

## **DIAGNOSIS AND CHANGES IN THE MOTIVATIONAL SYSTEM – CASE STUDY OF A PRODUCTION ENTERPRISE**

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### **ABSTRACT**

The motivational system in an enterprise is a combination of different factors, both tangible and intangible. Their proper selection contributes to increasing employees' motivation, and thus their commitment to work, which, in turn, results in boosting the company's efficiency. This article concerns employee motivation in a selected production enterprise. It presents a diagnosis and evaluation of the present motivational system in enterprise "X" by first indicating numerous shortcomings, and then suggesting a number of changes to improve the system.

**Keywords:** motivation, motivational system, production enterprise, change

### **1. INTRODUCTION**

Motivating employees is a complex and multi-aspect process. Its complexity results from differences among people and organizations. In time there appeared many theories and approaches to motivation which focus on two main axes defined by four groups of theories regarded as fundamental, such as: content-based theories vs. process-based theories and reinforcement theories vs. cognitive theories (Borkowska S., 2006, p. 317). However, all of these prove that human behavior is the product of certain stimuli.

In the most general perspective, motivational measures are divided into three groups: coercion, incentive and persuasion measures (Bohlander G., Snell S., 2010, p. 410; Jasiński Z., 2001). In the case of coercion measures, they are based on punishment and fear, employee interests or expectations are not recognized, and they have the form of orders, prohibitions and commands. On the other hand, incentives inspire interest in work and encourage employees to act; they have a long-term effect which takes the form of reinforcement, as well as systemic or immediate stimulation. Finally, persuasion is related to the change of attitudes, habits and feelings. It assumes that the superior and his/her subordinates are partners, and refers to internal motivation. It has either emotional or rational character and manifests itself as appeal, conviction, propaganda, negotiation, counseling, suggestion or information.

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Within these three groups of motivational measures one may find a number of employee motivation tools which offer various manners of classification. In terms of their influence scope, we can distinguish internal factors (esteem, prestige, development, independence) and external factors (pay, promotion, position within a hierarchy, sense of safety). In terms of form, there are pay-related factors (pay, bonuses or financial awards) and non-pay factors (good working conditions, training, cell phone, company car, official recognition, etc.). In terms of the direction of influence, one can name positive factors (awards) and negative factors (punishments), whereas in terms of the manner of influence: individual and group factors. Finally, in terms of needs, one may indicate the factors which meet either basic or more sophisticated needs (Oleksyn T., 2008; Sekuła Z., 2008; Armstrong M., 2006; Stredwick J., 2005; Kozioł L., 2002; Jasiński Z., 2001). However, employee motivation tools are usually divided into tangible and intangible ones.

Tangible tools influence the actual shape of the remuneration system in an enterprise. They include pay-related and non-pay components. The most frequently applied pay-related incentives include: basic salary, pay raises (without changing position or job content), pay raises related to promotion in terms of a higher position or expanding one's job content on the same position, bonuses, awards, function allowances, extra pay for working overtime and on Sundays and holidays, seniority allowances, jubilee awards, allowances for night shifts and for work in harmful conditions (Oleksyn T., 2008, pp. 241 -242). On the other hand, the non-pay tangible tools include: training and education covered by the employer and benefits of social nature, such as: additional financing of employees' holidays, pleasure trips, fests, occasional receptions, renting of swimming pools and gymnasiums in sports and recreational centers, in-kind prizes, company shares, financial support (loans, providing housing credit), insurance, medical care, and other benefits, like company car, cell phone, offering products at preferential prices, etc. (Kopertyńska W., 2008 ). The role of non-pay tangible tools in motivating employees is increasing. By creating the so-called "golden handcuffs", these instruments bind employees to their company and create a positive image of the enterprise in their eyes.

Intangible tools are used to satisfy the employees' need for respect, esteem, bond with other people, creative activity and self-improvement. In this category one can usually find the following areas and the related tools: in the organizational area – promotions, power, and independence in realizing plans or ideas, access to information, work which requires creativity, favorable work organization, and flexible working hours; in the psychological area – recognition, distinctions, work in prestigious companies, work in a "good team", strong and positive informal relations, communication, self-realization and certainty as to future employment; and finally, in the technical area – working comfort (opportunity to use advanced devices or machines), as well as labor safety, suitable conditions and standards (Kopertyńska W., 2008). This group of tools often includes also employees' education and professional development, career planning and coaching interviews (Stredwick J., 2005).

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The motivational system is created by a set of purposefully selected and logically interrelated tangible and non-tangible motivating factors. The system should support the realization of a given organization's mission and objectives, as well as consider needs and expectations of its employees.

**The purpose of this paper** is to identify problems related to employee motivation in a production enterprise. On the example of enterprise “X”, a medium-sized production company, the motivational system was analyzed and a series of improvements suggested on the basis of the results.

## **2. RESEARCH METHODOLOGY AND SCOPE**

The objective of the study was to analyze the motivational system of a randomly selected production enterprise, a family-owned company dealing with dyeing and finishing of knitwear, operating in the Łódź Province. The company employs 100 people, 64% of them being production workers. The enterprise was selected due to numerous drawbacks in the motivational system revealed during preliminary observations.

The research was started in 2008 using several methods, including case study, monographic, observation, and documentation-review methods (Apanowicz J., 2003, pp. 79-84). The case-study and monographic methods primarily focused on information provided in the qualitative and descriptive form, and allowed for analyzing the motivational system in the studied enterprise in terms of potential improvements. The observation of cause-and-effect relations in the company was carried out by the deputy director. Documentation review was applied to the following documents: organizational regulations, organization chart, job descriptions, remuneration rules, and pay scale, as well as other HR-related documentation concerning individual employees and their groups.

In addition, the research procedure included interview with every member of the management team (6 interviews) and an employee opinion survey. The interviews were informal, and a list of problems for discussion was applied, whereas the employee opinion survey was conducted by means of an anonymous questionnaire. The questionnaire was distributed to all employees, with the return rate of 97%. The respondents were asked to express their opinions on company values and rules, management efficiency, remunerations and communication within the company, as well as opportunities for self-development and improvement. The survey questionnaire included 44 statements, and the respondents were to select one of the four opinion options: Strongly Agree, Agree, Disagree and Strongly Disagree. The employee opinion survey was the first project of this kind in the enterprise and provoked extreme reactions. The employees did express their opinions, but they did not fill in the particulars. Despite our declaration of the survey's anonymity, the respondents were reluctant to reveal information concerning their age, sex, job seniority, education or position

in the company. Both the interviews and the employee opinion survey were carried out between March and June 2008.

Combining the results of particular analyses enabled the authors to issue a comprehensive diagnosis and evaluation of the motivational system in the selected production enterprise.

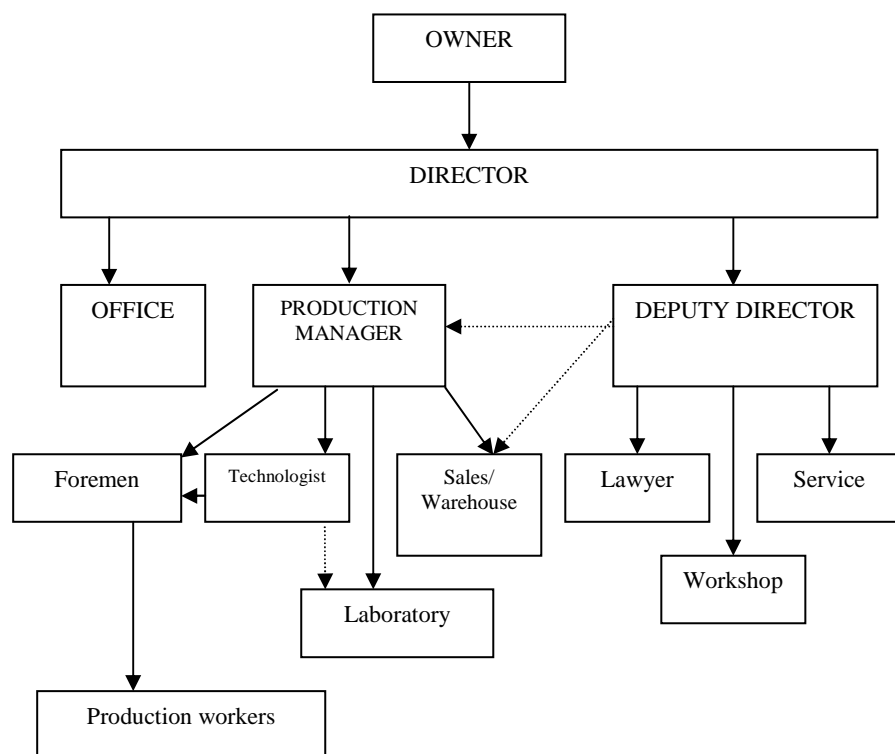
### **3. ANALYSIS OF THE MOTIVATIONAL SYSTEM AND EMPLOYEE NEEDS IN PRODUCTION ENTERPRISE “X”**

“X” production enterprise is a private company established in 1989, owned by a physical person. As mentioned before, the basic area of the company’s activity is dyeing and finishing knitwear. The company’s brand in the local market has been built for many years. At present, the customer portfolio includes also foreign firms, and the company’s property has been increased several times. The annual turnover amounts to €10 million. In addition, the company is an important player in the regional market and is one of the five largest companies in the sector. This is primarily the result of offering good value for money, experienced employees and cutting-edge production systems.

Currently, the enterprise employs 100 people. The management team includes two directors, a manager and three foremen. The office staff includes two accountants, a HR and payroll specialist and an assistant. In addition, the enterprise employs a lawyer and five specialists working in the laboratory (including a color technician). The maintenance service is made of five mechanics. There are also six employees in the product warehouse and three chemists responsible for the chemicals warehouse. Additional employees include three porters and three members of security personnel. The other 64 people are production workers. The organization chart of the enterprise is presented in Figure 1.

A more detailed analysis of the employment structure in the company shows that 90% of the staff are men, and the majority of the employees have full secondary vocational education (77%), 16 persons basic vocational, and 7 persons – tertiary education. The company has a low personnel turnover: approximately 50% of the employees are people who have been with “X” for longer than 10 years, and 20% for over 5 years. It is also worth mentioning that 65% of the production workers already had the required qualifications and professional experience upon their engagement, whereas the other members of this group were appropriately trained on the job.

Work in the company is based on a three-shift system and very special, since it requires substantial cooperation between particular stages. The productivity and efficiency of individual production stations depends on the quality of the incoming product, therefore it is hard to establish any general standards on which remuneration or bonuses could be based. This difficulty stems from the nature of the very sector of operation, which has been confirmed in the interviews. If any productivity standards were to be introduced for particular stations, they would count in thousands, depending on the quality of the incoming products.



**Fig. 1.** Organization chart of enterprise “X”  
Source: the company’s internal documentation.

Thus, the motivational system would become completely obscure and probably fail to encourage the employees to increase their efforts. Therefore, a system should be devised which would be independent of any standards but inspire the employees to greater commitment. The current motivational system definitely does not work in this way. It is based mainly on tangible incentives: the pay system and non-pay factors. The pay system includes five components:

- basic (fixed) salary – the basic remuneration paid regularly, regardless of the results achieved by a given employee or the company;
- variable salary component – depends on production calculated in tons of washed, bleached or dyed product. It is so-called team piecework. Within this component, the management tried to solve the problem of differences in value among particular work stations. A certain rate was established for a ton of the product, which was adopted as a basis, or 100%. The total of this amount for one ton of the product goes to dyers (dyeing machine operators) and frame drier (stabilizer) operators. It means that if these employees manage to process, for instance, 150 tons of the product per month, and the established rate for 1 ton will be PLN 7 they will be paid an additional PLN 1,250. The total amount (100%) of the established rate is paid to these employees due to their major responsibility for the entrusted product and to

the fact that their job requires substantial experience and knowledge. The other employees are paid various percentages of the total rate for 1 ton of the product, depending on their position, for instance: brusher, shearer, compactor and tumbler operators (96% of the basic rate), mangler (94%), cutter, production preparer (92%), spin-drier operator, junior storeman and drier (90%). Shift foremen are paid 130% of the basic rate for 1 ton of the product;

- appreciation bonus – it may be paid to all production workers for good work. It is awarded at the end of the pay settlement period, i.e. at the end of each month, and may amount up to 30% of the basic salary with piecework pay. The amount of the bonus depends on the number of absences, and not on the actual effort at work;
- overtime – for working overtime employees are entitled to receive an allowance at the amount specified in proper provisions of the Labor Code (Labor Code Law 2010, art. 1511);
- allowances – seniority allowance (PLN 100 a month for 5 years of work, then PLN 10 extra for each additional year – up to and including the 15<sup>th</sup> year of work; for employees working longer than 15 years, the seniority allowance is paid at the same amount as for 15 years), allowance for work at night (20% extra to the average hourly rate), allowance for tonnage of products which do not pass through the wet processing department (PLN 1 for one kilogram of the product at the 100% rate).

The non-pay tangible components of the motivational system in the studied company are primarily of social nature. In this respect, the following were indicated:

- Christmas packages for each child in every employee's family;
- pleasure trips for employees and their families organized every few years and covered in total by the company;
- additional financing of employees' holidays from the social fund – once a year, available for each employee;
- group insurance and 3<sup>rd</sup> "pillar" pension scheme insurance;
- opportunity to be given a low-interest company loan;
- opportunity to use (having agreed in advance) the equipment and tools available in the plant. It enables the employees to do various repairs on their own and free of charge, as well as to change tires, use a garage pit, pressure washer, welding machine or other tools.

Therefore, one may say that the current motivational system in company X is largely based on pay-related incentives, coupled with standard non-pay motivational components. The system thus structured is ineffective. The employees' motivation is low, and the atmosphere at work is decreasing. The staff show increasingly demanding attitude. The management believe that it is the result of the current market situation. A few years ago, the

enterprise was the sector leader in terms of salaries paid. However, lately, due to the lower number of orders, the payment for piecework has decreased, and in addition, not a single raise has been given for a few years now. Thus, the owner decided to implement some changes. First of all, the management tried to find out the employees' needs and expectations by means of the employee opinion survey. The collected results of this survey are presented in Table 1. In this case, the replies of the respondents were limited to two options: yes – I agree and no – I disagree (with a given statement).

By analyzing the above opinions, one can notice at once the following areas which require immediate improvement: communication, information transfer, as well as co-operation and trust between the staff and the management.

The communication between the management and the employees is very poor. An obvious lack of professional relations and exchange of opinions on significant issues result in chaos and disorder which impacts everyday work. This in turn provokes unnecessary tensions and official disputes, and consequently decreases the level of co-operation and trust. In addition, it often happens that the lack of sufficient communication results in lower quality of service, mistakes or defects, which has considerable impact on the company's financial results. It also creates the image of poorly managed enterprise for the employees.

**Table 1**  
Results of Employee Opinion Survey

Opinions concerning	No.	Statement	Reply [%]	
			Yes	No
company's values and rules	1.	My supervisor is concerned about the issues related to his/her employees.	52	48
	2.	The management respects the staff representatives.	39	61
	3.	In my company the employees show honesty in their everyday work.	67	33
	4.	In my workplace the employees cooperate to reach their common goals.	73	27
	5.	My immediate supervisor deeply appreciates honesty, ethics and integrity.	73	27
	6.	In my workplace the employees create the atmosphere of trust and openness.	40	60
	7.	My immediate supervisor creates the atmosphere of work based on trust and openness.	52	48

	8.	The management trust their employees.	28	72
	9.	The employees trust the management.	26	74
	10.	In my workplace I feel the atmosphere of team work.	52	48
<b>efficient management</b>	11.	The management of my company take the employees' opinion into account.	26	74
	12.	My competence is properly used in my present position.	65	35
	13.	My supervisor helps me to reconcile my work with my private life.	55	45
	14.	My understanding of the stages we have to pass to meet our commercial targets are quite clear for me.	43	57
<b>communication in company</b>	15.	I receive clear information on the factors which contribute to the company's success.	23	77
	16.	The management try to collect opinions and suggestions of their employees.	22	78
	17.	The efficient communication in the company makes me feel a part of the enterprise.	21	79
	18.	In my workplace information concerning the enterprise is efficiently passed on to employees.	22	78
	19.	I regularly receive information concerning commercial targets by my immediate supervisor.	15	85
	20.	I find the information on the company and its future that I receive by means of internal communication useful in my everyday work.	32	68
<b>employee development and improvement</b>	21.	I am offered opportunities for development.	16	84
	22.	I am offered opportunities for promotion.	12	88
	23.	In my workplace I am offered the required trainings which help me to do my job efficiently.	33	67
<b>labor quality management</b>	24.	I am given the necessary support to increase my productivity.	29	71
	25.	My immediate supervisor gives me necessary feedback concerning my work methods and results.	59	41
	26.	The management appreciate their employees' efforts and achievements.	17	83
	27.	I am given regular feedback on the quality of my work.	22	78



	28.	The appreciation I get motivates me to do my job exceptionally well.	17	83
	29.	Considering what happened during the last three years, can we say that the company has improved?	22	78
<b>quality of products</b>	30.	My team set high quality standards for products offered to our customers.	68	32
	31.	The company offers products of very high quality.	71	29
	32.	The company is well managed.	34	66
	33.	The company values customers' requirements.	78	22
<b>remuneration</b>	34.	I generally believe that my remuneration is fair in comparison to other employees working on similar positions in the company.	28	72
	35.	I generally believe that my remuneration is fair in comparison to other employees working on similar positions in other companies.	13	87
	36.	The total remuneration paid to the employees (basic salary, social allowances, trainings, bonuses, etc.) seems favorable in comparison to similar positions in other companies.	44	56
<b>commitment to company's issues</b>	37.	I believe in my company's lasting success.	15	85
	38.	When my company is in trouble, I feel as though they were my own.	57	43
	39.	I feel strongly related to the company.	50	50
	40.	I am proud that I work in this company.	35	65
	41.	I would rather continue working in this company even if I was offered a similar position in another enterprise.	38	62
	42.	I am going to stay in this company at least for a year.	59	41
	43.	I would recommend the company to others as a good employer.	30	70
	44.	I am very motivated to do my job well.	38	62

Source: the authors' own research

Similarly, lack of access to required information provokes the feelings of frustration and helplessness in many employees. It is a serious problem, especially in terms of taking independent decisions. Poor communication, incorrect flow of information and the related mutual accusations and conflicts decrease both the willingness to cooperate and the employees' trust to their own company.

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The results of the survey also show that the opportunities of professional development and promotion are quite limited. These non-pay incentives, being so significant, have been completely marginalized in the current motivational system. Furthermore, a vast majority of the respondents believe that the management members do not appreciate their efforts and achievements, that they do not bother to collect the employees' opinions and suggestions and fail to take full advantage of their professional experience. On the other hand, the managers stressed in the interviews the fact that while expressing their opinions, the employees are too eager to take their place in terms of competence. That is why the managers avoid taking suggestions from the members of their staff. Such state of affairs is yet another proof of major mistakes in the internal communication in the studied company.

The respondents issued positive opinions on the values and rules applied in the company, as well as on the quality of products and services. A half of the respondents feel strongly attached to the company, and approximately 60% intend to continue working there.

Taking the remuneration system into account, a vast majority of the employees stated that their salaries are unjust both in comparison to the ones paid to other employees on similar positions within the company and in other companies. However, bearing all the remuneration components in mind, approximately 50% of the respondents believe that these are favorable in comparison with other companies in the sector.

The results of the survey in question revealed numerous flaws in the current motivational system. The most alarming issue is the fact that only 38 employees feel motivated to do better job. Consequently, the management decided to implement changes in terms of salaries, bonuses, business duties, methods for improving labor distribution and control, information exchange system and boosting the employees' morale.

#### **4. CONCEPT OF MOTIVATIONAL SYSTEM CHANGES IN THE STUDIED ENTERPRISE**

A new motivational system in the company is to include not only tangible tools, but also the previously disregarded intangible instruments. In the first place, it was decided to modify the salary system. The management's objective was to suggest such a pay scale in which the amount of remuneration would depend on employees' productivity, the number of required corrections, as well as the speed and quality of the service provided. Unfortunately, certain problems emerged in this respect related to the objective and fair labor assessment.

The best solution would be a system in which the results of individual employees could be analyzed, with the actual amount of the bonus or salary calculated on the basis of synthetic indicators. Unfortunately, such a solution is impractical, since labor in knitwear dye house is exceptionally fluid. The production there is planned in an advance of approximately 40 hours, and sometimes even less. Thus, the situation is continuously changing, and the production

supervisors are forced to constantly move the employees to other work stations. Therefore, it is hard to evaluate an employee's actual labor contribution on a specific station.

What is worse, it is impossible to apply labor evaluation standards. The employees working in the dye house have to deal with numerous product lines whose levels of processing difficulty differ considerably. The same differences apply to the scope of responsibility for the product, depending on its price. Furthermore, it often happens that two customers order the same product line to be processed, which requires the same operation. However, it is much easier to process the products for the one customer than for the other, because a different yarn has been used. In such situations, the image of the actual labor contribution would be distorted should any standards be applied. Assuming that each employee was ordered to process one batch of the product, a seemingly less productive person would in fact have to do much greater job in order to achieve the same end result due to the fact that his/her product line was more difficult to process.

The management has also considered the application of time-based pay schemes. However, a more profound analysis has shown that time-based systems would result in decreased employees' efficiency on the one hand, and on the other would enforce increased labor control. This in turn might impact the atmosphere at work and increase the control-related costs.

After a long discussion and numerous analyzes the management decided to implement a new mixed salary system of time and bonus nature. The basic salary is to include two components: a fixed one resulting from the time of work, and a variable one being a bonus for contribution and effort.

While establishing the amount of the fixed salary component, a competence-based approach was applied. First of all, the existing job descriptions were verified in terms of clear and precise establishment of each employee's scope of duties and responsibilities in order to avoid any competence disputes. Then, job positions evaluation was carried out. In this respect, a point scale for particular positions was used and a special committee was appointed including the shift supervisors, the production manager and the company director. It was agreed that an employee working according to the job assignment on the most valuable position shall receive the highest hourly rate, whereas the other employees will be paid a given percentage of this rate. The percentage amounts for particular positions were kept from the previous salary system (i.e. 96% for a brusher, shearer, compactor and tumbler operators, etc.).

Before a decision was taken concerning the actual way of granting a bonus (the variable salary component), several concepts had been considered. The first one was the appointment of special department units which would be allocated a certain sum to be shared among the group members. Its amount would depend on the group's efficiency. However, this idea has two major drawbacks. First of all, due to the lack of standards, it would be hard to set the

threshold values for individual units. Secondly, should quantitative standards be applied (the amount of processed product), the employees could focus only on the amount of the processed products and disregard their quality. If, on the other hand, qualitative standards were specified (the percentage of corrections), most probably the employees would struggle for the product lines easy to process. Still, the application of combined quantitative and qualitative standards is hard if not virtually impossible due to the specific nature of the production.

The second concept was based on the qualitative multiplier. It would be based on the number of corrections counted as the percentage of the total production. The flaw of this system, like in the case of the first concept, would be the probable struggle for the product lines the easiest to process regardless of the labor schedule. Furthermore, the employees of higher competence would risk higher number of corrections due to the fact that their product lines are usually more difficult to process. Therefore, such a solution could meet with their opposition and decrease their motivation for work.

The third concept included setting the multiplier which would consider processing difficulty (expressed in the scale of 1 – 10) and the weight of the processed products. The employees would therefore be evaluated on the grounds of the number of collected points. Unfortunately, a more profound analysis showed that this idea also was not good enough to be implemented. There are working positions (e.g. on a knitwear sewing station) for which the actual product line does not condition the processing difficulty, and the very work is also relatively simple. Therefore, this multiplier would always be low for these positions, regardless of the actual workload. In other words, this solution would have no motivational value.

The fourth concept was the implementation of the system of employee evaluation carried out by the shift supervisors. In addition, their evaluations would be supplemented with the feedback from the production manager. Then, the complete evaluation would combine the opinions of four people, which would ensure its impartiality. However, this solution met with the opposition from the shift supervisors who were unwilling to accept such responsibility. Furthermore, the situation in which the amount of the bonus would depend only on the supervisors' evaluation could impact the social relations in the company.

The fifth concept was to apply a profit-based award. This solution has a number of major advantages. First of all, it is simple and objective, since the company's profit does depend on the work of all the employees. The management believe that once this concept has been implemented, it would enable them to root out "shirking" and simultaneously increase the employees' willingness to cooperate, as well as their drive towards the most effective production. Unfortunately, such a bonus-related solution also has its drawbacks, like: lack of clear influence of individual employees on the company's results, limited opportunity to compare employees and diversify the amount of the awards for the same position.

Finally, it was decided to implement bonuses on the following conditions:

- an award system for the most productive employees was applied, both in terms of the amount and quality of the products processed. The necessary data are to be provided the IT management system currently introduced. An average productivity will be established for particular work stations calculated in kg/h. Every employee may achieve various productivity depending on a station. The total hourly productivity of every employee would be calculated as a weighted mean of productivity values achieved on individual work stations;
- in the case of positions on which the skills of the employees are varied, competence subgroups were introduced with various basic rates. An example of such a position is brusher. A person working on this position is dealing with creating a pile or sometimes a felt layer on various kinds of knitwear and fabric using a special brushing machine. Creating the hairy layer on the flannel product is relatively simple, since it requires a single pass of the material strand through the machine. However, in the case of various kinds of fleece, the operator has to make several passes of a single strand, which increases both the risk of damage and the difficulty to achieve the end result. In the first case, the brusher's productivity in a unit of time will be significantly higher. Therefore, the employees were grouped according to competences, with an different basic rate assigned to each group. Personnel shifts among the groups would be approved on a quarterly basis by means of a common decision of the production manager, the shift supervisors and the director. The range of the planned rate differences between the groups are between 3 and 5 %;
- payment of bonuses to the shift supervisors was based mainly on the quality of the products processes during a particular shift. The less corrections in a given shift, the higher the bonus paid to the supervisor. In order to avoid cases of selecting the easiest product lines, an obligation was introduced that the faulty product batches were corrected by the employees working on the shift during which the faulty processing took place. The corrective production in question is planned to be carried out every Saturday. The weekly batch correction will facilitate complaint management and quality control, as well as enable the customers to quickly collect their orders;
- the bonuses paid to specialists, mainly laboratory and color technicians were dependent on the number of color adjustments which do not result from the dyeing machine's or its operator's error;
- the bonuses paid to the management will be classic profit-based ones, but their actual amount has not been established yet.

In addition, a new incentive was introduced – a bonus for implemented improvements. It will be paid to every employee who contributes to a change bringing measurable benefits for the company, such as: preparing new production parameters, change in the system of organization or distribution, as well as modifications in controlling programs or machine

construction. The management does not want to impose any limitations on the employees in this respect. It was decided that the bonus in question will be paid as a commission on the annual savings or profits that the company will acquire by implementing the successful idea. A 7-percent commission is planned to be introduced on the savings of approximately PLN 20,000 in a single accounting year, whereas for the savings exceeding this amount, the commission will be 7% on the first PLN 20,000 and 5% on any higher amount.

At the same time, efforts were made to improve communication and information flow in the company. Efficient communication creates favorable conditions for expressing the employees' thoughts and opinions, encourages them to co-operate and is a prerequisite for building mutual trust. Therefore, it is a significant component of any motivational system. The lack of information or its incompleteness, as well as inability to share knowledge resulted in numerous mistakes, corrections and even malice in the studied company. The management decided to change this situation by implementing an integrated software supporting enterprise management. It is a system which combines the components of among others: ERP, MES, CRM, with additional modules, such as: calculation (product valuation, production technology creation), monitoring of work station and machine workload, production scheduling, work time recording, reporting of production completion, stock management, purchase invoicing, waybills (Stock Issue Confirmations, CI), etc. The implementation of this software streamlined the information flow. Having logged in to the system, each employee can see his/her production chart, with particular orders classified as urgent and additional information concerning a given customer's requirements. In addition, the system provides all technical parameters necessary for further processing. The virtual order card also includes information on potential mistakes made during processing. The regular access to this body of information is to limit the number of mistakes resulting from employees' routine and carelessness, shorten the processing and increase productivity. Furthermore, the system will enable to generate reports on the standard and non-standard work time of individual employees, the weight of the processed products and their technical parameters essential for the newly-introduced bonus system.

Furthermore, the management decided to take steps to raise the employees' morale and improve the atmosphere in the company. First of all, it was decided to organize regular monthly meetings with the employees, separately for every shift. During each meeting the current situation of the enterprise would be discussed, as well as efficiency-related problems and all other issues reported by the employees. Secondly, the management decided to realize an annual Employees' Opinion Survey in order to learn the employees' opinions concerning the changes implemented in the company. Thirdly, the company decided to offer free hot meals to employees during lunch breaks, which would be provided by a catering company. Although this solution generates a quite significant cost for the company, one must not forget that the problem of lunches was one of the most frequent issues discussed during interviews accompanying the Employees' Opinion Survey. Fourthly, the management plans to introduce

regular integration meetings in the form of a picnic, which would strengthen the social relations in the company. The management believe that these solutions will be embraced by the employees and positively influence the atmosphere at work.

The suggested changes in the motivational system of the studied enterprise are given in Table 2 below.

**Table 2**  
The new motivational system in production enterprise “X”

Details		Description	Criteria
Nature of work	change in job descriptions	<ul style="list-style-type: none"> <li>job descriptions verified and unified;</li> <li>clearly set rights, duties and responsibilities</li> </ul>	
	valuation of work positions	<ul style="list-style-type: none"> <li>point system of valuating work position in terms of requirements, qualifications, knowledge, and experience;</li> <li>valuation of each position carried out by a special committee</li> </ul>	
Salaries (fixed component)	time-based pay	<ul style="list-style-type: none"> <li>hourly rate dependent on the results of the work position valuation</li> </ul>	
Salaries (bonuses and awards)	profit-based award	<ul style="list-style-type: none"> <li>granted as a percent of the sale profit achieved;</li> <li>the actual award range dependent on the results of the work position valuation.</li> </ul>	$A=X*Y*100\%*Ps$ A – award X – award rate Y - valuation Ps – profit from sale
	efficiency bonus	<ul style="list-style-type: none"> <li>X number (to be established) of employees with the highest efficiency rate for a given quarter are paid the increased bonus in the following quarter</li> </ul>	$E=p[kg/h]*(c/c-y/c)$ where: $p=z[kg]/x[h]$ $c=x+y$ E – efficiency p – productivity y – idle time z – production volume [kg] x – productive time [h] - poor results → coaching, interview - good results → salary promotion (in terms of the bonus)
	attendance bonus	<ul style="list-style-type: none"> <li>30% of the basic rate for attendance; employees whose leaves exceed 15 days are not entitled to receive the bonus, and for the remaining period they are paid the bonus decreased by 2% for each day of absence.</li> </ul>	

**Źródło: A. Zakrzewska – Bielawska, P. Wlachos, *Diagnosis and changes in the motivational system – case study of a production enterprise* [w:] *Organisation Management. Competitiveness, Social Responsibility, Human Capital*, D. Lewicka (red.), AGH University of Science and Technology Press, Kraków 2010, s. 665 – 681**

	award for innovation	<ul style="list-style-type: none"> <li>commission for the increase in revenues or the amount saved by the company during a given financial year thanks to applying an employee's innovations and ideas.</li> </ul>	$C_m = X * 7\%$ ; $(X \leq 20000)$ $Pr = 20000 * 7\% + x * 5\%$ $x = X - 20000; (X > 20000)$ $C_m$ – commission $X$ – company's annual savings
Labor control and communication	IT system of management support	<ul style="list-style-type: none"> <li>collecting information as to what was done when, by whom and with what result;</li> <li>flow of information concerning planned production (production chart);</li> <li>analysis of productivity, downtime and calculation of bonus amount.</li> </ul>	
Morale	monthly meetings	<ul style="list-style-type: none"> <li>analysis of results, productivity and sale/production for previous month;</li> <li>discussion on current affairs.</li> </ul>	
	employees' opinion survey	<ul style="list-style-type: none"> <li>check of the employees' general image of the company in the annual perspective;</li> <li>diagnosis of problem areas;</li> <li>analysis of labor market and salaries.</li> </ul>	
	subsidized lunches	<ul style="list-style-type: none"> <li>providing free hot meals to employees</li> </ul>	
	informal meetings (picnics)	<ul style="list-style-type: none"> <li>strengthening social bond;</li> <li>relieving tensions;</li> <li>improvement of employees' image of the company;</li> <li>entertainment.</li> </ul>	

Source: the authors' own analysis.

## 5. SUMMARY

Well-motivated employees are a key factor in the success of any organization. Therefore, creating an efficient motivational system is a crucial management task. An adequate system should be a combination of such incentives, measures and conditions which inspire and



intensify the positive motivation in employees and encourage them to do their job effectively, as well as to act in an enterprising and creative manner.

A number of drawbacks were revealed in the motivational system of the studied enterprise. The atmosphere in the company was bad, conflicts were frequent, and the employees' attitude grew increasingly demanding. In such a situation, the management team was forced to take immediate steps to counteract these negative symptoms. Thanks to the in-depth analysis, the most significant problem areas, and the requirements and needs of the employees were identified. On the grounds of the analysis, the motivational system was modified. Salaries became more linked effort and commitment. In addition, new non-pay components were introduced which boosted the employees' morale and created a favorable atmosphere at work. Members of the management team hope that the new motivational system will increase the productivity of both individual workers and of the enterprise as a whole. However, since the system has been implemented only recently, the results of the changes are yet to be seen and evaluated.

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