences of motivation factors for profit and nonprofit employees will need further testing, mainly because of the small size of the profit sample. At this point of time, the researched data only allows the observation of some general tendencies.

Firstly, some factors seem to be important to employees in BiH regardless of the organizational type, like ‘good salary’ for national staff and ‘healthy office atmosphere’ for national and most international staff. Secondly, although some individual motivation factors of the profit and nonprofit side overlap, there is a striking absence of ‘seeing results of work’ and ‘possibility to make a difference’ among the top factors for the profit sector. This might be due to the fact that nonprofit organizations by definition have a specific purpose that aims at having a positive impact on the environment and consequently, nonprofit staff allocates higher importance to ‘seeing results of work’ and ‘making a difference’.

Concluding, it can be said that cultural and situational factors reflect in both organizations in a similar way, while non-matching factors are clearly related to the organization’s nature of being profit or nonprofit. The significant absence of ‘seeing results of work’ and ‘possibility to make a difference’ in the profit sample confirm the hypothesis that staff in profit organizations is motivated by different factors than staff in nonprofit organizations.

#### ***4.3 Employees motivation to join the nonprofit organization***

The questionnaire administered to the OSCE sample included a part that asked respondents to choose between four pre-formulated reasons for joining the OSCE. Multiple choices were possible since life is usually more complex than a one-dimensional answer.

##### **4.3.1 Motivation to join for national and international staff**

Staffs’ motivation to join the OSCE shows similar differences between national and international staff as when compared to the factors that are currently important for employee motivation. Over two thirds of international staff stated that



‘Wish to make a difference’ was one of their reasons to join the OSCE. For about half of the national staff it was also a reason.

However, the most cited reason for national staff (almost ¾ of them) to join the Mission was the ‘Attractive salary’. ‘Good reputation of the employer’ was a very important reason for the majority of national (67%) and international (58%) staff. Different to national staff, most internationals had at the point of joining the OSCE Mission other priorities than attractive salary.

Motivation to join OSCE	National Staff (no of choices in %)	International Staff (no of choices in %)
<b>Good reputation of the employer</b>	67%	60%
<b>Attractive salary</b>	73%	35%
<b>There was no other option at the time</b>	14%	25%
<b>Wish to make a difference</b>	47%	70%
<b>Other</b>	16%	25%

Table 5: Motivation of national and international staff to join the OSCE, number of choices in percent.

#### 4.3.2 Did motivation change over time?

For 60% of those internationals who joined the mission because they wished to make a difference through their work, this is still the number one motivational factor. However, there is about one third to whom it is today only a medium strong motivation factor or non at all. There is no pattern in age, gender, or length of service that offers any explanation. The only correlating finding is that those who stopped giving highest importance to ‘making a difference’ awarded a high score to ‘seeing results of work’.

For national staff the strongest correlation was found between people who joined the mission because of the ‘attractive salary’ and having ‘good salary’ as main motivation factor today. For half of them this priority did not change. ‘Salary increases and other performance related benefits’ show no correlation with ‘attractive salary’. As mentioned previously, the reason might be simply that the OSCE does not offer such benefits.

## **Conclusion**

Although roughly one third of employees receive their strongest motivation today from different factors than when they joined, for the majority of staff these factors did not change over time and therefore the hypothesis was confirmed.

## **5. Practical implications of findings**

Research findings based on qualitative and quantitative input from the OSCE Mission to BiH showed discrepancies between the HR system in place and factors that motivate employees. Therefore the next section concentrates on highlighting ways how factors that showed the highest motivation potential could be better addressed by the HR system. The chapter refers to common factors and those specific to one group.

### ***5.1 Practical implications of motivation factors important to nationals and internationals***

#### **‘Seeing results of work’**

In both categories of staff ‘Seeing results of work’ ranked among the top two motivational factors. That means any system change that targets this issue is likely to have a strong impact on staff motivation.

To target this factor, results of work should be made more ‘visible’ by agreeing at the employee’s level what the desired outcomes of work are. This goal agreement could be integrated in the existing appraisal system. Allowing people to self-define a distinct number of goals and measurable targets increases participation, commitment, and ownership. However, such a system can only function if staff is also getting the respective tools that make goal achievement possible. That might include professional development in areas where competencies should be further developed, toolkits on technical aspects of the job, and a corporate culture that furthers knowledge sharing and supervisor support.

#### **‘Possibility to make a difference’**

The high importance of ‘Seeing results of work’ and ‘Possibility to make a difference’ could also be supported through clear communication of the organization’s mission, i.e. ‘What is the difference we want to make?’. That requires as first step

a clear and concise mission statement that is easy to communicate. Communication could happen graphically through the display of the mission statement or related slogans at prominent places in offices, conference rooms, and on ID cards and secondly through direct communication on occasion like induction briefings, departmental meetings, the organization's 'Day', or any other staff gathering.

### *5.2 Practical implications of motivation factors specific to international staff*

#### **'High level of autonomy within work'**

The wish for 'High level of autonomy within work' could be supported through job descriptions for international positions that encompass a high level of autonomy. At the same time, goal setting in a way described by Locke (see p.18) would provide even more opportunities to have staff working with a high level of autonomy. If agreed goals are clear and agreed in a participative way then management interference will be the exception rather than the rule.

### *5.3 Practical implications of motivation factors specific to national staff*

#### **'Good salary'**

The 'good salary' for national staff is possibly the best addressed factor of all in the current system. The OSCE practice to follow the UN salary scheme for national staff ensures a competitive salary. Although the Mission pays slightly less than other big international organizations, salaries are well beyond the national average.

#### **'Healthy office atmosphere and relationships'**

One more implication for the management is increased attention that should be paid to 'Healthy office atmosphere and relationships'. It is mainly a non-monetary motivation factor. It can be affected by individual management attitude but also by general rules of behavior, i.e. a code of conduct that enshrines a culture of respect.

At the personal level managers could allocate a certain amount of time to actually get to know staff members, to show interest in what they do and in their background (if there is a willingness to share). It is a way to increase trust and confidence, which has positive effects on the office atmosphere. An understanding by

the management for extraordinary personal situations, e.g. someone in the family falls ill, also contributes to trustful relationships (which is already practiced).

This factor could also be supported through social events that strengthen work teams per office, section or department through departmental retreats, traditions, and similar. It also includes teambuilding that takes people out of their comfort zone. However, one should be careful with general social events like ‘going out for a drink’ or ‘football games’ since they tend to be exclusive rather than inclusive<sup>33</sup> (by creating in- and out-groups).

## **Other**

Learning and further personal and professional development were the most often added causes of motivation. Thus, if interested in an increase in motivation an organization should provide learning opportunities. Even a non-career organization like the OSCE with ‘short term’ staff can capitalize from its historical knowledge and international presence through, e.g. networks of practitioners and online tool kits for which the existing doc-in system could be used, and possibly more intermission meetings not only at the director but also at lower levels.

The findings could be used to raise awareness of managers on general motivation factors and secondly, to highlight that, although general patterns exist, each employee has an individual set of motivation factors, which the manager should identify.

## **6. Limitations and Scope for Future Research**

### ***6.1 Limitations***

#### **Reviewed organizational types**

The research presented in this paper compared factors that influence staff motivation in profit and nonprofit organizations in BiH. Yet, the data used in the research was taken from very specific segments, i.e. international organizations. Further,

within the nonprofit sector this research concentrated only on intergovernmental organizations that are different from the bulk of nonprofits in various aspects, for example in terms of attractive salaries and links to national governments.

Therefore the findings cannot be generalized for all organizations in BiH but they could be taken as indicator for those that fit the sample characteristics, i.e. international with more than 100 employees.

### **Respondent bias**

As with all surveys, the question stands how truthful was the survey filled in or to what degree did people fill in what they thought would be most appreciated. Still, the empirical findings correspond with information gathered during interviews, which indicates that results are representative.

### **Additional motivation factor**

The research showed that there is one additional motivation factor that should have been included. It might be best described as ‘acquiring new knowledge and learning new skills’. The option ‘other’ that offered the possibility to add not listed factors was mainly used to add factors that belong to this category. It was a consistent phenomenon across all groups, national and international as well as profit and nonprofit.

## ***6.2 Scope for future research***

### **Link between organizational and individual accountability**

While this paper provides a small contribution to a better understanding of motivation factors in the nonprofit sector there is still great scope for further research; in particular research that explores the link between organizational performance/accountability, individual performance/accountability, and motivation. Further research findings might provide an incentive for donors to request more accountability and for the organization’s management to improve performance management systems.

### **Differences in work-life balance in profit and nonprofit sector**

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<sup>33</sup> Williams (2007), interview

The majority of interviews indicated that there might be significant difference in staffs' possibility to achieve work-life balance in profit and nonprofit organizations. The focus here is not so much on 'having a meaningful job' but more in terms of 'usually leaving work on time', 'being able to take time off', and 'balance family and job'. While there was quite a strong indication of differences, further targeted research would be necessary to assess if there is indeed a pattern.

### **Level of performance pressure**

Linked to the previous point another aspect was only touched in this paper; within the profit sector organizations showed different levels of pressure for performance. It could be interesting to explore if a less structured/more flexible HR management system with less pressure is overall better for employee motivation than a sophisticated, well structured system that exerts a lot of pressure.

### **Cultural effects on motivation**

Within the motivation factors national staff allocated a much higher importance to harmony at the workplace than international staff. It could be interesting to undertake further research that tests if there is a link between the post-war society of BiH and the high need for harmony at the workplace.

Since in general, differences in motivation factors of international and national staff have been quite significant it could be useful to explore intercultural dimensions of motivation further. Most of the research that looks at intercultural aspects of organizations or teams concentrates on the profit sector. However there are a big number of international humanitarian and intergovernmental organizations that have a core of a very mobile international staff in addition to on-site national staff. Gaining a better understanding of the differences in staff motivations within those organizations should lead to a better HR system and related management decisions.

### **Corporate social responsibility**

Another aspect that was beyond the scope of this paper is the question how the concept of corporate social responsibility influences the traditional view of what motivates private sector employees and if there are specifics to the Eastern European region in this context.

## **7. Conclusion**

The study addressed conditions that influence staff motivation at the organizational and the level of individual employees. Conditions were assessed for profit and nonprofit organizations and findings did not confirm that profit organizations have a more sophisticated HR system than nonprofits.

At the employee level findings indicate that cultural and situational factors reflect in profit and nonprofit organizations in a similar way (good salary, healthy office atmosphere ranked consistently high), while non-matching factors are clearly related to the organization's nature of being profit or nonprofit (possibility to make a difference and seeing results of work did not rank high in the profit sample). The study has also provided evidence of the existing different motivational factors for national and international staff in nonprofit organizations. It appears that good salary, seeing results of work, and a healthy office atmosphere are most motivating for national staff. International staff is most motivated by seeing results of work, possibility to make a difference, and high level of autonomy at work. For the majority of national and international staff at the OSCE their motivation did not change over time, comparing motivation when joining with today.

Findings suggest that the OSCE Mission to BiH could positively influence employee motivation through the integration of goal agreements in the existing appraisal system.

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## **Annex A**

### **List of interviews (July-August 2007)**

HR Manager: Ruth-Ann Young, OSCE Mission to BiH. Sarajevo. 7 August 2007.

Member of the Personnel Section, responsible for exit interviews of staff leaving the Mission: Aida Premilovac, OSCE Mission to BiH. Sarajevo. 18 August 2007

Senior Manager: Trefor Williams, Department Director OSCE. Sarajevo. 15 August 2007.

HR Manager: Mirela Ramović Coca Cola HBC d.o.o. Hadžići. 16 August 2007.

Senior Manager: Stefan Priesner, Deputy Resident Coordinator & Country Manager UNDP BiH. Sarajevo. 17 August 2007

HR Manager: Altijana Despotović, UNDP BiH. Sarajevo. 20 August 2007.

Manager. Multinational Company for Food and Beverages. Sarajevo. 17 August 2007 (*did not agree to disclose name*).

Member of the Executive Board: Thomas Tomsich, Hypo Alpe-Adra Bank. Sarajevo. 14 August 2007.

Manager Investment Banking: Wolfgang Mausnitz, Hypo Alpe-Adra Bank. Sarajevo. 14 August 2007.

## **Annex B**

### **List of Abbreviations**

BiH	Bosnia and Herzegovina
Coca-Cola HBC	Coca-Cola Hellenic Bottling Company
HR	Human Resource Management
OSCE	Organisation for Security and Cooperation in Europe
UNDP	United Nations Development Program