

Saimaa University of Applied Sciences
Business Administration, Lappeenranta
Degree Programme in International Business
International Business

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Performance Management and Rewarding in a Family Business

Thesis 2014

Abstract

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55 pages, 3 appendices

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The objective of the thesis was to examine human resource management, performance management and rewarding in a family business and how these aspects could be improved in the case company.

The theoretical part is based on literature, different internet sources as well as some articles. Furthermore, it includes topics related to human resource management and strategies, performance management and rewarding and the company introduction.

The empirical section composes theme interviews for the case company's employees as well as for the management level. The interviews aim at discovering how the three main topics of the thesis are experienced in the case company in different organization levels.

The desired end result is to come to a conclusion about the factors and different tools the case company can utilize for developing its rewarding, beneficial for both the company and its personnel.

Keywords: human resource management, performance management, rewarding, rewarding tools

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1 Introduction

In every organization personnel is the most vital resource, for without its effort and knowhow no organization can function properly. According to Kauhanen (2010) it is substantial to consider the next factors:

- How is personnel managed and lead on a daily basis?
- How is the organization's and employees' performance evaluated?
- How are the employees encouraged for self- development?
- How is the personnel rewarded for good work performances?
- Employees that perform quite well are encouraged and re- located into new work assignments inside or outside the organization.

There are as many ways of rewarding and managing performance as many there are organizations. Companies need to find the right tools just for them and be able to use them effectively so that rewarding and performance management are both experienced successful, from the company's as well as individual's point of view.

In the thesis, different tools related to performance management and rewarding are presented for the case company. The company does not need a rewarding system but is offered some more information on how to develop and support the strategies in use at the moment or the ones that are possibly established in the future.

1.1 Research problem and research goals

Areas that are mostly being focused on in the thesis are performance management, rewarding and human resource management in family business. The main questions are:

- What is human resource management specifically in family business?
- What is performance management?
- What is rewarding and what are its effects?

The research problem in the thesis is that the case company does not possess enough rewarding tools at the moment. The main objective for the thesis is to

present different elements that help the case company to build a successful rewarding package. Therefore, in addition to previously mentioned questions, some sub-questions need to be asked:

- What elements create efficient rewarding entity?
- In what way does rewarding methods affect employees' motivation and job performance?
- What elements create employee commitment to the rewarding methods that are chosen?

After answering these core- and sub- research questions the desired outcome is to get an answer about the factors the case company can utilize in order to develop its rewarding so that it benefits both the company as well its employees.

1.2 Reason for the thesis

From the very beginning it was quite clear for the author that the thesis would be related to leadership and management because that area has always been extremely interesting. In addition the author has studied leadership and management studies more than other topics.

When the author started working in the case company there was also a discussion about the thesis. The company and the author had a mutual vision about the topic, it had the need for it and as a result it was decided that the study could be conducted for the case company. It was important that the subject interested the author but also benefited the case company.

1.3 Theoretical framework

As the framework presented below reveals, the thesis starts from introduction and continues with a theory section. The theory built around three main topics is based on discussions and needs from the case company.

After the theory, there is an empirical which is linked to the theory part. Finally, the results are presented followed by discussion and suggestions on how the

case company can enhance its performance management and rewarding methods.

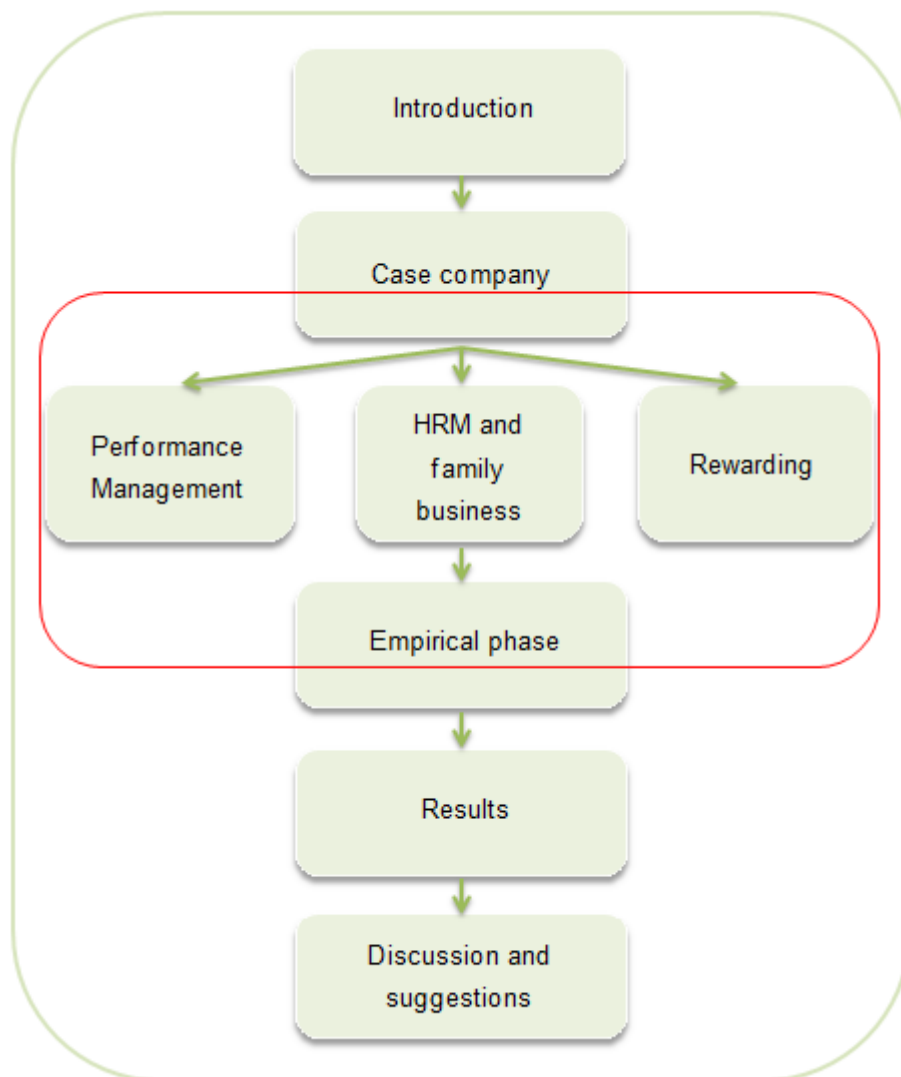


Figure 1. Theoretical framework of the thesis.

1.4 Research methods

The thesis is written based on qualitative research. The term qualitative analysis is defined by Corbin & Strauss (2008, p.1) as a process of interpreting and examining data for eliciting meaning, increase understanding and develop empirical knowledge.

The empirical section consists of theme interviews directed at the case company's personnel as well as the management level. The interviews investigate how

rewarding and performance management are experienced in the case company.

The results received from the different organization levels are examined and analyzed after the interviews and will be founded on to the theoretical part of the thesis.

2 Human resource management and family business

Human resource management (HRM) aims at achieving competitive advantage through skillful, motivated and committed personnel and strives to use these human resources as effectively as possible (Linkola 2007, p.78).

Correspondingly, Dessler's (2012, p.2) definition of HRM refers to the policies and practices the managers need. It includes acquiring, training, rewarding, appraising and offering a safe, fair and ethical environment for the company's employees. These practices and policies consist of, for example:

- Determining the nature of each employee's job
- Planning labor needs and recruiting job candidates
- Selecting job candidates
- Orienting and training employees
- Appraising performance
- Compensating employees
- Providing incentives and benefits
- Communicating and managing employee relations

2.1 Strategic human resource management

A strategic plan is defined as the company's plan for how it will match its internal strengths and weaknesses with external opportunities and threats for maintaining a competitive advantage. The company manager's role is then to formulate specific human resource plans to take the company from its current situation to the desired state. (Dessler 2012, p.14.)

As for strategic human resource management (SHRM), Dessler (2012, p.16) defines it as the formulation and execution of human resource policies and practices that produce the employee competences and behaviors the organization needs to achieve its strategic goals.

This idea can be illustrated as a three step process;

1. Management formulates a strategic plan.
2. The strategic plan implies certain workforce behaviors and competences.
3. Human resource management formulates HR strategies to produce the desired workforce skills, competences and behaviors. (Dessler 2012, p.18.)

2.2 Decision- making in family business

Decision- making is critical and often difficult in all types of organizations. Making decisions can be challenging for several reasons, containing situational, structural and organizational factors. In family- owned businesses these difficulties are combined by complexity, emotionality and multiple, sometimes competing, agendas. (McLean, Koehler, Sparks & Hammond 2011.)

Family businesses are aware of that conflicts can quickly erupt from both big and small decisions. Therefore there is a definite advantage for family businesses to examine their typical decision- making processes. Even a greater benefit can be achieved if a company is able to agree in advance on appropriate decision- making models for specific situations before any conflicts arise. (McLean et al. 2011.)

McLean et al. (2011) name four processes that family businesses can use to make sound decisions:

- *Autocratic* – One person makes the decision alone
- *Consultative* – Decisions are arrived at by one primary decision maker after receiving input from others
- *Democratic* – Majority rules

- *Consensus* – A shared decision; everyone may not agree but everyone understands and supports the decision.

The article underlines that each type of decision- making process has advantages and disadvantages. This statement is illustrated also by a chart below.

Process	Advantages	Disadvantages	When Appropriate
Autocratic: "I'll Decide"	Fast and expedient decisions with little or no discussion.	Doesn't take into account the impact on people or opinions of people. Can lead to mistrust and poor development of younger members.	In crises, under time pressure, or for unimportant issues with low or no impact.
Consultative: "I'll Decide with Your Input"	Multiple input can be invaluable. Buy-in is greater from having more opinions heard and acknowledged.	Those giving input may misunderstand and think that they have a say in the final decision.	When others need to provide specific expertise, but aren't primary decision-makers.
Democratic: "Everyone Gets One Vote"	Perceived to be fair; everyone has equal input.	Since majority rules, someone has to lose.	Useful when general opinion is needed, but full support isn't critical.
Consensus: "We'll Decide Together"	Respects individual opinions while establishing one collective decision everyone agrees with and supports.	Takes the most time of the decision-making processes. Requires full group understanding of the issues.	For major decisions affecting strategy or direction. For decisions made on behalf of the entire family business.

Figure 2. Types of decision- making processes. (McLean, Koehler, Sparks & Hammond 2011.)

Decision- making and its importance in family businesses is also examined by Frankenberg (2013). In addition to McLean et al. (2011), she underlines the fact that decision- making is a complex set of tools, designed to be utilized efficiently in multiple ways. Prevention of interpersonal conflict but also growth of the business can be achieved by knowing which decision- making tool to use in which circumstances.

2.3 Silent leadership of knowledge

Knowledge is a presupposition of values and beliefs and closely connected to action. This means the individual capability to draw distinctions, within a domain of action, based on appreciation of context or theory, or both. (Trevinyo-Rodriguez & Tàpies 2006, p.345.)

One crucial factor that affects transferability of knowledge is the perceived trustworthiness of the source of the knowledge. Trustworthiness, time availability and desire of the source enhance the transfer, affecting the likelihood of behavioral change by the recipient. Moreover, knowledge transfer is not mechanical. Instead, it is interactive and embedded in the existing capabilities on both parties and in the social relationships between them. Therefore, if there is a lack of goodwill and commitment on both sides, transfer of knowledge becomes complicated. (Trevinyo- Rodríguez & Tàpies 2006, p.345- 346.)

Similar thoughts about silent knowledge and silent leadership of knowledge are presented also by Virtainlahti (2009). She states that silent leadership of knowledge is needed when the organization's competitiveness is wanted to be developed by sharing and developing personnel's know-how.

On a personal level, silent knowledge is a result of a long-term learning period. In practice, it often appears as a synonym for know-how and expertise. The latter one implies the expert's confident and skillful working. Silent knowledge can improve the fluency of working; it enhances job performances, quality, decision-making and customer service situations. What makes transferring the silent knowledge onwards challenging, is its individuality and personality. (Virtainlahti 2009.)

Silent knowledge cannot be instructed, instead learning has to happen while working, as learning happens continuously under way, both consciously and subconsciously, in different situations as well as in interaction with other members in the work community (Virtainlahti 2009).

Young people in the work community possess the newest information but they also have to learn the practical know-how in order to develop in their work. Aging members in the organization have deep understanding of their job but learning new is needed since relying only on experience is not enough to meet today's challenges in working life. (Virtainlahti 2009.)

All in all silent leadership of knowledge thrives at exploitation of individuals' silent knowledge into mutual knowledge and know-how of the whole organization.

Shared knowledge enables the development of know-how and expertise of all parties and hereby the whole organization develops. (Virtainlahti 2009.)

2.3.1 Communication in organization

Nature and effectiveness of communication are strongly shaped by the structure and processes of organizations. Organizations have a set of defining characteristics that influence on communication one way or another. Therefore organizations:

- Are oriented towards goals
- Are composed of individuals and groups
- Have intended coordination
- Have differentiated functions
- Have continuity through time (Hitt, Black & Porter 2011, p.325.)

Hitt et al. (2011, p.326) mention that because of all these above mentioned points, the potential communication in organizations can be categorized according to the level for which a message is intended:

- *Downward communication* – message sent from higher organizational levels to lower levels
- *Upward communication* – message from lower organizational levels to higher levels
- *Lateral communication* – message sent across essentially equivalent levels of an organization

This idea can also be shown as a chart:

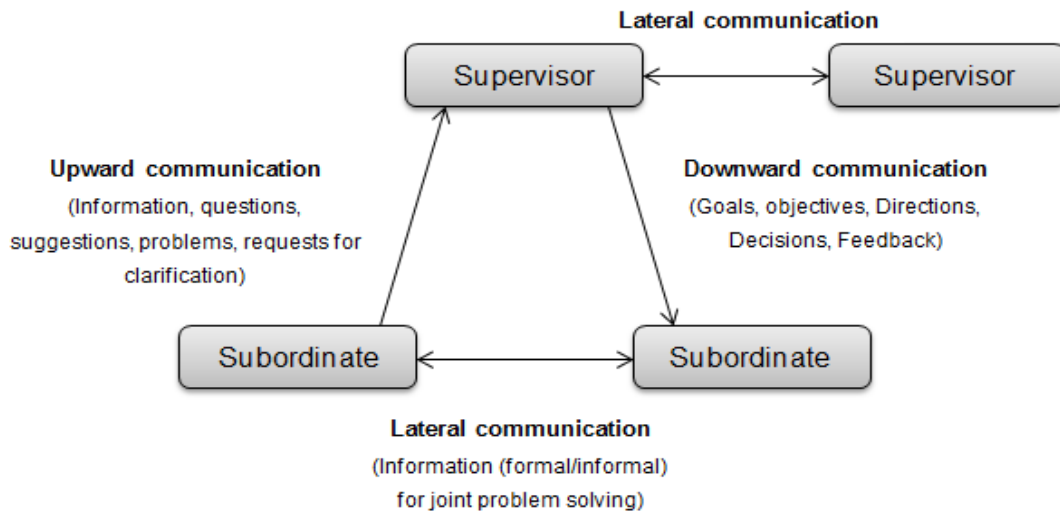


Figure 3. Directions of communication within organizations (Hitt, Black & Porter 2011, p.326.)

When improving communication and interaction in the organization, managers and superiors are responsible for creating and monitoring effective communication channels. It is also the managers' role to define how all the messages can be conveyed from personnel upwards to executives. However, maintaining an efficient interaction culture is not only the management's obligation. Employees, as well, have the responsibility to communicate their problems and expectations. (Valkonen 2013, p.25.)

3 Performance management

Dessler (2012, p.159) defines performance management as a special goal-oriented and ongoing way to manage and appraise employees' performance. It is the continuous process of identifying, measuring and developing the performance of individuals and teams and aligning their performance with the organization's goals.

In his book Dessler (2012, p.179) presents performance management in six basic elements:

- *Direction sharing* – communicating the goals of the company throughout the firm and translating these into feasible departmental, team and individual objectives.

- *Goal alignment* – having a method that gives managers and employees the possibility to identify the link between the employees' goals and those of their department and company.
- *Ongoing performance monitoring* – using computerized systems that measure and then e-mail progress and exception reports based on the employee's progress toward meeting his/her goals of performance.
- *Ongoing feedback* – includes both computerized and face-to-face feedback concerning progress toward objectives.
- *Coaching and developmental support* – defined as an integral part of the feedback process.
- *Recognition and rewards* – provide the implications needed to maintain the employee's goal-directed performance on track.

3.1 Performance management from different perspectives

Effective performance management enables the renewal of an individual as well as the whole organization. In addition, continuous development of performance can function as a critical success factor for individuals, organizations and society. (Välilmaa 2013.)

3.1.1 Intelligent organization

Also Sydänmaalakka (2002) discusses these above mentioned elements in his article. In his point of view, an intelligent organization is able to balance three different factors that are vital for the company's operations; effectiveness, renewal and well-being. An intelligent organization works efficiently in order to achieve competitiveness. Effectiveness is, however, only one objective.

Second, the organization has to continuously put effort into learning processes and renewal. This way competitiveness can be achieved also in the future.

Third, an intelligent organization nurtures its well-being to ensure that personnel are able to renew, maintain well-being and continue good performance.

Organizations should be conceived so that they are able to behave in an intelligent and sensitive way. This thought by Schwaninger (2009, p.7) supports also

the views of Sydänmaalakka (2002) about organizational intelligence. From a systematic thinking point of view the basic functions that distinguish intelligent organizations are the abilities to

1. Adapt to varying situations
2. Influence and shape their environment
3. Find a “playing field” or reconfigure themselves anew within their environment
4. Make a positive net contribution to the viability and sustainability of larger wholes in which they are embedded. (Schwaninger 2009, p.7.)

Organizations can be emotionally intelligent, as well. Emotionally intelligent companies leverage team spirit, energy and engagement for success. If these organizations focus their resources on customer service, relationships and satisfaction, they can direct emotional intelligence to outside consumers. Acting this way creates then significant competitive advantage. Smart organizations build emotional intelligence at all levels, starting from individual performance optimization. (Jerus 2012).

3.1.2 Team

Team consists of individuals whose needs and behaviors vary significantly. When individuals are gathered as a group, their behavior changes and they assimilate to other group members and environment surrounding them. (Pentikäinen 2009, p.53).

The best and most efficient group includes different personalities. Varying opinions and approaches enriches conversations and breeds new ideas. Solutions can be chosen from several differing possibilities when the quality of the decision is improved. For a manager, it is vital to acknowledge the importance of the variety of the group. (Pentikäinen 2009, p.55.)

3.1.3 Individual

Välimaa (2013) examines performance leadership from the point of view of an individual, as well. For an employee it is important to understand his/her role in the organization; what is the purpose of the performance, what are the respon-

sibilities, the main objectives and the necessary skills to possess in order to perform successfully.

The importance of development of performance management enhances its significance when the organization strategies are linked into these individual goals. (Välimaa 2013).

It is the organization's manager's role to indicate the desired direction. To succeed in this, the manager has to be fully aware of all the expectations of the teams and individuals. If management is performance and result oriented, goals are clear and adopting them is easy. In this case the direction is already known and the only thing left is to ensure that everyone is working for the same goal. (Pentikäinen 2009, p.55-56.) This thought is represented also in a picture below.

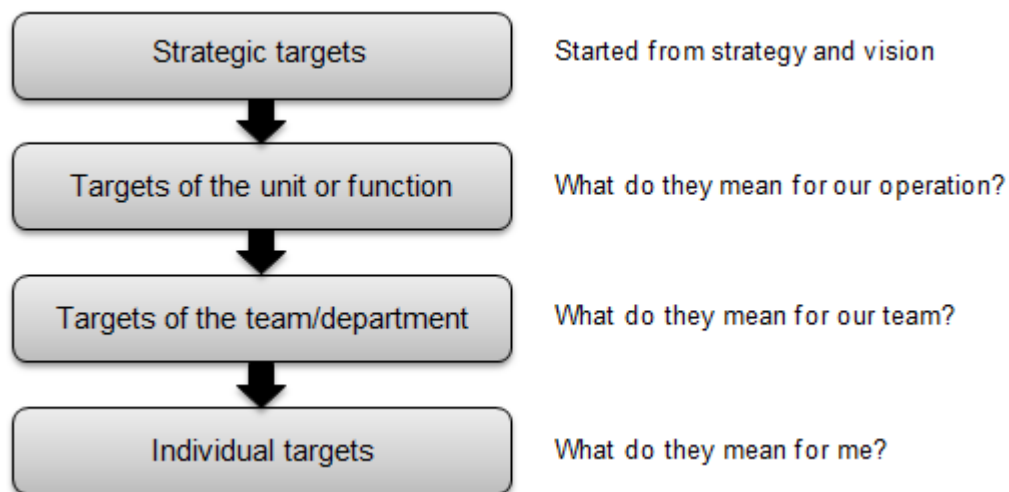


Figure 4. Connecting individual targets and company targets. (Kallio 2011.)

3.2 Managerial skills

Managerial skills possessed by firm's top management team (TMT) significantly affect company performance. Especially human resources skills are found to be more vital to firm performance than intellectual abilities. It is also argued that managerial skills could have a role in explaining variation in company performance. (Carmeli & Tishler 2006, pp.9-13.)

Carmeli & Tishler (2006, p.13) define managerial skills as a set of integrated complementary skills that organization's TMT possesses. An individual manager has unlikely all the managerial skills required for the successful operation of a complex organization. An efficient TMT, however, is likely to possess complementary managerial skills that are aligned with the company's design and strategy, integrating external and internal elements. It is argued in the text that a TMT is a strategic asset if holding complementary managerial skills which develop over time, specific to the organization's needs, are highly patterned and based upon tacit knowledge. However, these skills will not become a strategic asset if above mentioned requirement are not met. The TMT that possesses complementary managerial skills has the possibility to gain a competitive advantage.

A successful TMT should hold an integrated set of skills that complement each other and create uniqueness and higher value. Despite the fact that managerial skills are generic in nature, they tend to form company specific as each firm holds a unique combination of these managerial skills. The key issue is how each of the skills that the managers possess, complement one another in order to affect the organization performance. (Carmeli & Tishler 2006, p.18.)

Carmeli & Tishler (2006, p.19.) provide a table illustrating nine skills as characteristics of successful leaders:

Skill	Definition	Source
Cleverness (intelligence)	Ability to understand and learn quickly and easily	<i>Cambridge International Dictionary of English</i>
Conceptual skills	A general analytical ability enabling one to analyze events, perceive trends, anticipate changes and recognize opportunities and threats	Yukl, 2002
Creativity	"The production of novel and useful ideas by an individual or small group of individuals working together."	Amabile (1988, p. 126)
Diplomacy and tact	Exhibiting consideration and sensitivity in dealing with others and avoiding giving offence	www.cogsci.princeton.edu/cgi-bin/webwn
Fluency in speaking	Effective verbal communication with firm's constituencies	
Knowledge about group tasks	Creating collaborative behaviors within a team to produce good communication, coordination, balance of member contributions, mutual support, effort, and cohesion among team members	Hoegl and Gemuenden (2001)
Organizing skills (administrative ability)	A combination of technical, cognitive and interpersonal skills which enable the ability to coordinate and organize the elements within a system	Yukl (2002)
Persuasiveness	"The power to induce the taking of a course of action or the embracing of a point of view by means of argument or entreaty"; "the strength of his argument settled the matter"	www.cogsci.princeton.edu/cgi-bin/webwn
Social skills	Knowing how to interact wisely with others	Riggio (1986)

Figure 5. Managerial skills of successful leaders. (Carmeli & Tishler 2006, p.19.)

4 Rewarding

The previous chapters discuss individual and group targets and their link to the organization's strategies. These objectives can be supported by effective rewarding by the company's management. (Pentikäinen 2009, p.117.)

Pentikäinen (2009, p.118) mentions that these goals start to interest when an employee can find a link between those aims and the compensation he/she

gets from the work he/she has done. In the process of planning a suitable rewarding system it is important to find:

- Such rewarding factors for each employee, in which they can have an influence on.
- Rewarding factors that can be reliably measured.
- Balance between individual- and group compensations so that individual performance does not risk the group performance or so that group compensations do not diminish the effort or motivation of an individual employee.
- Suitable follow-up-, and payment periodization for rewarding that motivates in all organization levels.

4.1 Effects of rewarding

It is important for organizations to recognizing the influences of rewarding, both positive and negative. Effects of rewarding are not the same everywhere, instead, they are shaped by various case related factors. However, there are three rules of thumbs that can be presented:

1. Rewarding affects organizations' operations even more than before.
2. Rewarding affects organizations' operations both in the short- and long term.
3. Effects of rewarding can be simultaneously both positive and negative or mainly positive or negative. (Hakonen, Hakonen, Hulkko & Ylikorkala 2005, pp.51-52.)

The table below indicates these different consequences in individual, group and organization level.

	Individuals	Groups	Organization	
Positive influences +++	<ul style="list-style-type: none"> -Commitment -Motivation -Trust -Experiences of appreciation 	<ul style="list-style-type: none"> -Prioritizing -Development of needed skills -Staying in the company -Good job performances 	<ul style="list-style-type: none"> -Group work -Information sharing -“Citizenship of organization” -Motivating environment -Good job performances 	<ul style="list-style-type: none"> -Development of performance -Desired personnel -High productivity -Good employer image -Peace to work
Negative influences ---	<ul style="list-style-type: none"> -Experiences of unfairness -Resignation intentions 	<ul style="list-style-type: none"> -Partial optimization -Absences -Imbalance of working-, and private life 	<ul style="list-style-type: none"> -Freeloading -Jealousy -Harmful competition -Watching and controlling others' performance -Discrimination 	<ul style="list-style-type: none"> -Expenses (money, time and effort) -Unwanted organization culture -Too much or less of employee alternation -Industrial actions (e.g. dismissals)

Figure 6. Effects of rewarding in individual, team and organization level. (Hakonen, Hakonen, Hulkko & Ylikorkala 2005, p.52.)

Most of employees want to feel that they have succeeded in their work performance. Hakonen et al. (2005, p.53) state that based on surveys asking about the employees' expectations on what happens when they have performed well, two aspects stand out:

1. Employees want to get recognition from management
2. Employees want to get some kind of financial compensation

The first point presents caring, having an interest and appreciation. The second reflects the fact that also the organization is ready to fully take part in the rewarding process. The superiors and organization management have the key roles in these. (Hakonen et al. 2005, p.53.)

Also Riikonen, Valkokari & Kulmala (2004, p.34) discuss the effects of rewarding and the dynamics of organization, individuals and groups. They state that conflicts and competition between people and groups are possible in group or-

organizations. Conflicts restrain collaboration between the groups as well as functioning of individuals. These conflicts affect the organization's actions especially by diminishing communication. As a whole, a rewarding system can be assumed to strongly influence on the organization's culture. The more informative rewarding is the greater meaning it has for an individual and his/her behavior at work. An effectively functioning rewarding system benefits the personnel as well the whole organization.

Rewarding groups becomes efficient especially if an organization wants to reward its employee for possessing diverse skills and encourage him/her to learn new. Team based rewarding systems have shown to produce better results than rewarding based on individual performances. (Riikonen et al. 2004, p.36.) Similar thoughts have also been presented by Redman (2013, p.222), in the form of team- based appraisal. He discusses that two main variants can be identified in a team appraisal. Either managers can appraise the team as whole or individual appraisal of each team member are still made but not by management. In this case peer appraisal is used and team members appraise each other. (Redman 2013, p.222.)

Motivating and fair rewarding has to be based on demandingness of the job, competences the employee possesses and results of the performed work. These elements are part of the Finnish pay structure. (Hakonen et al. 2005, p.75.)

4.1.1 Compensation in money

As a foundation for motivation, fairness is emphasized also by Pentikäinen (2009, p.121). For an employee, fairness of rewarding and compensations rise to the same level with compensation in money when the employee compares his/her own salary and its development to the general development of salaries. If the progress is equal to the employee's perception of the general development of the wages and his/her salary is not less than his/her coworkers, usually the employee is fairly satisfied with the given compensation.

Pentikäinen (2009, p.122.) also emphasizes that because equality is extremely important in compensations, it is the manager's role to make sure that all the

wage relations are fair within groups and employees of the company. Even the smallest differences can create dissonances for money is still a highly essential factor of appreciation.

In addition to the fact that salaries have to be equal and fair within groups, they also have to be comparable to the wages in the market. Comparison is a necessary part of the rewarding process and acquiring the tools to successfully perform this is a fundamental part of human resources. (Pentikäinen 2009, p.122.)

In addition, Kauhanen (2010, pp.104-118) writes about tangible rewarding and compensation in money. He mentions for example fixed wages including increments and a rise in salary a part of this type of rewarding. Furthermore, fringe benefits, additional pension, health insurance, travel insurance, leisure time insurance, broadband connection at home, sick child's treatment benefit, goal sharing, profit distribution, personnel funds, options and other option based systems are included as a part of tangible rewarding.

4.1.2 Intangible rewarding

Close to the core of rewarding Hakonen et al. (2005, p.237.) underline two factors; appreciation and feedback. Moreover, they are part of all the other rewarding methods. Succeeding in rewarding is a sign that these basic elements are nurtured well in a company.

Treating employees respectfully and equally has been proven to enhance well-being and work performances. Basically this relates to polite, friendly and decent way to act and communicate. Appreciation conveys a message that everyone in the organization is important. Inversely, experiences related to unfairness in rewarding have been proven to increase sick leaves and intentions to resign. (Hakonen et al. 2005, pp.238-239.)

As its simplest, feedback tells the employee how he/she has performed in his/her work. Feedback releases information how actions can be improved, what is valued and what is worth to strive for. If feedback is nonspecific or not given at all, it may convey a message to the employee that his/her work is not appreciated. The company manager's responsibility is to give feedback and

learn to acknowledge what kind of reactions the feedback or lack of it, arises. (Hakonen et al. 2005, p.243.)

The importance of intangible rewarding is also emphasized by Kauhanen (2010, pp.97-104). He underlines that the best and most motivating methods for management of the organizations' can be found from intangible rewarding, which can be divided into two parts; career incentives and social incentives.

The table below represents these two intangible rewarding methods more comprehensively.

Career incentives	Social incentives
<ul style="list-style-type: none">• Job as it is• Flexible working hours• Cultivation• Career/growth paths	<ul style="list-style-type: none">• Status symbols• Feedback (acknowledgements)• Representing work community• Public acknowledgement

Figure 7. Intangible rewarding. (Kauhanen 2010, p.97.)

4.2 Total reward

Gilman (2013, p.186) states that new developments have made it increasingly crucial for companies to ensure they have a holistic, strategic and integrated approach to reward. For companies to stand out, it is necessary to provide more than just good compensation in money. Each organization needs a tailor-made system for addressing its needs.

Total reward includes the promise of recruiting and retaining better quality staff, reduced waste from staff turnover, enhanced employer reputation and better business performance. Many different models exist but the unitive factor for all is the balance between pay, benefits, work-life balance, a positive workplace, individual growth and development and future opportunities. (Gilman 2013, p.186.)

Provision of total reward indicates that the organization pays attention to the needs of employees and is ready to be flexible in meeting those needs. In return “the employee is supposed to feel that they have some control over the various options from a range of benefits”. Consequently, a strategic reward plan including total reward can extend beyond money to involve job redesign, training, share option and flexible work, for instance. (Gilman 2013, p.186.)

4.3 Personnel engagement

Without personnel taking part into decision- making processes, succeeding in today’s complex business environment would not be possible. In human resource management, participatory planning is the most effective way to communicate renewals happening inside the organization. (Hakonen et al. 2005, p.229.)

Engagement or involvement of personnel is defined as a process or method which enables employees to influence on issues related to their work. Personnel’s influence on something, in turn, means for instance the extent to how much an employee is able to affect his/her working pace and ,-methods. Influencing possibilities can stretch outside the actual work, for example, into matters concerning the own working group, unit or whole organization. These possibilities to influence are based on the individual’s status in the work community or involvement in decision- making. (Hakonen et al. 2005, p.229.) Engagement in a decision- making process can happen in multiple levels:

1. Personnel’s opinions are asked
2. Personnel are involved in the preparation process
3. Personnel have the possibility to participate in decision- making (Perheyritysten Liitto 2009, p.13).

Perheyritysten Liitto (2009, p.13) emphasizes that engagement is owners’ and managers’ indication of trust towards the company’s employees. Employees are more likely to be satisfied with the end result if they have had the opportunity to express their own opinions. It is also stated that people will more likely commit to decisions what they personally have been making, even though the outcome is not the best possible. Personnel engagement and involvement in decision-

making has a clear connection into wellbeing as well as individual's health. Weak influencing possibilities, however, have proven to increase stress and sick leaves. (Hakonen et al. 2005, p.233.)

4.4 Management's and superiors' role in rewarding

In Finland the strengths in rewarding lie in the collaboration functioning in different levels that also have long traditions. One strength is also a skillful and well-educated management level and personnel. Still, today organizations are searching ways on how rewarding can be managed in future. Real professionals are hard to find and after the change to new a millennium many of them have begun to reach the retirement age. Readiness has to be improved in the organization level and there are several reasons why rewarding is worth nurturing. (Hakonen et al. 2005, p.304.)

Effects of different rewarding systems are also presented by Hakonen & Leino (2007, p.5.) Their report states that rewarding systems:

- Are the most efficient possible tool for human resources
- Have significant effects and
- Have a scientifically proven impact (“ a scientific law”)

The book “Palkitse taitavasti” lists some important tasks related to rewarding that managers should take into account today as well as in the future:

- Deal with rewarding in strategic level.
- Have an up-to-date rewarding strategy and well- planned total rewards system for each interest group.
- Connect rewarding into organization goals and strategies and communicate what are the reasons for rewarding and where the rewarding aims at.
- Organize management of rewarding issues in different ways; old habits vs. current needs.
- Demand for follow-up for costs and influences of rewarding and that the effectiveness of systems is evaluated and improved.

- Make sure that people in charge of rewarding have enough time to complete their tasks and that organization possesses the needed knowhow related to rewarding.
- Organize so that rewarding issues are not one person's responsibility but he/she is able to instruct possible followers.
- Support superiors and people responsible for rewarding. (Hakonen et al. 2005, p.305.)

4.5 Challenges in rewarding

Companies may face difficult challenges in rewarding as the decisions have to support the organization's short- and long-term goals, change as time changes and if possible, also adjust according to an individual's career phase and life situation. Based on researches, development has to happen in connecting the rewarding systems more tightly into the organization's values and strategies. In addition transparency, comparability and internationality are areas that need to be advanced in rewarding. (Sorvoja 2013.)

However, intangible rewarding and different personnel benefits are not perceived to this entity of rewarding, instead rewarding is conceived as compensation in money and varying incentives. When asking different rewarding preferences in the researches, one factor rose above else; vocal feedback from a performed job. The significance of intangible rewarding, vacations and flexibility is highlighted especially among the future employees. (Sorvoja 2013.)

A huge challenge in rewarding is also to communicate issues related to rewarding in an easy and coherent manner so that the employee is able to form a clear picture from the different solutions available (Sorvoja 2013). Motivating and pushing the employee to better results and outcomes from guiding can only come true if communication and interaction in rewarding and objectives of rewarding methods, their actualization and development needs have been organized well. (Ahokas, Hakonen, Hänninen, Kopra, Mäkinen, Neuvonen & Suokas. 2011, p.11.)

Furthermore, social responsibility, including follow-up of sick leaves, employer image and job satisfaction, creates a challenge for organizations. From the

point of view of social responsibility, the focus is moving more towards intangible rewarding and transparency of rewarding systems. All this adds more and more challenges for immediate managers since he/she is the most important information channel in these matters. (Sorvoja 2013.)

Several other factors that need to be taken into consideration in rewarding are listed by Ahokas et al. (2011, p.20.) Challenges can rise when choosing or changing the rewarding method and more specifically, how to balance the importance between productivity and performance and how to reliably measure them. A complexity that the organization can also face is the question how a rewarding method or system enhances employees interest towards learning new things. Moreover, it is important to consider how rewarding promotes collaboration and flexibility when changes occur in the organization. (Ahokas et al. 2011, p.20.)

Well-being in the organization from both the economical and working atmosphere point of view can develop positively when the rewarding methods are sufficiently cooperative, fairly experienced as well as predictable and safe enough. (Ahokas et al. 2011, p.11.)

5 Case company

The case company is located in their own premises in Lappeenranta. The personnel comprises of approximately 50 people, part of who are part-time workers. Private customers as well as local companies are customers of the case company.

The products sold in the case company are the best in the industry and their marketing is carefully planned according to seasons. The product range provides items for several target groups from private consumers.

The vision of the case company is to be successful, continuously developing, well-known company as well as a company offering the best customer service and a safe working environment. The values of the case company include open, fair and honest activity inside and outside the company as well as towards the

customers. Furthermore, appreciating others as people and as a member of an organization is included in the company values.

6 Interviews

The interviews of this thesis were directed at the case company's different organization levels; the management level and the employees.

6.1 Structure and themes of the interview

Both organization levels, management and employees, were interviewed with the same main themes. Questions about human resource management and strategies, performance management and rewarding were asked from the management level. The employees got questions concerning human resource management, performance management and rewarding. Also few questions related to motivation were asked. The interview for the management level was done orally and also taped. Afterwards the recording was transcribed. The employees, in turn, were given written interview sheets.

7 Summary and discussion

Regarding on how engaging the employees in decision- making processes, the strongest mutual opinion between the management and employee level can be seen concerning purchasing actions. Engagement in decision- making could be improved by more intense collaboration between the employees, the department managers and the management level. Important observation was also, that the employees get to know that their opinions have been heard.

What comes to communicating the goals, they were not specified on a personal level, but occasionally discussed with the organization's department managers who were expected to deliver these objectives downwards. More frequently organized meetings concerning the objectives would help the personnel to stay more up-to-date about the aims and also the feeling for the management that all the employees are aware of what is expected.

When comparing the answers from the employees to the ones from the management level about defining performance management, it seemed that personnel had clearer perception about the topic than the management level of the company.

There is one main target for the whole company that is reminded of occasionally to the personnel, but the employees do not have clear personal objectives for performing. So in order to improve the case company's performance management according to the Dessler's six basic elements of performance management, more individual goals could be discussed more closely with the personnel.

When the employees' answers to the questions concerning what managerial skills, the leaders should possess were compared to the ones the management level gave, a few similarities could be seen. However, improvement could be made at least concerning trainings and education of management level. When effort is put into employees' and management's training, mutual development could be achieved.

As stated before, most of the employees had no clear picture how the rewarding was practiced in the case company. In order to better know what the employees wish for and how they see rewarding in the company, more development discussions should be arranged. Also different views were observed when comparing the employees' answers to the ones of the management level's, with regards to the fairness of different rewarding methods.

The management mentioned during their interviews that they are interested to know what the employees consider as intangible rewarding and whether the management level should give more feedback to the personnel and pay attention to them more. This matter was also pointed out among the employee interviews, especially considering the fact that most of the respondents receive or give very little feedback, or when it is received, it is mostly negative. Most of the employees who answered to the questionnaire wished they would get more positive feedback and particularly from the management level, not only from customers, colleagues and the department managers.

The same aspect from the employees and the management level was presented related to department- focused feedback. The management focuses on giving feedback to the department managers but the answers from the personnel reveal that more personal and encouraging feedback would be valued.

The management level stated they experience that they are easy to approach and have a close relationship to employees but the same feeling does not really come across from the employees' answers in the questionnaire. Since the management is present in the company, more regular organized meeting between the management and employees would give the management more information about every employee's motivation, wishes and performance level.

Majority of the employees' answers to matters that motivate them in their work included money as being one of the most motivational factors in work, although in general, nowadays employees in every business area tend to value intangible rewarding a lot higher than compensation in money or products. Even though money was mentioned the most often in the interviews, also numerous intangible motivating methods were mentioned and appreciated by personnel. This can be seen as a good thing for the whole company since the management's object is to start emphasizing more and more intangible rewarding.

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Appendices

Appendix 1 Theme interview for management level (In Finnish)

HENKILÖSTÖSTRATEGIA

Onko yrityksellä selkeät päätavoitteet ja strategia?

Koskevatko ne myös henkilöstöä?

Milloin strategiaa päivitetään?

Miten strategia ja tavoitteet kommunikoidaan henkilöstölle?

HENKILÖSTÖJOHTAMINEN

Miten päätökset tehdään organisaatiossa?

Miltä osin henkilöstöä osallistetaan päätöksentekoon?

SUORITUKSEN JOHTAMINEN

Mitä mielestäsi on suorituksen johtaminen, mitä elementtejä siihen kuuluu?

Onko suorituksen johtaminen käytössä organisaatiosanne?

Mittaako yritys suoriutusta tasaisin väliajoin?

Jos suoritusta mitataan, miten se tehdään (tiimi- ja yksilötasolla) ?

Asetetaanko tavoitteet yksilöllisesti vai tiimeittäin?

Johdon näkökulmasta, millaisella taitopaketilla johtaja pystyy menestymään suorituksen arvioinnissa nimenomaan teidän yrityksessänne?

PALKITSEMINEN

Onko yrityksessä käytössä systemaattista palkitsemisjärjestelmää?

Onko olemassa jonkinlaista data- systeemiä joka luo perustan palkitsemiselle?

Miten yrityksenne palkitsee työntekijöitään (aineellinen ja aineeton palkitseminen)?

Mitkä ovat palkitsemisen perusteet?

Kuinka hyvin eri palkitsemisen muodot toimivat? Miten se tulee ilmi?

Pystytkö tunnistamaan aineellisen ja aineettoman palkitsemisen vaikutukset?

Minkälaisia urakehitysmahdollisuuksia yrityksellä on tarjota työntekijöilleen?

Miten yrityksenne motivoi henkilöstöään?

Osallistaako yrityksenne työntekijöitään? Miten?

Annetaanko palautetta henkilöstön ja johdon välillä?

Millaista palautetta annetaan ja miten?

Mitkä ovat positiivisia asioita palkitsemisessa tällä hetkellä, entä mitä voitaisi parantaa?

Mitkä ovat mielestänne yrityksenne haasteet palkitsemisessa?

Minkälaisia elementtejä palkitsemisen kokonaisuus sisältää tänäpäivänä yrityksessänne?

Appendix 2 Theme interview for personnel (In Finnish)

HENKILÖSTÖSTRATEGIA

Onko yrityksen strategia tiedossasi? Mikä se sinun mielestäsi on?

Oletko saanut vaikuttaa organisaatiossanne erilaisten päätösten tekoon? Jos vastasit kyllä, millaisiin päätöksiin olet saanut vaikuttaa ja miten?

SUORITUKSEN JOHTAMINEN

Mitä ymmärrät suorituksen johtamisen käsitteellä?

Onko suorituksen johtaminen mielestäsi käytössä yrityksessä?

Ovatko organisaation tavoitteet tiedossasi?

Miten suoritusta tulisi mielestäsi mitata yrityksessä?

Millaisella taitopaketilla johtaja mielestäsi pystyy menestymään suorituksen arvioinnissa?

PALKITSEMINEN

Mikä sinusta on palkitsemista?

Tiedätkö mistä sinua palkitaan yrityksessä?

Koetko palkitsemisen oikeudenmukaiseksi? Jos et, miksi?

Saatko palautetta suorituksistasi ja annatko palautetta yrityksen johdolle? Jos kyllä, miten ja mistä annat/saat palautetta?

Mikä motivoi sinua työssäsi (palaute, raha, asema...)? Entä mikä laskee motivaatiotasoasi?

Kaipaako lisää motivointia työssäsi? Jos kyllä, mistä toivoisit sitä saavasi (esimiehet, työtoverit...)?

Miten palkitsemista (aineellista/aineetonta) voisi mielestäsi organisaatiossanne kehittää?

Appendix 3 Interview brief for the company's personnel (In Finnish)

Laatija
Inka Lampinen
Saimaan ammattikorkeakoulu

Saatekirje

Arvoisa Yritys X:n työntekijä,

Olen kansainvälisen liiketalouden opiskelija Saimaan ammattikorkeakoulusta ja teen opinnäytetyön Suorituksen johtamisesta ja palkitsemisesta perheyrityksessä. Lähestyn Teitä tällä kyselylomakkeella ja toivon että käytätte hetken ajastanne lomakkeen täyttämiseen. Vastauksenne on erittäin tärkeä tutkimuksen ja opinnäytetyön onnistumisen kannalta.

Kyselystä saatujen vastausten avulla Yritys X:n toimintaa on mahdollista kehittää henkilöstöjohtamisen, suorituksen johtamisen ja palkitsemisen näkökulmasta. Vastaukset käsitellään nimettöminä ja ehdottoman luottamuksellisesti.

Kyselylomakkeen voi palauttaa viimeistään 23.4.2014 mennessä.

Kiitos vastauksestanne!

Kunnioittaen,
Inka Lampinen