

Employee Motivation and Organizational Output: Relational Mapping in Selected SMEs

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Abstract

Amidst a challenging and competitive environment, Small and medium enterprises (SMEs) have stood out as the major support to the developing nations in enhancing their economic as well as social conditions. These labor dependent industries focusses mainly to retain their employees by the means of motivation. Employees' motivation levels are considered to have a direct impact on their productivity (Veliu, Manxhari, & Ujkani, 2015).

In recent years Pakistan has experienced several highs and lows with respect to its SMEs(Dar, Ahmed, & Raziq, 2017). Therefore the present study seeks to identify the relation between employee's motivation and their overall work performance in selected SMEs of Karachi. Using regression analysis, the present study encountered that there exists a relation between employees' motivation and the overall work performance at their organization but fails to establish the positive relation between them. Lastly the study presents few implications and limitations of this research.

Key words: employee productivity, motivation, organizational output, SMEs, regression

Research Context

1.1.1 Growth and performance of SMEs in Pakistan

Small and medium enterprises (SMEs)¹ are considered to be the pillar of strength in industrial development especially for the developing nations that accentuate high domestic production, noteworthy exports, low investments, employment and low import-intensive operations (Das, 2008). Hence industrialization and the entrepreneurship has held SMEs central in achieving economic growth and social progress of the country.

Pakistan has been estimated with 3.2 million businesses whereby SMEs' shared more than 90% of all private businesses including 78% employment of the nonagricultural labor force in Pakistan (Ali, 2016). In regards to GDP, SMEs' accounted more than 30% involvement. Also, SMEs' comprised 25% exports of manufactured goods and 35% manufacturing value added. Majorly 53% of its activities were involved in retail and wholesale business, and, restaurants and the hotel sector. Furthermore, SMEs' activity occupied around 20% and 22 % respectively in industrial and service sector of the nation (Khawaja, 2006).

In view of pushing economic growth, considering the contribution of SMEs, the Government of Pakistan (GoP) has undertaken several initiatives with the enactment of reforms such as Small and Medium Enterprise Development Authority (SMEDA) in 1998, creation of SME and micro finance banks, specialized departments for the SME sector in most commercial banks in the country (Akhtar & Sabir, 2011). However SMEs in Pakistan faces various difficulties especially in grabbing full advantage of the budding world markets and changes adhering liberalization.

¹ According to the micro, small and medium enterprises development act, 2006 with respect to the enterprises engaged in the manufacturing sector defines small enterprises engaging an investment in plant and machinery of more than twenty five lakh rupees but less than five crore rupees; and medium enterprises with an investment in plant and Machinery to be more than five crore rupees but less than ten crore rupees (Uma, 2013).

1.1.2 Scenario of employee motivation in SMEs

The motivation of employees in a firm includes different factors that stimulates and triggers employees towards better performance of the organization. Also the employees differs with each other and thus there are dissimilarities in what emboldens them (Ganta, 2014).

In contrasts to SMEs, the large corporations has the advantage of drawing best suitable candidates due to its name recognition, capital intensive operations and other benefits (Edlund & Nilsson, 2007). However, employees drop such industries and directs towards SMEs in order to enhance their career, bear less peer pressures and meetings, and possibility of taking independent decisions (Syuhada et al., 2014).

Nonetheless, the employees in SMEs can also leave such industries not just because of high salaries and benefits but also due to cultural conflicts, working conditions, lack of convenience, feelings of being unappreciated, lack of support and lack of advancement as well (Opu, 2008).

1.1.3 Relation between employee motivation and organizational output

For better performance of the organization, the motivated employees unlike the unmotivated employees will not produce low quality work, waste time and efforts or exit the organization instead will be persistent, creative, and productive and work harder to produce high quality work. In this regard, the employers need to view different tactics to motivate their employees in accordance to their needs and wants.

In addition, there exists intrinsic and extrinsic factors in motivating employees, wherein intrinsic or internal motivational factors are directly attained through the employees' work experience in terms of competence, communication and progress. The extrinsic or external motivational factors are achieved by employees through recognition and rewards. In this context, the psychological concept addresses intrinsic motivation of the employees strongly related to the

interest and engrossment in their work (Ganta, 2014). Also intrinsically motivate employees are found to actively execute diverse activities within the organization. Moreover they not only increases trust and social capital of the firm but also lowers the transaction cost (Novita, 2010). Moreover the financial investments alone cannot enforce labors to work efficiently therefore the alignment of motivated employees' goals with that of the organization tends to divert their efforts in achieving the objectives. Also these organizations turns to be successful since their employees consistently adopts ways to enhance their work capacity. Therefore motivating the employees in addition to financial investment is inevitable for the overall performance of the organization.

Also motivation is deduced as a difference between success and failure. The success of an organization requires employers and employees to work in the same direction in positive manner. Therefore motivation acts as a mechanism of inspiring and letting people to action corresponding to a belief, philosophy or goal (Mohd Said, Ahmad Zaidee, Mohd Zahari, Ali, & Salleh, 2015). Also the workplace plays an important role among employees in building a successful and a positive environment for arousing enthusiasm to work hard. In addition to the motivation of employees, the satisfaction of their jobs and increment in their job related wellbeing, are also other factors that further works as a tool in driving employees towards better performance in the organization. Motivation requires employers to identify the strengths and weaknesses of the employees working under them. Further understanding their needs, paying respect and regular communication with employees encompasses factors that builds motivation among employees.

Need for the study

The less advanced and organizational work culture within SMEs tends them to be dependent mostly on labor. Therefore, the employees hereby plays an instrumental role as compared to large corporations that are characteristically capital intensive. Hence, it is important for SMEs to retain their employees by the means of motivating them. Moreover, in the current competitive scenario, the success of an organization irrespective of size and market acknowledges labor retention as one of the core objectives of an organization (Dobre, 2013). Thus, the challenge to the organizations is to understand and develop strategies in motivating the employees thereby increasing their performance. This human capital is thus, their main asset without which the success is unachievable. Moreover, these industries are placed high on the agenda of all political parties, intelligentsia and policy makers for the same. Thus, the present study is needful to analyze the impact of employees' motivation in the overall performance in selected SMEs.

Aim of the study

The current study will help in establishing the motivational factors in a firm that are presently in use and how effective are these. Also the study identifies whether a positive relationship occurs between motivational methods and enriched performance at the organization. In addition, the study suggests different new procedures to enhance performance and motivation of employees at an organization.

Perennial to the aim, this research purports to answer the following question–

Is there any relationship between employee motivation and organizational output?

Methodology

A research design is a framework required to address the impact of research problem and fulfill the aim and objectives of the study (Gray, 2013). It involves different methods of collection, measurement and analysis of data (Kothari, 2004). Given the existing knowledge and theories, the study used a deductive approach of research to identify the relation of employee motivation level in their overall work performance at their respective SMEs.

The deductive theory assessed the factors of employee motivation with respect to their overall work performance in the firm (Gabriel, 2013). In addition, the quantitative research methodology was applied with respect to deductive research design to assess the impact on organizational output of selected SMEs.

1.1.4 Procedure of data collection and analysis

Since the quantitative research approach was chosen, the primary source of data collection was a survey questionnaire (Ross, 2005). The questionnaire was based on close format wherein the important questions were Likert questions. Around 200 employees engaged in SMEs belonging to different sectors were approached for the required survey.

1.1.5 Participants

The questionnaire was majorly administered in SMEs belonging to different sectors within Karachi. As for the respondent's profile, it was found that the major respondents targeted were engaged in SMEs for 5-10 years.

1.1.6 Measurement Instrument and measures

The measuring instrument was survey questionnaire which had demographic and inferential part which helped in assessing the impact of employee motivation level in their overall work performance at selected SMEs. The demographic section included information for age, gender,

educational status, work experience and information of other SMEs. However, the inferential section comprised of experiences of employees in SMEs in respect of different motivational factors and their impact on overall work performance at their organization. This data was collected on a 5 point Likert scale— Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree. With this scale the respondents' perceptions were identified corresponding to the objective of the study. The data collected were then statistically analysed. The demographic distribution was assessed with frequency and percentage analysis so as to attain the count statistics for description in order to understand as to how many respondents responded to a particular query whereas the inferential section was tested using linear regression analysis. The data collected was numerically coded using MS Excel which was then imported to the Statistical Package for Social Science (SPSS) v21 for both descriptive and inferential analysis.

Analysis

1.1.7 Descriptive Analysis

In this section, the demographic profile of the respondents has been represented and analyzed in the form of frequency distribution using pie charts to make it easier for understanding of the readers.

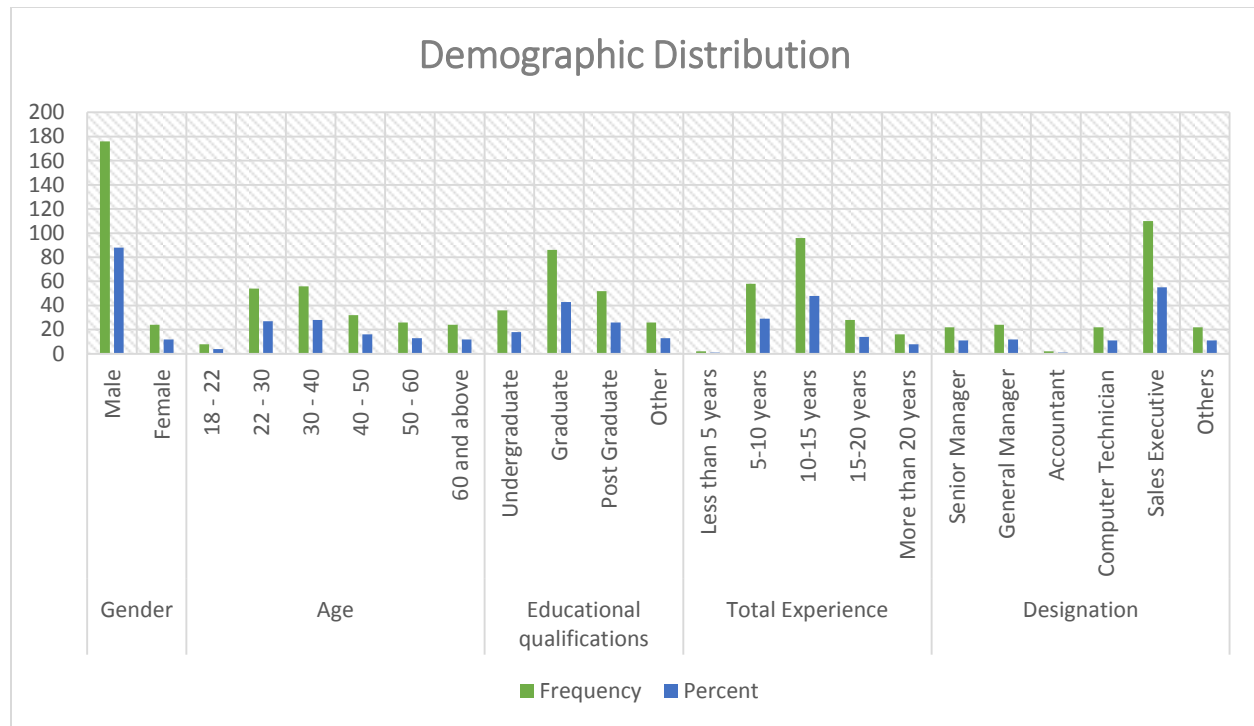


Figure 1: Demographic distribution of the respondents of the study

Out of 200 respondents, 88% were males and the rest were females. Around 27% and 28% respondents respectively were under the age group of 22-30 and 30-40 years of age. Also 12% participants were 60 years and above. The study majorly accounted 43% graduates following with 26% post graduates. In respect to the work experience, 48% and 29% respondents had experience of 10-15 years and 5-10 years respectively. Also the study comprised 55% sales executives from SMEs in the survey.

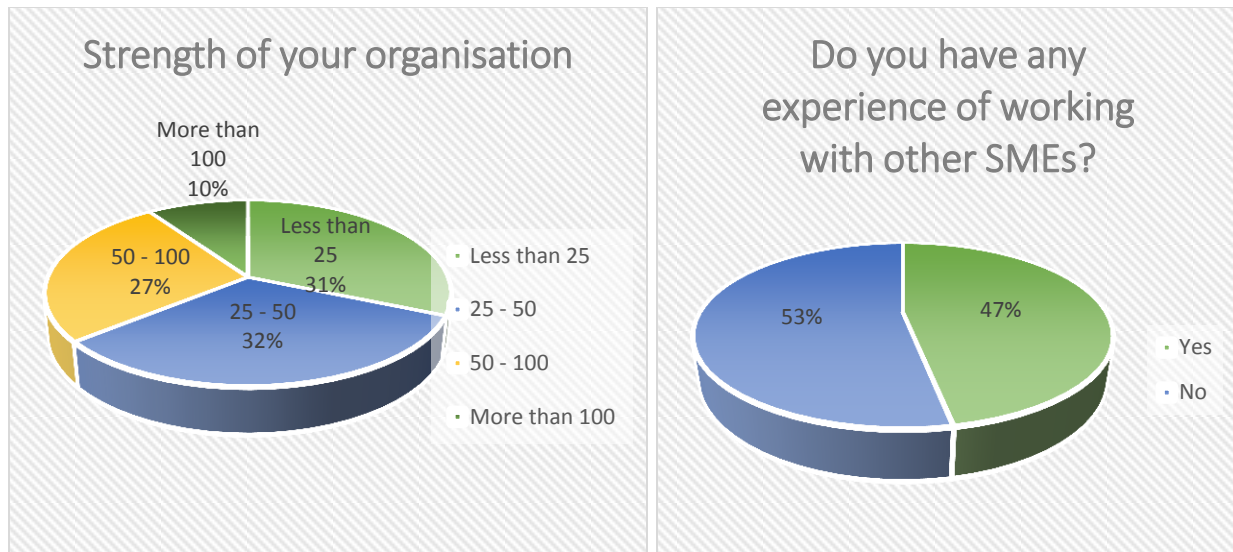


Figure 2: Organisation strength and previous experience of the respondents

In addition the study also made efforts to analyze the respondent's perception and background on SMEs. It was accounted that 32% and 31% respondents estimated around 25-50 employees and less than 25 employees working in their organization respectively. Around 53% respondents had working experience with other SMEs. Also 53% respondents have received motivation from their present organization. These facts and figures indicates that the participants in the survey were aware of different motivational factors in their present as well as other SMEs.

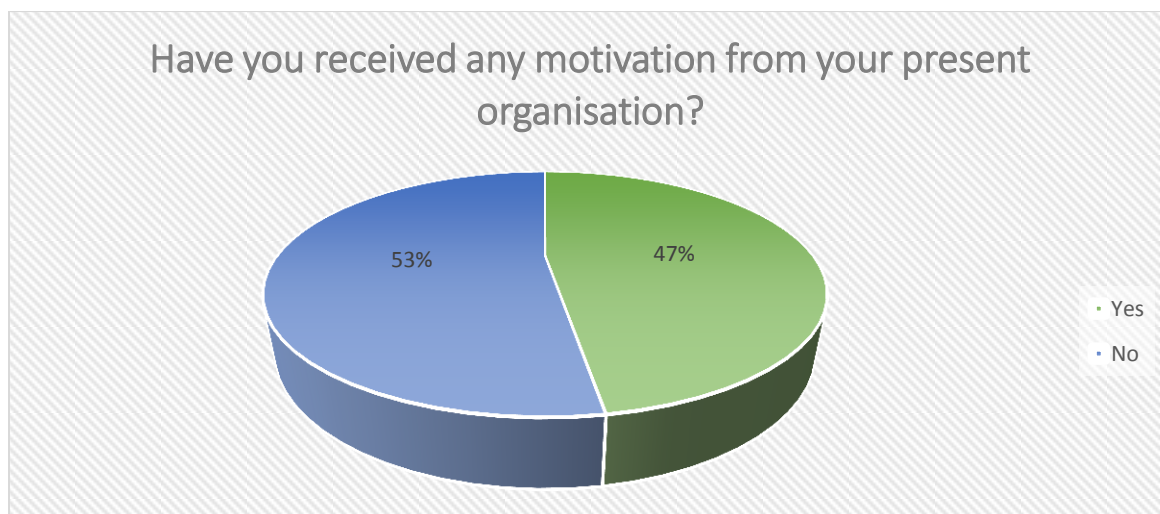


Figure 3: Perception of motivation in the present organisation

Given the general and background information of the respondents the next section took into account the inferential analysis including hypothesis testing for presented objective of the study thereby presenting several insights and implications of the same.

1.1.8 Inferential Analysis

In order to establish the purpose of study which intends to show the impact of employees' motivation on the overall work performance in selected SMEs, the researcher used regression analysis whereby each of the hypotheses was tested at 5% level of significance. In the present study the dependent variable are formed in accordance to different forms of organizational performances and the independent variables are associated to the employees' motivational factors in their respective organization. The proposed hypothesis is as follows:

H₀: There is no relationship of employees' motivation on their organization's overall output

1.1.8.1 Regression Test Results

The table 1 in Appendix represents the regression analysis of employees' motivation factors on the overall performance of an organization. It is clearly revealed from the data that the significance level for most of the motivating factors were less than 0.05 thereby rejecting the stated null hypothesis and concluding the presence of relation between the employees motivational factors and their overall organizational output proxied by work performance. The most influential motivational factors encountered in the analysis were high salary, monetary and non-monetary rewards, recognition, power of independent decisions, physical surrounding, variety in work assignments, flexible working conditions, chance to learn, and, a public celebration for a job well accomplished. In addition, the impact of these motivational factors

were majorly seen on an organizations' product performance, quality, on-time delivery, dependability, and innovation.

Also, the analysis identified the standardized beta coefficients of the most effective factors significant at $p < 0.05$, indicating that if a unit deviation occurs in the motivational factor then there will be beta coefficient units deviation in the corresponding indicator of organizational performance.

Moreover, it was evident that all other significant motivational factors were positively related to their work performance in the organization except the job security in terms of stability and secure future. There is a negative influence of this motivational factor on the overall work performance in the organization. In this regard, a study by Leung, (2009) represents the similar findings that job security decreases employees efforts. Moreover, Wang, (2015) found that the organizations without high organizational justice indicated the negative impact of job security in the performance of an organization.

Conclusion

1.1.9 Answering Central Question

The present study concludes that there exists a relation between employees' motivation and the overall work performance at their organization but fails to establish the positive relation between them. Not only intrinsic motivational factors but also extrinsic motivational factors were found to be influencing the work performance. However it was accounted that job security played a negative influence on the effectiveness of the selected organizations of Karachi.

1.1.10 Implications

The study indicates employers to understand the perceptions of their employees thereby providing suitable incentives in order to retain them. Since the motivational factors can be both positive and negative in affecting the work performance thus there is a need to look into the factors of motivation independently before its application. In regards to the job security, organizational justice or fairness should be incorporated so that the employees do not feel unmotivated and work uncommitted.

1.1.11 Limitations and Future Scope of the study

The most important limitation of this study was that, no qualitative analysis was done amongst the participants that the researcher surveyed. Thus, for future scope of the study, it is suggested that qualitative studies including interviews and focus group be implemented for qualitative data collection. In addition, a vast comparative study must be undertaken to analyze the insight of employees' motivation level and work performances with respect to different SMEs in Pakistan.

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