

Running head: IMPROVEMENT OF PELI'S TOTAL REWARD SYSTEM

IMPROVEMENT OF THE TOTAL REWARD SYSTEM AT PELI PRODUCTS S.L.U.

A Thesis

Presented to the Faculty

of International Business and Communication Programme at

ISM University of Management and Economics

in Partial Fulfilment of the Requirements for the Degree of

Bachelor of International Business

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January 2017

Vilnius

## Summary

*[Borisevič, E.]; Improvement of the Total Reward System at PELI PRODUCTS S.L.U.: Final Bachelor Thesis. International Business and Communication Studies: Vilnius, ISM University of Management and Economics, 2017.*

The subject of this paper is to improve the Total Reward System at Peli Products S.L.U. The study is based on defining and comparing the satisfaction level of employees based in headquarter (Spain) and those based abroad (across EMEA) with the current employee reward practices.

The aim of this paper is to evaluate the current reward system and to provide managerial recommendations on possible improvements. The following objectives are set: to analyze the current situation and define weaknesses of reward system; to explore employee satisfaction with rewards and its impact on motivation; to propose appropriate managerial solutions for improving company's Total Reward System.

Quantitative empirical research is conducted to identify satisfaction and motivation levels of Peli's white collar-workers and to collect their suggestions regarding system improvement. The research instrument is an online questionnaire that is sent to the target population (N=53).

Based on the research findings and literature reviewed, thesis delivers managerial solutions for Peli Products, which offer: creation of career development plan, improvement of bonus plan for office employees, and extension of benefits package for Peli's remote workers. A timeline and action plan to implement the recommendations is provided along with contingencies that the company may face in the future.

*Keywords:* Total Reward System, employee satisfaction with rewards, employee motivation, career development plan, bonus plan.

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## Introduction

Most businesses are aware of the power of reward system. A well-structured reward system, with a good balance of salaries, benefits, recognition, and growth opportunities, supports company's competitive positioning and ensures its sustainability. Effective reward system provokes better employee performance and keeps them focused on their job responsibilities. The findings of studies analyzed show that employees, who are satisfied with rewards tend to be more motivated and productive, often exceed employer's expectations and are loyal to their organization. The literature reviewed emphasizes that it is crucial for employer to understand unsatisfied needs of employees and use it as a basis for building an effective reward system (Jackson, 2014; Armstrong, 2012).

The following paper covers in-depth analysis of the current situation of Peli Products S.L.U., a design and manufacturing company headquartered in Barcelona. Peli Products specializes in production of advanced portable lighting systems and protective equipment cases. The sales coverage of the company spreads multiple countries across EMEA (Europe, Middle East & Africa).

The study is focused on the evaluation of the Total Reward System for company's white-collar workers administered directly from company's headquarters office.

The situation analysis reveals that the current reward system at Peli is suspected to be not well-developed enough, in terms of motivating employees to reach higher levels of performance. Such assumption arises from the facts that the company does not have clear career development plans, does not provide equal opportunities for employee's professional training, the bonuses of

some employees are based on individual performance, while bonuses of others are based on the corporate results, and no assessment of rewarding practices has been done before.

Hence, a need of assessing the current reward system, as well as, finding out which elements of reward system should be developed is identified. This leads to a **research question**: *How to improve the Total Reward System at Peli Products S.L.U.?*

**The aim of the Bachelor Thesis** is to evaluate the current reward system for white-collar workers and to provide managerial recommendations on possible improvements. The system evaluation is done through definition and comparison of satisfaction of two main employee groups (headquarters-based (Spain) vs remote (rest of EMEA)).

**Thesis objectives:**

1. To analyze the current situation of the company, describe the structure and functions of the HR department, go through the current practices of rewarding employees and define the weaknesses of the system.
2. To define Peli's employees' satisfaction with the current reward system, to find out what types of rewards have a greater impact on employee motivation, and compare levels of satisfaction and motivation of employees based in Spain and remote employees.
3. To propose practical managerial solutions for improvement of Peli's Total Reward System.

**Research methods:**

For situation analysis part, an internal company's data is collected. For the theoretical foundation of the problem, investigation and interpretation of relevant academic literature is done. Quantitative empirical research is performed in order to evaluate the current practices of reward and propose recommendations on how Peli's Total Reward System could be improved.

**Research participants:**



All white-collar workers of Peli Products located across eleven countries and administered by HR Generalist based in Spain. The total number of such employees is 53.

**Practical value of the thesis:**

The findings of this research can be used by the company for building an action plan aimed at rewarding its white-collar workers in a more effective way. Besides, comparison of responses of two employee groups (headquarters-based vs overseas) aims to help the company to decide on which employees is crucial to focus first. Moreover, this research could be used as a guide for other researchers to get insights about the factors influencing employee satisfaction with a Total Reward System, and show the way how reward systems could be assessed and improved.

**Logical sequence of the thesis:**

The bachelor thesis consists of three main parts. The first part, situation analysis, provides general information about the company, analyzes external factors affecting HR practices, presents internal situation analysis, including the link between company's and HRM strategies, structure and functions of HR department, SWOT analysis, problem identified, and finally, reviews the relevant literature. The second part, empirical research, identifies employees' levels of satisfaction with rewards, defines impact of various types of rewards on employee motivation, and analyzes results of the research, focusing on comparison of headquarters-based employees' responses with responses of remote employees. Based on the research results, the third part, managerial solutions, provides strategic guidelines on how Peli's reward system should be improved for meeting strategic company's objectives and satisfying both local and remote employees.

## Situation Analysis

### Business and Company Identification

“Peli Products” S.L.U., from here on referred to as ‘Peli’ or ‘the company’, is a closed stock, Limited Liability Company with a single shareholder, based in Barcelona, Spain. The company specializes in design and manufacturing of advanced lighting systems and protective case solutions. The company was established in 1997, as a European subsidiary of “Pelican Products” Inc. (holding company based in the USA). Peli has its own identity, markets, budget, contract manufacturers, as well as centralized support departments (Engineering, HR, Marketing, Sales, Finance, Supply Chain Operations, and Customer Service/Sales Support). Peli’s products are oriented on the high-performance use and are demanded in medical, military, public safety, law enforcement, life sciences, technology, logistics, aerospace, and industrial markets. In 2012, the company launched its consumer product division which oriented mostly towards travelers, outdoor enthusiasts, and business people.

Peli Products S.L.U. employs 177 employees across its offices and distribution centers in 12 countries (Spain, Italy, France, Poland, Germany, UK, Netherlands, Turkey, Israel, UAE, South Africa, and Russia). It also has two manufacturing facilities in the UK. The team is quite young and international. At present, there are 29 employees (+ 6 interns) in Barcelona’s headquarters office with an average age of 38 and eight different nationalities.

### Organizational Structure and Management Principles

The company’s organizational structure is centralized. It has a functional hierarchy with a Managing Director, Piero Marigo, controlling the core activities within EMEA region. However, sales department is less centralized and sales managers take responsibility for business decisions in their own regions.

The functional directors and managers of Peli report to the Managing Director (Appendix A). Some functions are further split according to the geographical areas and product lines. All other employees belong to the mid-level (e.g. accountant, customer support assistant) and high-level non-managerial (e.g. marketing coordinator, senior accountant) staff. Even though each function is structured and controlled, the company operates in a non-rigid manner, with management and executive teams “doing things together”.

### **Company's Statements**

*Mission:* To grow globally by providing quality products and services that add value to customers and result in exceptional returns to shareholders.

*Vision:* "Protecting All That You Value" (Peli Products S.L.U., 2016). The company strives to expand not only geographically, but also by expanding its product portfolio even further.

*Values:* Company cares a lot about delivering quality products and it promotes passion for what it does. Respect towards others and the environment is highly appreciated. Peli's employees are supposed to demonstrate integrity by doing right things and ingenuity to improve everything they do. Lastly, organization values responsibility and requests its employees to take an ownership for their decisions and actions (personal communication; internal sources, September 2016).

### **External Environment Analysis**

To better understand the external factors influencing HRM decisions and planning, PESTEL framework is applied. Since most of Peli's employees are based in Barcelona, emphasis is kept on the Spanish market.

*Political:* Political stability represents the integrity and durability of existing government regime. It is determined based on the amount of terrorism and violence expressed in the nation and state

citizens ("Political stability", 2016). The political situation in every country where Peli's employees work and live, influences every process of the HR (hiring/terminating, compensating, etc.). Changes in government influence factors such as rates of the minimum wage, amount of tax to be paid, market control, and funding available in the country.

The stability and nature of political systems vary from country to country. For instance, the following countries where Peli has employees have the highest political stability indexes: Netherlands (1.05), Poland (0.87), UAE (0.81), and Italy (0.50). While countries such as Russia (-0.84), Israel (-0.99), and Turkey (-1.06) are considered politically unstable, meaning that scenarios about the company's future in these markets cannot be foreseen (The World Bank, 2014). This leads to the need of constantly updating, or in some cases changing certain benefits provided to employees based in countries that are politically less stable. Interestingly, employees working in countries that are politically more stable earn on average more than those based in other countries (internal HR database, 2016).

Recent terrorism activities in Europe have led to increased presence of security forces and a need for a better government protection and control. This has resulted in an increased focus on Government's military expenditure, which has a positive correlation with Peli's sales (internal sources, 2016). Thus, this trend signifies that the sales of Peli across the Europe have a potential to increase if such threat persists, meaning that demand for workforce may also increase.

Concerning Spain, important to mention that Spanish government provides an opportunity to recover money spent on staff training (Spanish: bonificación tripartita). The company is obliged to pay social security taxes and 0.7% of it goes to the fund available on a corporate training. This factor positively affects Training & Development (T&D) practices at Peli.

*Economic.* Factors such as labor cost, taxes, and interest rates directly affect any company's functioning. Economic factors like GDP and Income Per Capita decide the rate of minimum wages that is further correlated with a compensation of employees. This directly influences the wages received by employees at Peli, as the contracts are drafted based on competitive salary of the country that employee is based in. For instance, this is reflected in the salaries of regional sales managers of Germany and Spain. The ratio of salary (Germany:Spain) for these managers is 1.35 (internal sources, 2016) while the ratio of Per Capita Income for (Germany:Spain) is similar, 1.42 (The World Bank, 2016).

Economic instability in Europe and financial crisis in Spain (2008-2015) affected company's T&D practices, as the company couldn't afford external trainers, it reduced the number of training opportunities. Recession also affected company's compensation system, with the company reducing the level of pay, as well as the scale of benefits provision (S. Valente, HR Generalist, personal communication, 2016).

*Social.* Within the last few decades, dramatic changes in demographics were observed. The main reason was differing attitudes towards employer, autonomy, work-life balance, etc. of older and younger generations. Norms, values, and behaviors of different generational groups have a big impact on the workplace (Higginbottom, 2016). At Peli's, the HR department does not feel a need of applying diverse practices of recruiting, training, and retaining employees belonging to different generations, however, HR Director believes that it might be applicable in the future.

One of the primary goals of HR is to recruit permanent staff for a long-term. In the past years, a tendency of signing fixed-term contracts in Spanish labor market was observed. The proportion of employees in Spain with a temporary contract was 24% and 25.1% in 2015 and 2016, respectively (Eurostat, 2015). This number continues to rise and makes it difficult to find

local talent with consolidated work experience for a permanent job. Thus, Peli tends to hire people, from outside the Spanish labor market.

*Technological.* In the past 20 years, new communication technology has enabled multinational entities to expand and create cross-border teams (Kammar, n.d.). For HR, this helps to save on business travels and employee relocation. It also stimulates sharing of knowledge and experience among employees, bringing value (e.g. expertise, innovation, diverse customer base) to the firm.

New technology brings new equipment to the firm, requiring training to educate staff and keep them informed. Also, technology contributes towards a decline in labor force needed to complete certain tasks (Kammar, n.d.). For example, HR information systems (HRIS) used by Peli's HR department radically decreased its workforce requirement and increased efficiency.

*Environmental.* The main raw materials used in most Peli's products belong to the polymer / plastic family that are non-biodegradable materials and pose a threat to the environment. A limitation on the usage of these raw materials seems likely in the next 5-10 years which could lead to increased focus on Research & Development to find alternate raw material that can be used. For HR, this translates into a need of finding specific talent that can bring expertise in chemistry and environmental studies. This is a particularly tedious situation, which can lead to multiple complications if there is an unavailability of such labor force in EU labor market.

*Legal.* Any changes in the Labor law and Employment law must be closely monitored and should always reflect in company's policies. Peli operates in twelve countries, seven of which are in EU and have completely different labor laws compared to the remaining five countries. For instance, as directed by UAE's labor law, "employee's wage shall include cost of living allowances and any grant given as a recognition of honesty or efficiency" (GulfTalent, 2007, p. 3). This is not the case for eleven other countries.

Many legislations are different in some countries. For example, working hours and overtime pay:

- France has a standard of 35 hours per working week and any extra hour is considered as an overtime, which must be remunerated. In Spain, a standard is 40 hours per week and it is not obligatory to pay for overtime hours. Meanwhile, in Turkey, full-time employees are required to work 45 hours and 6 days per week, so as not to exceed 7.5 hours per day. An overtime wage in Turkey must be increased by 50% in comparison to normal wage (internal HR database, 2016).

Since Peli does not have an internal law specialist, it hires external consultants to make sure employment laws of every country are followed.

To conclude, the external environment is changing rapidly. Political, economic and legal factors have the greatest impact on HRM decisions and it is crucial for HR to adapt its practices to the changing requirements. It is essential to be aware of the changing attitudes of society, as well as current trends in the labor market and transform HR practices accordingly. Peli's HR department must keep itself up-to-date with the latest technology, as technology advancements may contribute towards department's efficiency.

### **Internal Environment Analysis**

All data required for internal analysis comes from personal communication with HR Director and HR Generalist, as well as, from the internal company's database.

### **Link between HR & Organizational strategies**

Company's growth strategy is based on three initiatives: increased customer focus & stable customer relationships, increased organizational efficiency, and Talent Management (attract, develop & retain) (A. Spaans, Director of Operations, personal communication, 2016).

According to HR Director, Roberta Massari, the HR strategy is aligned with organizational strategy, as for 2016-2017, HR team is focused on the improvement of the following activities:

- *Recruitment & selection (attract)*: HR department strives to apply the most up-to-date practices (e.g. LinkedIn Recruiter) to support international recruitment and select right people whose knowledge, competencies and attitude would add value to the organization.
- *T&D (develop)*: HR department attempts to take an active role in professional employee development, by organizing training based on results of performance appraisal. It seeks to develop competencies that align with the organizational strategy and make diverse training courses available for not only headquarters-based employees but also for overseas.
- *Compensation & Benefits (retain)*: HR recognizes a need of improving company's reward system by building competitive compensation & benefits packages to keep employees motivated, committed, and engaged.

### **Structure of HR department**

Overall HR department of Peli's parent company, Pelican Products Inc., consists of ten employees (refer to Appendix B). On the top of HR's organizational chart, there is an HR Vice President. Reporting to her are four managers accountable for Worldwide Talent Acquisition, Learning & Development, Benefits, Information Systems, and two HR Directors, one responsible for the Americas (North and South America) and the other one for EMEA.

HR department of Peli Products S.L.U. is responsible for employees located across EMEA. It is headed by the HR Director, who is involved in long-term projects, such as policy creation and implementation, personnel training, benefit allocation, and compensation plan creation. Reporting to her are HR Manager and HR Generalist (Appendix C).



### **Division of HR related responsibilities by countries**

The responsibilities for supervising all HR related aspects across 12 countries in EMEA are split between HR Generalist (based in Spain) and HR Manager (based in the UK).

Table No. 1. *Division of responsibilities between HR Generalist and HR Manager.*

Responsible person	Peli's HR Generalist	Peli's HR Manager
Country of operation	Spain, France, Italy, Turkey, Israel, UAE, South Africa, Netherlands, Germany, Poland, and Russia	United Kingdom
Employee classification	White-collar workers	Blue-collar and white-collar workers
Total number of employees	53	124

*Source:* Internal company's sources.

The split of responsibilities was done according to the knowledge and experience of two HR specialists. Even though HR Generalist is responsible for only 53 employees, her job requires a broad international perspective (e.g. international staffing approach, awareness of specifics in legislations in every country, language skills, etc.).

Hence, the HR practices and principles applied by HR Generalist and HR Manager are very different. Since the author of thesis completes her internship at Peli's headquarters office, this study is focused on the analysis of HR functions applicable to the employees managed by HR Generalist (i.e. all employees apart the ones based in the UK). For a better understanding of employee arrangement across the countries, refer to Appendix D.

### **Functions of Peli's HR department**

The framework of Human Resource Management consists of the following activities:

- *Job analysis*- the process of “determining the nature of each employee's job” (Dessler, 2008, p.2);

- *HR planning*- the process of deciding which positions to fill in and how;
- *HR recruiting*- the process of developing a pool of applicants for a specific position;
- *Employee selection*- the process of selecting the best candidates from a pool of applicants;
- *Orientation*- “a procedure for providing new employees with background information about the company” (Dessler, 2008, p. 292);
- *Personnel training*- “the process of teaching new employees the basic skills they need to perform their jobs” (Dessler, 2008, p. 294) and *development*- “the framework for helping employees develop their personal and organizational skills, knowledge, and abilities (Heathfield, 2016);
- *Performance appraisal*- the process of assessing employee’s performance and comparing it with the performance standards;
- *Career planning and development*- a “continuous lifelong process of developmental experiences that focuses on seeking, obtaining and processing information about self, occupational and educational alternatives, lifestyles and role options” (Hansen, 1976);
- *Compensation*- “all forms of pay or rewards going to employees and arising from their employment” (Dessler, 2008, 386)) and *benefits*- “indirect financial and nonfinancial payments employees receive for continuing their employment” (Dessler, 2008, 446);
- *Legal HRM aspects*- regulations and laws relevant to employment, as well as, employee safety and health (Dessler, 2008).

Additionally, *employee turnover* is described as it is relevant while analyzing HR functions, practices and management principles.

The management of the HR functions defined earlier is described below.

*Job Analysis* function is performed by HR Generalist, along with the manager of the related department. Usually, there are several meetings dedicated to discussing the firm's employment needs and the nature of the job to be done. According to HR Generalist, the aim of such meetings is to identify duties and skill requirements for new roles, competencies needed to successfully perform the job, performance appraisal, and compensation. Job analysis at Peli is conducted in two cases: when a new position opens up, or when requirements or conditions of an existing position change.

*HR planning* activities depend a lot on the strategic plans of the organization and its financial state. The HR department works closely with other departments with an aim to evaluate current business performance, opportunities, the level of staff workload, and its productivity. As a result of this activity, staff cut back or expansion plan is prepared. The last HR planning has happened in the end of September 2016, when the leave of the manager of logistics & operations caused a need of reorganizing all the department. As a result, the titles and reporting lines for all employees in the department have changed, new positions appeared, two employees got promoted, and several received a raise.

Once a decision on what positions company needs to fill in is made, *recruitment* process starts. Although the talent acquisition manager (working from USA's headquarters) overviews all recruitment processes, the recruitment process for EMEA is managed by HR Generalist. Descriptions of vacancies are advertised on the company's webpage ([www.peli.com](http://www.peli.com); [www.pelican.com](http://www.pelican.com)). The company also cooperates with recruitment agencies across Europe (e.g. Babel Profiles S.L., Randstad, Talent Search, Expectra) and has recently signed a contract with LinkedIn Recruiter. External candidates through referrals are also welcomed. Since 2016, Peli has actively started collaborating with European Universities (Avans University of Applied

Sciences, Aston University, Frankfurt School of Finance & Management, ISM University of Management & Economics, etc.) and traineeship coordinating organizations (Trainee+Up, Dutch Students Abroad) to encourage students to complete internship programs at Peli.

*Employee selection process.* CV's of applicants are reviewed by HR Generalist and those whose profiles match the selection criteria are contacted, for a short interview. In case the candidate's expectations match with what Peli offers, an invitation to the first job interview is sent. The first interview briefly covers candidate's educational background, professional experience, accomplishments and personal ambitions. Depending on the proposed job location, an interview may be held either face-to-face or via phone/Skype. The company uses a tool based on the theory of personalities called Personal Development Appraisal (PDA) for assessing behavioral tendencies of a candidate through five categories: Risk, Extroversion, Norms, Patience and Self-control. This is applicable for all positions except top management. For top management level position, another similar tool for personality assessment, called PAPI, is used. PAPI focuses more on exploring the drivers and preferred working styles of a candidate.

In case the first interview is successful, a second interview with the potential supervisor is scheduled. This interview is technical in nature and comprises specific questions about relevant experience, skills, and projects. The candidate is sometimes asked to complete a job-related competency test (e.g. for customer service: language tests are assigned, for finance: accounting skills tests). For higher-level positions third interview with the Managing Director is conducted.

Once the best candidate is selected and confirmed, he/she is invited for an onboarding session where *orientation* process takes place. The new employee is required to come to Barcelona's office to sign the contract and receive the required introductory training. During onboarding session, all job-related policies, rights, and obligations are discussed, and

employment contract is signed. The new employee is then introduced to the team and undergoes introductory briefings with personnel from different departments. Once this is done, a detailed training with reporting manager along with a functional head (if required) follows.

Regarding *personnel T&D*, Peli emphasizes on-the-job training, where new employees receive instructions from professionals in a normal working situation. Also, company's internal platform offers its employees multiple e-learning materials in forms of tests, videos, interactive courses, and tutorials. Besides, Peli runs weekly webinars for its sales and marketing departments, with an aim to introduce and educate employees about new products. Since 2015, Peli has put more focus on professional employee development. This has led to a significant increase in the budget allocated towards such activities and an increase in opportunities to develop within the company. Peli started providing in-house training (in its headquarters office) from external providers, who are experts in their field of activity. For instance, this autumn, some of Peli's employees were assigned to complete Advanced MS Excel and Outlook Management courses. Unfortunately, not all employees are eligible to undertake upcoming classroom training, as most of the training programs are offered to headquarters-based employees, due to the possibility to recover money through "bonificacion" and easiness of setting it up. Various training sessions are offered to management level employees. Several leadership oriented courses are taking place in Peli's holding institution, which many of the senior employees of Peli have been invited to. To evaluate the effectiveness of T&D programs, employees are asked to provide written feedback about every training they had. The needs for employee training are defined by line supervisors, during employee performance appraisal.

The performance of recently hired Peli's employees is evaluated after probationary review period is completed, usually 60-180 days (depending on country of work and position) after hire

date. An introductory period appraisal form is used to formally monitor employee's performance and productivity. A special attention is paid to a regular employee *performance appraisal*. It is conducted twice per year and includes several methods, such as interviews, checklist, rating scale questionnaires, performance tests, etc. Performance appraisal seeks also to establish an ongoing communication process between managers and employees. Peli uses its internal Performance Appraisal Platform (in Success Factors) as the main tool for setting competence development goals, however HR Team is looking for alternative tool, as it is believed that the current performance evaluation is not effective. For the sales team, the company uses Key Performance Indicators (KPIs) and remunerates those, who over perform established goals. Performance review helps HR not only to assess whether employee's job performance matches criteria and organizational objectives, but also to make decisions regarding T&D needs.

*Career planning and development* activities at Peli are almost non-existing at the moment. Only some engineering positions have established lifelong series of stages contributing to the career fulfillment, while career guidelines and career opportunities for other employees are not communicated clearly. Besides, the company prefers external candidates for open positions and consequently promotions are not common in Peli at all (the recent exception was described above, in HR planning part). The company identifies a need of establishing career development plans for all positions in the future.

Peli's *compensation & benefits system* is very complex, as it varies a lot on the employee title and country of operation. Usually, office employees have a base pay (fixed salary) plus bonuses (depending on company's EBITDA) delivered once per year. Previously, bonuses were based on both, EBITDA and individual performance, however, this bonus scheme was changed for internal company's reasons. Bonus paid for sales force is always based on targets and

individual performance results. The table no. 2, on page 24, provides components of the current reward system for the following hierarchical levels: *Non-management (office employees), Management (managers) and Senior Management level (directors) employees*. The compensation for *sales force (representatives & managers)* is also different, so this category is also included into the table as a separate one. The benefits vary a lot according to countries' legislations. Some examples of benefits common in several countries can be seen in Extra Benefits section. Only employees who have passed probation period are eligible for the benefits mentioned in the table.

Table No. 2. *Compensation & benefits for different employee levels.*

	Compensation Scheme	Benefits	Extra Benefits
Office employees	Base Pay (fixed salary) + Bonus (5%-12% of base pay, depending on company's EBITDA, delivered once per year)	Healthcare (insurance/ allowance)	Spain: <ul style="list-style-type: none"> <li>• Pension Scheme</li> <li>• Life assurance</li> <li>• Childcare (employees who have under 3 years old children)</li> </ul>
Sales force	Base Pay (fixed salary) + Performance-based bonus (%) 70/30 (for sales managers) 65/35 (for sales reps) delivered quarterly	Healthcare (insurance/ allowance)  Work & Travel Insurance  Car lease/ cash allowance  Mobile phone	France: <ul style="list-style-type: none"> <li>• Meal Tickets</li> <li>• Transportation Allowance</li> </ul> UAE: <ul style="list-style-type: none"> <li>• Housing Allowance</li> </ul>
Managers	Base Pay (fixed salary) + Bonus (15% of base pay, depending on company's EBITDA, delivered once per year)	Healthcare (insurance/ allowance)  Work & Travel Insurance	Pension scheme (employer contributions) for some sales managers in specific countries
Directors	Base Pay (fixed salary) + Bonus (17.50%-20% of base pay, depending on company's EBITDA, delivered once per year)	Healthcare (family health insurance) Pension Scheme  Work & Travel Insurance  Meal Tickets  Gym Membership	Particular cases: <ul style="list-style-type: none"> <li>• Housing Allowance</li> <li>• Child benefits</li> </ul>

Source: Internal company's sources.



Considering employee *recognition* (a form of appreciation for employee's contributions and value he/she brings to the organization (Danish & Usman, 2010)), very little initiatives from company's side were taken before. However, Peli's HR starts rectifying the situation by recognizing and empowering employees through launching brainstorming sessions, organizing team buildings, seniority awards and corporate celebrations for results achieved. To improve work & life balance, in September 2016, the company applied a new "working from home" policy, entitling majority of employees to work from home up to 2 days per month.

Lastly, regarding the *legal HRM aspects*, there is a Global Employee Handbook with all the policies (related to employer-employee relations, work conditions, health & safety measures, etc.) coming from holding institution. Even though not all of these policies are applicable in every country, company's HR department tries to adapt and harmonize it, as much as possible. Peli is committed to assuring healthy working conditions for its employees. Following health & safety legislations is very important for Peli, as it contributes towards employees' well-being and overall business success. The company regularly provides mandatory safety courses on its e-platform for ensuring employee acknowledgment and has a board in the office where all safety measures, instructions, and policies are communicated.

### **Employee turnover and loyalty**

According to the research conducted by Melaku, (2014), staff turnover strongly depends on employee satisfaction with a pay structure, promotion systems, and management style. Peli has an employee turnover rate of 9%, depicting a high employee loyalty and overall satisfaction. In 2016, there were a total of 16 contract terminations. The most common reasons were department reorganization or unsatisfactory employee performance. 68% of resigned employees had worked at Peli for less than 12 months. This indicates a healthy employee turnover rate, as the top

performers stay within the company. According to the internal report on seniority of service, 19.76% of employees have been working at Peli for more than 10 years and 30.23% for more than 5 years. As the company was established in 1997, these figures signify a high employee loyalty.

**Human Resource SWOT Analysis**

The SWOT analysis is aimed to define Peli's HR related strengths, weaknesses, opportunities, and threats. Table no. 3 presents the summary of the analysis.

Table No. 3. *SWOT analysis of Peli Products from HR perspective.*

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Loyal employees and low staff turnover</li> <li>- Experienced, resourceful, young, and international workforce</li> <li>- Proactive management team</li> <li>- Parent company's support</li> <li>- Introduction of T&amp;D related activities</li> </ul>	<ul style="list-style-type: none"> <li>- Unequal chances for T&amp;D</li> <li>- Absence of career development plan</li> <li>- Differing benefits packages across divisions</li> <li>- Lack of recognition for the work done</li> <li>- Bonus dependent only on company's EBITDA &amp; not on individual performance</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- Support from the government of Spain leading to higher investments into the staff training</li> <li>- Increasing demand for workforce due to the business expansion</li> <li>- Usage of advanced technologies to improve HR activities</li> </ul>	<ul style="list-style-type: none"> <li>- Other companies offering better working conditions (e.g. extended benefits packages, competitive reward programs, better career opportunities)</li> <li>- New regulations and changes in employment policies</li> <li>- Unrest due to political instability in a country</li> </ul>

*Source:* The author based on situation analysis and personal communication

One of the strengths is its low employee turnover and ability to retain top talents. The company's workforce is young, knowledgeable, dedicated and multinational, guaranteeing better market and cultural awareness. Another strength is its management team, who collaborates closely with the parent company to stimulate Peli's rapid growth and employees' continuous

development. Since 2015, the company has increased the amount and variety of T&D opportunities and practices (e.g. team-buildings, brainstorming sessions).

However, not all employees have equal T&D opportunities, as most of the training courses are offered to managerial level employees, and majority of other workshops take place in the headquarter, creating a physical barrier for remote employees. The dependence of bonus plans and benefits package on the position and country of employee operation may raise perceptions of unfairness among employees and decrease their motivation. In addition to this, the company lacks a systemized practice to recognize and praise its employees for their efforts and contributions. This is critical because recognition has a major impact on employee satisfaction and productivity (Harrison, 2010). Besides, the company has a career development plans only for limited positions. In future, employees may start quitting if career path is not clear or no promotion opportunities arise.

The Spanish Government provides an opportunity for companies to recover money spent on training, called “bonificación tripartita”. This could lead to a greater budget for T&D activities. Continued aggressive expansion due to growing product demand can lead to an increase in company’s workforce. A crucial opportunity for Peli is the application of advanced technologies that could make HR processes more efficient and convenient (e.g. use of ID badges instead of the online clock in/out system).

The greatest threat comes from an intense competition from rivals in terms of working conditions for employees and competitive reward systems. This may result in complexities in finding competent employees, and also increase in employee turnover. There is a threat associated with changes in labor/employment laws that may require modifications in HR related

policies. Finally, political unrest in some countries (e.g. Turkey) may force closure of the regional office and loss of labor force.

### **Problem Identification**

According to the situation analysis and personal communication with Peli's HR experts and several employees, the most crucial threat identified is considered to be company's current reward system that does not reward employees accordingly to their efforts and achievements, and hence fails to motivate them enough. To be more precise, some elements of the reward system are supposed to be not well-developed and need to be assessed.

In general, the company provides its employees with essential benefits that help fulfill their physiological and safety needs (McLeod, 2007), however, it offers very little non-monetary rewards, such as recognition, empowerment, training and possibility to grow within the company. All of this may lead to the psychological needs and self-fulfillment needs of some employees being ignored (McLeod, 2007). Furthermore, it is suspected that Peli's employees may have a perception of unfairness in rewards since bonuses for non-sales and sales employees are determined differently, benefits packages for same level employees vary across countries, and T&D opportunities are more inclined towards employees based in Spain. A lack of timely response or intervention may result in underachievement of some employee's true work potential, due to the lack of motivation.

According to Urichuk (1999), employee dissatisfaction with reward practices is one of the crucial reasons for employee turnover, since poor reward system is a strong de-motivator for employees. Even though the current employee turnover rate at Peli indicates that employees are satisfied with overall work environment (responsibilities, workload, compensation, management

principles, etc.) and their expectations are met, it is suspected that remote employees might not be satisfied with rewards on the same level as ones based in headquarters. Therefore, the HR team oversees that the current practices of rewarding employees have to be assessed, as it may cause not only unsatisfied levels of performance, but also an increase in employee turnover, and consequently decrease in sales.

The company's HR department identifies a need of building a harmonized and systematic process of rewarding both local and overseas employees for their efforts, however, no action plan has been developed yet. Thus, upon the company's request, the research question is: *How to improve the Total Reward System at Peli Products S.L.U.?*

The goal of the bachelor thesis is to evaluate the current practices of rewarding Peli's white collar workers, through definition and comparison of satisfaction of two main employee groups (Spain vs rest of EMEA), and provide strategic managerial recommendations on possible improvements of the reward system.

## **Theoretical Approach to the Problem**

### **The concept and the purpose of rewards**

Reward is defined as any form of compensation that an employee receives from an employer for his / her service (Jiang, Xiao, Qi & Xiao, 2009). Rewarding has been found to be one of the policies that an organization can adopt to increase the performance of its staff and thus, the overall organizational performance (Ajila, 1997, as cited in Akanbi, 2011). "Reward system is an important tool that management can use to channel employee motivation in desired ways" (Pratheepkanth, 2011, p. 85). Many authors believe that the primary goal of reward system is to motivate employees to work harder in course of achieving business objectives (Ismail & Ahmed, 2015; Armstrong, 2012; Stoner, Freeman & Gilbert, 1995). This can be

achieved by providing visible ways of showing employees that organization truly values their efforts (James, Evans & Lindsay, 2003). The studies conducted by Hafiza, Shah, Jamsheed & Zaman (2011) and Roberts (2005) prove that there is a significant and positive relationship between rewards and employee motivation.

Levering (2004), in his article states that turnover rate can be sufficiently decreased by rewarding employees and providing them with a good work environment. "Rewarding for positive results is an important factor in retaining employees. People enjoy working and tend to succeed in organizations that create encouraging work environments, where every individual can make a difference" (Ismail & Ahmed, 2015, p. 200).

Important to stress that nowadays, reward systems are focused not only on salary payments but also on providing employees with various non-monetary benefits that contribute towards higher motivation and better performance. Current reward systems contain many elements that cannot be measured in monetary terms. These elements include favorable interpersonal relationship inside the company, professional training and learning procedures, employee involvement into decision-making, growth opportunities, and much more (Jiang, Xiao, Qi & Xiao, 2009). Such broad approach of reward management is commonly called as a Total Reward. This term can be defined as all of the tools employers may use to attract, motivate and retain employees (Worldatwork, 2011). The Total Rewards Association (U.S.A.), called Worldatwork (2011), states that the Total Reward System comprises everything that comes from employment relationship and brings value to employees (both tangible and intangible rewards are valuable).

### **Elements of the Total Reward System**

There are several frameworks and definitions of the Total Reward System designed by compensation experts from global consulting groups such as Towers Watson, Towers Perrin, and HayGroup, which are used in various scientific articles. As already mentioned, Total Reward Systems do not consist only of financial incentives, but also incorporate various types of non-financial benefits for motivating employees (Jiang, Xiao, Qi & Xiao, 2009). According to Patricia & Jay (2000), total pay, positive workplace, individual growth and career opportunities are the main components of the Total Reward System. Moreover, Lyons and Ben-Ora (2002) indicated that Learning & Development is a crucial element of the Total Reward System as well. According to Worldatwork (2011), there are five elements of the Total Reward System: compensation, benefits, work-life, performance & recognition, development & career opportunities. Armstrong and Brown (2001) described the term of Total Reward as a strategy that brings such components as Learning & Development, along with features of the working environment, into the benefits package.

A separate model of the Total Reward System has been formulated by the author based on her personal understanding of it after literature reviewed. The model depicted below is a summary of frameworks suggested by consulting groups and authors mentioned above, and is adapted to the practices present at Peli Products. This model further is used in the research for assessing the current reward system at Peli.

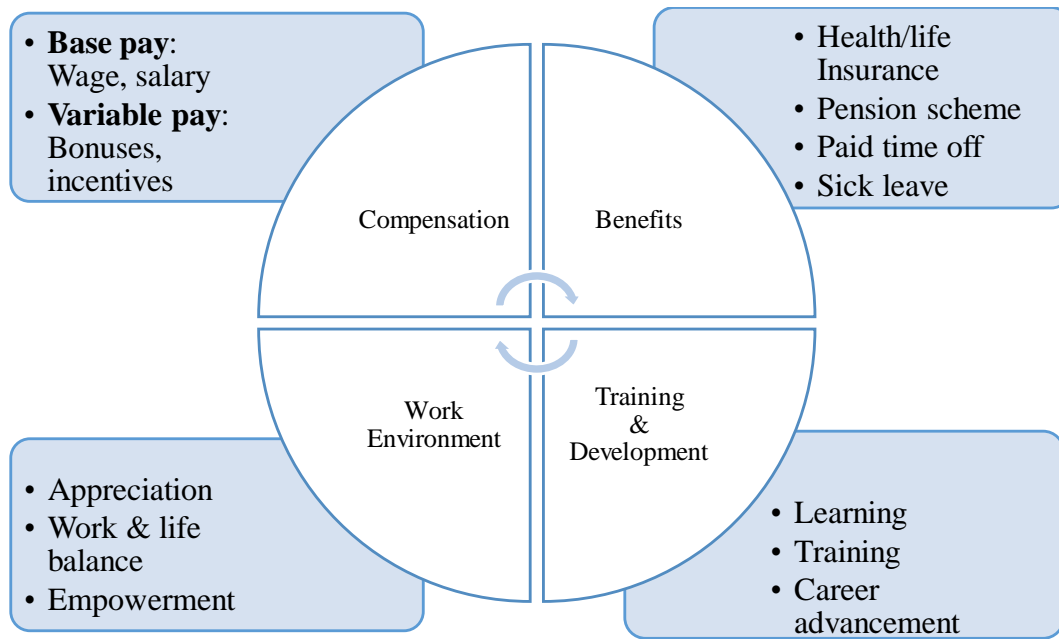


Figure 1. Total Reward System. Source: Adapted from Jiang, Xiao, Qi & Xiao, 2009; Armstrong & Brown, 2001; Patricia & Jay, 2000.

Definitions of elements are provided below:

*Compensation:* direct pay provided to an employee by an employer for his/ her services.

Usually, it consists of base/ fixed (wage/salary) and variable pay (bonus/incentives) which depends on performance results (Worldatwork, 2011).

*Benefits:* indirect and non-cash reward delivered to an employee additionally to the compensation. Some of the benefits are mandatory by law (e.g. unemployment compensation, social security), while others (e.g. pension scheme, medical plan) depend on the company's policies and financial state ("Employee benefits", 2016).

*Work environment:* factors going beyond cash compensation and benefits. It includes the attitude and behavior of the management towards employees, coming in a form of respect, appreciation and trust (Levering, 2004). Work environment incorporates work-life balance, employee involvement, autonomy, employee recognition, and communication (Buffet, Gervais,



Liddle & Eeckelaert, 2013). Note, in this research, physical conditions of the work environment (e.g. temperature in the office, equipment, working desk, lighting, etc.) are not considered.

*Training & Development:* practices aimed to improve current technical or personal skills of employees. T&D programs seek to line up employee skills with changing jobs and add value to the organizational growth (Jehanzeb & Bashir, 2013). T&D is “a mixture of knowledge, career development and goal setting” (Jehanzeb & Bashir, 2013, p. 245).

### **Classification of rewards**

The most generic and common ways of classifying rewards are financial versus non-financial, and individual versus team-based performance rewards.

#### ***Financial versus non-financial rewards***

Per the research done by Byars & Rue (2008), rewards can be extrinsic (usually financial, tangible rewards) or intrinsic (non-monetary, usually intangible rewards) in nature.

Dessler (2008), further classified the extrinsic (financial) reward into two main components: *direct financial payments* and *indirect financial payments*. Direct financial payment includes wages, salaries, incentives, commissions, bonuses, while indirect financial payments can be employer-paid insurance, paid sick leaves, purchase discounts and paid vacation. (Dessler, 2008).

According to Pfeffer & Sutton (2006a), a common belief that people work primarily for money is wrong and financial incentives cannot be the most important motivators. Thus, financial rewards are vital for getting a work done, but several studies show that providing employees only with financial incentives is not enough to keep them motivated. Similarly, Herzberg (1974) and Hope & Fraser (2003), in their respective studies, concluded that financial rewards can satisfy only the “lower level” needs and these incentives are used to make people do

something they would not otherwise do. In addition to this, a study conducted by Gohari et al. (2013), revealed that intrinsic rewards have a stronger effect on employee performance as compared to extrinsic ones.

The non-financial rewards are usually intangible and come in a form of a sense of choice, competence, feeling of accomplishment, and meaningfulness (Dessler, 2008). Recognition, responsibility, feedback, achievement, employee involvement into L&D opportunities, autonomy/flexibility are examples of non-financial rewards (Armstrong, 2012). Herzberg (1974) believed that employer can create a self-motivated staff only by focusing on intrinsic factors, mentioned above.

Literature reviewed shows that the monetary compensation is only one part of a reward system. In order to keep employees motivated, both financial and non-financial rewards should be addressed. The best approach is to find a balance between extrinsic incentives and intrinsic ones that will make employees feel appreciated and hence, stimulate them to perform even better (Araoz, Groysberg, & Nohria, 2011).

#### *Individual versus team-based performance rewards*

A performance-based reward is defined as a variable pay added to the base pay (Williams & Grimaldi, 1999). Many authors argue about the merits and demerits of rewarding employees on their individual performance, team, or the overall performance of the company. Per the research conducted by Li et al. (2016), since early 1990s teamwork has become a corporate trend and companies have switched their focus to collaborative work within teams, rather than individual employee contributions. At present, teamwork is seen as a critical factor for achieving the best results. Hope & Fraser (2003), wrote that companies should move from individual to team-based rewards. Moreover, Kohn (1993) and Argyris (1998) in their studies concluded that

when rewards are based on individual's inputs only, employees become less concerned about teamwork and shared values.

In some cases, rewards based on individual performance work better and do not undermine teamwork. For instance, when the result does not depend on collective work or other employee contributions (Pfeffer & Sutton, 2006b), as for salespeople. Sales compensation plans typically include fixed salary and commissions that depend strictly on sales person's results (Dessler, 2008). Similarly, Armstrong (2012), wrote about the importance of having different approaches of "pay for performance" to executives, sales and customer service staff, knowledge workers and manual workers. The author stressed that it is crucial to understand what motivates each group and if the result is driven mostly by teamwork or individual efforts (Armstrong, 2012).

The past studies show that more and more companies switch their practices towards team-based rewards. On the other hand, there are some specific positions that should be rewarded for individual performance, since results depend on their individual efforts only.

### **Factors affecting employee rewards**

According to Armstrong (2012) and Price (2004), the factors affecting employee rewards can be divided into two categories:

**External Factors:** Factors such as rate of pay in the marketplace, globalization, societal factors, national economic environment, and legislations (Employment Law, Labor Law, and Fair Labor Standards) govern total rewards decisions (Heneman, & Coyne, 2007).

**Internal Factors:** Factors such as company's ability to pay (budget limit), company's strategy, management principles, organizational culture, nature of a job, people, as well as, their cultural background (Tatenda & Moment, 2014; Hofstede et al., 2010).

### **Factors influenced by employee rewards**

The studies conducted by Waqas (2014) and Harunavamwe & Kanengoni (2013) found out that employee rewards impact employee motivation, behavior required to support organizational strategy (G. Dessler, 2006), job satisfaction, employee commitment, and employee engagement.

Since all these factors contribute towards increased employee productivity and a better organizational performance- it can be stated that employee reward has an indirect impact on the overall organizational performance.

### **Defining employee motivation**

As is was mentioned above, a primary goal of reward is to keep employees motivated to work hard for their organization. Therefore, to establish guidelines on how Peli's reward system should be improved- it is crucial to determine how different factors of reward system contribute to employee motivation. For this reason, a term of motivation should be defined.

Employee motivation is defined as a powerful force which directs employee's behavior to accomplish certain goals at work (Konstantinos, 2008). Pinder (2008, p. 11) defines it as "a set of energetic forces that originates both within, as well as, beyond an individual's being, to initiate work-related behavior, and to determine its form, direction, intensity, and duration". There are two primary types of motivation- intrinsic and extrinsic. Intrinsic motivation arises from inside a person and he/she gets a pleasure from doing his/her job. Extrinsic motivation is the opposite of intrinsic, as it requires external rewards (money, praise, awards, etc.) beyond the good feeling that doing the job offers (Ryan & Deci, 2000).

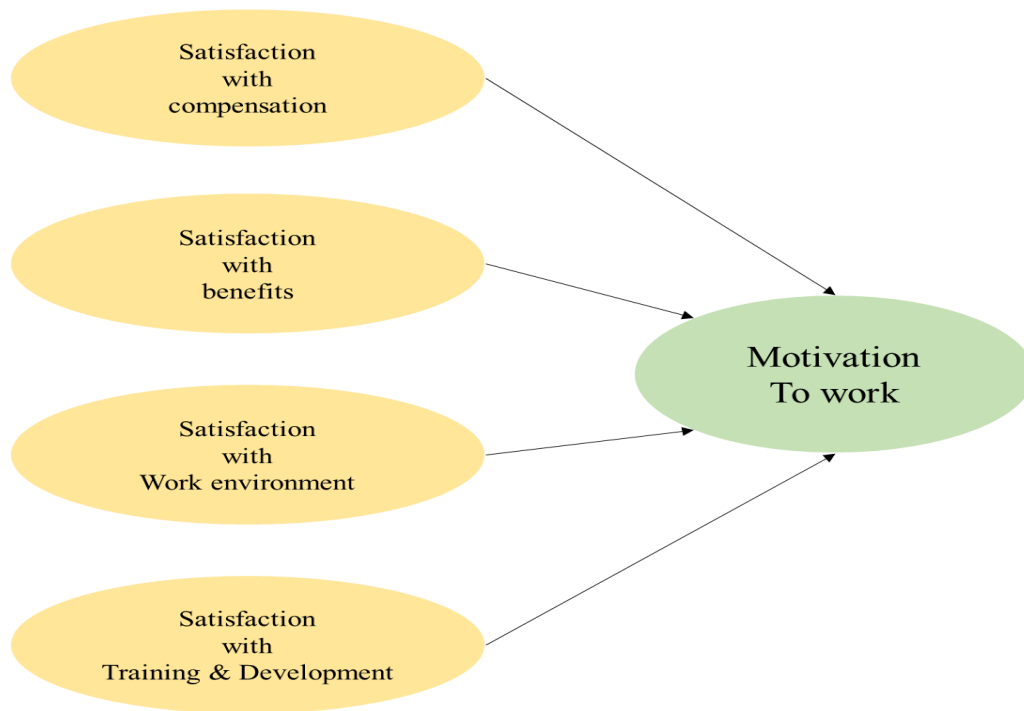
### **Insights into achieving effective reward system**

One of the crucial challenges for organizations today is development and implementation of a meaningful and at the same time cost-effective reward system (Darling, Arn, & Gatlin, 1997). To avoid wasting a large sum of money on reward programs that employees do not want or are not satisfied with, it is crucial to identify what truly matters to them and what motivates them to work hard, and use it to develop effective reward system (Lukens, 2014). As Branham (2001) stated, if reward system is not tailored to the needs of employees, it will not have any power to motivate them. Similarly, Limaye & Sharma (2012) believe that involving employees into the process of developing practices of rewards, instead of taking one-sided decisions, makes reward system much more effective. According to Jackson (2014), the most valuable feature of a modern employer is an ability to understand and adapt to the needs of every employee, even though in practice it is very difficult. Hence, for finding out how Peli's employees should be rewarded to be driven to work, it is vital to ask for their opinion and understand their needs.

### **Model development for empirical research**

To accomplish the goal of this paper and propose practical managerial solutions on how Peli's Total Reward System could be improved, literature reviewed suggests first, to evaluate employee satisfaction with each element of the Total Reward System, and second, to understand the impact of employee satisfaction with these elements on their levels of motivation. Besides, the difference between headquarters-based employees' satisfaction and the ones working abroad must be examined and considered while proposing solutions, to make sure that both employee groups are satisfied.

The model developed as a guideline for the further research is depicted in Figure 2.



*Figure 2.* Model for empirical research. *Source:* According to Ismail & Ahmed, 2015; Harunavamwe & Kanengoni, 2013; Armstrong, 2012; Stoner, Freeman & Gilbert, 1995.

The main idea of the model is that if majority of employees are dissatisfied with a particular element of the Total Reward System, although satisfaction with this element boosts their motivation to work - there is a clear room for improvement.

### **Empirical Research**

This part identifies and compares satisfaction (with elements of the current reward system) of headquarter employees against those based outside, and investigates the rewards that matter most to employees at Peli. It describes the methods, processes, and results of the empirical study.

#### **Aim and Objectives of the Research**

The aim is to collect data required for a practical evaluation of the current Total Reward System at Peli through the following three objectives:

1. Investigate and compare employee satisfaction with elements of the reward system;
2. Identify the impact of the elements on employee motivation;
3. Find out which elements should be improved / developed to increase employee motivation

#### **Research Method and Data Collection Method**

Till now, the company's reward system has not been assessed, presenting the need of a primary research. Quantitative method is chosen over qualitative one, based on:

- Possibility to reach all population of the research and obtain more insights in a short time;
- Possibility to derive important facts from the data (differences in employee demographics);
- Possibility to achieve higher level of honesty due to anonymity of the survey conducted;
- Possibility to quantify the data collected and identify trends (Madrigal & McClain, 2012).

To reach the population and get the highest response rate, a survey is created. A standardized questionnaire is created to find statistical information. As the prospective participants are spread across eleven countries, an online survey is considered as the appropriate instrument.

### Logic of Preparation of the Research Instrument

Topics related to rewards are sensitive. To ensure an honest feedback, the survey was made anonymous. The language of survey was the company's corporate language, English.

The questionnaire comprised of three sections: 1) demographic information; 2) measurement of satisfaction with elements of the Total Reward System; and 3) level of employee motivation, and option to provide recommendations on improvements in Peli's Total Reward System. Two types of measurement scales were used: nominal and ordinal scales. The questionnaire consisted of 19 multiple choice (closed-ended) questions and 2 open-ended ones.

*Section 1.* To categorize the respondents, questions related to location of work, position, tenure, and age were asked. Location subdivides employees into two groups: headquarter-based and abroad. The individual country of each respondent is not asked to keep the anonymity of the survey as some countries have just one or two employees. Identifying respondent's position allows categorizing them into: "Office employee", "Sales representative", "Sales manager", "Manager", and "Director". It is important as compensation schemes vary also by position. Questions about age and years of service are not crucial but may be valuable to know if responses differ between employees of different age and tenure.

*Section 2.* This section identifies employee's satisfaction with compensation, benefits, work environment, training & development. Each element contains sub-factors, that help to define the overall satisfaction. Due to the time restrictions and topic amplitude, only a few sub-factors were selected by Peli's HR team, based on complexity and importance, and analyzed.

To evaluate employee satisfaction with *compensation*, factors such as level of pay, recent raise, and bonus plan were selected. For *benefits*, satisfaction with individual benefits package



was analyzed. Upon company's request, an open-ended question "What would you like to add to your benefits package?" was included to this part. Satisfaction with *work environment* was evaluated through work/life balance, empowerment, and recognition (in a form of appreciation and frequency of feedback from line manager). Satisfaction with T&D was measured through amount and suitability of training, career development clarity, and advancement opportunities.

A guide of validated scales for organizational research and diagnosis, written by Fields (2002), was used as the main source. The wording of questions was adapted by the author, in accordance with HR Director's advice, to ensure clarity for non-native English speakers.

The questions concerning satisfaction with pay & benefits were taken from Pay Satisfaction Questionnaire (PSQ) developed by Heneman and Schwab (1985) (as cited in Fields, 2002). Question about employee satisfaction with work/life balance was formed based on the measure developed by Rothausen (1994) (as cited in Fields, 2002). Questions related to employee satisfaction with empowerment were obtained from measure developed by Spreitzer (1995) (as cited in Fields, 2002). Empowerment was defined as an intrinsic motivation resulting from several cognitions reflecting employee's orientation to his/her work role (Spreitzer, 1995, as cited in Fields, 2002). Autonomy in defining how to do own job and involvement into important decisions were tested. The questions measuring employee satisfaction with appreciation and frequency of feedback from a supervisor were based on the Job Diagnostic Survey (JDS), developed by Hackman & Oldham (1974) (as cited in Fields, 2002). To validate the measurement of satisfaction with the training provided, a technical manual developed by Schmidt (2004) was used as a source for the questions. Finally, questions aimed to evaluate satisfaction with career development guidelines and opportunities were from an empirical study by Monis & Sreedhara (2011).

Likert's 5-point scale was applied for scaling responses on the questions from this section, where 1= Very dissatisfied, 2= Dissatisfied, 3= Neither satisfied, nor dissatisfied, 4= Satisfied, and 5= Very satisfied. "Non-Applicable (N/A)" option was added for respondents who would not be able to evaluate satisfaction with factors they have not received yet (e.g. pay raise, training).

*Section 3.* First part was to understand employees' motivation to work at Peli, Responses were measured with Likert's 5-point scale, where 1= Not motivated at all, 2= Slightly motivated, 3= Moderately motivated, 4= Motivated, 5= Extremely motivated. These responses helped to test correlation between satisfaction with rewards and motivation, thus revealing elements of rewards that have highest impact on motivation. Next part contained an optional open-ended question asking recommendations on how company's reward system could be improved. According to literature, the best way to improve is to understand what changes employees would like to see in the future and try to work on it (Lukens, 2014; Branham, 2001; Jackson, 2014). Table no. 4 contains the title of question groups, factors that were analyzed, corresponding question numbers, and researchers, whose literature helped frame these questions.

Table No. 4. *Research instrument framework.*

Scale/ title of question group	Factors	Question No.	Source
Demographic characteristics	Employee location, position within the company, years of service, age	1-4	Developed by the author based on the research objectives
Satisfaction with Compensation (salary + bonus)	Salary	5	Heneman & Schwab, 1985, as cited in Fields, 2002
	Recent raise	6	Heneman & Schwab, 1985, as cited in Fields, 2002
	Bonus plan	7	Heneman & Schwab, 1985, as cited in Fields, 2002
	Determination of bonus plan	8	Heneman & Schwab, 1985, as cited in Fields, 2002
Satisfaction with benefits & improvement of it	Benefits package (satisfaction)	9	Heneman & Schwab, 1985, as cited in Fields, 2002
	Benefits package (improvements)	10	Heneman & Schwab, 1985, as cited in Fields, 2002
Satisfaction with work environment	Company's efforts to improve work/life balance	11	Rothausen, 1994, as cited in Fields, 2002
	Autonomy	12	Spreitzer, 1995, as cited in Fields, 2002
	Involvement (in decision-making)	13	Spreitzer, 1995, as cited in Fields, 2002
	Appreciation	14	Hackman & Oldham, 1974, as cited in Fields, 2002
	Frequency of feedback	15	Hackman & Oldham, 1974, as cited in Fields, 2002
Satisfaction with training & development	Amount of training	16	Schmidt (2004)
	Suitability of training	17	Schmidt (2004)
	Career development guidelines	18	Monis & Sreedhara (2011)
	Career advancement opportunities	19	Monis & Sreedhara (2011)
Employee motivation	Motivation	20	Developed by the author based on the research objectives
Employee recommendations	Improvements in the Total Reward System	21	Developed by the author based on the research objectives

*Note.* Full Questionnaire with a response scale is provided in Appendix F.

### Research Samples and Sampling Procedure

The sample for this research are Peli's white-collar workers, who are administered directly from the headquarters. The population size is 53 (29 headquarters-based + 24 employees based abroad). As the target population is relatively small ( $N=53$ ), purposive sampling technique called total population sampling is applied to examine the entire population. This technique reduces the risk of missing potential insights and provides greater accuracy ("Total population sampling", 2012). Hence, the sampling frame ( $n=53$ ) is equal to the population.

The sample includes employees from multiple positions consisting of 6 directors, 6 managers (non-sales), 9 sales managers, 11 sales representatives, and 21 office employees.

### Data Analysis Methods

Descriptive statistics were applied to summarize and describe the basic features of the data, to present it in a meaningful way, and make it easy to interpret. To see data distribution, frequency tables were created. Means and modes were calculated to measure central tendencies and evaluate sample position. Standard deviation was calculated to see the spread.

Spearman's correlation was conducted to check the influence of the factors analyzed on employee motivation. Results of the correlation analysis were interpreted based on Burns (2000) explanation: where correlation coefficient of 0.00-0.19 → very weak-; 0.20-0.39 → weak-; 0.40-0.69 → moderate-; 0.70-0.89 → strong-; 0.90-1.00 → very strong- correlation.

To analyze open-ended responses, general categories were created. The responses were converted into numerical terms and frequencies of similar responses were compared.

The data was entered into Excel and analyzed using Pivot Tables and Analysis Tool Pack. All graphics provided for the data analysis were also done using Microsoft Excel.

### **Research Process**

Before the launch, a pilot test of the survey was conducted with three participants for feedback on clarity, formatting, and logical structure. Next, the HR Director reviewed the questionnaire and provided the permission to conduct the survey (Appendix E).

An invitation to complete this voluntary survey was sent on October 26<sup>th</sup> to all population of study via email. The message included researcher profile, the aim of the survey, anonymity assurance, survey length (5 minutes), deadline (November 7<sup>th</sup>) and instructions. A reminder to complete the survey was sent on the November 2<sup>nd</sup>. The first two days produced 24 responses with 6 more after the reminder. The survey closed on November 7<sup>th</sup> and data was exported to Excel for analysis.

### **Data Analysis and Findings**

This part presents the results of the analysis. The responses can be found on [www.google.com/forms](http://www.google.com/forms) (username: elina.fbt2016@gmail.com, password: Thesis123).

According to Sekaran (2001) and Nulty (2008) a response rate of thirty percent is acceptable for most studies and the average response rate for online surveys is 33%. In the survey conducted, 57% (30/53) of the employees responded, which is considered as satisfactory.

#### **Demographic characteristics**

The demographic characteristics provide an idea about the sample and compare variance amongst the subgroups. The distribution of headquarters-based employees and those working abroad is depicted below:

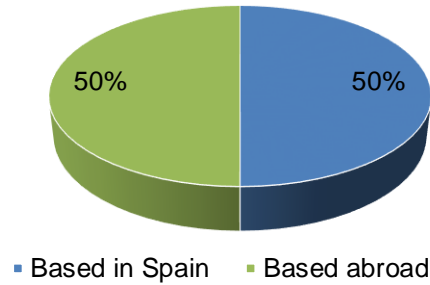


Figure 3. Respondents by location of work (Spain versus Abroad).

The response rate for Spain-based employees and those based abroad was 52% and 62% respectively. The categories which the respondents belong to are depicted below:

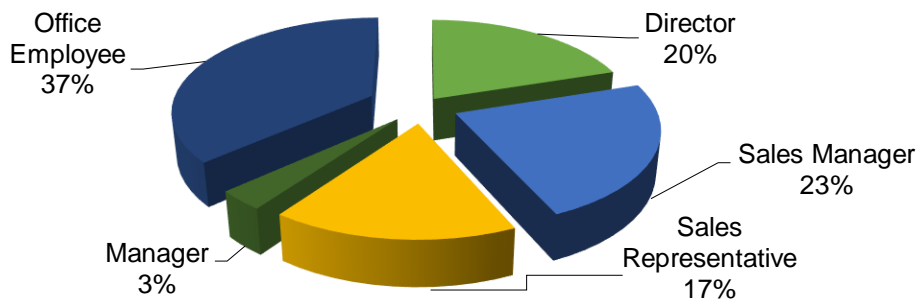


Figure 4. Respondents by category they belong to.

The response proportion of employees from each category is depicted in the chart below:

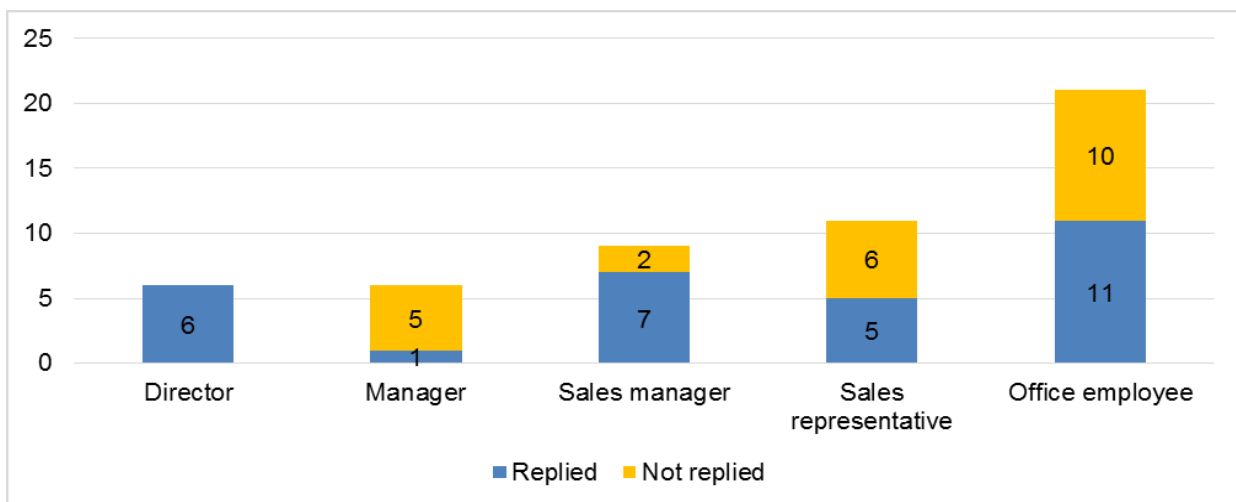


Figure 5. Total number of employees per category who participated in the survey versus those who did not.

Findings of the tenure length are depicted in the chart below:

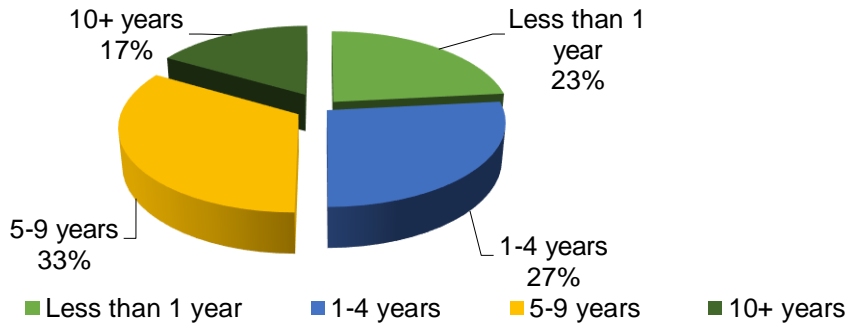


Figure 6. Respondents by years of service.

The last demographic question helped to subgroup respondents according to their age. It was found that 80% of responders (24) are in between 30-49 years old, while 4 respondents (13%) are between 18-29, and only 2 (7%) are 50 or above.

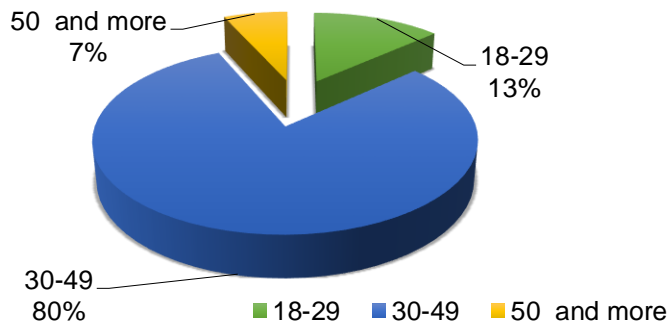


Figure 7. Respondents by age group they fall into.

**Employee satisfaction with rewards**

Since questions were taken from a validated source (Fields, 2012), no validation test was needed. Percentage frequency distribution tables were generated to visualize data and identify trends within it (Appendix G). In all questions, except of “How satisfied are you with the most recent raise you got?”, “N/A” responses were treated as missing values.

To summarize and analyze data, mean scores (arithmetic average) for satisfaction with each factor were calculated. The value of the mean presented a picture of general satisfaction level of the participants. To calculate mean, Likert's response scale used in the questionnaire was converted into numerical data set, using Score: 1 – Very Dissatisfied; 2 – Dissatisfied; 3 – Neither Satisfied, nor Dissatisfied; 4 – Satisfied; 5 - Very Satisfied. "N/A" responses were excluded from calculations to reflect the true nature of the responses. Modes were calculated to show the most frequent responses in the data set.

*Satisfaction with compensation:*

Table No. 5. *Modes and means of satisfaction with compensation.*

Factor	Mode	Mean
Salary	3	3.4
Recent raise	4; 3	3.2
Bonus plan	4	3.6
Bonus determination	3	3.4

As depicted in table no. 5, on average, the responses are between being neutral and being satisfied with the compensation factors (mean score: from 3.2 to 3.6), with recent raise (3.2) being least satisfying. A possible reason for this could be the difficulty to get a raise as many employees have not received any for last 4 years (S. Valente, HR Generalist, personal communication, November 3, 2016). Out of the 4 factors, respondents showed most satisfaction with the bonus plan they have (3.6).

The thesis explores the differences between the satisfaction levels of employees based in Spain and those abroad. The means of two employee groups are depicted in the graph below.



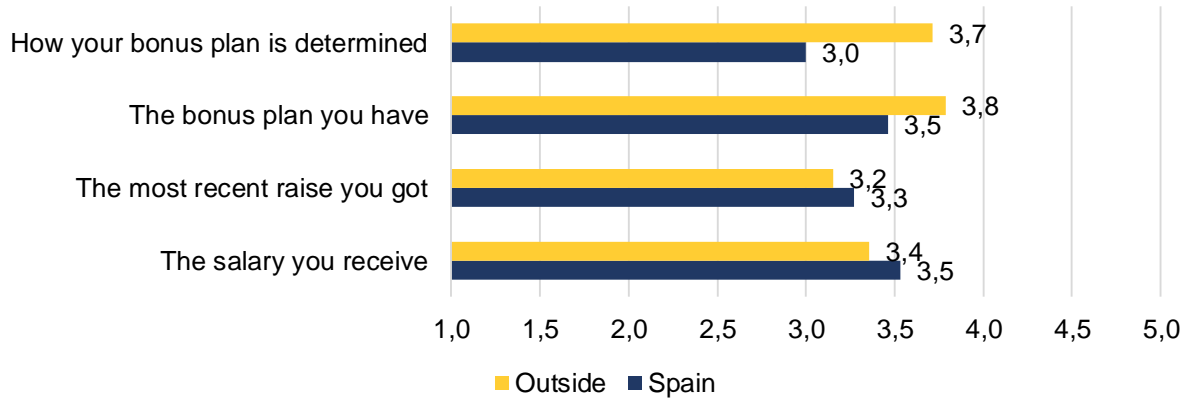


Figure 8. Satisfaction with factors of compensation (respondents based in Spain versus respondents based abroad).

Based on the graph above, both sets of employees are not completely satisfied with their compensation. Their satisfaction with a recent raise and salary is almost identical. An important finding is that respondents working overseas are on average more satisfied with the bonus plan and how their bonus is determined. A possible reason could be that majority of employees based abroad belong to the sales force (73% of respondents based abroad are in sales) and have their bonus based on individual performance. Most of Spain-based respondents are non-sales employees with bonus determined by the company’s EBITDA. This assumption was further tested by comparing the means of sales versus non-sales employees (study participants). A significant difference was found (mean of 3.8 and 3.1 respectively), depicting that employees with bonus based on EBITDA are less satisfied compared to those having individual performance-based bonus.

*Satisfaction with benefits.*

Table No. 6. Modes and means of satisfaction with benefits.

Factor	Mode	Mean
Benefits package	3; 5	3.7

Table no. 6 depicts a bimodal distribution of data, since response options “Neither satisfied, nor dissatisfied” and “Very satisfied” have the same frequencies (11, 37%). The average level of satisfaction with benefits package is 3.7 (tending towards “Satisfied”). Since benefits packages differ per the position within the company, and the country of operations, the data distribution is further analyzed via employee category (table no. 7) and location (figure 9).

Table No. 7. *Satisfaction with benefits by employee category.*

Category	Resp. #	Mode
Director	6	5
Manager	1	1
Sales manager	7	3
Sales representative	5	2
Office employee	11	3

According to this, ‘Director’ is the most satisfied category (5 out of 6 stating extreme satisfaction with the benefits package), possibly because their benefits packages include higher value non-cash rewards. The satisfaction rating for (non-sales) managers was “very dissatisfied”, however, this may not be a true reflection, as only one response was captured. Majority of sales managers (5) are neither satisfied, nor dissatisfied, while the most frequent response among sales reps was “Dissatisfied”. Lastly, the mode for office employees is 3, however, on average office employees (mean = 3.7) are still more satisfied as compared to the sales force (mean= 3.4). This could be due to the difference in benefit packages across various countries.

Satisfaction means of headquarter-based vs respondents based abroad is depicted below.

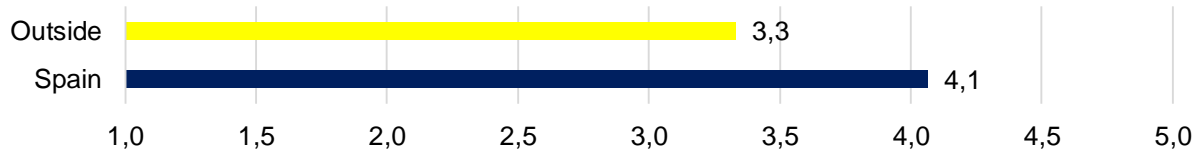


Figure 9. Satisfaction with a current benefits package (respondents based in Spain versus respondents based abroad).

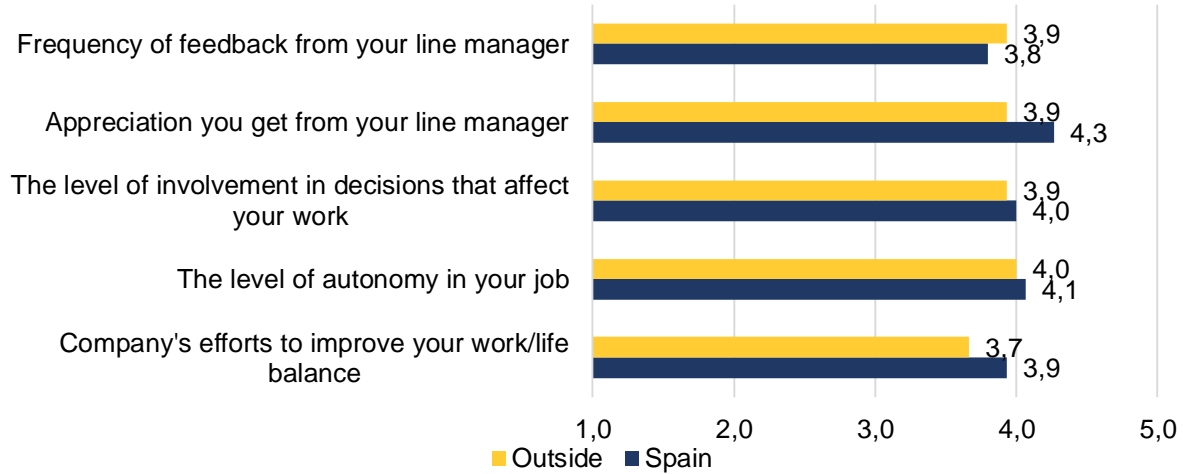
The average level of satisfaction with benefits package of Spain-based employees is higher. A possible reason could be the lack of pension scheme for employees based abroad. Responses captured for “What would you like to add to your benefits package?” supports this assumption (Appendix K).

*Satisfaction with work environment.*

Table No. 8. Modes and means of satisfaction with work environment.

Factor	Mode	Mean
Work/Life balance	3; 4	3.8
Autonomy	4; 5	4.0
Involvement	5	4.0
Appreciation	5	4.1
Feedback frequency	5	3.9

Table no. 8 indicates that on average, employees are satisfied with the level of autonomy they have, the level of involvement into decision-making, and appreciation coming from line manager. However, employees are not completely satisfied with the work/life balance and feedback frequency. These responses are reviewed further based on employee location.



*Figure 10.* Satisfaction with work environment (respondents based in Spain versus respondents based abroad).

It was observed that on average, respondents based in Spain are more satisfied with appreciation, probably because of direct contact with line managers. The other noteworthy difference was observed in work/life balance, where employees working abroad appeared to be less satisfied (47% (7) of overseas employees, who participated are neither satisfied, nor dissatisfied). A probable reason could be that most employees abroad belong to sales force and have a diverse nature of work resulting in shifting schedule (e.g. variable working hours, multiple business trips, meetings with clients, trade shows, etc.), hence affecting the work/life balance. This assumption was tested by comparing the means of sales force and non-sales employees. It was observed that the mean of sales force (3.6) is indeed lower than the mean of non-sales workers (3.9).

*Satisfaction with Training & Development.*Table No. 9. *Modes and means of satisfaction with Training & Development.*

Factor	Mode	Mean
Amount of training	4	3.4
Suitability of training	4	3.7
Career development guidelines	2	3.1
Career advancement opportunities	2; 4	2.9

The measures of central tendency show that the most frequent answer on questions regarding amount and suitability of training was “Satisfied”. 50% of respondents are either satisfied or very satisfied with the amount of training, while 63% of respondents are either satisfied or very satisfied with the suitability of it (Appendix G). However, on average, the respondents are not completely satisfied with the training. As suitability was rated slightly higher than the amount of training, it can be concluded that the current training practices are considered appropriate and useful, however there is a lack of it.

Career development guidelines and opportunities were rated as the least satisfying factors.

The most frequent response (8) for satisfaction with career development guidelines was “Dissatisfied”, while the most frequent rating of career advancement opportunities, was “Satisfied” and “Dissatisfied”. This could be explained by the fact that the company lacks an individual career development plan. Additionally, the means of respondents grouped by the years of service were compared, and it was found that respondents working for 5-9 years in the

company (10) are the ones who are, on average, dissatisfied with career development guidelines (2.2) and opportunities (2.1). The means of other groups ranged from 3.1 to 4.

Several employees selected a “N/A” (not applicable) option. Hence, “N/A” responses were excluded from the analysis. The total acceptable responses for satisfaction with career development guidelines was 28 and satisfaction with career advancement opportunities 26, (Figure 11).

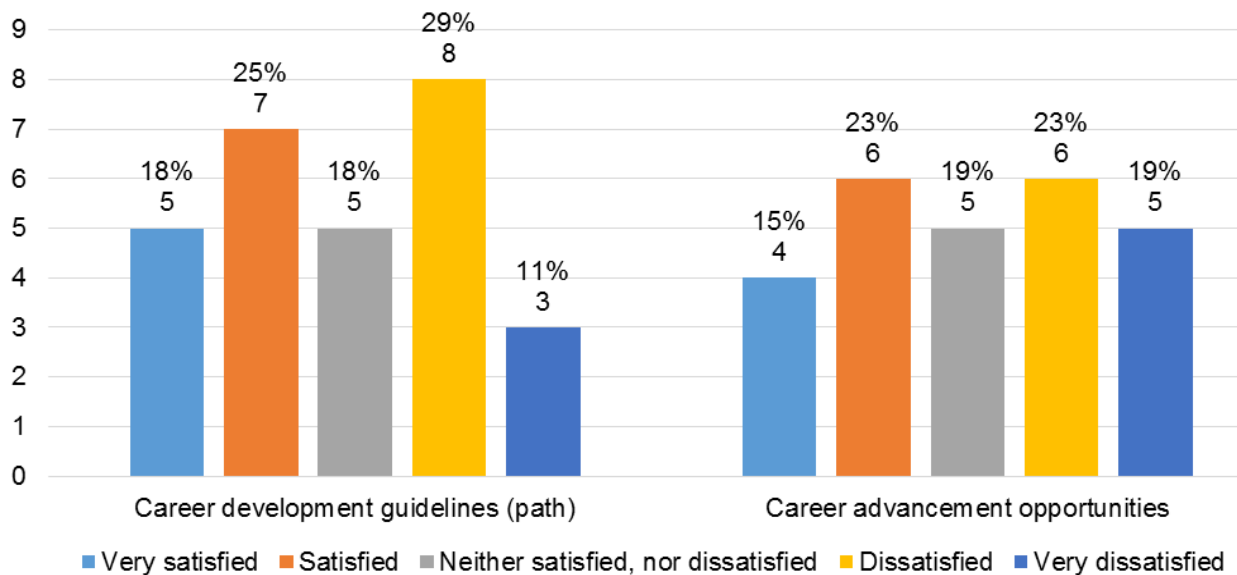


Figure 11. Satisfaction with career development guidelines and opportunities (missing values excluded).

For T&D activities, satisfaction level with career development guidelines was the only factor with significant difference between headquarter-based respondents and those based abroad with Spain-based respondents showing greater satisfaction. As majority of employees working abroad belong to the sales force, the level of satisfaction of sales force (2.9) was compared to non-sales employees (3.2). It was observed that during the last sales meeting, the doubts and questions on career path were expressed (F. Della Mora, Sales Director, personal

communication, September 20, 2016). Hence, it is assumed that salesforce lacks a clear career vision and a career development plan.

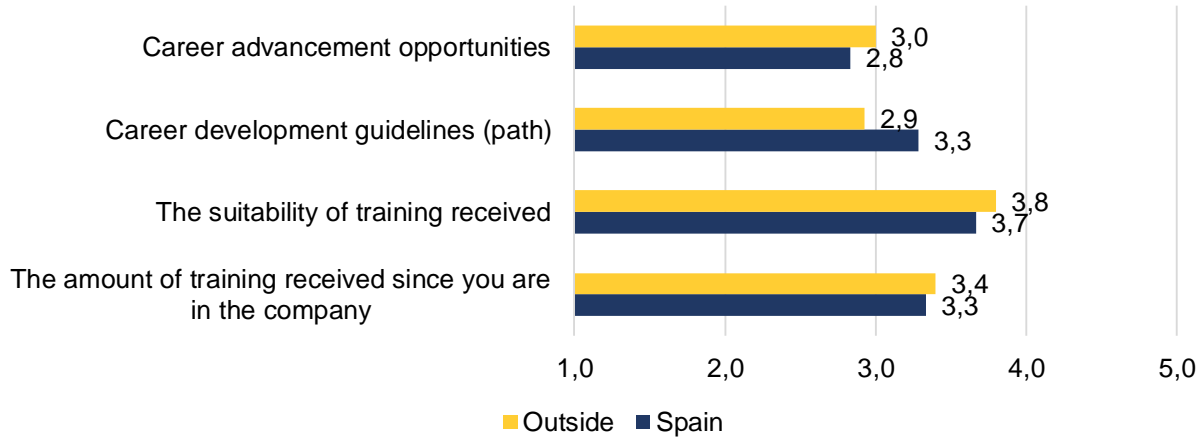


Figure 12. Satisfaction with Training & Development (respondents based in Spain versus respondents based abroad).

The following graph summarizes all means for respondents' satisfaction with each element. The factors with a mean lower than 3.5 should be kept in focus, as they were rated relatively lower on the satisfaction scale.

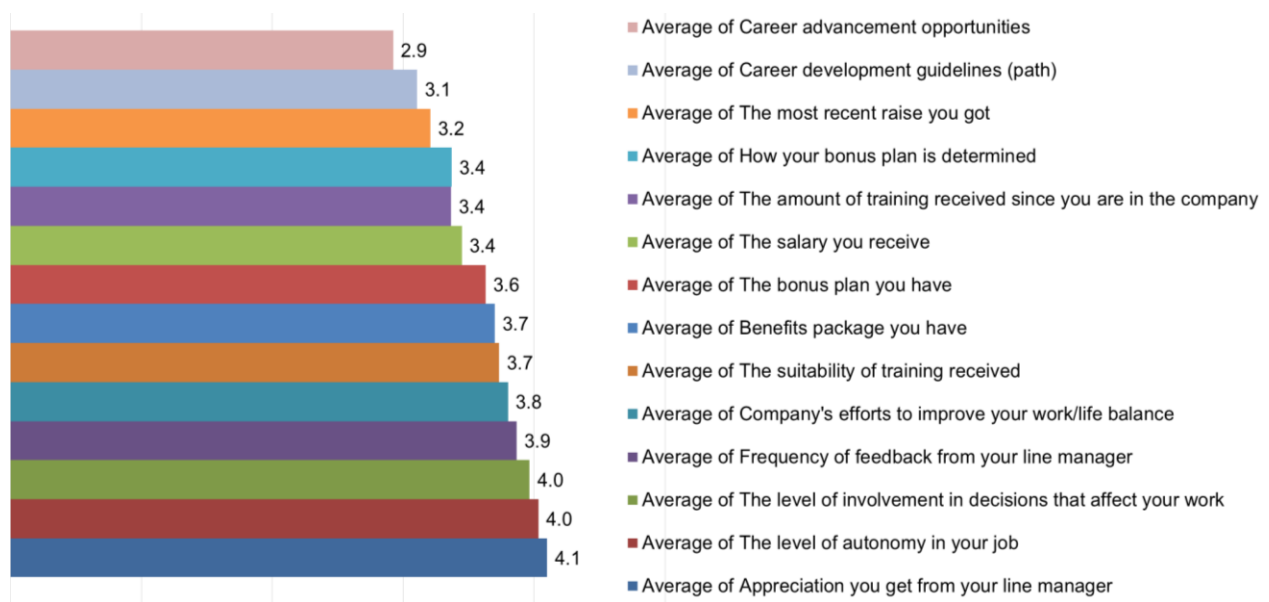


Figure 13. Average level of respondents' satisfaction with each factor.

Using information from Figure 13, least satisfying factors are identified as:

1. **Career advancement opportunities;**
2. **Career development guidelines;**
3. **The last raise received.**

The other factors that need attention are **bonus plan determination, amount of training,** and **salary**. Moreover, the average of satisfaction with **benefits package** was relatively high (3.7), however this element of rewards also should be considered as the average level of satisfaction for overseas respondents is relatively low (3.3).

The data analysis showed that overall 42% of respondents are either “Dissatisfied” or “Very dissatisfied” with career advancement opportunities. No significant difference in means was found between Spain-based employees and others, however the former group is slightly more dissatisfied. The data also revealed that 40% of respondents are dissatisfied with the career development guidelines, with employees based outside Spain being most dissatisfied. For satisfaction with raise, a minor difference of 0.12 was found between the means of the two employee groups. However, the overall level was also very low (3.2). The next factor with low evaluation was determination of a bonus, driven mainly by Spanish participants (3.0). The average level of satisfaction with amount of training received was low as well for both sets of employees. The last factor that was rated relatively low on average was satisfaction with the salary. Here, Spanish respondents were on average more satisfied compared to others. Even though the overall results indicate that, on average, respondents are nearly satisfied with the benefits package (3.7), overseas employees (3.3) are significantly less satisfied as compared to Spanish employees (4.1).



Initially, it was assumed that because of T&D activities' inclination towards headquarter-based employees, employees based abroad would be less satisfied. However, the empirical research discredited that assumption as the level of satisfaction of remote employees was found to be higher than those based in headquarters. Similarly, it was assumed that there is a lack of employee recognition. However, on average, respondents are satisfied with factors such as appreciation, feedback, autonomy, and involvement in decision-making.

### **Employee motivation**

After Peli's employee satisfaction with elements of the Total Reward System is identified and explained, it gets clear which reward elements need an improvement. To help company to prioritize areas of improvement by urgency, it is crucial to investigate how different factors affect employee motivation. To do so, Spearman correlational analysis is applied.

Respondents' motivation has been measured to complete correlational analysis and distinguish the factors that have the greatest impact (highest correlation coefficients) on employee motivation. To calculate the mean of respondents' motivation, the Likert's response scale used in the questionnaire was converted into numerical data set: 1 – Not motivated at all; 2 – Slightly motivated; 3 – Moderately motivated; 4 – Motivated; 5 – Extremely motivated.

It was found that on average respondents are motivated to work at the company (4.2). The most frequent response was "Extremely motivated", which was selected by 50% of respondents (such proportion raises concerns and is included in study limitations). There was one negative response "Not motivated at all" that was selected by the only manager, who filled in the survey.

Table No. 10. *Modes and means of motivation to work.*

Factor	Mode	Mean
Motivation to work	5	4.2

While comparing results of different demographic groups, it was found that employees based abroad (mean= 4.4) are considerably more motivated to work rather than headquarters-based (mean=4.0). It was revealed that higher-level employees have a higher level of motivation (Directors- 4.7, Sales managers- 4.5, sales representatives- 4.3, and office employees- 4.0). Managers were excluded from this table, as only one manager participated in the survey, what is not representative. The most important finding was that the least motivated respondents have been working in the company for 5-9 years. Lastly, according to the data, 50+ and 18-29 years old respondents are the most motivated (Appendix I).

### **Correlation between satisfaction with elements of rewards and motivation**

To identify the rewards that boost motivation the most, correlation analysis was conducted. However, correlation is not enough to state whether two variables are interdependent or interrelated. However, the author refers to the conclusions made by other researchers and considers the fact that there is a strong relationship between satisfaction with rewards and motivation (Roberts, 2005, Hafize et al., 2011). This part examines which factors of the Total Reward System have the greatest impact on employee motivation to work for Peli Products.

The first inference is a positive correlation between respondents' (total 30) satisfaction with all the factors and their motivation to work. The strongest correlation was found between the satisfaction with a level of involvement in decision making and motivation ( $r_s = 0.71$ ), and moderate between satisfaction with amount ( $r_s = 0.69$ ) and suitability ( $r_s = 0.69$ ) of training and motivation.

For Spain-based employees, there is a strong positive correlation (0.73-0.87) between motivation and satisfaction with factors representing T&D, satisfaction with salary ( $r_s=0.73$ ), benefits ( $r_s=0.73$ ), and satisfaction with work environment factors (such as the level of involvement, appreciation, and frequency of feedback (0.78-0.83)). The strongest correlation was observed between satisfaction with career development guidelines and motivation ( $r_s= 0.87$ ). For non-Spain based respondents this correlation is very weak ( $r_s= 0.12$ ). For remote employees, the strongest correlation was found between satisfaction with the level of involvement in decision making and motivation ( $r_s=0.59$ ), and level of autonomy in the job and motivation ( $r_s=0.51$ ). Surprisingly, there was no strong correlation ( $r_s=0.70$  and more) found between non-Spain based respondents' satisfaction with any of the factors and their motivation, meaning that their motivation to work probably depends on other aspects (e.g. job nature, work environment/culture, tasks, etc.) rather than rewards.

Additionally, a correlation analysis was done for all employee subgroups to check trends specific to employee demographic characteristics. For instance, a noticeable trend was observed among directors. Analysis showed that satisfaction with salary does not impact their motivation ( $r_s=0.00$ ), while satisfaction with bonus plan affects it a lot ( $r_s=0.88$ ). However, due to small number of respondents in each subgroup, the results of correlation analysis most probably do not depict the real picture. Hence, it was decided to take into account only the correlation coefficients for all respondents, headquarters-based, and those based abroad. Complete results of Spearman's correlation analysis can be seen in Appendix J.

To identify where improvements should be done, the impact of least satisfying factors on employee motivation was evaluated.

Table No. 11. *Least satisfying factors and their impact on motivation.*

Factor	All Employees		HQ-Based		Based Overseas	
	Mean	rs	Mean	rs	Mean	rs
Career advancement opportunity	2.9	0.55	2.8	0.73	3.0	0.19
Career development guidelines	3.1	0.58	3.3	0.87	2.9	0.12
Recent raise	3.2	0.44	3.3	0.55	3.2	0.36
Bonus plan determination	3.4	0.43	3.0	0.62	3.7	0.05
Amount of training	3.4	0.69	3.3	0.84	3.4	0.42
Salary	3.4	0.63	3.5	0.75	3.4	0.45
Benefits package	3.7	0.48	4.1	0.75	3.3	0.28

The table no. 11 consists of the factors with the lowest average level of satisfaction (mean) and the impact of these factors on respondents' motivation, represented by correlation coefficients. According to this table, on average all study participants are leaning away from satisfaction with career advancement opportunities and career development guidelines, what strongly impacts motivation level of headquarters-based employees (study participants), and almost does not influence motivation of employees working abroad. The average level of satisfaction with recent raise is pretty low, while the relationship between satisfaction with a recent raise and motivation is moderate for respondents based in Spain, and weak for those working abroad. It was found that headquarters-based respondents are on average neither satisfied, nor dissatisfied with the bonus plan determination, while employees based abroad are nearly satisfied. The bonus plan determination has a moderate impact on motivation of Spain based employees and very weak impact on those working abroad. On average respondents are not completely satisfied with amount of training they receive in the company. This factor has a very strong correlation with a level of motivation of headquarters-based employees, and a moderate correlation with motivation level of overseas employees. On average, respondents are

not completely satisfied with a salary they receive. This factor affects their motivation, particularly those, who work in headquarters office. Lastly, headquarters-based respondents are satisfied with benefits package they have and benefits motivate them a lot, while those based abroad are less satisfied and this factor impacts their motivation, but not a lot.

To conclude, all 7 factors mentioned above should be paid attention to, in order to satisfy employees, as all of them moderately impact employee motivation, and majority of them have a strong impact on motivation of headquarters-based workers.

### **Employee recommendations for improving Peli's Total Reward System**

After the most dissatisfying factors are identified and their impact on employee motivation is clear, managerial solutions could be made. However, literature reviewed suggests that the best way to improve the reward system is to involve employees into decision making process, get their opinion and understand how they want and need to be rewarded (Lukens, 2014, Jackson, 2014, Limaye & Sharma, 2012, Branham,2001). Hence, two open-ended questions aiming to derive employees' opinion on the possible system improvements were asked.

The first open-ended question aimed to collect employee opinion regarding the benefits package extension. To analyze systematically text responses, firstly, the author read through each response and defined several response categories. Every category got a number (a code), representing category itself (e.g. Category: Pension plan, category no. 3), and every single response was coded in order to combine similar responses and sort them via allocating into particular category. Some responses were allocated to more than one category (e.g. response: Gym membership & restaurants tickets, category no. 2 (Gym membership) and category no. 9 (Discount cards & tickets)). One response was disregarded, as it did not make any sense (category no. 0) and four responses were not related to benefits package (category no. 99), so

they were transferred to employee general recommendations' part (analyzed further). The table below presents all response categories defined along with a frequency of responses. Complete responses to this question can be found in Appendix K.

Table No. 12. *Response categories and frequency of answers on "What would you like to add to your benefits package?" question.*

Category No.	Response category	Frequency
1	Nothing	6
2	Gym membership	5
3	Pension plans	7
4	Vacation (paid/unpaid)	3
5	Schooling allowance	1
6	Car allowance increase	1
7	Health/ medical/ life insurance	3
8	Study/training coverage	1
9	Discount cards & tickets	3
99	Not related to benefits	4
0	Disregarded	1

The most frequent answer was adding a "pension plan/scheme" to the current package of benefits. This request was indicated by seven respondents working outside Spain (in Spain employees already have a pension plan). Six employees stated that they are happy with the current benefits package and would not add anything to it (four of these respondents are based in Spain and two outside). One respondent stressed that benefits package is very well provided in France. The next most frequent response was concerning "gym membership" (three Spain-based employees indicated this and two employees based abroad). Three employees mentioned about having more "vacation days" (one of them said that it could be non-paid days offs), other three respondents indicated that they would like to have a better "medical plan" and one of them stressed that would like to be covered under insurance provided directly by the company. The last response category that was mentioned more than once was "Discount cards & tickets", as two headquarters-based employees mentioned that they would like to receive restaurant tickets

(important to mention that majority of employees abroad receive it) and one headquarters-based employee mentioned about discounts on airlines.

Based on the frequency of answers, the most important benefits that respondents wish to be added to their current benefits package are pension plan for non-headquarters based employees and corporate gym memberships for all employees, to support their health and wellbeing.

The second open-ended aimed to find out what improvements in the current reward system Peli's employees would like to see. This question was optional, so in total 19 respondents provided their suggestions. In the same way, as earlier in the paper, the responses were read through and categorized according to the common themes emerging. The most frequent response category for this question was regarding the bonus plan. A total of eight respondents recommended improving the bonus plan at Peli. Out of these eight respondents, four are Spanish based and four are based abroad. Introducing an individual bonus plan was the most frequently mentioned request. One of the respond suggested to base the bonus "not only on sales figures, but in addition also on individual contributions like completed projects, providing ideas/feedback, participation in work groups". Another response suggested that more solid system for planning measurable targets should be created as employees do not feel in control of their performance, limiting them to reach highest levels of productivity. Response related to improvement in career development was also frequent. Two employees suggested more in-depth guidance for career development, and three employees stated that they would like to be taken into consideration when a new position opens up within the company. For Spanish employees, flexibility (in schedule and location) was the most frequent point of recommendation, whereas for employees based abroad, factors like appreciation "via newsletter or some public platform which is noticed by all the Peli", individual & team bonus plan, amount of training, and

promotion opportunities were the most common. Four responses were disregarded as they were unintelligible. Testimonial of the responses is available for reference in Appendix L.

Table No. 13. *Response categories and frequency of answers on “What would be your recommendation for improving employee reward system at your company?” question.*

Category No.	Response category	Response subcategory	Frequency
1	Nothing		1
2	Autonomy		2
3	Appreciation		2
4	Working-time flexibility		2
5	Performance evaluation process		2
6	Bonus plan	6.1 Corporate bonus plan	1
		6.2 Team bonus	2
		6.3 Individual bonus	3
		6.4 Performance measurement system	1
		6.5 Higher bonus	1
7	Training	7.1 Amount of training	2
		7.2 Top talent program	1
8	Career development	8.1 Guidance	2
		8.2 Promotion opportunity	3
9	Vouchers		1
0	Disregarded		4

### **Summary of empirical research analysis**

A total of 30 employees completed the survey. The aim of empirical research was achieved and the data collected was used for a practical evaluation of the current reward system of Peli Products. Three main objectives of the research were accomplished:

1. The average levels of employee satisfaction with each element of the Total Reward System were revealed and compared between two main employee groups (Spain vs Abroad);
2. The impact of every element on employee motivation was identified;
3. The elements of the Total Reward System requiring further improvement/ development were distinguished.



Analysis was done by employing descriptive statistics and correlation analysis. Summing up the results, the lowest levels of respondents' satisfaction were found with the following factors: *career advancement opportunities, career development guidelines, the last raise received, bonus plan determination, amount of training, and salary*. While comparing the levels of satisfaction of headquarters-based employees with those on remote location, it was found that respondents in Spain are least satisfied with career advancement opportunities, bonus plan determination, and amount of training received within the company. Whereas respondents based abroad, were less satisfied with career development guidelines, salary and the raise. Besides, the analysis showed that employees working abroad are significantly less satisfied with benefits package they have, as compared to employees in Spain.

Concerning employee motivation, it was found that on average employees who participated in the survey are motivated (4.2) to work at the company, particularly those, who work abroad. Spearman's correlation analysis showed that there is a positive relationship between satisfaction with all the factors defined and employee motivation. Statistically significant relationship was found between satisfaction with the level of involvement in decision making and motivation (for all respondents), and between motivation and satisfaction with career development guidelines, amount of training, and suitability of training (for respondents based in Spain). There was no strong correlation found between satisfaction and motivation of remote employees, who completed the survey, however the most impactful factor for them is involvement into decision making.

To make sure that the least satisfying factors are the ones that require improvement, employees were asked to provide their recommendations. The most frequent suggestions regarding the benefits package extension were adding the pension plan and gym memberships.

Other frequent employee suggestions were concerning bonus plan improvement and career development. Additionally, respondents based abroad mentioned that would like to be appreciated in a more visible way and receive more professional training, while several employees working in Spain expressed a wish of having more flexible work schedule.

### **Limitations of the Study and Further Research**

After empirical research is completed and findings are presented, it is crucial to mention study limitations. Firstly, the study reflects the level of satisfaction and motivation of respondents (that represent 57% of the total population of the study), but not the whole population. Consequently, the results for the whole population might slightly differ.

Secondly, the questionnaire was filled in anonymously, and therefore had to be analyzed on a relatively broad basis (employees in Spain versus Abroad) and could not address issues specific to the country (i.e. due to the small number of employees per country and survey requirement of being anonymous-country of work could not be asked).

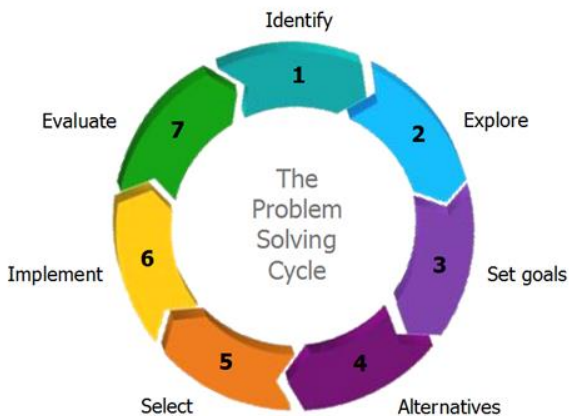
The third limitation of the study is the research scope and time restriction, due to which only white-collar workers administered directly from HQ (Barcelona, Spain) were covered, instead of all employees of Peli Products. To improve the Total Reward System for UK based blue-collar and white-collar workers, another, separate research has to be done.

Finally, 50% of respondents stated that they are extremely motivated to work for Peli Products, what is great, however such a great percentage might signify that this question was not answered honestly. Hence, for being able to understand employees' true level of motivation, further studies (e.g. qualitative, in a form of in-depth interviews) are recommended to be conducted.

### Managerial Solutions

Based on the situation analysis and research results, managerial solutions on how to strengthen the Total Reward System are focused on *career development*, *bonus plan*, and *employee benefits package*. These three elements are kept in focus (instead of other elements) because of their criticality and urgency to Peli Products (R. Massari, HR Director, personal communication, November 24, 2016).

The managerial recommendations are based on the following problem-solving cycle:



*Figure 14.* The problem-solving cycle. *Source:* Reprinted from “The Problem-Solving Cycle – An effective step-by-step approach to find viable solutions” by K. Petrick, 2013.

Step 1: Recognize the existence of a problem;

Step 2: Explore possible problem-solving strategies;

Step 3: Set goals, by following SMART principles;

Step 4: Look at alternatives;

Step 5: Select a possible solution;

Step 6: Implement a possible solution;

Step 7: Provide practical ways to evaluate the results (Petrick, 2013).

### Career development

The analysis showed that employee satisfaction with career guidelines and opportunities at Peli is very low. This is a critical problem as it has a strong influence on employees' motivation to work. Currently, the career development plan at Peli is not defined and it is difficult to attain an internal promotion, as usually external candidates are hired for open positions. Career development becomes an important issue for the company, as it is one of the primary tools for attracting, retaining, and developing its workforce (Hirish, Jackson, Kettley, Tamkin, & Jackson, 1996), which are crucial parts of Peli's HR strategy.

Regarding company's capacity of offering career opportunities, due to Peli's recent mergers & acquisitions, (in 2009 "Hardigg Industries", during 2013-2014 "Minnesota Thermal Science" and "Cool Logistics") there are more opportunities for Peli employees to get promoted internally in both ways, vertically (getting higher designation with a higher pay) and horizontally (getting more responsibilities and broader areas of work) (Mathur, 2010). However, not all positions may have further career progression opportunities within the organization. For instance, Peli's senior managers are aware that, for them, further promotions are unlikely, while job enrichment is still possible. For the office and the sales employees, many of them have a chance of getting a horizontal promotion, as more projects and responsibilities within departments arise due to the company's tremendous growth.

In the past, shifting the focus of career development from employers to employees, putting pressure on senior employees for succession planning, identifying key staff to whom career development is crucial, or segmenting workforce and creating different career development opportunities for different segments have been some of the common approaches (Hirish, Jackson, Kettley, Tamkin, & Jackson, 1996).

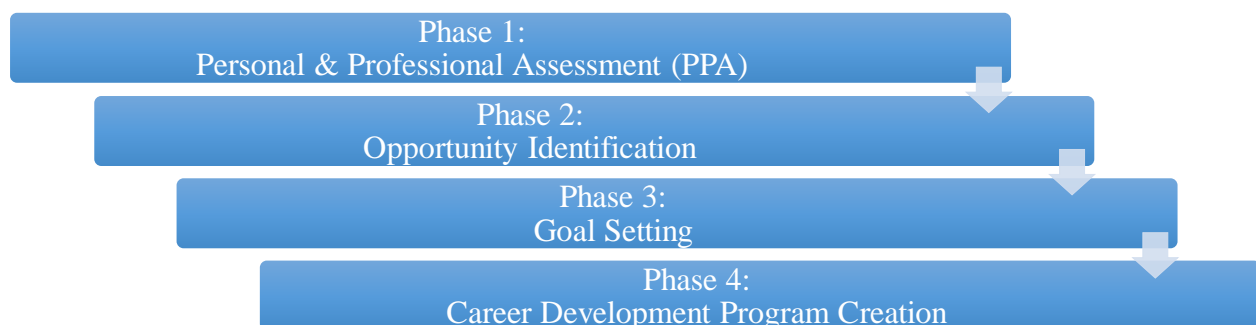
The first objective would be to define a career path for Peli's white-collar employees by the end of the next year (December 2017), with a long-term focus of creating individual career development plans. Peli is advised to take concrete actions in reassuring its employees about HR's efforts in addressing this issue.

To achieve this goal, Peli can start by focusing on a select group of employees. Formulating career guidelines for the 21 employees belonging to the 'Office Employee' group can be a starting point. The timeline to achieve this is middle of 2017, as drafting the guidelines for the first time requires careful evaluation and revisions at each step. Once the career guidelines for these employees are set, the focus can be shifted towards other employee groups.

An alternate starting point could be with Sales Representatives (11) and Sales Managers (9). The timeline for this would be similar, as initial planning and revisions usually take a lot longer than replication of an idea that has been executed in the past.

It is recommended to start with a career development plan preparation for a sales force, as according to the research and personal communication, these employees are less satisfied with current career guidelines. Sales people working abroad would be invited to the headquarters for one or two days for career planning.

Suggested career planning should consist of the following four phases:



*Figure 15.* Career development action plan. *Source:* created by the author based on career planning micro-course developed by Sheridan College (2013) and Parrott (2016).

*Phase 1:* In order to identify “where an employee can go and be in the future”, it is crucial to understand “where an employee is now”. Therefore, an in-depth assessment of every employee is the suggested first step. This procedure is done not only to assess current performance and competencies, but also to understand employee’s personality, along with their personal goals and interests. The company could either enhance its employee performance assessment process, by adding in-depth interviews concerning personal goals and interests, personality & psychology tests, or go with external HR consultants or assessment centers.

*Phase 2* identifies “where an employee might go”, and what is the most suitable career opportunity for him/her within the organization. This step explores the possible job tasks and duties an employee would like to be responsible for, as well as, knowledge and skills needed for being successful in it. The company’s ability to provide the employee with corresponding job position has to be evaluated. It is crucial for Peli to be open in offering career progression opportunities for the internal candidates. For an employee, there may be several opportunities, however, the goal of this phase is to select the most suitable and realistic career opportunity.

*Phase 3:* Once the best option for career development is selected, a SMART career goal should be set keeping in mind: what skills employee needs to improve, how his/her progress is measured, what employee plans to achieve by developing required skills, what tools employee uses to improve targeted skills, how effective are these tools, what are the obstacles, and is a clear timeframe and deadline for completing the goal provided? In this phase, it is important to identify whether the goal is a short-term or long-term. The following categorization is suggested: Short-range (critical within the present position, to be achieved within 1 year); Mid-range (crucial for growth within the present position, to be achieved within 2 years); Long-range (helpful for achieving career goals (3-5 years) (Dewitt, 2016).

*Phase 4:* The final phase is to create a T&D program to help employees acquire relevant skills and knowledge for present and future challenges. The program would consist of several training activities and would be an ongoing activity. The duration would depend on the category of the goal, skills, and employee availability for the training. The survey results showed employees' low level of satisfaction with the amount of training. Thus, with the career development plan in place, satisfaction with this factor may increase.

To better understand the four phases, Peli's sales representative based in Italy is considered as an example. This employee has been in Peli for 6 years and has never received a promotion, neither vertical nor horizontal. During phase 1, the employee is invited to Barcelona for PPA. Let us assume that the outcome shows the employee's communication and negotiation skills are underdeveloped, but his personal goal is to manage the Italian region and get promoted to the sales manager. In phase 2, the Executive team assesses its capacity to offer the employee a career progression opportunity aligned with his ambitions and interests. To promote this employee, the company would have to open a new position and restructure sales department, as currently, Italian sales representative is reporting to sales manager responsible for Spain and Italy. The company may also identify future opportunity for this employee taking responsibility for more than one country (e.g. Greece or Croatia, if Peli enters these markets). However, company's decisions regarding business expansions are not made yet, making a horizontal promotion by increasing the responsibility to the entire Italian region instead of the Italian peninsula, the best and most realistic career opportunity. The goal for this employee's development is set in phase 3. To represent the company across the Italian region, the employee must improve his communication skills within 1 year (short-range goal). This is decided by the employee, his line manager, and reporting director. Phase 4 would consist of the training

program and include online courses of effective communication skills, 3 days business negotiations course, and 1 week of public speaking seminars. The schedule for completing training is created and employee can start on his career development.

One of the primary resources needed for implementing the proposed solution is time and efforts of Peli's HR team. Peli is short on personnel in HR, leading to a need for assistance from external career counselors to set-up the initial individual career development guidelines. The benefits of hiring career counsellor include increased productivity, improved employee morale, and better identification of the poor performers (Ginac, 2004). The cost for counselling services varies across providers. Usually, the rates are based on the number of days the counselor is in-house, employee seniority, and contract duration. Many career counsellors have a fixed-fee model based on a project and offer multiple packages. The average rate for Career Counselling service package including 4 phases described above is approx. 1000-1500 € per person, or 80-300 € per hour. (Personal communication with Career Counsellors, Barcelona: Moa Bpi Group, Meacoach, NEST Barcelona, November 2016).

Peli is recommended to hire an external coach to create initial career development plans for a few employees. This process should then be internally replicated. The approximate cost for developing career plan for the first group of employees (sales force) would include counselling cost of 2 500€ (1250 € x 2 employees). Considering the travel expense of 400€ per person for 19 sales employees working abroad (7600€ overall) gives the total approximate expense of 10 100 € (internal HR database, 2016). Opportunity costs for sales employees should also be taken into account, however, it is not feasible to estimate it. The total budget allocated for T&D activities at Peli is only available to the senior management. However, based on the personal communication with the HR director, the estimated expense is affordable and within the budget.



To measure the progress and success of this initiative, it is advised to create milestones and timelines. Check-in meetings can be arranged at the same time as the basic performance review (currently twice per year). In future, check-in meetings may even replace current performance reviews, as the current practices are considered to be skills- oriented rather than goal-oriented (F. Della Mora, Sales Director, personal communication, November 2, 2016).

Once a career development plan is created, an internal review is recommended to gauge its effect on the employee motivation. This can be evaluated via satisfaction & opinion surveys for the employees who undertook the four-phase program. Evaluation can be repeated every year after the development of career plans. In case of positive effect, repetition of the individual career planning could be done after the initial primary goal of an employee is achieved. Another way to measure success is to assess and compare employee turnover and engagement before and after the program is launched for the selected group of employees.

### **Bonus plan**

Till recently, employee bonus at Peli was based on both individual and corporate performance. The system has changed now and individual performances of non-sales employees are no longer taken into account. The survey found that office employees, as compared to sales employees, are significantly less satisfied with the way their bonus is determined. Moreover, eight respondents suggested improvements in the current bonus plan. Hence, a need of increasing employee satisfaction by improving the bonus plan is identified.

Common employee bonus plans that are used by businesses and might be applicable at Peli include:

**Performance Bonus.** Usually provided on a regular basis when an employee achieves or surpasses specific targets, which are set at the beginning of the year. To set up such bonus plan, companies usually use Key Performance Indicators (KPIs) to indicate performance levels that employee must reach to receive a bonus. KPIs have to be well-defined, measurable, and objective. In other words, they have to consist of a target, a direction, a time frame, a benchmark, and an indicator. KPIs should be controllable by an employee, otherwise, such incentives system may end up demotivating them. The process of implementing and using KPIs has to be pre-defined and should strongly align with business objectives (Miller, 2008).

Due to multiple titles and positions at Peli, it would take a lot of time and effort to select and monitor KPIs for every single employee. To solve that, the company could define KPIs for each department that reflect various functions/tasks to be performed by the same department employees. For instance, KPIs for Customer Service could be *the number of queries responded, the level of customer satisfaction, or conversion rate* (Stillwagon, 2015). For HR department, it could be *the time to find the right number of qualified candidates, employee turnover rate, amount of completed performance appraisals (e.g. per week), the percentage of employees trained, the level of employee satisfaction with HR services*, etc. (Savkin, 2016). To ensure employees produce quality work instead of just increasing the number of “customer queries answered” or “performance appraisals completed”, there is a need to find a balance between both, qualitative and quantitative measures.

However, setting up KPIs for the whole department results in a difficulty of identifying and measuring individual contributions. The only exception is the sales department, where every sales manager/sales representative has his/her own region.

**Ad-Hoc Bonus.** Unplanned bonus given to an employee as a reward for exceptional performance in a one-off assignment. This bonus plan is flexible, as the company does not make upfront commitments to deliver it. It can be applied to reward employees for generating great ideas or solving business issues, hence leading to a higher level of employee engagement and innovation within the organization (Lovewell-Tuck, 2007). An unexpected recognition of employee contributions is something employees appreciate a lot. Hence the lower amount of bonus can be paid, reducing the overall cost to the company. (“Business, Human Resources: How to Structure an Employee Bonus Plan”, 2016).

However, a downside could be the possibility of dissatisfaction and perception of unfairness among employees who do not receive such rewards. An employee who puts high effort throughout the years may be overlooked in favor of another employee with a low effort level but one good idea. Usually, the line managers are ones in charge of deciding on the distribution of the ad-hoc bonuses and the decision often depends on his/her personal perception of the value completed task brings to the company. This may cause some employees to feel undervalued and some to expect bonuses every time they put an extra effort or come up with an idea (Lovewell-Tuck, 2007).

**Milestone Bonus.** Time-bound or deadline-critical bonus provided for completing a specific project/assignment (typically up to one year). It is usually high-profile and can be included in employment portfolio as a professional achievement (“Business, Human Resources: How to Structure an Employee Bonus Plan”, 2016). There is a growing popularity of milestone bonus plan, mostly because it is easier to plan, guide employees, and monitor goals. Many businesses use this bonus scheme as a complementary to the existing plans (MaRS LIBRARY, 2015).

Based on the findings from the questionnaire, to keep office employees satisfied, the bonus plan at Peli should be determined by both corporate and individual performance, as it was before. The preferred timeline to recreate this is the end of 2017 and apply from January 2018. The proposed solution is to keep rewarding office employees with annual bonus determined through the company's EBITDA and additionally, remunerate employees for successfully accomplishing projects/ assignments through the Milestone Bonus plan.

Milestone Bonus plan is chosen over the other two types because of the following reasons:

- Performance bonus based on KPI is practical and measurable, however, KPIs would have to be defined per department and not individual employee. Research results showed that majority of respondents would like to have a bonus determined by individual contributions, which would be difficult to measure with KPIs per department.
- Ad-hoc bonus plan is a good option but it is not recommended due to the possible perception of unfairness. The fact that line managers take responsibility to decide eligibility based on personal perception can affect relationships between manager and subordinate. The result could be employees being even more dissatisfied and demotivated.

The action plan for designing and applying the Milestone Bonus plan is depicted below:

### **1. Define business objectives & strategy for its achievement**

For the company to benefit from this incentives plan, business objectives must be properly set to define projects that add value to the firm. Hence, the first step for the Executive Team is to clearly define business objectives. After this, projects that contribute towards achieving these objectives can be identified and structured. This would help to focus employees on doing what is needed for the business success.

## 2. Define employee selection criteria

In the beginning of each year, Executive Team is advised to come up with projects that contribute towards achievement of the set business objectives. The criteria for selecting/ assigning employees for completing these projects can be based on the competencies or performance appraisal results. However, employees must be aware of the decision process. The strategy could be developed such that employees are assigned to different projects of different value, importance, and duration.

## 3. Calculate bonus pay

A scheme for calculating the amount that would have to be paid as a bonus is depicted below.

Table No. 14. *Determination of amount to be paid to employee as a Milestone Bonus.*

	Project Complexity Level			
	Level 1	Level 2	Level 3	Level 4
% of Employee's Gross Annual Salary	e.g. 2%	e.g. 4%	e.g. 4%	e.g. 6%

*Source:* The author based on Kapur, 2006 and personal communication.

Obviously, accomplishment of projects of different complexity should be rewarded differently. It is recommended to use two dimensions identified by Kapur (2006), to assess the level of project complexity. These dimensions are *management* and *technology*. Each dimension has a set of attributes, the number of which can vary depending on the project. The complexity of each dimension is a composite of complexity scores of each attribute defined.

Examples of attributes of technical complexity are *number of technologies involved*, *familiarity of employee assigned with technologies*, or *stability of hardware*. Attributes of management complexity are *cross-functional interactions*, *stability of requirements*, *level of*

*uncertainty (change-related issues), number of stakeholders, etc.* Projects with low technical and management complexities would belong to Level 1. Projects with low technical, but high management complexity to Level 2. Projects with high technical, but low management complexity to Level 3. Projects with high technical and management complexities would belong to Level 4.

For each complexity level, there would be a corresponding amount of bonus provided. The amount of bonus is suggested to be based on a fixed percentage of the employee's annual base salary, as all other bonuses in Peli are calculated in this way (R. Massari, HR Director, personal communication, November 29, 2016). For instance, an employee with a gross annual salary of 24 000 € completes a Level 3 project on time. Assuming such project results in a bonus of 4% and his/her results meet deadline and pre-defined quality standards, the employee would receive a bonus of 960 € (before taxes) at the end of the year.

It is important to have strict eligibility criterions of time and quality for the corresponding Milestone Bonus. Additionally, the company could stimulate employees to exceed expectations by providing an extra bonus (as a specific percentage of the gross salary) for delivering exceptional results.

Furthermore, it is advised to consider time allocated for project completion. For projects with deadline between 8 to 12 months from date of commencement, employees would get 1% on top of the initial milestone bonus plan. In case the deadline is more than 12 months after the start, additional 2% of the gross salary would be added to the initial bonus.

Once the scheme is developed, it is strongly recommended to apply it to all non-management level employees, irrespective of the department or the country employee works at.

#### **4. Plan the budget for the Milestone Bonus**

To forecast company's expenditures on a Milestone Bonus, it is recommended to assume successful and timely completion of all projects within the year. The amount which company would have to pay to its employees for completing assignments would represent the budget needed for the bonus. An alternate way is to assess the probability of each project to be completed on time, and consider the expected bonus amount as a budget. In this case, the actual bonus payment will never match amount budgeted ("Bonus Budgeting", 2016).

#### **5. Inform the staff**

It is advised to put down in writing the employee selection criteria, bonus value determination, and measures of the end result. This should subsequently be communicated to all office employees. In this way, employees will have better orientation towards the goal and any misunderstandings about the policies concerning the bonuses will be avoided ("Business, Human Resources: How to Structure an Employee Bonus Plan", 2016).

#### **6. Measure success of the bonus plan**

To evaluate its success, HR team should keep a track of employee feedbacks by conducting satisfaction surveys and focus groups. Once the bonus plan has been operating for 12 months, it would be valuable to understand how this initiative affected the organizational turnover. This can be done by calculating Return on Investment (ROI) using:  $[\text{Unexpected Increase in Turnover} / \text{Total Investment into bonus plan} \times 100]$ . It is critical to ensure that investment has a direct positive impact on the outcome. To do so, effect of other conditions or activities have to be accounted for before calculating Unexpected Increase in Turnover (Actual Increase - Estimated Increase) (Gopalakrishna, 2004).

Finally, the success of the bonus plan can be evaluated through the observation. There is a likelihood that an employee's focus will shift to the project for which he/she may receive a reward for, hence compromising the quality of other important tasks. To counter such a trend, the company could add several interlinking KPIs to the system. However, this would make the system immensely complex and difficult to track. In case the bonus plan evaluation results are positive, Peli is advised to proceed with a similar plan for its sales force, as a supplement to the current bonus plan.

To conclude, it is difficult to decide which incentives plan is the best without trying, as well as it is crucial to understand that no measure is perfect or complete (F. Della Mora, Sales Director, personal communication, November 28, 2016). The Executive Team should be aware of the possible risks and drawbacks of the bonus plans discussed above. They must also consider the fact that not all employees care about bonuses.

### **Employee benefits package**

The HR team identifies the goal to harmonize benefits among the company's employees who are at the same levels. Due to differing country laws and budgets, benefits packages vary a lot across countries, resulting in a relatively low level of satisfaction for respondents based abroad.

To harmonize benefits packages across EMEA, Peli is recommended to start with providing remote employees with pension schemes as it was the most frequently mentioned benefit category that study participants would like to add to their current package. At the moment, only employees based in headquarter have pension plans.

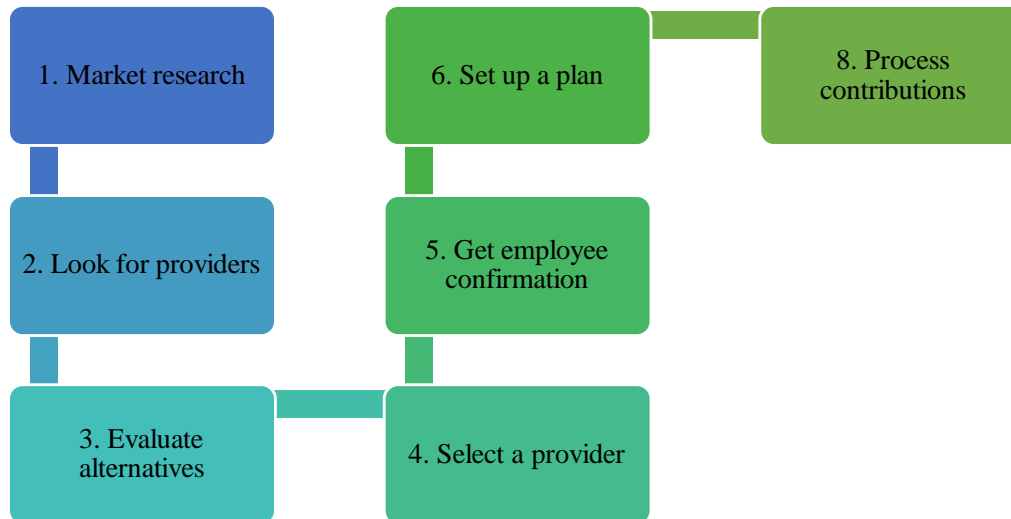


Since establishment of career development plan and improvement of bonus plan for office employees are identified as priority activities, the deadline for enrolling all employees into pension plans would be in the beginning of 2019 (R. Massari, HR Director, personal communication, November 29, 2016).

Benefit pension plans are supplementary plans provided to employees by employer to help them to save money for the future (after retirement). Employees typically contribute a fixed percentage of their wage towards their pension fund (normally tax-deductible). Employers also provide some contributions towards employee's pension fund, meaning that employee benefits by receiving more than just his/her own contributions into the pension (internal company's sources). The level of contributions can be chosen by the parties. Employer's ability to offer a good pension plan is obviously a competitive advantage, as this contributes towards greater talent attraction and retention (Lopez-Pacheco, 2009).

The company is suggested to set up contracts with local plan administration providers, life insurance companies, or pension funds in 3 countries within July-December 2017, in 3 more till June 2018, and the remaining 4 by December 2018. Peli could start with countries where it has more employees, so for instance within first 6 months it could set up pension plans for employees in France (7), Germany (4) and UAE (4), in the next half of the year for Netherlands (2), Turkey (2), and Israel (1), and within the last 6 months for Italy (1), Poland (1), and Russia (1) (numbers are taken from Appendix D).

The action plan for setting up the supplementary pension plan for employees in ten countries should be the following:



*Figure 16.* Action plan for setting up a pension plan. *Source:* The author, based on company's internal sources.

One of the major challenges for International HR Management is implementation of compensation & benefits practices on the local scale (Bradley, n.d.). It is tough to develop and align policies related with benefits for subsidiaries workforce in multiple countries. An in-depth research on local practices and legal requirements is needed. Pelican's Worldwide Benefits Manager based in the USA should be the one leading the research process for Peli. It may appear that in some countries providing employee with supplementary pension plan is not common, or very complex to implement. To find out about common practices and find local providers, the company has three options: 1) web search; 2) employee(s) referrals; 3) to ask payroll providers. A sample research on common practices for the first three selected countries has been done as an example (Appendix M).

The company is then advised to contact several providers to gather information about the costs, terms & conditions of their services, and to select the one which matches business needs. It is strongly recommended to send a message to employee(s) in advance and discuss their needs and abilities for investing into the pension plan. It is a voluntary initiative and the company should give every employee the right to decide. Once discussed and confirmed, in writing, the

most suitable pension plan can be set up. Peli is recommended to set a ceiling for employer's contribution (in €) and not to exceed it. This will help to plan the budget and estimate the costs. After the plan is set-up, Peli must ensure contributions are made on time and process them on an ongoing basis.

To measure success, employee satisfaction with benefits package along with employee retention and turnover rates should be compared before setting up a pension scheme and after. A possible obstacle the company may face is lower flexibility of pension plans and higher costs per person, because of a low number of employees in some of the countries (Lopez-Pacheco, 2009).

The following figure presents a graphical depiction of the timescale for the implementation of recommendations. Activities marked in blue have no pre-set deadline and are continuous in nature.

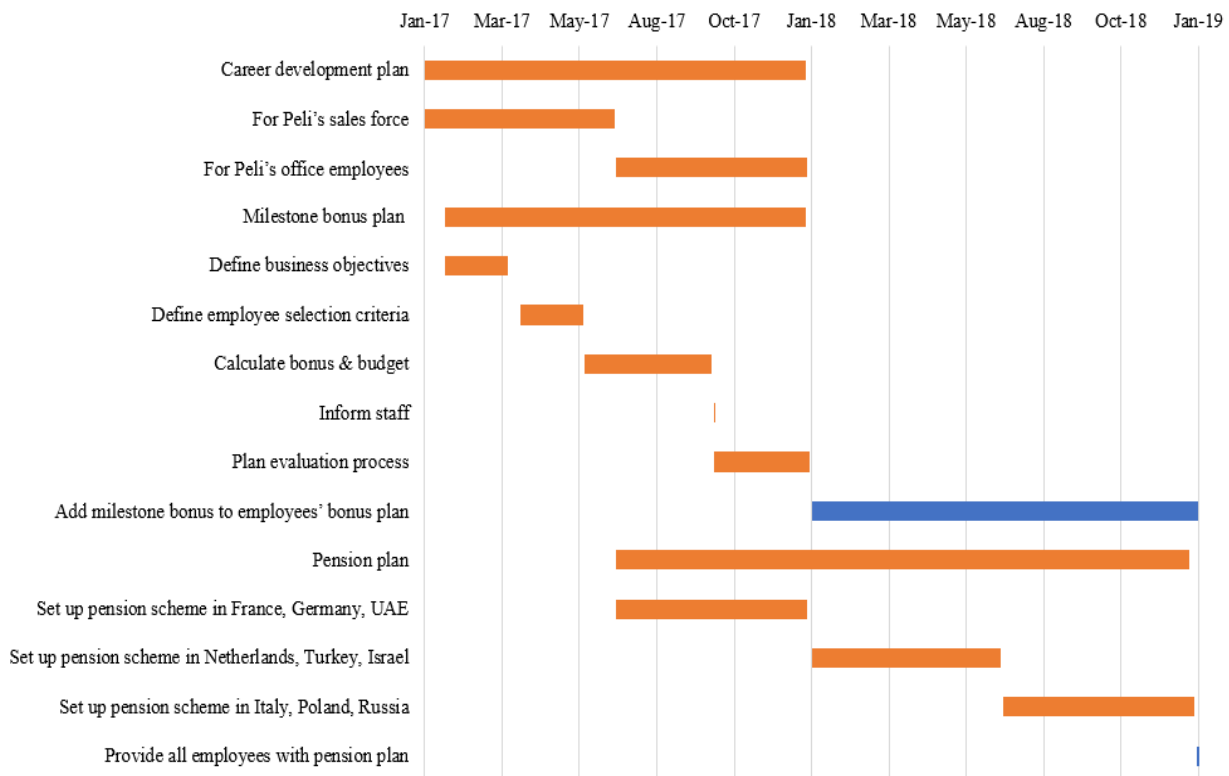


Figure 17. Gantt chart for managing and tracking projects. Source: The author.

### Conclusions

1. The situation analysis revealed that most of the HR functions are continuously maintained and improved, as Peli invests a lot of time and money into HR activities such as recruitment, T&D, and employee benefits. External analysis showed that political stability of a country and its economic situation play a crucial role in decisions regarding salaries, benefits, and T&D activities, while legal factors such as country's labor laws and regulations dictate policies to be followed. Relatively low employee turnover indicated employees' general satisfaction with their job. However, an in-depth analysis of HR functions revealed that the current reward practices need to be assessed and improved to mitigate the risk of losing or demotivating the employees. Literature was reviewed to understand various aspects of a corporate reward system, resulting in development of a model to facilitate the empirical research.
2. The empirical research was conducted through the online questionnaire and data was collected to evaluate the current situation of the Total Reward System at Peli. The research goal was achieved through investigating and comparing employee satisfaction levels with elements of the Total Reward System, and identifying the impact of these elements on employee motivation. The findings of empirical research revealed that satisfaction with all elements defined has a positive correlation with employee motivation. The relationships appeared to be much stronger for headquarters-based employees. The least satisfying factors were *career advancement opportunities*, *career guidelines*, *recent raise*, *bonus plan determination*, *amount of training*, *salary*, and *benefits* (for remote employees only). The top recommendations coming from employees were setting up a pension plan (for remote employees), improvement in bonus plan (mostly for headquarters-based employees), and greater clarity on career development path.

3. Managerial solutions for three elements were provided. The selection criteria for these elements was based on the research results and criticality to Peli. Considering all findings, creation of the career development plan was given the top preference. The action plan consisted of four phases and the timeline for achieving it was set as 12 months, starting from January 2017. The total cost for career development plan was estimated to be around 10 100 €, which is within the budget according to internal HR sources. This included participation of external experts for creation of the first two career plans. The second preference was given to determination of bonus plans for office employees. This resulted in recommendation of adding Milestone Bonus to the current plan. A step-by-step action plan was proposed, and the procedure for calculating bonuses and budget needed was described. It was estimated that by following proposed guidelines, Peli could start providing its office employees with milestone bonuses by the end of 2018. The last managerial solution was harmonizing the employee benefits among eleven countries. Based on the research results, adding pension plans to the current benefits packages of remote employees was proposed. An 8-step action plan was developed and initial start of its implementation was performed. The suggested deadline to set-up the pension plans for all Peli's employees is set as January 2019. Finally, a Gantt chart for managing and tracking three projects was presented.

To measure success, a similar online questionnaire should be rolled out on a periodic basis. The periodicity could be on a quarterly or annual basis. This decision should be taken by Peli after these solutions have been accepted and suggested changes being implemented. The level of satisfaction and motivation can be measured and compared to current levels, to give a measure of the success of the proposed managerial solutions. Return on investment and employee turnover are also good indicators of the level of success.

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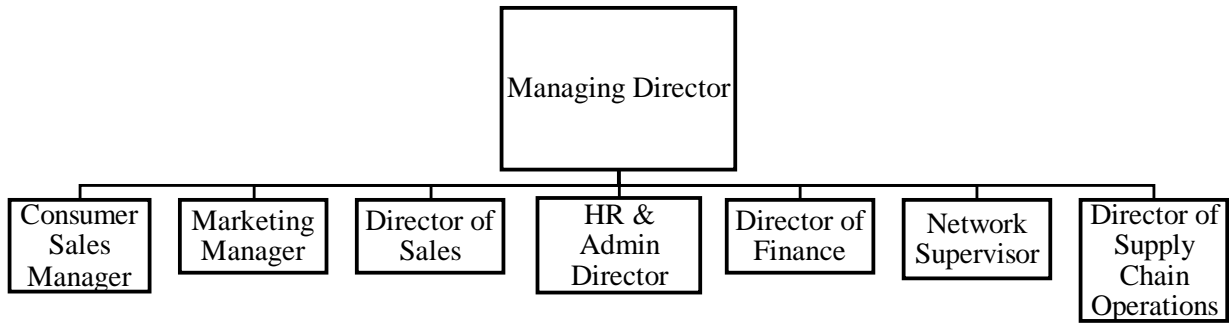
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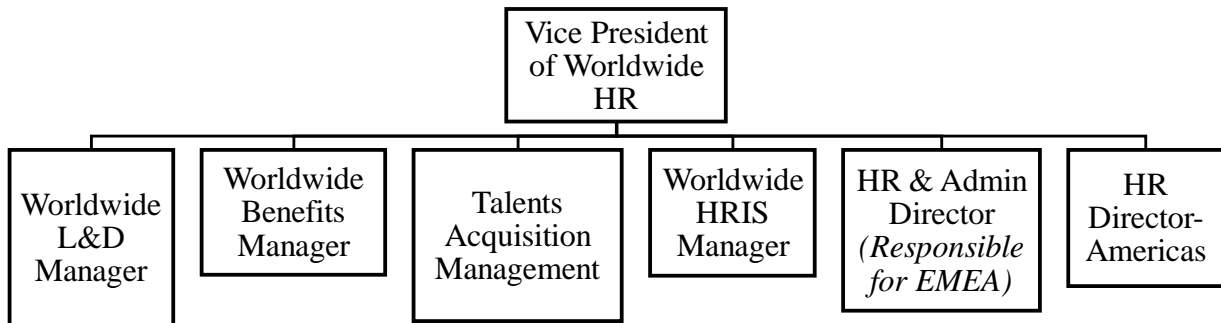


Appendixes

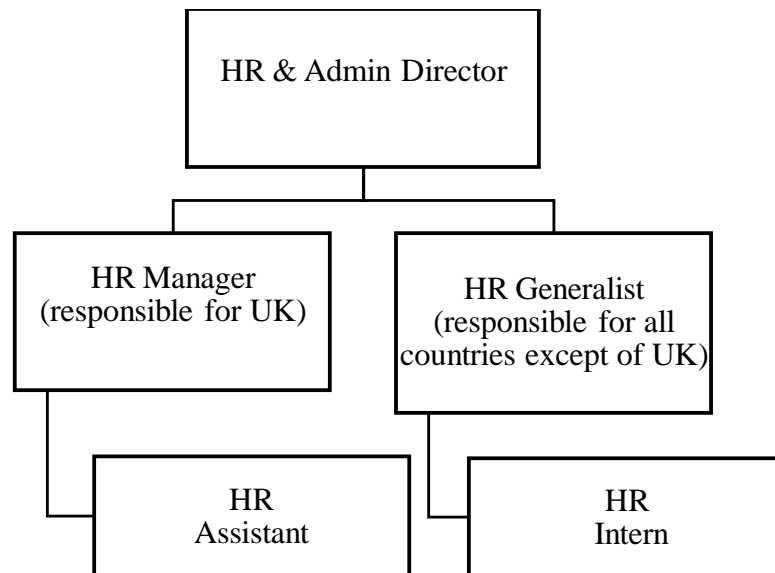
Appendix A. Organizational chart of “Peli Products” S.L.U.



Appendix B. Organizational chart of HR department of all “Pelican Products” Inc.



Appendix C. Organizational chart of HR department of “Peli Products” S.L.U.



Appendix D. Number of Peli’s white-collar workers per country of operation (administered by HR Generalist).

Country	Spain	France	Germany	UAE	Netherlands	Turkey
# of employees	29	7	4	4	2	2
Country	Poland	Russia	Italy	Israel	South Africa	
# of employees	1	1	1	1	1	

Appendix E. Signed permission to conduct interval survey.



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T + 34 93 487 4999 F + 34 93 487 7393  
www.peli.com

Barcelona, October 28<sup>th</sup>, 2016

PERMISSION TO CONDUCT SURVEY

This is to confirm that **Elina Borisevic** has the permission to conduct an internal survey titled '**Evaluation of the Total Rewards system at Peli Products**' for her Bachelor Thesis in our Enterprise.

The aim of the survey is to find out employee satisfaction with the current rewards system at Peli Products and to identify what type of reward has the highest impact on employee motivation.

Sincerely,

Roberta Massari  
HR Director  
Peli Products EMEA

Signature

A handwritten signature in black ink that reads "Roberta Massari".

Appendix F. Full questionnaire provided for respondents: Section 1.

## Evaluation of the Total Reward system

The survey is anonymous and summarized results will be used for academic purposes only.

Thank you in advance for your sincere answers and for taking time to fill in the questionnaire.

\* Required

**Total Reward system covers four key elements: Total Compensation, Benefits, Work Environment, Training & Development.**

1. Are you based in Peli's corporate headquarters? \*

Yes

No

2. Which category do you belong to? \*

Office employee

Sales representative

Sales manager

Manager

Director

3. How long have you been working for Peli? \*

Less than 1 year

1-4 years

5-9 years

10+ years

4. What age group do you fall into? \*

18-29

30-49

50 and more

NEXT

Page 1 of 3

Full questionnaire provided for respondents: Section 2.

## Employee satisfaction with

### 1. Total Compensation

How satisfied are you with the following? \*

	Very dissatisfied	Dissatisfied	Neither satisfied, nor dissatisfied	Satisfied	Very satisfied	N/A
The salary you receive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The most recent raise you got	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The bonus plan you have	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
How your bonus plan is determined	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 2. Benefits

Non-wage compensation provided to employees (e.g. social security, health insurance, medical plan, pension scheme, paid vacation, sick leave, etc.)

How satisfied are you with the benefits package you have? \*

	1	2	3	4	5	
Very dissatisfied	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very satisfied

What would you like to add to your benefits package? \*

Your answer

Full questionnaire provided for respondents: Section 2 (continued).

### 3. Work Environment

How satisfied are you with the following? \*

	Very dissatisfied	Dissatisfied	Neither satisfied, nor dissatisfied	Satisfied	Very satisfied
Company's efforts to improve your work/life balance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The level of autonomy in your job	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The level of involvement in decisions that affect your work	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Appreciation you get from your line manager	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Frequency of feedback from your line manager	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 4. Training & Development

How satisfied are you with the following? \*

	Very dissatisfied	Dissatisfied	Neither satisfied, nor dissatisfied	Satisfied	Very satisfied	N/A
The amount of training received since you are in the company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The suitability of training received	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Career development guidelines (path)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Career advancement opportunities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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NEXT

Full questionnaire provided for respondents: Section 3.

**Employee motivation & factors affecting it**

1. How motivated are you to work at this company?

	1	2	3	4	5	
Not motivated at all	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Extremely motivated

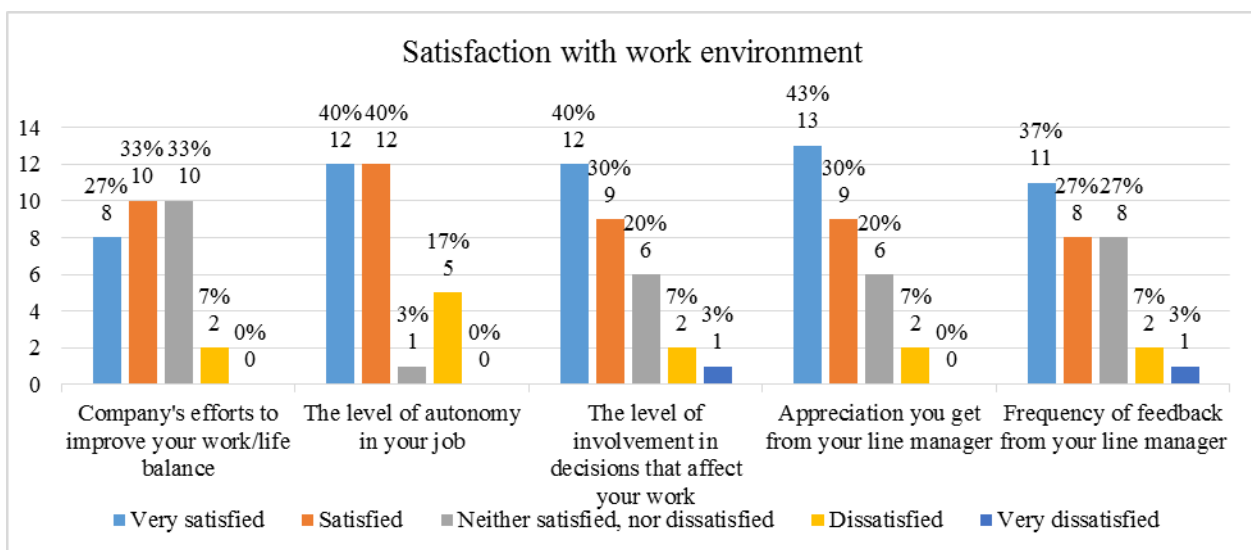
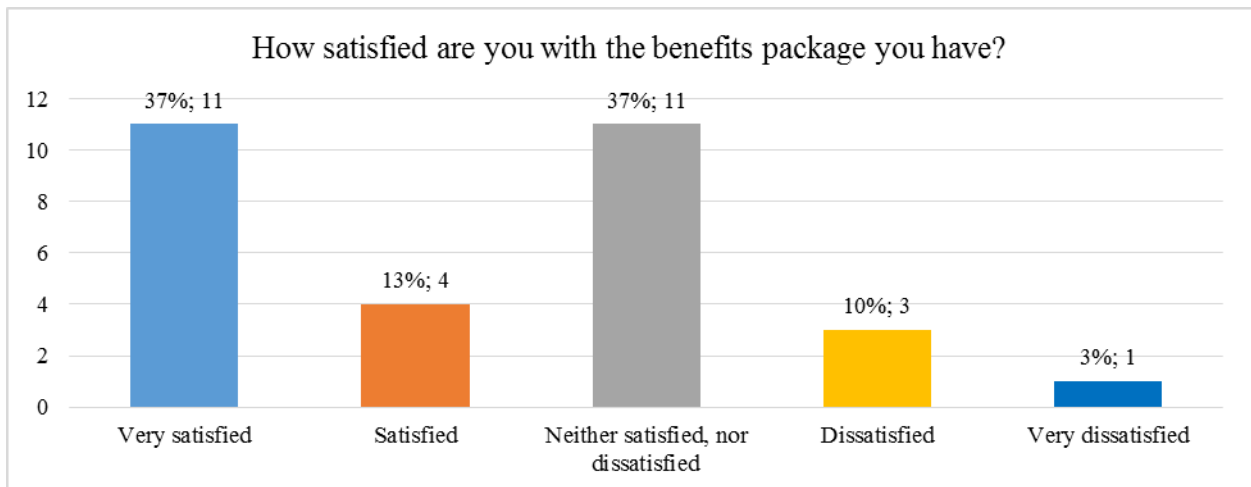
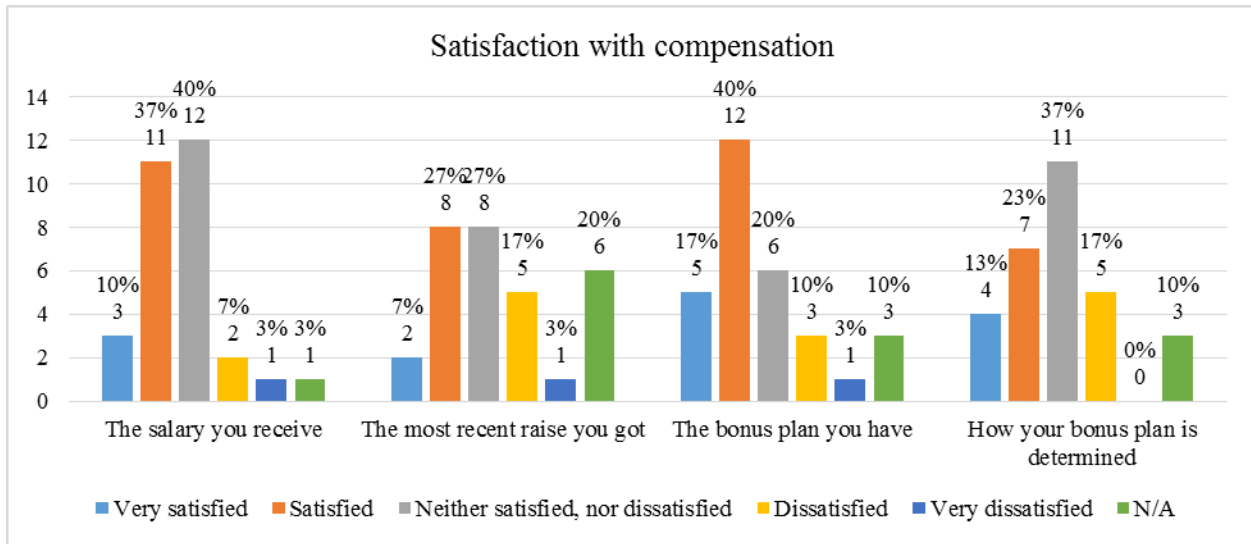
2. What would be your recommendations for improving employee reward system at your company?

Your answer \_\_\_\_\_

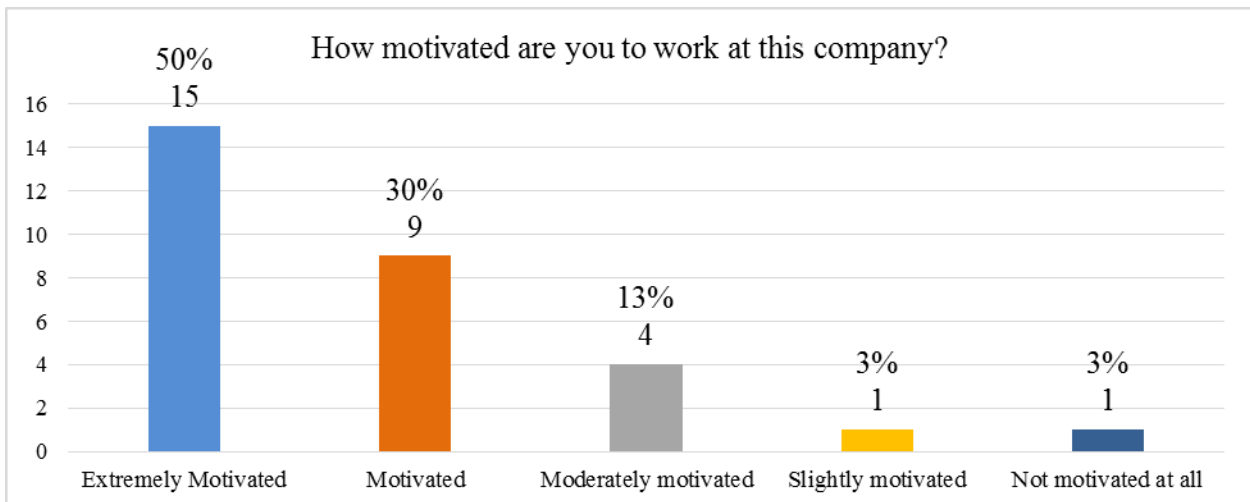
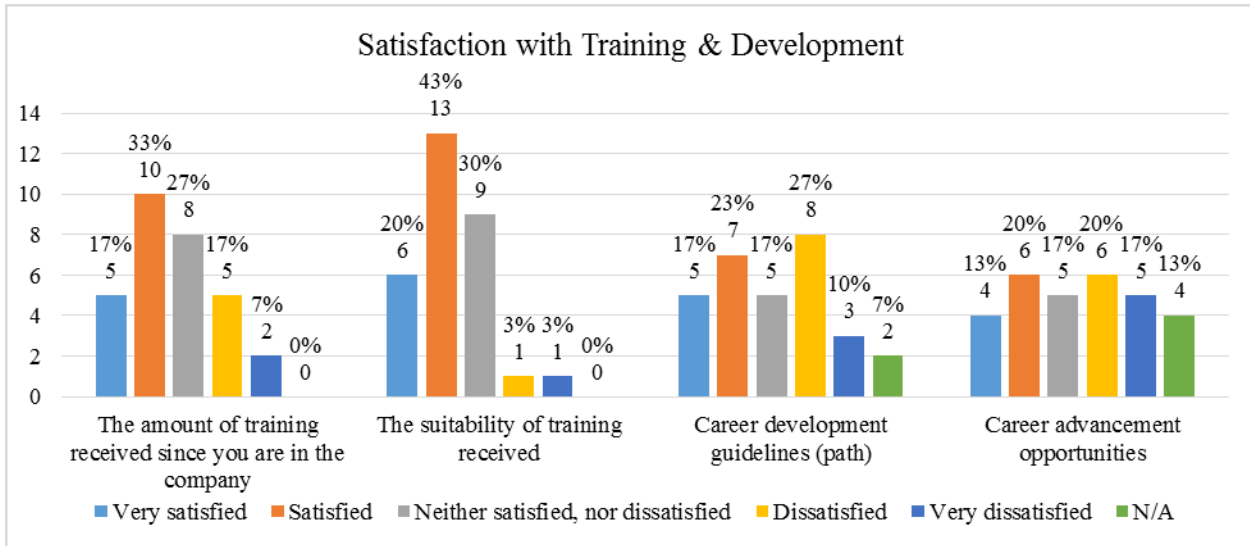
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Appendix G. Frequency distribution tables







## Appendix H. Means and standard deviations for factors analyzed

Compensation	Total		Spain		Abroad	
	Means	Std. D.	Means	Std. D.	Means	Std. D.
Factors						
<i>Salary</i>	3.4	0.9	3.5	1.1	3.4	0.7
<i>Raise</i>	3.2	1.0	3.3	1.1	3.2	1.0
<i>Bonus plan</i>	3.6	1.0	3.5	1.1	3.8	1.1
<i>Bonus determination</i>	3.4	1.0	3.0	0.9	3.7	0.9

Benefits	Total		Spain		Abroad	
	Means	Std. D.	Means	Std. D.	Means	Std. D.
Factor						
<i>Benefits package</i>	3.7	1.2	4.1	1.2	3.3	1.0

Work Environment	Total		Spain		Abroad	
	Means	Std. D.	Means	Std. D.	Means	Std. D.
Factors						
<i>Work/Life balance</i>	3.8	0.9	3.9	0.9	3.7	1.0
<i>Autonomy</i>	4.0	1.1	4.1	1.3	4.0	0.8
<i>Involvement</i>	4.0	1.1	4.0	1.3	3.9	0.9
<i>Appreciation</i>	4.1	1.0	4.3	1.0	3.9	1.0
<i>Feedback frequency</i>	3.9	1.1	3.8	1.3	3.9	1.0

Training & Development	Total		Spain		Abroad	
	Means	Std. D.	Means	Std. D.	Means	Std. D.
Factors						
<i>Amount of training</i>	3.4	1.2	3.3	1.3	3.4	1.1
<i>Suitability of training</i>	3.7	0.9	3.7	1.2	3.8	0.7
<i>Career development guidelines</i>	3.1	1.3	3.3	1.5	2.9	1.1
<i>Career advancement opportunities</i>	2.9	1.4	2.8	1.7	3.0	1.1

Motivation	Total		Spain		Abroad	
	Means	Std. D.	Means	Std. D.	Means	Std. D.
Factor						
<i>Motivation to work for the company</i>	4.2	1.0	4.0	1.3	4.4	0.7

## Appendix I. Means for motivation to work based on demographic characteristics

Demographic characteristic	Group	Resp. #	Mean
Location	<i>Spain</i>	15	4
	<i>Overseas</i>	15	4.4
Category	<i>Director</i>	6	4,7
	<i>Sales manager</i>	7	4,5
	<i>Sales representative</i>	5	4,3
	<i>Office employee</i>	11	4,0
Years within company	<i>Less than 1 year</i>	7	4,4
	<i>1-4 years</i>	8	4,5
	<i>5-9 years</i>	10	3,7
	<i>10+ years</i>	5	4,4
Age	<i>18-29 years' old</i>	4	4,8
	<i>30-49 years' old</i>	24	4,0
	<i>50 and more</i>	2	5



Appendix K. Responses on the question about benefits package and category they belong to.

#	What would you like to add to your benefits package?	Category No.
Spain-based employees		
1	Gym fee	2
2	Some discount with airlines	9
3	Autonomy / Open timetable	99
4	Tickets restaurant	9
5	- Gym membership & - restaurants tickets	2 9
6	Nothing	1
7	Honestly I think the benefits package is honest and generous one, I am happy with it.	1
8	None	1
9	Nothing	1
10	The possibility of having days off for personal matters (Children sick) without the need of taking days from holidays. Could be of course non-paid days.	4
11	Join a gym would be great	2
12	Better medical insurance	7
13	Based on common sense and not imposed	0
14	- Better pension scheme, - more vacation days	3 4
15	Slightly bigger car allowance i.e. 150 EUR/month	6
Employees based abroad		
1	Pension Scheme	3
2	Nothing	1
3	Euro based salary increase for the countries who are using another local currency	99
4	Pension scheme for employee in UAE	3
5	Pension scheme	3
6	Pension plan	3
7	Very well provided in France.	1
8	More paid vacation days	4
9	Schooling allowance	5
10	A participation on my gym membership	2
11	- Paid health care like paying fitness club or regular spa visits or sports club membership to support work/life balance and overall healthcare, - support for private pension scheme, - private health insurance support, - cost coverage for external studies/certification to help for this or future jobs also in other companies	2 3 7 8
12	Team bonus for hard work on project	99
13	Pension plan	3
14	Would like to be covered for health/medical/travel under an insurance provided directly by Peli	7
15	Personal bonus	99

Appendix L. Responses on the question about recommendations and category they belong to.

#	What would be your recommendation for improving employee reward system at your company?	Category No.
	Spain-based employees	
1	More interviews	0
2	Give more autonomy to employees	2
3	More flexibility from the company regarding office working hours, working from home and vacations. Even though many employees are not eligible for flexibility, it would be an enormous improvement coming from the company. Being treated as an adult and trusted (and not constantly controlled and scolded like kids) is rewarding.	4
4	All employees, including sales, EMEA EBITDA driven only	6.1
5	I think there is room for improvement in creating a more solid system to plan measurable business target/goals and reward employees on achievement of these. Success Factors is not the best tool for this. In general, the attitude in Peli is good, but we are perhaps losing a bit on the execution. Employees need to feel in control of their performance trend at all times for the reward system to produce the extra effort, and ultimately the best productivity.	6.4
6	Much discussion(s) regarding promotions	8.1
7	- I am happy with the flexibility we have at Peli and the rewards we have. Maybe more increase on the Salary a part from the annual percentage and  - more flexibility on days off for personal use (such us for children sickness, days off at school not coinciding with ours). But personally, I cannot really complain, I am very satisfied with the flexibility we are offered at Peli and I know it's difficult to find in other places. Thanks.	6.5  4
8	Would be great if employee can be taken more into consideration at the moment of new open position jobs.	8.2
9	360 degrees' feedback evaluation, objective (numeric) efficiency measurement	5
10	Is there a rewards system in this company?	0
11	Top talent programs, more individualized bonus programs	6.3 7.2
	Employees based abroad	
1	Nothing	1
2*	Euro based salary increase for the countries who are using another local currency	0
3	Employees especially based in remote locations should be appreciated via newsletter or some public platform which is noticed by all Peli	3
4	Evaluation to be 180 degree and not only between manager & employee	5
5	Pension plan ( <i>discharged since is taken into account in open question about benefits package</i> )	0

6	- More budget for training & - more in depth-guidance for career advancement.	7.1 8.1
7	- Of course, money is always great to receive and an easy extrinsic motivator, maybe this can be used not only on sales figures but in addition also for other tasks like finished projects, providing ideas/feedback, participation in work groups etc. - similar to the MBOs some while ago. - More professional training, career opportunities, personal development.  - Honest top to bottom motivation, sometimes a warm said "Thank you" would be great. - Freedom to decide things for everybody without requirement of an approval for every single bit. - Rewarding could also be vouchers for a weekend with the partner/family in a nice Spa hotel e.g. after stressful tradeshow or intensive travel / re-org & work weeks, i.e. improve work/life balance by supporting sports, welfare or cultural activities. - Currently everybody is just working without knowing for what apart from a number at the end of a period. For the purpose of motivation, it would be good to provide a vision of where and more important HOW/What Peli wants to be in 3-5 years and how PELI wants to be seen in the market.	6.2 6.3  7.1 8.2 3  2  9
8	Add on or credit to our bonus system in a way of a personal measured bonus or incentive / more focus on internal solutions in case of career opportunities	6.3  8.2
9*	Team bonus for hard work on project	6.2

\* Responses that were provided on the open-question "What would you like to add to your benefits package?", but were not related to benefits. Only responses that were not duplicated in both open questions were included into this table.

## Appendix M. Research on common practices of setting up supplementary pension plans in France, Germany, and UAE.

	Pension scheme common practices/ options	Sources
France	<p>It is a common practice to set up private pension schemes by the employers, usually schemes are set up via mutual funds, or are insurance-based.</p> <p>It is mandatory to receive an authorization from Autorité de Contrôle Prudentiel (ACP), and scheme has to comply with all collective agreements of the employer.</p> <p>Pension funds are controlled by ACP</p>	<p>Pensions International Practice Group. (2011). <i>Pan-European Pensions Guide: Requirements for the operation of cross-border pension arrangements</i>. Global Human Resources Lawyers. Lus Laboris. (2nd ed.)</p>
Germany	<p>Two most common ways of setting up pension schemes:</p> <ul style="list-style-type: none"> <li>- An employer sets up a mutual pension fund association (Pensionfondsverein auf Gegenseitigkeit");</li> <li>- Pension fund is set up and run by a stock corporation (Aktiengesellschaft), a specialist fund company.</li> </ul> <p>Pension schemes do not only include retirement benefits, but also disability insurance coverage and survivors' insurance.</p> <p>Mandatory rules for pension schemes are set by the Act on Company Pension Schemes. Authorization is done by the Federal Financial Supervisory Authority (BaFin). The application must include a business plan which includes a pension plan.</p> <p>It is common that the employee finds himself/herself which insurance is best for him/her.</p> <p>Contributions are paid directly from employer to insurance company.</p>	<p>C. Willms, Peli's payroll provider in Germany, personal communication, November 2016)</p> <p>Pensions International Practice Group. (2011). <i>Pan-European Pensions Guide: Requirements for the operation of cross-border pension arrangements</i>. Global Human Resources Lawyers. Lus Laboris. (2nd ed.)</p>



UAE	<p>Important finding: UAE does not offer government-sponsored pension schemes for non-UAE nationals.</p> <p>Pension Law obliges the registration of all non-UAE nationals employed in UAE for a pension in accordance with the schemes established in employees' home countries. The contributions are paid by employee and employer to the state pension authority in the employee's home country.</p> <p>From 2013, the National Bank of Abu Dhabi (NBAD) offers private pension plans for multinational companies to offer for expats.</p> <p>However, the common practice is for companies to simply provide expat employees with an end-of-service lump sum, which is based on the years of service.</p>	<p>Jones, N. (2015). Retrieved December 01, 2016 from <a href="http://www.tamimi.com/en/magazine/law-update/section-11/junejuly/pensions-in-the-uae.html">http://www.tamimi.com/en/magazine/law-update/section-11/junejuly/pensions-in-the-uae.html</a></p> <p>Harper, J. (2013). Retrieved December 01, 2016 from <a href="http://www.telegraph.co.uk/finance/personalfinance/9855023/UAE-to-introduce-pension-scheme-for-expats.html">http://www.telegraph.co.uk/finance/personalfinance/9855023/UAE-to-introduce-pension-scheme-for-expats.html</a></p>
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