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## **EMPLOYEE MOTIVATION AND AWARD SYSTEM IN THE FUNCTION OF PERFORMANCE AND IMPROVEMENT OF BUSINESS IN COMPANIES ON THE EXAMPLE OF FINANCIAL COMPANY**

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**Abstract:** In a time of rapid change and challenges, fierce competition in the market, technological progress, globalization, demographic change, companies are required to build their business on the basis of human resources while in a constant struggle for survival and development. Through their actions, employees as an intellectually gifted species and a resource of crucial importance for existence and for all organizational activities, strive to mobilize all resources. Without investing in them, through education and strengthening their motivation, the company can only achieve short-term business results. The aim of this paper is to point out the importance of continuous motivation through the system of rewarding and educating employees as the key to the success of efficient and effective business, high productivity and added value for both the company and employees. An example of good business practice from a large financial company will be presented. The subject of the paper is based on the importance of motivation for personal satisfaction of employees, their behavior, individual performance, and overall success of the organization in achieving goals, with an adequate reward system and the application of QWL new reward model.

**Key words:** employees, motivation, reward system, company knowledge.

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## **Introduction**

Globalization, technological progress, fierce competition, demographic changes, have brought new opportunities to many companies, but also dangers in order to adapt to the struggle for survival, growth and development. Historically, new trends, as well as the influence of foreign companies have caused organizational changes, not only formal but also of essential character: from the human resources sector, through personnel and Human Resources - human resource management, which puts focus on employees, to People Development - Department of Employee Development, where an upgrade is investing in employees. "At the beginning of the 20th century, the company was considered a machine for producing performance with the aim of enterprise growth and productivity and due to growing criticism of scientific management, the growing problem of employee dissatisfaction and lack of motivation, more attention is paid to employee satisfaction and motivation." (Boller, 2005) Many companies, in the middle of the last century, experienced a difficult period in their business, productivity dropped drastically, managers, instead of looking for ways to better manage people, solved productivity problems by eliminating them. Technology, financial and many other resources were allocated in an optimal way, something was wrong with human resources. Managers had to learn an important lesson in business, to love and respect their employees. Only then things got better. For years, management has been identified with leadership. Management requires resources which can be of many different forms, and involves people as the most important resource, while leadership involves the allocation of different behaviors of individuals and groups in order to achieve a given organizational goal. "Adequate human resource management enables an organization to more successfully achieve its goals and strategies, which is reflected in the success of the entire organization, its competitiveness and its performance." (Simić, 2015) The power that a manager possesses is his natural ability to develop relationships with people, and the power that a manager acquires through his position in the company is total power. By his actions, decisions and solutions, the manager must show to his employees, that he is an expert in the work he performs, which is a precondition

for them to respect him. He must implement successful business moves, because it will develop the trust of all employees and thus support for his actions. A good team is the most important condition for business success and that is why experienced and motivated employees on the right positions is a guarantee of success in any business. Work motivation implies the sum of different methods and processes of provoking, maintaining, and encouraging such behavior, which is aimed at achieving certain work goals in the company. The possibilities of motivating employees are endless, and their organizational behavior will significantly depend on the manner and degree of motivation of employees. Hence, work motivation is the cornerstone of organizational behavior. However, this relationship of organizational behavior is determined primarily by the culture of one nation (in Japan, everyone wants to work overtime, as soon as they finish their work, the English go to a local pub, drink beer, go home with "my house is my fortress"). Human resources are the foundation on which the organizational strategy is built, and employees with their actions strive to mobilize all resources as an intellectually gifted species. The task of managers is to create an organization in which there will be a strong motivational potential, policies, and systems for successful human resource management.

### **Basic characteristics of motive and motivation**

Motivated people will invest more effort in their work than those who are not adequately motivated, which has been confirmed in practice. Employee motivation is not only a psychological and sociological problem of work and work behavior, but ones behavior is directed towards a goal that arouses the person's needs, and the goal of behavior is to satisfy those needs. The cause of a certain human behavior is the internal psychological drivers that force him to take an activity, so the performance of an individual depends not only on his ability but also on motivation. "The task of managers is to understand human complexity and uniqueness, motivational theories, and to, depending on the specific circumstances in which the company operates, select and apply tangible and intangible motivational techniques." (Markgraf, B.) In practice, we often come across the words "motives" and "motivators". Both words come from

the field of psychology and are mostly related to the initiators of human activity. Thus, motives are usually understood as an internal psychological factor, which initiates, directs, maintains and suspends human activity. From this definition, there are four important characteristics of motives, which can be asked in the form of questions: (Vesić, 2010 a) What drives a person to activity? What directs this activity? What maintains this activity? What suspends this activity? What moves a person to activity, for example, to destroy material and spiritual creations, to obey some authority or, on the other hand, to barely do the job for which he is (un) paid. The answer to these questions is usually found in the sphere of human will, the primary goal of every human need is to be satisfied, in order to maintain a state of balance (homeostasis) of comfort and pleasantness, but deviations can also occur. Motives suspend activity when human needs are met. From the afore mentioned, it is easy to conclude that all motives are permeated with human needs, but the needs that arise from the work are numerous and manifest themselves in the following order: (Pržulj, 2006 b). 1) the need for security; 2) the need for independence; 3) the need for belonging; (Aristotle also defined man as a "zoon politician" as a social being, whose survival and life is only possible in society); 4) the need for social confirmation; 5) certain status and position; 6) need for activity, for work: As a conscious and purposeful activity, work has played a key role in human development, so it is often said "work created man" - (source of wealth), as pointed out by many thinkers such as the Arab Ibn Khaldun, and English political economists Adam Smith and David Ricardo. and that in doing so one should feel pleasure and satisfaction, and in no case coercion and punishment.

The stated needs related to human work activity are permeated through motives as internal drivers of numerous human activities, including, of course, the area of work motivation. What is work motivation? Work motivation means a system of actions and actions of individuals and groups which encourages, directs and strengthens certain behavior of workers-groups in the work process, in order to achieve favorable work effects. (Vesić, 2010 b).

At the core of every motivation for work are certain motives, and their number is practically unlimited. They all exist, or they can exist at the same time in the same person, or they take turns,

depending on human needs and their values that they want to satisfy. (Pržulj, 2006). Man is not driven to work by only one need, but by many needs, and this fact indicates that work is a source of satisfying a large number of needs. "For most people, the so-called higher order needs such as development and validation, respect, status and more". (Asproni, 2004a).

### **A new model of work motivation QWL-Quality of Work Life**

The current concepts of motivational systems, motivational techniques and strategies are becoming insufficiently flexible, so it is necessary to develop and introduce new ones, which with their elaboration and versatility will lead to high motivation and employee satisfaction, and thus achieve successful business. (Asproni, 2004 b) With the emergence of motivation, the employee's activities are initiated towards achieving a certain goal, and these activities produce a certain effect, and in the end, there is employee satisfaction with the achieved result, as a reward that is usually expressed in money. In theory, the so-called new model of work motivation QWL-Quality of Work Life-movement of quality of working life, which has been confirmed by practice itself. If the workplace is pleasant, where someone can work well, have fun working, without fears and setbacks, there will be employees who will stay after working hours, people who will work more productively and produce results of a better quality. Secondly, according to this model, if the salary is the only motive, the company would never attract the best-talented, and thirdly, according to this model, the better the work environment management creates for employees, the more they will respect them and think higher of them. Human work as a conscious and purposeful activity is motivated by a number of biological and social motives that have already been mentioned, with people satisfying their needs according to a certain order, and it is impossible to satisfy all human needs at the same time. (Bernardin, 2008 b), In satisfying motives, "stronger motives" have an advantage, motives that are the most important, the highest priority at a given moment, and they are called dominant motives. Compensations as total compensations that employees receive for their work in the company are related to the results of work, and

some of them are related to the company affiliation. The policy of good interpersonal relations must be accompanied by attractive wages and stimulating salaries, because motivation and salary are closely linked. In addition to material compensations as the base of the motivational system, it is necessary to develop a system of intangible incentives to work that meet the various needs of people in organizations. In a highly developed society, human biological motives are relatively well satisfied, as well as the need for security and self-affirmation, while in an underdeveloped society, man is not motivated to work by abundance, but by poverty and misery and when unable to satisfy his primarily biological needs, he falls into a state of tension, restlessness, and general dissatisfaction, which is often called a state of frustration.

The consequences of frustration are mostly negative, tension, depression, and lack of interest in performing work tasks. While on the physiological level there are changes in the function of many internal organs, especially in the functioning of the nervous system and metabolic disorders, and finally on the social level a frustrated worker finds it difficult to establish relationships with other people, primarily management, friends and even family. It is necessary to look at the symptoms of a frustrated worker. These symptoms are expressed through aggression, regression, apathy, neurosis, etc. (Pržulj Ž., 2006 c). In order to prevent the negative consequences of frustration, a person in the process of work uses different means of defense, different types of so-called. defense mechanisms, which mainly relieve the unpleasant mental state caused by stress, tension, and pressure. Many defense mechanisms are mentioned in the literature, of which the most common are listed: (Mihailović, Borovnjak, 2008 a). The main causes of stress in businesspeople are time pressure and a bad atmosphere in the team caused by problematic interpersonal relationships. Modern business has deadlines, penalties, and numerous pressures to get the job done within a certain time frame, and the lack of time is constantly present. This is a big problem considering that we have time irresponsibility, ie we are imprecise in time, and today everything is measured in seconds, including business obligations. Time pressure is very stressful. People who are precise and meticulous can be very annoying if their work environment is not like that (Bernardin, R.,

2008 c). Excessive work, the race for greater productivity, short deadlines for tasks, constant tensions and bad interpersonal relationships, as well as problems with superiors, are the most common reasons that lead to stress. At a lower dose, stress can have a stimulating and positive effect. However, chronic stress is very dangerous because it draws a large amount of energy and requires constant adaptation to new conditions. This over time leads to a disturbance of the neurohormonal balance, reduces the ability to concentrate and productivity of the employee. At the same time, chronic stress can impair overall psychophysical health, cause chronic headaches, cardiovascular disorders, hypertension, and back pain. (Mihailović, Borovnjak., 2008 b).

Unfortunately, there is no miracle cure for stress. (Mihailović, Borovnjak, 2008 c). In order for a person to defend or overcome stress at work more easily, it is necessary to re-examine their own and other people's behavior and determine what is causing them stress. You need to find a personal strategy to fight stress. Because, in most cases, we are to blame for the stress because we attach too much importance to some situations.

### **The role and importance of the reward system**

The reward system is a system created by the employer, which evaluates the work of employees, and includes salaries, incentives, bonuses, and other compensation for invested work. The reward system should ensure that employees behave and work in a way that ensures the planned achievement of business and organizational goals and interests of the entire organization. By creating a quality and clear system of employee motivation, the organization can increase its market value and gain a competitive advantage. Hence the stimulation and rewarding of employees appears as an effective instrument that reconciles the interests of employees and owners of capital. When models are created and inadequate solutions are accepted, and employers are not aware of it, there are problems in the functioning of the organization, but also motivation. If the employees are not adequately and sufficiently rewarded, they start to feel useless, and that largely leads to distancing themselves from the work they do, which is confirmed by the practice itself. Financial

stimulations take the first place in the reward system. They are related to the individual level of observation, depend on individual work and performance, but there are other material stimulations (which depend on organizational programs and success in achieving goals) such as supplementary pension insurance, days off, additional health insurance, the possibility of a flexible agreement on annual leave, scholarships for children of employees. Financial compensation-salary is certainly the best reward, but also the recognition of superiors, directors, is equally important. The practice itself confirms that employees often resign, go to other organizations due to lack of respect and appreciation regarding work, and not just dissatisfaction with earnings, or earnings compared to colleague's earning. Employees appreciate those companies where the employer shows a humane trait, maintains quality communication and cares about the problems and personal needs of the employee and his family, and they show loyalty to such companies and are ready to achieve above-average business results. He will "run extra mile" just for recognition, praise, and reward. Money is the oldest and "most obvious", and at the same time the most universal way of motivating for work. But undoubtedly, it is also one of the very important problems that is attracting more and more attention due to the great influence it has on work and work relations. If wages are placed in the direct function of increasing labor productivity, it comes to the fact that any increase in wages does not lead to an increase in productivity. Therefore, it is necessary to follow the following settings of the action of the material factor and the payment system on the efficiency of individual work and work performance:

1. material rewards must be linked to those performance indicators that the individual can influence, and work standards must be achievable,
2. there must be a clear link between performance and rewards,
3. the reward system must be based more on the positive than on the negative consequences of work behavior
4. the increase in financial compensation must be large enough to justify the additional effort being made,
5. an increase in salary must be directly and immediately followed by an increase in work performance and an improvement in work performance,



6. financial compensations must be adequate to the work invested and fair in comparison with others,
7. the gap between salaries of good and bad workers must be significant to stimulate good work.

How to motivate people is often a question in everyday life. The authors have turned the theoretical assumptions about the effect of a number of external and internal factors on changes in motivation into a whole series of practical tips. A series of tips for trainers on how to increase motivation with their actions or to avoid reducing motivation would be: (Motivation, leadership, and teamwork <http://faculty.ksu.edu.sa/ghadeer/111/ch.8.pdf>)

- in order to increase motivation, it is necessary to provide a sufficient number of successful experiences, it is useful to allow team members to accept greater personal responsibility for decisions (leading part of the tasks, part of the project, decision-making),
- Praise has a positive effect on motivation (emphasizing the importance of the role of each individual in achieving a common goal), as opposed to criticism,
- motivation is also related to the ability to set realistic goals (goals available with a certain amount of effort - visible and accessible goals, a large project divided into small intermediate goals),
- nurture the need for research, which is possessed by all human beings (setting new tasks, changing roles, etc.),
- creating a constant challenge to the abilities of the individual and the group, and adapting to all the capabilities of the individual

### **Modern compensation systems in the function of employee motivation**

Organizations that have realized that human resources are one of the fundamental factors in the success of organizations are more successful than those in which have poor governance and have not yet realized the importance of human resources and motivational techniques. Rewarding work means designing a strategy that will enable the organization to achieve the set goals. (Grazier, 2012) Remuneration systems are salaries, rewards, loans, non-cash income,

career advancement systems, as well as professional development programs, contributions to better living standards of employees and "with increasing real wages and other incomes, there was an increase in consumption and living standards with adequate financial support and with the realized funds on the basis of secession and privatization" (Jovanovic, 2019). The unwritten rule is that rewards are more effective if they follow faster because the positive reaction will be repeated. The results of the research show that internal motives should be solved first in order to achieve average productivity, and then internal factors should be included in order to achieve higher motivation and above-average productivity. Financial compensation is consisted of various forms of motivation that are aimed at ensuring and improving the material position of employees and financial compensation for work. Considering the level of financial income, there are two basic types of financial compensation: (Grazier, 2012.), Team Motivation, [http://www.teambuildingincom./article\\_teammotivation.htm](http://www.teambuildingincom./article_teammotivation.htm)

1. direct financial gains that an individual receives in "money";
2. indirect financial gains that contribute to raising the material standard of employees and which they do not receive in salary or in the form of money at all.

Financial motivation is one of the basic factors on which the organizational practice of motivating work is based. It directly affects the living standard of all employees is the salary system, as a weekly or monthly income that makes up the largest part of the financial compensation of employees for their work. Over time, workers become more trained, more experienced and thus more efficient in performing work tasks, so it goes without saying that as the length of service increases, so does the salary. There is an exchange relationship between the employer and the employee, the employee in exchange for money offers the employer behavior (skills, abilities, experience), which is desirable and necessary for the organization to achieve the defined goals. The rewards system (compensation system) includes money, goods and / or services that an employer provides to its employees for their work. The role of this system is multiple. Above all it should harmonize the individual interests of employees, strategic goals of the company through

attracting and retaining capable people, as well as to encourage employees to develop skills and knowledge. It is necessary to motivate employees, to create an organizational culture in which employees care about the success of the company where they work, and finally to implement a reward system for all activities in the organization. For the development of employees and their careers as an overall activity of human resource management are of special importance (especially in a changed external environment), the so-called training and education for certain groups of employees. ” In order to maintain business in crisis conditions, the importance of education was confirmed, especially: training for business digitalization and online sales; training for business transformation and adaptation to the changed external environment; and training in the form of online marketing sales training through social media. ” (Jovanović, 2021)

### **Proper financial rewards**

The reward system consists of two types of rewards. Tangible (included in the salary system) and intangible (which includes respect, challenging work). The most complex part of the reward system is the salary system, which includes two forms of direct (basic salary and part of basic skills and knowledge) and indirect (paid leave, employee protection programs, health insurance, pension, social, disability and life insurance). However, in most countries there are legally defined forms of benefits that must be paid: for example, in the United States, social insurance, unemployment insurance, the right to paid maternity leave and other benefits depend on the strategy of the employer and are not mandatory. In the field of protection programs, employees in the Republic of Serbia are entitled to three types of benefits: pension and disability insurance, health insurance and the right to unemployment insurance. In Serbia, the right to benefits is regulated by the republic law and it is the obligation of all employers to respect them, one part of the funds is provided from the funds of employers, and the other part from the funds of employees.

Alternatives to the traditional structure of rewarding employees - payments based on production ability (professional knowledge, personal skills, skills and motivation); competency

model (applied in determining the earnings of managers and employees with higher education - leadership, flexibility, innovation); and integration of pay grades (several pay categories are grouped into several general ones). Financial compensations are therefore necessary, but not sufficient as a condition for developing a broad motivational basis for diverse behavior within the company. Particular attention should be paid to the fact that employees must have confidence in the entire compensation system and its fairness. Good interpersonal relationships must be accompanied by attractive wages and incentive salaries because motivation is closely related to earnings. Wage and wage policies must promote good interpersonal relations. It is a healthy policy to pay an employee on merit, closely linking their payments to execution. For each part that is added to the salary to encourage success and certain forms of behavior of individuals, there must be a clear basis and criteria to motivate the desired behavior. For the system of stimulation system to achieve the desired effects, it must be: (Pržulj, 2002): simple, specific, achievable, measurable and fair. Remuneration systems can be individual (according to the complexity of the workplace and working conditions, according to performance, quantity, bonus, commission and promotion) and at the company level (employee share in company profit, employee shareholding, team and group bonuses). The premise of effective performance appraisal requires a quality job analysis (job description), and communication between employees and managers. Therefore, the remuneration strategy and salary structure must be based on encouraging individuals to see improvement in professional and personal development, instead of advancing in the hierarchy towards ever higher salary positions. (Condrey, 1998)

### **Intangible compensations**

The system of motivation of employees, in addition to material compensations, must also include those of an intangible nature, because its goal is to satisfy diverse human needs. The more the needs are met, the more instrumental it is to achieve organizational goals. (Cascio, 2008). Numerous intangible strategies have been developed, such as job design, management style, participation, goal management, flexible working hours, recognition and feedback,

organizational culture, career development and development, etc. which together with material strategies form a complete motivational system. Various intangible strategies have been developed and applied, such as business design, participatory management style, goal-oriented management, flexible working hours in order to motivate employees more comprehensively. Participation is most often referred to as the degree of employee participation in decision-making processes on important aspects of work and business in the organization. goals". (Ilievska, 2010) "Participation of workers in management and decision-making, the right to organize and participate in trade union bodies, and to discuss and decide on issues concerning their work and business results are prerequisites for independence." (Armstrong, M., 2006). Goal management is considered an important strategy of modern management, it involves setting goals at all levels: organizational, sectoral, group (team) and individual. Its important dimension is the decision-making of employees in all phases of defining, determining, and achieving the stated goals, to adequately and according to pre-determined rules, identify areas of responsibility.

### **The importance of evaluating the work performance of employees for their motivation**

Evaluation of the characteristics and performance of employees is a formal system of reviewing and evaluating the performance of individuals or groups on tasks, and this evaluation serves primarily to achieve the following goals: (Maksimović, 2006).

1. Assessments make and justify employment decisions - in order to improve the best performers and eradicate the worst among them etc.
2. Grades can also serve as a measure of test validity, thus assessing the hypothesis that test results predict business performance
3. Grades give feedback to employees and are used as a tool for personal development of employees and career development
4. Assessments can help establish the goals of the training program and indicate the needs of employee development.

5. Assessments can identify problems in the organization, which may arise as a result of the desired determination of performance levels.

If the grading system is not designed in the right way, it can cause big problems and conflicts between supervisors and subordinates, and the result could be indiscipline and dysfunctional behavior. A well-designed system of evaluating the characteristics of employees provides insight into the strengths and weaknesses of human resources in the organization, helps predict the characteristics of people applying for vacancies, emphasizes the special needs of employees for training, provides a basis for rational decision-making regarding rewards, promotions employees. (Garber, P., 2004). The starting point of the evaluation process is the identification of performance objectives. The process then continues by presenting the objectives to those concerned and establishing criteria. Despite many errors that occur in the process of performance evaluation, ie. work performance of employees, there are numerous ways to significantly reduce them and reduce them to a level that can be tolerated. Appropriate measures and activities are needed, which organizations must consider to succeed in that. For the evaluation system to be successful, it is necessary for the employee to know and understand what is expected of him and that in this regard there is cooperation and agreement between the employee and the superior. (Xin Jiang, 2010 a)

Getting acquainted with the usual mistakes of evaluators can have a positive effect on evaluators and their attitude towards the evaluation process. Providing feedback on the quality of assessment also has a positive effect on performance appraisal and contributes to overcoming certain mistakes, prejudices, and negative tendencies. Improving assessment methods involves setting precise and clear standards and providing precise descriptions of behavior that indicate different dimensions and levels of the performance scale to improve performance appraisal. "The less space left to the assessor and his personal criteria, the more the objectivity of the assessment increases." (Xin Jiang, 2010 b) Also, an adequately structured system of measuring work performance ensures that evaluations of employees are made in a legal manner, that evaluations are fair and

accurate. Without this, it is impossible for managers to fully comprehend the value of their employees, their competencies and commitment. Assessor training is one of the most important and popular ways to act in the direction of improving and raising the quality of their assessments.<sup>4</sup> If everything is done properly, employees are more motivated and productive because they know that their work is monitored, that their contribution is recognized, and thanks to concrete support, supervision, mentoring, training, and coaching, they become more successful. On the other hand, managers will feel that they have help and support in their work, which together will result in greater work success at the level of the entire company, a greater sense of interconnectedness, trust, and loyalty.

### **Growing organizations — great directors — create success, but also failure**

It is obvious that "a company that cannot correct its mistakes cannot even progress." How are successful companies different from others? What is certainly a key factor is the type of manager who can bring the company to the top, and for all that time, having faith in himself that he will succeed in the end. In addition, they constantly strive to be better, surround themselves with the most capable people they can find, honestly face their mistakes and shortcomings and openly ask questions, what skills and knowledge should they acquire and which companies need and therefore can go further with certainty based on facts and results, not on fantasies about their talents, use feedback and adapt new business strategies to them, they have better and better understood how to develop and motivate their employees, therefore their productivity has increased. (Dvek., 2015a) Why do big and successful companies with "great directors" go backwards and fail? There are many "such" examples in practice (the giant automobile company Henry Ford and the even more ingenious director of Ayakoka) become such executives that in each of these cases a brilliant man threatened the company because he

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<sup>4</sup> [http://www.acas.org.uk/media/pdf/o/q/B07\\_1.pdf](http://www.acas.org.uk/media/pdf/o/q/B07_1.pdf) (accessed on 01.09.2021)

surpassed everything else by proving himself and his merits. They were not evil in the usual way. Their intention was not to do evil. But in critical moments, they decided on something that will bring them satisfaction and a good image instead of serving long-term business goals. Blaming others, covering up mistakes, inflating stock prices, destroying rivals and critics, putting pressure on the little man - these were the standard procedures for their functioning. " (Dvek, 2015.b). Great directors fail - they just need little helpers to execute their brilliant idea. We should not forget that these great geniuses do not want good teams but want to be the only big shots because when compared to those around them they want to feel the gap as much as they are above others, that is their giant ego, that is how it works and how it destroys itself, because someone wants to be in a high position, longs for confirmation of the royal privileges that follow the position. As these leaders elevated themselves to royal heights, they surrounded themselves with flatterers who praised their virtues and hid from trouble, and it is not surprising that they felt invincible, because people do not like to hear bad news or hear criticism. Justified by "people should be kept awake", these bosses are harassing their employees, to throw them off balance, so the leader has become the main thing that employees worry about. "As soon as the manager allows himself to become the primary reality that employees care about, instead of the reality being the primary reality, you have a recipe for mediocrity, or worse." In such situations, the employees refused to suggest any idea with an explanation - maybe the boss would not like it. But true self-confidence is the courage to be open, to look forward to change and new ideas no matter where they come from and a willingness to develop a senior boss, everyone believed that leadership consists of development and passion and not brilliance - everyone believed in development and seething with passion. Leaders with a developmental mental attitude were full of gratitude - they admired and watched with gratitude their workers who made this exceptional development path possible. They called them real heroes.



## **Motivation of employees in "KOMERCIJALNA BANKA"**

Thanks to constant and very strong growth, today Komercijalna banka is one of the five most important financial institutions in the country, which is present in all major economic centers in Serbia, and thus has a good portfolio and an extensive business network. In the past period, a lot of effort and knowledge has been invested to motivate citizens to gain confidence in the professionalism and ability of Komercijalna banka employees. Today, it can be said that they succeeded in that, because Komercijalna banka provides clients with absolute security and trust, and mutual satisfaction is of great importance. The position of Komercijalna banka is very strong in the segment of business with public companies and local governments, business with small and medium enterprises, as well as in the segment related to lending to households in the field of consumption. (Internal documentation of Komercijalna banka, a.d., Belgrade) The image of a highly professional and reliable institution that recognizes the needs of the market, understands its clients and establishes a partnership with them has been built. Emphasis is also placed on the development of skills that lead to constant progress of people and the organization itself. Depending on the knowledge, experience, skills, and abilities they possess or have acquired during their professional career, employees can advance. Based on that, a career development plan, assessment, reward system and benefits are made for the bank's employees, ensuring efficient human resources management. Komercijalna banka encourages active participation in "internal employment", the so-called internal transfers between departments and rotation of employees by specific sectors, in order to increase opportunities for those employees who want to change the content of their work and continue their careers within the same organization. Komercijalna banka strives to retain its employees and enable their further development through designed and coordinated actions. (Internal documentation of Komercijalna banka, a.d., Belgrade) Throughout the year, the bank organizes development programs for employees, designed to explore and enrich professional skills. The performance appraisal system consists of procedures that increase objectivity and transparency, while allowing evaluation of employees based on their

hierarchical position within the organization, as well as distinguishing the nature of their responsibilities and tasks. After the candidates who have the best predispositions for a specific job have been selected in the selection process, it is necessary to introduce them to the job, because the first experiences of a new worker, especially a beginner, significantly determine his later attitude towards the company, work and success. It is necessary to create conditions for the new employee to gain a positive impression of the bank and the working environment from the very beginning, to feel desirable and important. Creating business results requires people, and employees are the key to a bank's success. The individual efforts of each employee individually translate into great joint results.

Komercijalna banka examines the satisfaction of its employees. Internal communication and exchange of opinions significantly improve the quality of communication that is necessary for the good functioning of the business community. The opinion of employees on defining the strategy and organizational culture that everyone together creates, nurtures, and implements in their daily work is considered. The bank organizes various events for employees, encourages collegiality and good interpersonal relations. It is very important that the work of employees is valued. Procedural interviews are held at least once a year between each employee and his / her superior during which work performance is assessed. Recognition of work is one of the prerequisites for achieving even better results as well as nurturing great communication among people. Information on the latest events is available to all employees through the internal network - Intranet. The plan is to continue intensive work on training and development of employees through improving knowledge in the areas of risk management, improving professional and social skills, improving communication, cooperation, and support between different organizational units of the bank, continuing development of employees in managerial positions through individual and team programs.

### **Professional development of employees**

As in previous years, all employees of the Bank were provided with professional training and development. Special emphasis was

placed on the training of employees from the network of branches. Of the total number of days of training that employees attended during the year, the largest number was devoted to specific banking and professional topics, as well as the skills of employees, both in non-management and management positions. In 2019, the average number of training days per employee was 3.25, which is satisfactory, both within the framework of European standards and the standards of Komercijalna Bank itself when it comes to employee training and development. Compared to the previous period, the number of trainings, seminars and workshops organized by the bank or external providers, which employees attended in 2018, was higher by 8% on average. In addition to a large number of trainings organized by external training providers (NBS Academy of Banking and Finance, Association of Serbian Banks and others) that employees attended, a significant number of internal and "in house" trainings were organized during the year. "Business Risk Analysis & Corporate Finance" training - this training organized by Komercijalna banka aimed at establishing a unique business and risk culture between client relationship management and credit risk management. (<http://www.kombank.com>).

The training consisted of three modules (Basic, Advanced and Strategic) lasted seven days. During the year, it was attended by more than 1,000 employees throughout the Group. Trainers from the German training institute Korn & Korn in Austria trained over 100 employees from Komercijalna banka. (Internal documentation of Komercijalna banka, a.d., Belgrade). Employees previously trained by the Korn & Korn training institute were in the role of lecturers at the internal trainings in the training center in Serbia. In addition to this training in the field of risk management, the Bank's employees also attended a group training on business risks that exist in organizations. CRM-Corporate workshops in the Bank's training center were attended by sixty employees. (Internal documentation of Komercijalna banka, a.d., Belgrade). They are organized with the aim of improving the quality of business processes, professional communication, and cooperation between employees in the Credit Risk Management Sector and employees in the Business with Economy Sector, as well as in the positions of associates for work with entrepreneurs and farmers. The positive evaluations of the

training by the participants testified that the training fully responded to the needs of the employees, that it is important to organize trainings of this type in the future as well, but above all with internal lecturers, which was once again confirmed as a significant factor in the quality of training and the development of employees in both roles, as well as the transfer of acquired knowledge. The training "Skills of advisory sales - sales advisor" was attended by all employees of the Bank who collaborate with companies and entrepreneurs. The content of the training was designed with the idea that employees perfect the skills necessary to acquire new and retain existing clients, achieve a long-term relationship of trust and ensure client loyalty. With the aim of improving and developing the skills of effective communication with a specific type of client and enabling more efficient performance of work, employees of the Debt Collection Department of the Rehabilitation Sector attended the "Telephone Communication with Debtors" training during the year.

### **Motivation and rewarding**

Motivation and rewarding are two mutually conditioned processes. Modern companies pay great attention to this issue. Aware that there is a direct link between employee satisfaction and motivation, on the one hand, and their behavior at work and the results achieved, on the other hand, many organizations have taken the issue of rewarding employees very seriously by establishing special, formal employee reward programs. Awards and recognitions are the best way to support and point out the good and efficient behavior of employees, to enable them to be satisfied with themselves and proud of the results they achieve, as well as to be motivated to behave in this way in the future. Progressive organizations have realized that in the end, behind the motivation of employees and a good atmosphere at work, which result in quality and productive work - there is a profit. "Rewarding is one of the main ways to attract employees and motivate them to achieve better results." For the reward strategy to achieve its full effect, it needs to be integrated with the business strategy and formulated in a way that enables the achievement of long-term goals of business policy and human resources policy. A quality and motivating reward system is

one of the basic preconditions for high performance in Komercijalna banka.

It is designed to follow the dynamic development trends of the bank. For that reason, the application of this system is regularly and in detail monitored, with the analysis of external and internal trends and through constant and open communication with managers, employees, and unions.

As many years of practice at Komercijalna banka have shown, performance appraisal has helped management to better assess the contribution of employees in achieving the bank's goals. It has become a means by which management determines the level of employee performance, rewards that performance, and thus directs and encourages its improvement. It should be noted here that in Komercijalna banka there is a clearly defined connection between work results and rewards, which increases the efficiency of achieving strategic goals, enables high salaries for the best employees while reducing the total cost of salaries and additional rewards. A quality reward system, such as the one applied in Komercijalna banka, is more than a salary, bonuses, and other financial rewards. It includes a range of tangible and intangible awards as well as clear criteria for their award. Human resource management is expected to primarily consider the expectations of employees, with special emphasis on those employees who, due to their potential or possession of highly specialized competencies, enter the category of development potential or the category of key experts. Employees, primarily, expect an interesting and useful job, an opportunity for personal and professional development, as well as an appropriate reward for the results of their work. Motivating the reward system, in that sense, includes quality working conditions, targeted development programs, systemic career development management, performance management and rewarding work results. This reward system clearly distinguishes between bad and great results. Such a system somewhat increases overall job satisfaction and reduces employee turnover. Unlike reward systems for any employee who meets an undifferentiated award criterion — usually a position in a company or length of service — a model that distinguishes between poor, average, and excellent results effectively distribute rewards to those who deserve them, significantly reducing overall salary costs. and

additional awards. The remuneration structure of Komercijalna Banka employees consists of a fixed part (basic salary + increases for past work and for work under special conditions) and a variable part (performance-based salary). Representative unions, as well as employee representatives, actively participate in the formation of the wage policy in Komercijalna banka. Director General, at the proposal of the Board of Directors - At the end of each year, the Human Resources will, based on the available funds and the planned goals of the company in the next year, decide on the type of performance-based earnings to be distributed in the next business year and inform all employees. Some of the forms of stimulation are the following: (Internal documentation of Komercijalna banka, a.d., Belgrade)

Semi-annual bonus – It is a form of short-term individual stimulation that represents a one-time payment to employees based on individual performance in January-June and July-December of the current year, provided that the defined goals of organizational units in which employees work are achieved. The size of the individual six-month bonus varies depending on the size of the average individual performance appraisal and ranges from 25% to one average monthly salary of an employee.

Profit sharing - According to the financial reports from previous years, Komercijalna banka is a profitable company, and in that sense, as another type of reward, it pays employees in the name of profit sharing. Profit participation is a form of short-term group stimulation that aims to motivate employees to increase the company's profits through their involvement in the distribution of profits. Every year, at the proposal of the Bank's Board of Directors, the General Meeting of Shareholders decides on the amount of profit to be distributed to employees. Payment of profit sharing is made once a year, for the previous business year. (Internal documentation of Komercijalna banka, a.d., Belgrade)

Annual bonus - It is a form of individual short-term incentive that represents a one-time payment to employees based on individual performance, provided that the company achieves the defined goals in that year. The annual bonus is paid from the profit made for the previous business year. A maximum of 15% of the total number of employees in Komercijalna banka is entitled to an annual bonus.

One-time awards - It is a short-term individual or group incentive that is awarded once to an individual or group of employees for special commitment or special work results, based on the decision of the General Manager of the bank. This decision also determines the size of the one-time award, and it is paid from the monthly mass of funds for salaries or from the profit company made.

### **Conclusion**

Every organization is made up of people, hence its functioning is determined by their behavior. The decisive factor in competitiveness and organizational success are people, their development, their capabilities, their motivation, and the way they are managed. The attitude towards people in the process of work is slowly but surely changing because employees are now seen as an active factor, with certain strengths and weaknesses, appropriate knowledge and skills, defined goals and needs and usable potentials and opportunities. The environment in which the work process takes place is his everyday work environment. Upon arrival in the new (working) environment, the employee establishes specific relationships of action and reaction, to adapt to the requirements and rules of operation. At the same time, the environment in which he comes begins to get used to the newcomer, delegating him certain jobs and work tasks. In this unusual process of interaction, behavior is formed, which to a greater or lesser extent coincides with the desired way of behaving. By changing employee behavior and adapting to situations, behavior can be improved and made more useful for achieving the organization's goals. It is known that a satisfied worker is a good worker, and for to achieving positive business results, workers must be motivated and rewarded in accordance with their merits. Without a combination of these segments, there is no development of the organization or profitability. The worker must know that his work is not in vain and that his superiors will know how to appreciate the results that are achieved. If the employee does not receive an adequate reward, whether it is financial rewards, advancement in the workplace or professional development, then he will perceive his business obligations as something that must be "done" and will not show too

much interest in the job. The steps that follow are bad for both the worker and the company because the bad results that can occur can also lead to the worker losing his job and forcing the company to look for new employees. Then everyone is at a loss. The most important actions for achieving employee motivation are setting challenges, joint consideration of unresolved issues, awards, opportunities for professional development. Motivation and the reward system create preconditions for further development, profitability, and competitiveness. Motivation is a key in any business, especially for creating competition, because employees will always try to surpass their colleagues in terms of achieved results, and to make more progress, and this type of competition is healthy and very desirable. This can be seen in the example of Komercijalna banka, how much one large financial company relies on the satisfaction of its employees, which is manifested through various tangible and intangible compensations, training, and coaching. Adequate rewards increase both satisfaction and productivity - rewards lead to employee satisfaction and increased productivity only when they are fair and proportionate to the performance, however, workers do not always perceive rewards as adequate and in line with the results they believe they have achieved. Sometimes the inadequate reward that workers receive for their results can cause the opposite effect of satisfaction in the worker and make the worker feel not treated fairly and less valuable than others, so the task of management is to prevent such a situation.

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