

Financial and Non-financial Incentives as the Motivation Tool in Small, Medium and Large Companies

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Abstract: This study analyzes application of financial and non-financial incentives in micro, small, medium and large companies, in private and public sector in Bosnia and Herzegovina. It also tests the association of demographic characteristics and motivation. Data was collected using online questionnaire sent to 130 companies in the period between June and October 2021 consisting of 50 items related to demography, financial and non-financial incentives utilization and factors impacting motivation. The total of 148 responses was collected during this period. The application of financial and non-financial incentives is measured using 5 point Likert scale. The collected responses are analyzed using a simple regression analysis to test the relationship of demographic and motivational variables. The findings indicate lower financial incentives application level compared to non-financial incentives, although both moderately applied. We find support for the hypothesized relationship between demographic characteristics and motivation in the relationship between groups of employee Seniority level and factors contributing to increased interest for work. Additional analysis indicates positive relationship of demographic characteristics Educational level and Company sector to factors that increase interest for work and effort at work. There is no significant statistics difference between other demographic variables in relation to dependent variables tested. Analysis of the incentives application level and impact of demographic characteristics to motivation may form the basis for further research. The same study can be extended to larger study group and geographic coverage, and used as the basis to test variety of influence, such as socio-economic and cultural, on employee motivation and satisfaction, specifically in view of the complex context in Bosnia and Herzegovina.

Keywords: Motivation, Financial and Non-financial Incentives, Small, Medium and Large Companies, Demography, Bosnia and Herzegovina

1. Introduction

Companies and managers apply certain level of incentives aiming to boost motivation and productivity of work force being mindful of the fact that employee effort impacts organizational performance. Receiving adequate salary, recognition, trainings, benefits, having satisfactory working condition are some of the incentives that can impact motivation. Human capital is obtained and retained by offering range of financial and non-financial incentives and developing their capacity through trainings [1]. Understanding that motivated staff engages far more effort at work requires employers to be conscious of the complexity in which they operate and be prepared to apply incentives. The theoretical review of motivation suggests positive relationship between motivation

and employee action towards fulfilling goals, improving abilities and engagement in additional activities [2-8].

Incentives are any financial or non-financial motivational influence that improves performance and motivates individual to action [1, 9, 10]. Studies show that preferences to incentives are purely individual. Preference towards non-financial incentives is explained by a change in employee expectations which are generally much higher today. Some studies agree that incentives such as recognition and verbal praise might have greater impact on employee motivation than financial incentives [11-15]. On the other hand, several studies underscore positive relation between financial incentive and performance, specifically its quality and quantity. They raise

concern over possible negative reactions of employees to the withdrawal of extrinsic rewards and encourage financial incentivizing through introduction of frequent bonuses [16-18]. Rynes et al. emphasize the symbolic meaning of money stressing that money can assist in “obtaining any level of Maslow’s motivational hierarchy” [19]. Further research reveals association between demography and motivation, specifically the moderating function of age in work motivation, the moderating function of gender, age, education level, years of working experience and income to the motivation and satisfaction perception of employees [20, 21]. Research conducted by GEA in Bosnia and Herzegovina shows that despite the necessity to invest in the human capital, the employers chose to maintain their position by reducing overall expenditures, which includes investing in labor force [22]. Additional studies identified as problematic complex political and social context in which companies operate - inefficient government, policy instability and corruption in Bosnia and Herzegovina, as well as existing of Human Resource practices on a primitive stage [23].

Theoretical review suggests that financial and non-financial incentives application level will impact performance and interest for work, and that demographic characteristics have moderating impact on motivation. This research presents financial and non-financial incentives applications level in the country and tests the impact of demographic characteristics on motivational factors.

2. Literature Review

2.1. Motivational Definitions

Recognizing what triggers human motivation and what initiates goal oriented behaviour is the task of managers as they aim to motivate their employees. Employees can benefit from this as long as the goal oriented behavior is aligned with their “intrinsic motives and preference” [2]. Deriving from the Latin word for “movement”, motive is “reason for doing something, the strength and direction of behaviour and the factors that influence people to behave in certain ways” [3]. Atkinson writes that the primary interest of motivation is identification of all influences that determine the action direction and the behavior [4]. Motivation is further referred to as choices made by individuals in relation to voluntary activity [5]. There is an understanding that “motivated workforce ultimately leads to the company’s growth” which requires companies to strategize and make motivation the focus of company culture [6]. Depending on whether it is viewed from an employee or manager’s point of view, motivation either leads to accomplishment of individual goals or this is an activity that leads to fulfilling defined organizational goals [7]. There is further distinction between “intrinsic” and “extrinsic” motivation, either arising out of desire for doing something enjoyable or out of expectation for rewards, salary, and promotion [8, 24]. According to some studies, rewards don’t have sufficient impact if a person lacks intrinsic motivation [25]. Motivation can simply arise out of having an “interesting,

challenging work and the opportunity to achieve and grow into greater responsibility” [26]. Both intrinsic and extrinsic motivation is a possibility in which case internal drive satisfies unsatisfied needs and external forces determine the strength and direction of motivation [27].

2.2. Theories of Motivation

Theories analyzed in support to this research are Content and Process Theories of motivation.

2.2.1. Content Theories

Hierarchy of Needs Theory: Maslow adopted the concept of “need hierarchy” according to which after satisfying the lower level need, the higher level need will start to dominate and the satisfied need will no longer motivate an individual. “Human needs arrange themselves in hierarchies of potency. That is to say, the appearance of one need usually rests on the prior satisfaction of another, more pre-potent need” [28]. The five needs levels are: Psychological, Security, Social, Esteem and Self-actualization needs.

ERG Theory adapts Maslow’s theory by condensing the five needs into three: Existence, Relatedness and Growth [29]. Unlike Maslow’s theory, ERG theory adopts the possibility that more than one need can be satisfied at the same time without the requirement for lower level need to be fully satisfied before moving to the next level need. Individual can firstly prioritize high level needs and return to accomplishing lower level needs at the later stage.

Herzberg’s two-factor theory determines employee behavior at work based on the presence or absence of hygiene factors and motivators. Motivators which influence and increase satisfaction at work are: achievement, recognition, the work itself, responsibility, opportunity for growth, advancement. The hygiene factors, the absence of which can cause individual dissatisfaction with work, are: policies, supervision, interpersonal relations, working conditions, salary, job security, status, benefits [30].

McClelland’s Acquired Needs Theory is focused on motivational potency of the Needs for Achievement, Affiliation and Power. Specific needs of an individual are acquired over time through experiences [31].

2.2.2. Process Theories

Skinner’s Reinforcement theory explains that external environment reinforces the conforming behavior. Managers apply reward and punishment for the purpose of human behavior modification. This can be a powerful tool for managerial control of employee behavior through the application of positive reinforcement, negative reinforcement, punishment and extinction [32].

Vroom’s Expectancy Theory (VIE Theory) has three elements: Valence, Instrumentality and Expectancy. Employees evaluate work related behaviours and then select the option they believe will lead them to the desired result. Vroom explains that employees are motivated when certain in the positive outcome, if they anticipate efforts will lead to reward and desired goal [5].

Equity theory: Fairness in the resources distribution is the key to employee motivation, as employees are motivated when treated equally. Employee perception of a situation and perceived unfairness at work has impact on their motivational level. "Inequity exists for Person whenever he perceives that the ratio of his outcomes to inputs and the ratio of Other's outcomes to Other's inputs are unequal" [33].

Goal setting theory states that individuals aim to reach clearly defined goals, which becomes the main source of motivation. As the simple technique and the basis for other motivational techniques [34], goal setting can be used as managerial instrument for improving and sustaining performance, assuming that employees have the capacities to reach the goal and understanding that those assigned difficult goals perform better. Setting specific and challenging goal increases performance, or as stated by Latham higher goals lead to higher performance levels [35, 36].

2.3. Financial and Non-financial Incentives

Theory review of financial incentives indicates positive relation between financial incentives and performance, specifically to performance quality and quantity while enhancing intrinsic motivation [16, 17]. Financial reward is considered a tool for increasing prospects of employee retention [9]. Research by Rynes suggests that "individual pay-for-performance schemes are most important to high academic achievers, high performing employees, and individuals with high self-efficacy and high needs for achievement – just the types of people most employers claim to be looking for" [19].

Non-financial incentives are introduced as the response to higher expectations among the labor force [12]. Studies emphasize the positive effect of non-financial rewards such as appreciation and recognition on employee satisfaction and performance, the impact of verbal praise, further claiming that there is a "small relationship between money and happiness" [13-15].

2.4. Demographic Characteristics

The analysis of research related to association between demography and employees preferences shows that demographic characteristics have modifying impact on motivation, satisfaction and engagement at work. Researchers suggest that age determines work motivation and job satisfaction when certain aspects of work are viewed differently based on age. There is also the view that employees with the long tenure tend not to work as hard as their younger colleagues [37]. According to Boumans, younger and older workers are equally motivated if offered plenty of opportunities for promotion. Otherwise, with the lack of possibilities younger people get demotivated [20]. Research done on the similar topic confirms significant impact of gender, age, tenure, education level, the amount of salary on motivation [38]. Another study confirms the moderating function of gender, age, education level, years of working experience and income to the motivation and satisfaction

perception of employees [21].

3. Methodology

3.1. Data Collection

The data analyzed in this study were collected by distributing one online survey questionnaire to 130 companies in Bosnia and Herzegovina. Companies contacted are micro, small, medium and large companies, privately owned and public companies. Respondents were contacted by email. The structured questionnaire consists of 50 close-ended questions divided into several sections: demography, financial and non-financial incentives, factors impacting motivation at work. The respondents' opinion in relation to incentives application degree was rated using 5-point Likert scale ranging from "Strongly Disagree" to "Strongly Agree" and from "Least Important" to "Most Important". The scales utilized in the formulation of questionnaire were used in other studies as valid tool for measuring opinions and attitudes [39, 41, 42].

3.2. Study Population

Employees working in 130 micro, small, medium and large companies in Bosnia and Herzegovina were the sample of the study. Answers were collected from 148 employees respondents.

3.3. Data Analysis

The collected data was statistically analyzed using Software Package for Social Sciences (SPSS) version 28 following the methodology used in works on similar subjects [39]. Descriptive statistics is used to evaluate data relevant to all questions. Shapiro-Wilk test is used to test the normality of the population distribution. Analysis of variance test (ANOVA) is the difference of means test used for testing the means of three or more independent groups. Demographic variables (seniority rank, job tenure, age, education level, employee number) have three or more sub-groups therefore ANOVA test is used to determine impact of demographic variables on dependent variables. The impact of demographic variables (gender, company sector) with two sub-groups on dependent variables is analyzed using t-test. The level of significance was set at 0.05.

4. Data Analysis

Results of data analysis and interpretation are presented in five sections: demographic data, financial and non-financial incentives utilization, factors impacting motivation, hypothesis testing and research questions analysis.

4.1. Demographic Data

Demographic information on gender, age, years of working experience, education, seniority level, companies' sector (private or public), number of employees and location per entities within Bosnia and Herzegovina were analysed using descriptive statistics.

Table 1. Demographic Characteristics.

Variable	Category	Number	%
Gender	Female	73	49.30%
	Male	75	50.70%
	Total	148	100.00%
Age	Up to 30 years	12	8.10%
	31-40	37	25%
	41-50	32	21.60%
	51+	67	45.30%
	Total	148	100.00%
Job Tenure	Up to 12 months	2	1.30%
	1-5 years	13	8.80%
	6-15 years	34	23%
	16-25 years	30	20.30%
	25+	69	46.60%
	Total	148	100.00%
Education Level	High School	68	45.90%
	BA Degree	59	39.90%
	Master Degree	13	8.80%
	PHD	2	1.30%
	Other	6	4.10%
	Total	148	100.00%
Seniority level	Senior Management	34	23%
	Middle Management	80	54%
	Laborers	34	23%
	Total	148	100.00%
Company Sector	Private	58	39.20%
	Public	90	60.80%
	Total	148	100.00%
Employee number	1-9	11	7.40%
	10-49	18	12.20%
	50-249	93	62.80%
	250+	26	17.60%
	Total	148	100.00%
Company location	FBIH	147	99.30%
	RS	1	0.70%
	Brcko District	0	0%
	Total	148	100.00%

The results show that majority or 99.3% of respondents work in the Federation BiH, 62.8% of respondents work in middle size companies which employ 50 - 249 workers and 60.8% of respondents work in public sector.

In terms of gender and age, 50.7% of respondents are male, 45.3% are over the age of 51, 21.6% are in the 41-50 years age group, 25% are in the 31-40 age group and 8.1% are 30 years or younger.

In terms of job tenure, the groups are as follows: 46.6% of respondents - over 25 years, 20.3% - 16 to 25 years, 23% - 6 to 15 years, 8.8% - 1 to 5 years of working experience and 1.3% of respondents with less than 12 months of working experience. 45.9% of respondents have high school education, 39.9% hold BA degree and 8.8% hold Master degrees, 1.3% hold PHD degree and 4.10% for Other. 54% of respondents occupy middle management position, and 23% occupy senior management and laborer positions.

4.2. Financial and Non-financial Incentives Utilization

Employees perception of the degree of financial and non-financial incentives application is measured by rating the items in a 5-point likert scale from Strongly Disagree to Strongly Agree. The interval scale applied by Yaacob [40] is used to measure the application degree. Descriptive statistics

(means) is used to analyze the incentives application level.

Table 2. 5-Point Likert scale conversion.

Numerical Scale	Mean Interval Scale	Equivalent
1	1.00-1.80	Very Low
2	1.81-2.60	Low
3	2.61-3.40	Moderate
4	3.41-4.20	High
5	4.21-5.00	Very High

4.2.1. Financial Incentives Utilization

Financial incentives measured are: adequacy of financial compensation in line with work demands, living standard associated with pay, salary differences, relying on regular salary payments and benefits (health, pension and social insurance), payment for overtime, bonuses, company profit distribution, accumulation of funds for pension and financing of employee education. Mean values for financial incentives presented in Table 3 range from low to high, the lowest mean score of 2.42 (Low) for item 7 related to profit paid to employees to highest of 3.95 (High) for item 4 related to regularity in salary payments. Out of 10 items in the Table 3, 2 items were evaluated as Low, 6 items were evaluated as Moderate and 2 two items were evaluated as High in terms of application level. Overall, the financial incentives application is measured as moderate with the mean of 3.01 (Table 3).

Table 3. Financial Incentives Application.

	Financial Incentives	Mean	Application Level
1	Financial compensation is adequate and in line with work demands	2.80	Moderate
2	Financial compensation provides for satisfactory living standard	2.60	Low
3	Salary differences correctly reflect differences in jobs and positions	2.67	Moderate
4	I can rely on regular salary payments	3.95	High
5	Overtime is paid additionally	3.21	Moderate
6	Bonuses are paid for exceptional effort and results	2.91	Moderate
7	Company profit is paid to employees	2.42	Low
8	I accumulate sufficient amount for my pension by working for this company	2.66	Moderate
9	All benefits are regularly paid for (pension, health, social insurance)	3.84	High
10	Employer finances education for employees (study, masters, PHD studies)	2.99	Moderate
	Total	3.01	Moderate

4.2.2. Non-financial Incentives Utilization

Non-financial incentives items measured are: possibility of promotion, long term engagement, employee training and education, employers' flexibility, employee evaluation, receiving praises for job well done, appreciation, status and respect at work, appreciation for creativity, policies and regulations at work, application of technology (hardware and software), general working conditions, social interaction and team work. Mean values for non-financial incentives application range from moderate to high, the lowest mean score of 2.62 (Moderate) for item 7 referring to possibility for home-based work to highest value of 3.52 (High) for items 16

and 19 (business policies and regulations at work and for using internet and social media for work-related purposes). Out of 27 items in Table 4, 19 items were evaluated as Moderate and 8 were evaluated as High in terms of application level. Overall, the non-financial incentives application is measured as moderate with the mean of 3.17 which is slightly higher than the mean for financial incentives (Table 4). The analysis indicates that both financial and non-financial incentives are moderately applied in Bosnia and Herzegovina. In view of the higher mean for non-financial incentives application and no items evaluated as 'Low' in terms of application, we conclude that non-financial incentives implementation is slightly higher compared to financial incentives application. We also conclude that employees are more likely to draw their motivation from non-financial incentives.

4.3. Factors Impacting Motivation

Respondent preferences to motivational factors are analysed in this section using descriptive statistics. The factors of motivation analyzed are 5 items representing compensation program components and 5 items corresponding to Hierarchy of needs theory [1, 28]. The results indicate respondents' preference to salary and to financial incentives.

The first analysis is conducted on the 5 components of compensation program as factors which boost employee interest for work. The compensation components are: Salary, Benefits, Job Characteristics (interesting, important, appreciated, challenging, satisfactory), Working Environment (pleasant environment, capable managers, capable employees, adequate working conditions), Flexibility at Work (home-based work, flexi working hours, part-time work). Respondents were asked to select one option only. The analysis

indicates that 62.8% of respondents rated Salary highest among the five components, followed by 16.2% for Working Environment, 10.1% for Benefits, 9.5% for Job Characteristics and 1.4% for Flexibility at Work as least important.

The second analysis was conducted on elements which impact effort at work determined based on need levels per Maslow's hierarchy of needs theory: Salary, Safe and Long Term Job, Pleasant Working Environment and Feeling of Belonging, Status and Appreciation for my Work and Achieving my Full Potential. Respondents were asked to rate each item listed in a 5-point likert scale from 1-Least Important to 5-Most Important. The results per mean score show that Salary (mean score 3.92) is most important, followed by Achieving my Full Potential (3.91), Safe and Long Term Job (3.91), Status and Appreciation for Work (3.85), and Pleasant Working Environment and Feeling of Belonging (3.64).

The analysis was also conducted in identifying activities rewarded by managers: Achieving Goals, Determining Goals, Making Profit, Increasing Production and Efficiency, Assisting Colleagues, Respecting Company Regulations, Loyalty, Responsibility, Independence at Work. Positive reinforcement or providing the reward for any activity increases the possibility that the desired behaviour will be repeated according to Reinforcement theory of motivation. Results indicate that items Achieving Goals and Responsibility are most rewarded activities, Determining Goals and Respecting Company regulation are least rewarded activities. 23% of respondents consider that none of the activities are rewarded.

Furthermore, 91.2% of respondents responded that they prefer financial to non-financial incentives and 51.4% of respondents never asked for the increase of any of the incentives.

Table 4. Non-Financial Incentives Application.

	Non -financial Incentive	Mean	Application Level
1	Promotion is possible	3.07	Moderate
2	My working engagement in the company is secure and long term	3.05	Moderate
3	Training and education related to work is often organized for employees	2.85	Moderate
4	Employer actively encourages employee's education even if not related to work	2.82	Moderate
5	Employer is flexible when it comes to taking annual leave	3.23	Moderate
6	Flexible working hours are allowed	2.74	Moderate
7	Work from home is allowed	2.62	Moderate
8	Management regularly organizes informal employee gatherings	2.74	Moderate
9	Employees regularly receive feedback for their work	2.74	Moderate
10	Employees official and systematic evaluation is periodically conducted by company	2.95	Moderate
11	Management practices public praising of employees for a job well done	2.93	Moderate
12	Supervisor appreciates my work and me	3.19	Moderate
13	I am praised when I do a good job	3.30	Moderate
14	My status at work is good and I am respected	3.41	High
15	Creativity is appreciated in everyday work	3.09	Moderate
16	Company I work for has its own business policy and regulations	3.52	High
17	Employees are well acquainted with the business policy and regulations	3.37	Moderate
18	Company uses modern technology at work, hardware and software for data analysis and processing	3.20	Moderate
19	Employees are allowed to use internet and social network for work purposes	3.52	High
20	Working conditions are optimal	3.51	High
21	Relations between supervisors and employees are good	3.41	High
22	Manner in which my supervisor addresses his employees is exemplary	3.37	Moderate
23	Relations between colleagues are positive	3.45	High
24	Relations between colleagues impact work positively	3.45	High
25	There is a high level of trust and cooperation between colleagues	3.20	Moderate
26	I can expect assistance from colleagues for solving business problems	3.46	High

	Non -financial Incentive	Mean	Application Level
27	All employees are willing to work together to achieve company goals	3.36	Moderate
	Total	3.17	Moderate

4.4. Hypothesis Testing

The hypothesis analysis of relationship between the groups of demographic variables (seniority level, job tenure and age) and factors of motivation is done by applying methodology of Thusyanthy and Senthilnathan [39]. The tests implemented are Shapiro-Wilk test of normality of the population distribution and ANOVA test since all independent variables tested have three or more sub-groups.

Shapiro-Wilk test indicates non-normality in the data distribution. The non-normality in the data distribution is indicated for data with $p < 0.05$.

ANOVA test, which is difference of means test, is performed assuming heteroskedasticity of populations and non-normality of distribution of data. The level of significance is set to 0.05 ($p = 0.05$). After concluding ANOVA hypothesis

testing, for verification purposes the hypothesis were re-tested using Kruskal-Wallis test as alternative to ANOVA confirming the hypothesis test result.

4.4.1. Hypothesis 1

H_0 : There is no statistically significant difference between employees' seniority rank and factors contributing to increase of employees' interest for work.

H_1 : There is statistically significant difference between employees' seniority rank and factors contributing to increase of employees' interest for work.

ANOVA test results indicate the level of significance of $0.004 < 0.05$. H_1 is accepted as there is statistically significant difference between groups of employee seniority levels in relation to factors which increase interest for work.

Table 5. Shapiro Wilk test of normality.

	Seniority level in company	Shapiro-Wilk		
		Statistic	df	Sig.
Factor that increases interest for work	Senior Management	0.851	34	<.001
	Middle Management	0.672	80	<.001
	Laborers	0.408	34	<.001

Table 6. ANOVA test for Hypothesis 1.

Factor that increases interest for work		Sum of Squares	Degree of Freedom	Mean Square	F	Sign.
Seniority Level	Between Groups	16.077	2	8.039	5.808	0.004
	Within Groups	200.700	145	1.384		
	Total	216.777	147			

4.4.2. Hypothesis 2

H_0 There is no statistically significant difference between employees' job tenure and factors contributing to increase of employees' interest for work.

H_2 : There is statistically significant difference between employees' job tenure and factors contributing to increase of

employees' interest for work.

ANOVA test results indicate the level of significance of $0.084 > 0.05$. H_0 is accepted as there is no statistically significant difference between the job tenure groups in relation to factors contributing to increase of employees' interest for work.

Table 7. Shapiro Wilk test of normality.

	Job Tenure	Shapiro-Wilk		
		Statistic	df	Sig.
Factor that increases interest for work	Up to 12 months			
	1-5 years	0.642	13	<.001
	6-15 years	0.777	34	<.001
	16-25	0.72	30	<.001
	25+	0.615	69	<.001

Table 8. ANOVA test for Hypothesis 2.

Factor that increases interest for work		Sum of Squares	Degree of Freedom	Mean Square	F	Sign.
Job Tenure	Between Groups	12.020	4	3.005	2.099	0.084
	Within Groups	204.757	143	1.432		
	Total	216.777	147			

4.4.3. Hypothesis 3

H_0 : There is no statistically significant difference between

employees' age and factors contributing to increase of employees' interest for work.

H₃: There is statistically significant difference between employees' age and factors contributing to increase of employees' interest for work.

ANOVA test results indicate the level of significance of

$0.066 > 0.05$. H₀ is accepted as there is no statistically significant difference between the employee age groups in relation to factors contributing to increase of employees' interest for work.

Table 9. Shapiro Wilk test of normality.

	Age	Shapiro-Wilk		
		Statistic	df	Sig.
Factor that increases interest for work	Up to 30 years	0.547	12	<.001
	31-40	0.791	37	<.001
	41-50	0.618	32	<.001
	51+	0.653	67	<.001

Table 10. ANOVA test for Hypothesis 3.

Factor that increases interest for work		Sum of Squares	Degree of Freedom	Mean Square	F	Sign.
Age	Between Groups	10.533	3	3.511	2.451	0.066
	Within Groups	206.244	144	1.432		
	Total	216.777	147			

4.4.4. Hypothesis 4

H₀ There is no statistically significant difference between employees' job tenure and employees' request for increase of financial or non-financial compensation.

H₄: There is statistically significant difference between employees' job tenure and employees' request for increase of

financial or non-financial compensation.

ANOVA test results indicate the level of significance of $0.236 > 0.05$. H₀ is accepted as there is no statistically significant difference between employee job tenure groups in relation to request for higher financial or non-financial compensation.

Table 11. Shapiro Wilk test of normality.

	Job Tenure	Shapiro-Wilk		
		Statistic	df	Sig.
Request for higher financial or non-financial compensation	Up to 12 months			
	1-5 years	0.592	13	<.001
	6-15 years	0.626	34	<.001
	16-25	0.638	30	<.001
	25+	0.633	69	<.001

Table 12. ANOVA test for Hypothesis 4.

Request for higher financial/non-financial compensation		Sum of Squares	Degree of Freedom	Mean Square	F	Sign.
Job Tenure	Between Groups	1.396	4	0.349	1.403	0.236
	Within Groups	35.577	143	0.249		
	Total	36.973	147			

Table 13. Shapiro Wilk test of normality.

	Seniority level	Shapiro-Wilk		
		Statistic	df	Sig.
Salary	Senior Management	0.739	34	<.001
	Middle Management	0.698	80	<.001
	Labourers	0.731	34	<.001
Safe and long term job	Senior Management	0.7	34	<.001
	Middle Management	0.794	80	<.001
	Labourers	0.821	34	<.001
Pleasant working environment and feeling of belonging	Senior Management	0.849	34	<.001
	Middle Management	0.862	80	<.001
	Labourers	0.87	34	<.001
Status and appreciation for my work	Senior Management	0.726	34	<.001
	Middle Management	0.808	80	<.001
	Labourers	0.795	34	<.001
Achieving my full potential	Senior Management	0.72	34	<.001
	Middle Management	0.771	80	<.001
	Labourers	0.832	34	<.001

4.4.5. Hypothesis 5

H₀: There is no statistically significant difference between employees' seniority rank and average ranking of factors increasing effort at work.

H₅: There is statistically significant difference between employees' seniority rank and average ranking of factors

increasing effort at work.

The level of significance is higher than established significance level of 0.05. H₀ is accepted as there is no statistically significant difference between seniority level groups in relation to ranking of factors increasing effort at work.

Table 14. ANOVA test for Hypothesis 5.

Ranking of Factors Increasing Effort at Work		Sum of Squares	Degree of Freedom	Mean Square	F	Sign.
Salary	Between Groups	3.051	2	1.525	0.709	0.494
	Within Groups	311.976	145	2.152		
	Total	315.027	147			
Safe and long term job	Between Groups	2.020	2	1.010	0.606	0.547
	Within Groups	241.838	145	1.668		
	Total	243.858	147			
Pleasant working environment and feeling of belonging	Between Groups	2.661	2	1.331	0.813	0.446
	Within Groups	237.359	145	1.637		
	Total	240.020	147			
Status and appreciation for my work	Between Groups	0.989	2	0.494	0.274	0.761
	Within Groups	261.741	145	1.805		
	Total	262.730	147			
Achieving my full potential	Between Groups	3.158	2	1.579	0.899	0.409
	Within Groups	254.700	145	1.757		
	Total	257.858	147			

4.5. Research Questions Analysis

The research analysis is based on potential modifying impact of demographic characteristics on motivation as per research on this subject.

- 1) Is there difference between factors that increase employees' interest for work based on employees' seniority rank (senior, middle and support staff)?
- 2) Is there a difference between factors that increase employees' interest for work based on employees' job tenure?
- 3) Is there a difference between factors that increase employees' interest for work based on employees' age?
- 4) Is there a difference between employees' request for a higher financial or non-financial compensation based on employees' job tenure?
- 5) Is there a difference between employees' average ranking of factors that increase effort at work based on seniority rank (senior, middle and support staff)?

Results indicate that there is a significant difference in the preferences towards items that increase interest for work based on employee seniority level, specifically between Laborers and Senior Management, and Laborers and Middle Management. The main differences are in the preferences towards Salary selected as the compensation component which increases interest for work by 85.3% of respondents from Laborer group, 63.7% of respondents from Middle Management Group and

38.2% of respondents from Senior Management Group. In relation to "Job", 23.5% of respondents from Senior Management Group find job characteristics most relevant, 7.5% from Middle Management group and 0% of Laborers. Senior Management (17.6%) favor "Benefits", followed by 8.8% of respondents from Middle Management group and 5.9% of respondent from Laborer group.

Relationship between job tenure and request for higher compensation was analyzed under assumption that staff make request or apply for increase of compensation during their work engagement. The results show that there is no significant difference in the approach of groups of job tenure towards request for higher compensation.

The results also show that seniority level groups have no significantly different preferences towards ranking of five factors of increased effort at work (1. salary, 2. safe and long term job, 3. pleasant working environment/feeling of belonging, 4. status and appreciation at work and 5. achieving my full potential).

Considering that test conducted on three demographic characteristics (seniority level, age, job tenure) does not identify significant impact of demographic variables on preferences towards motivational factors, the analysis is further extended to other demographic characteristics aiming to identify those demographic characteristics among gender, age, job tenure, education level, seniority level, company sector, employee number that have impact. Table 15 summarizes the results.

Table 15. Demographic Characteristics Impact.

Demography		Factor contributing to increase of employee interest for work	Request for increase of compensation	Factors increasing effort at work
1	Gender	X	X	X
2	Age	X	X	X

	Demography	Factor contributing to increase of employee interest for work	Request for increase of compensation	Factors increasing effort at work
3	Job Tenure	X	X	X
4	Education Level	Positive	X	Positive
5	Seniority Level in company	Positive	X	X
6	Company Sector	Positive	X	Positive
7	Employee number (company size)	X	X	X

The results are obtained by performing ANOVA test for demographic variables with three and more sub-groups and performing independent sample T-test for variables with two sub-groups (gender and company sector). The analysis identifies Education level and Company sector (public and private) as demographic characteristics with modifying impact on preferences.

Cross-tabulation is used to obtain more details of the relationship between the variables.

Education level: Main differences in relation to education level are between High School and BA degree group, and between High School and Master degree group in identifying factor that increases interest for work. Salary is preferred by 80.9% of respondents with High school degree compared to 50.8% of respondents with BA degree and 30.8% of respondents with Master degree. Working environment is preferred by 46.2% of respondents with Master degree compared to 8.8% of respondents with High School and 18.6% with BA degree. Significant differences are also noted between High School and Master degree groups in relation to Achieving Full Potential. It is preferred by 69.2% of respondents with Master degree compared to 38.2% of respondents with High School degree.

Company sector: In relation to items that increase interest for work, employees from different company sectors display different preferences. Public sector employees value salary and benefits more than private sector employees, whereas private sector employees value job characteristics, working environment and flexibility at work more than employees in public sector. 70% of respondents from public sector and 51.7% of respondents in private sector find salary most relevant. Benefits are most relevant to 12.2% of respondents from public sector compared to 6.9% in private sector. 17.2% of respondents from private sector find job characteristics relevant compared to 4.4% in public sector. 20.7% of respondents from private sector find working environment most relevant compared to 13.3% in public sector. 3.4% of respondent from private sector value flexibility at work compared to 0% in public sector.

Employees from private and public sector display different preferences in relation to items that increase effort for work. Salary is far more important for employees in private sector compared to public sector. 56.9% of respondents from private sector find salary "most important" and 31% find salary as "important". Public sector shows lower percentages: 51% for "most important" and 10% for "important". Pleasant working environment is more important to employees in private sector than in public: 41.4% compared to 28.9%. Status and appreciation at work is also more important to employees in private compared to public sector: 55.2% compared to 37.8%.

It is the same for achieving full potential - 56.9% of employees in private sector find it most important and 29.3% find it important, compared to 41.1% (most important) and 18.9% (important) by public sector employees.

5. Conclusion and Recommendation

The study evaluates the application level of incentives in companies in Bosnia and Herzegovina in view of their positive impact on employee motivation and examines the relationship between demographic characteristics and motivation.

The results show that the overall financial incentives application level is moderate with the mean value of 3.01, ranging from "Low" to "High". The non-financial application level is rated as moderate with the mean value of 3.17, the individual incentives level ranging from "Moderate" to "High". In terms of respondent preferences, salary is the most important as the compensation component and is ranked highest as the factor which boosts employee effort at work. Financial incentives are the preferred incentive type to 91.2% of respondents. Per Maslow's hierarchy of needs theory, salary as the lower level need remains the predominant need if it is unsatisfied. Ranking of other factors is however not in line with the lower-to-higher level needs ascension proposed by Maslow's motivational theory. The analysis of respondents' ranking of needs places salary first as the lowest level need, followed by the second ranked "achieving full potential" need, which is otherwise the highest level need per Maslow. ERG theory states that individuals do not need to accomplish lower level needs before moving to accomplishing higher level needs. This suggests that although salary is the unsatisfied and basic need to majority of respondents they continue to work on accomplishing higher level needs simultaneously.

The test of relationship between demographic variables and dependent variables is conducted assuming the differences in opinion and preferences among employees of different seniority level, age and job tenure towards motivation, as per other studies. The results indicate there is positive relationship between seniority level groups in relation to compensation components which increase interest for work, and that there is no significant difference between the groups of age and job tenure in relationship to the same components, between job tenure groups and request for higher compensation, and also no difference between seniority level groups and ranking of items increasing effort at work. This analysis is therefore extended to other demographic characteristics: gender, education, company sector and company employee number. Positive relationship is identified for educational level and company sector groups in relation to compensation

components which impact interest for work and factors that increase effort at work.

It is recommended for the same research to be extended to larger study group and geographic coverage. The research can be used as the basis to test variety of influence such as socio/economic and cultural influences on employee motivation and satisfaction specifically in view of the complex context in Bosnia and Herzegovina and the lack of overall research on the topic. Identification of factors which trigger motivation might have direct implications on the development of motivational strategies and human resources management.

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