

EMPLOYEE MOTIVATION IN UKRAINIAN ENTERPRISES

Olena Machtakova*

1. Introduction

At the present time due to deepening of the globalization process Ukrainian enterprises are faced with the problem of increased competition and access to foreign markets. But Ukraine's overall labor productivity, measured as GDP at PPP per employee, is 16 percent of that of the United States (MacKinsey & Company, 2009) and it is one of the lowest in the Europe [1, p.9]. This may have implications for the attractiveness of Ukraine to foreign investors, despite low labor costs. In our opinion, many of the problems and failures of integration into the world economy in Ukraine have been associated with problems in the area of human resource management, and particularly in performance motivation and staff retention.

This article examines employee motivation in Ukrainian enterprises of sunflower oil industry and is based on case studies among employees and managers of the largest plants, members of the Association «Ukrolijaprom».

Ukraine is the second largest country in Europe and the second largest in the former Soviet bloc, with considerable strategic importance for Russia, the European Union, USA and China, because of its geographical position, raw materials and human potential.

The fat-and-oil industry was chosen as a subject of our research because of its strong influence on the Ukraine's economy. Ukraine, however, takes the leading position on the world market in the areas of sunflower seed and oil production. In Ukraine sunflower is the second most popular agricultural crop for cultivating (wheat occupies the first place), the majority of entities of agricultural activity is engaged in crop growing (over 40% of agricultural enterprises). In the current marketing year, agricultural enterprises of all forms of ownership stay as the main producers of sunflower seed in Ukraine, which produce over 80% from the general production of the oilseed in the country. In 2011 Ukraine took the first place in producing sun flower oil and reaches about 52% of the world market. The fat-and-oil complex is one of the largest branches of the food industry of Ukraine, which covers 10% of all produced commodities. To date, the country consumes 20% of the produced volumes of sunflower oil only, thus the industry is export-oriented and has strategic importance [2, p.1]. That is why the importance of this branch to the Ukrainian economy as whole may hardly be overstated and the necessity of study of employee motivation in sunflower oil enterprises is increased.

2. Motivation and the national system of values

Mentality can be defined as the collective mental programming of the people in the environment. Culture is not a characteristic of individuals; it encompasses a number of people, who were conditioned by the same education and life experience. When we speak of the culture of a group, a tribe, a geographical region, a national minority, or a nation, culture refers to the collective mental programming that these people have in common; the programming that is different from that of other groups, tribes, regions, minorities, or majorities, or nations.

Culture in this sense of collective mental programming, is often difficult to change; if it changes at all, it does so slowly. This is so not only because it exists in the minds of the people, but if it is shared by a number of people, because it has become crystallized in the institutions these people have built together: their family structures, educational structures, religious organization,

* © Olena Machtakova; Postgraduate student; Enterprise Economy department; Odessa National Economic University; E-mail: machtakova84@mail.ru

associations, forms of government, work organizations, law, literature, settlement patterns, buildings and even scientific theories. All of this reflect common beliefs that derive from the common culture [3, p.43].

Most countries' inhabitants share a national character that is more clearly apparent to foreigners than to the nationals themselves; it represents the cultural mental programming that the nationals tend to have in common. But the concept of national culture or national character has suffered from vagueness. There has been little consensus on what represents the national culture of, for example, Ukrainians, Americans, Chinese, Russians, Japanese, French or Germans. We seem to lack even the terminology to describe it. At the same time, significant progress has been made in understanding cross-cultural differences in work motivation. Mediating mechanisms explain why motivational strategies vary in different countries [4, p.493].

Ukrainian scientist D. Boginya studies labor mentality of the Ukrainian nation and its influence on employee motivation [5, p.99]. Ukrainians have such psychological characteristics as industry, love of their land, traditions and culture; Ukrainian workers seem to have striving for success, wealth and respect of the society and community; despite they can be considered as individualists, they appreciate opinions and judgments of other representatives of their group. Ukraine, however, went through the social experiment of communism, but this experience was extremely negative, because collectivism is unfamiliar and even opposite to the Ukrainian mentality.

Y. Kondo and a group of Japanese scientists argue that an effective system of motivation functions well in all enterprises and all countries and doesn't depend on society, cultural traditions and system of values [6, p.32]. They have proved this fact by social cases and Kondo's system of motivation was successfully implemented not only in Japanese plants, but also in American industry.

At the same time we know some examples in history, that the same nation has showed antipodal results of productivity and socio-economic development because of quite different economic systems: highly developed West Germany and backward East Germany. That's way the question about correlation of national system of values, strategy of motivation and productivity is not so simple as it can seem to be at first sight.

3. Western theories of motivation and Ukrainian reality

Early management theories, such as Frederic W. Teylor's Scientific Management Theory suggested using financial compensation to impel motivation and job performance. However, work motivation has been of interest to industrial psychologist at least since 1930s, stimulated in large part by the famous Hawthorne studies, which focused mainly in the affects of supervision, incentives, and working conditions [3, p.388]. The static-content theories of motivation are standard in Western practice of management. They underline assumptions about motivating employees in Western world. The best known theories are those of Maslow (1958), McGregor (1960), Herzberg (1968), McClelland (1987), and largely address the question "What outcomes are attractive to an individual and why?" The development of incentive schemes within Western companies tends to focus on the satisfaction of such needs identified by Maslow and Herzberg through job design, involvement and participation in decision making, promotion opportunities, working conditions and pay.

Yet Maslow's hierarchy of needs has been criticized as reflecting a particular individualist view of the world with "self-actualization" being at the top of the pyramid. In our opinion, in the Ukrainian situation are possible other versions of positions of needs in this hierarchy.

More appropriate for Ukrainian reality can be Herzberg's theory of hygiene factors where extrinsic factors, such as working conditions and money, when absent may cause demotivation.

Motivators or intrinsic factors include content of the task, achievement, responsibility and growth. Belongingness may well be a "hygiene" factor in this sense, where if this is absent little

else is particularly meaningful.

McClelland motivation theory suggests that people are differently motivated towards achievement, power, affiliation, and avoidance, where the achievement motive is a key to McClelland's views of economic development. Such achievement involves the creation of more efficient ways of doing things and solving problems, the preference for tasks which reveal successful performance, and the taking of personal responsibility for performance.

The avoidance motive, which was described by McClelland and other scientists, may be high in Ukraine and may be a real problem for productivity: the fear of being punished for mistakes seems to be deep rooted in the consciousness of Ukrainian employees. It means that a person learns from an experience of past inadequacies to feel incapable of future success. A senior manager who is already a victim of learned helplessness does not expect initiative from middle managers. This may lead to passivity in the workplace and even a need for a high level of supervision. This is connected to a lack of achievement where taking risks is avoided, a high level of uncertainty avoidance, and in McGregor's terms, a preponderance of management styles and techniques which favor Theory X, rather than Theory Y. The former assumes that most workers dislike work and therefore try to avoid it. They must be controlled and coerced into achieving organizational goals. The latter assumes that employees seek responsibility, can make decisions and will exercise self-control when properly motivated.

Other theories and approaches have focused on specific psychological processes, as does Vroom's theory. Organization behavior modification, which is not influential today, was derived from Skinner's behavioristic philosophy that denied the importance of consciousness. This approach stresses the automatic role of rewards and feed-back on work motivation; however these effects are mediated by psychological processes such as goals and self-efficacy.

To understand more fully why Western assumptions of employee motivation do not work in Ukraine, it is important to first understand Ukrainian work values within the context of broader theories of cultural differences, and, particularly, historical background.

4. Main motives and value orientations of Ukrainian employees

The case study of motivational guidance of managers and employees in enterprises of fat-and-oil industry denied the previous hypothesis about the increasing role of self-actualization in the pyramid of needs of Ukrainian employees. Actually, self-realization and need of social recognition, esteem and respect play a big role in the value orientations of managers, but the driving force is still a need for monetary reward for the satisfaction of basic needs. According to the study, the first or the second place of importance respondents assigned earnings to life for the family maintenance - 67% of respondents, 56% of respondents to the first or the second place put the need of respect for the achievement of certain employment outcomes and implementation of their knowledge and skills, 48% - self-realization and creative activity, realization of personal tendencies and abilities, and only 15% of respondents assign the primary importance to the involvement of the team and work together (see fig.1).

Thus, we can see that the main motive for work is material reward. And our research is faced with a paradox, because wages in Ukraine are low. Against an internationally comparable poverty line, Ukraine has experienced a dramatic reduction in poverty levels [7, p.5]. The Law of Ukraine "About State Budget of Ukraine for 2012" align the minimum wage of 1094 HUA starting from 1.04.2012 [8]. At the same time the level of inflation in Ukraine is increasing, and official wage growth is only nominal. The value of the minimum wage, also increased considerably fell in real terms after the world financial crisis in 2008. According to statistics, the average salary in enterprises in Ukrainian industry is 3219 HUA as of January, the 1-st, 2012 that makes 310 Euro that is one of the lowest in Europe [9; 10]. Obviously, this fact can be one of the main reasons of low productivity [11, p.5].

Moreover, the current systemic context provides little support for anything other than minimal initiatives. The social security safety net is under-developed in that falling into it poses a major threat to families' capacity to survive. This reduces employee confidence in job tenure and also their willingness to invest in training or a deeper or broader relationship with management. Wage areas remain common, reducing employee motivation. So, do "official" and "unofficial" wages whereby employers pay employees "white" wage including taxation and social security contributions and a second, "black" one which does not. This practice is employer-rather than employee-driven since the latter are aware of its disadvantages for themselves. There is an extensive "grey" labor market; in its most common form, workers are already employed in legitimate employment, but supplement this by undeclared work. Because of this fact employees' interest and motivation in work for their primary employer reduce and promote detachment rather than a wish for either involvement or participation or increasing of their productivity.

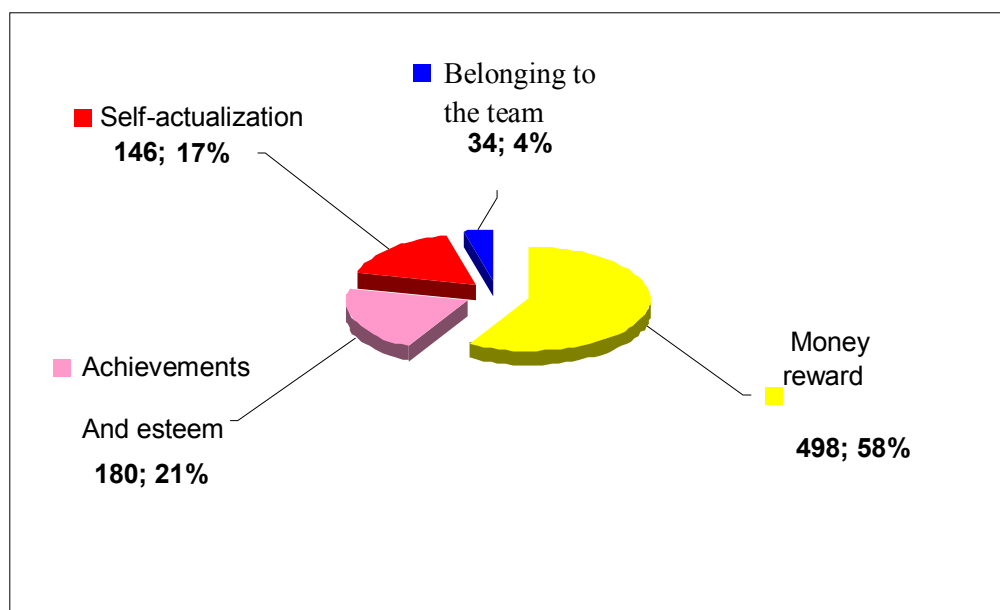


Fig. 1. Main motives of employees and managers

During the survey also that the measures implemented in enterprises as a financial motivation and included in the standard benefits package were studied. In Fig. 2 is shown that the elements of welfare package are enough simple.

Thus, a study found that companies considered financial motivation system is not flexible, primitive and not various. They do not meet the present day criteria and needs of management.

So, the system of financial motivation in enterprises, which participated in our study, is imperfect and has some limitations. First, the structure of wages is not clear and does not meet modern requirements of strategic management. Second, the social package is not enough variable, has often a formal, nominal sense and does not take a motivational function. However, we believe social package is an effective lever of financial motivation, which has successfully operated in both countries with developed market system, and successfully used in period of the command economy in Ukraine.

5. International standards of quality VS Soviet traditions of management

Foreign markets demand increased quality from Ukrainian manufacturing companies. But changes in production can be made only by changing of the whole system of management and implementation of new motivation strategy. Quality management as theorized in Western management literature requires increased levels of employee motivation and productivity. Three of

the five main elements of quality management (continuous improvement, team-working and employee involvement require that employee motivation and involvement be addressed and constitute the majority (along with benchmarking and customer focus, also arguably requiring employee involvement) of the factors discussed as significant in the management literature. These elements are in sharp contrast to the command and control modes of operation, and the hierarchical, vertically-integrated and bureaucratic structures with autocratic style of management traditional in the Former Soviet Union.

However, the necessity to meet international standards now is the main obstacle for export products of Ukrainian fat-and-oil industry. Two main quality systems are discussed in the Ukrainian context: ISO 9000 and Total Quality management (TQM). While other models exist, such as the European Foundation for Quality management' Excellence Model and Business Process Re-Engineering, these are not widely discussed in Ukraine possibly because they require even greater change from management.

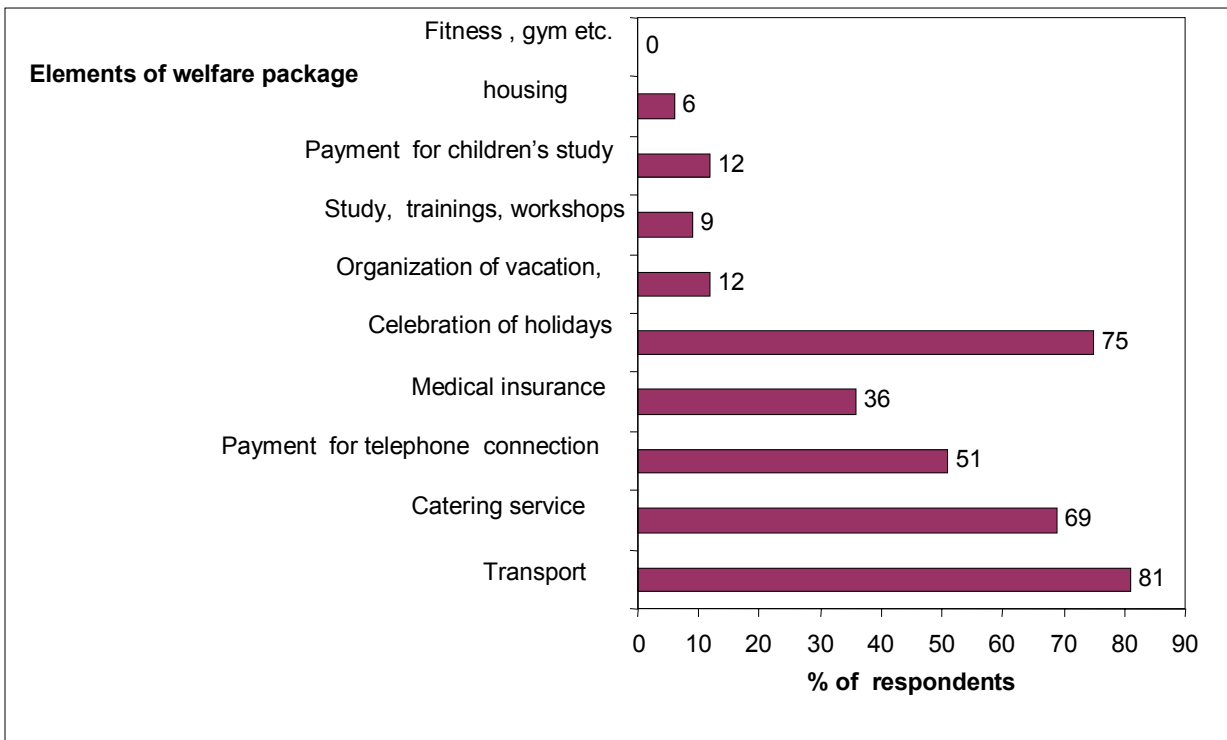


Fig. 2. Welfare package in enterprises of sunflower oil industry

ISO 9000 is a management system based on documents devised by the International Standards Organization that specifies methods of organization to improve product or service quality. To adopt the standard, a firm will draw up a set of documents modeled on the ISO framework and then implement them in their operations. The documents themselves and the way they are used are regularly checked and approved by an independent certification body. The standard specifies that implementation requires in-depth involvement both within management and, crucially, in the workforce more widely since only this can improve “first time” quality and reduce the need for rectification of inadequate products or services. The effectiveness of ISO 9000 is contested. A survey conducted by the European Union criticised it for not dealing adequately with employee motivation and involvement, and too focused on production and a limited number of support processes. Total Quality management (TQM) is by design more radical than ISO 9000, going further with breaking down hierarchies and traditional barriers inside firms, notably through a stronger emphasis on increased teamwork. However, this challenges management to innovate radically rather than incrementally and therefore reduces its attractiveness.

6. The role of HR-departments

The influence of Human Resources Management might theoretically increase the prospects of development and implementation of effective motivation strategies in Ukrainian enterprises. Yet HRM exists in all the enterprises of fat-and-oil industry, but generally it exists in name rather in practice, with administrative personnel functions carried out through the “Labour department”. While previous collective norms are being hollowed out and deprived of their former content, HR is only slowly moving into the vacuum. Managers have been renamed “HR” managers and have a very minor role in managerial hierarchies. In a small minority of (usually foreign-owned) companies the HR-function involves more than administrative tasks and degree of influence on management strategy more widely. In Ukraine HRM is focused in particular on selection methods (many of which would be ruled as unethical in West European contexts) and a combination of financial and psychological approaches to motivation.

HR is strongly influenced by the origins of those available to take these jobs. Ukrainian enterprises experience managerial difficulties due to a lack of qualified managers. To solve this problem, large organizations turn to consulting management. But consulting management in Ukraine is still in its infancy and suffers from a lack of managerial and restructuring experience in a free-market economy [12, p.30]. So, few practitioners are professionally qualified and come either from those trained pre-1990 or from those trained more recently. Those in the first and certainly largest category have one of four backgrounds: Soviet-style personnel functions, operations managers, psychologists or those trained pre-1990 as “cadre inspectors”, i.e. officials responsible for obtaining, inducting, disciplining and retaining “cadres”. Those in the much smaller second category have predominantly been trained in the Ukrainian system through the growing number of courses available, where American rather than European approaches are emphasised, often through partnerships with US business schools. Graduates of these schools might seek to develop progressive approaches, but they remain at the beginning of their careers and are not influential. Thus, despite the existence of the second group, there is therefore little prospect of the majority of Ukrainian HR managers initiating or playing a substantial role in driving employee motivation within companies [13, p.15]. Currently, the situation in many workplaces meets the theoretical criteria for abusive supervision in all its forms, principally because management is hierarchical and has strong power in relation to employees thereby fostering worker alienation and not motivation.

7. Conclusion

Thus, conclusions emanating from this review are the following. First, to understand more fully why Western assumptions of employee motivation do not work in Ukraine, it is important to first understand Ukrainian work values within the context of broader theories of cultural differences, and, particularly, historical background. According to the study, the main motive for work is material reward. And our research is faced with a paradox, because wages in Ukraine are low. Moreover, the current systemic context provides little support for anything other than minimal initiatives.

The social security safety net is under-developed in that falling into it poses a major threat to families’ capacity to survive; the structure of wages is not clear and does not meet modern requirements of strategic management; the welfare package is not enough variable, has often a formal, nominal sense and does not take a motivational function. Secondly, foreign markets demand increased quality from Ukrainian manufacturing companies. But changes in production can be made only by changing of the whole system of management and implementation of new motivation strategy.

Third, the problem is, who can develop and implement new effective motivation strategies? Yet HRM exists in all the enterprises of fat-and-oil industry, but generally it exists in name rather in practice, with administrative personnel functions carried out through the “Labor department”. While previous collective norms are being hollowed out and deprived of their former content, HR is only slowly moving into the vacuum. Managers have been renamed “HR” managers and have a very minor role in managerial hierarchies.

So, the problem of further prospect of research of motivation in Ukrainian enterprises is rather in practice implementation, than in theoretical models.

References

1. Reviving Ukraine's economic growth. – McKinsey&Company, October 2009. – P. 9.
2. Kapshuk S. Fat-and-oil industry of Ukraine: current challenges and opportunities for development: The IX International conference "Fat-and-Oil Industry-2010" (November 24-26, 2010), Ukraine, Odessa [Electronic source] / Stepan Kapshuk. – Access: <http://www.agrimarket.info/showart.php?id=102703>.
3. Geert Hofstede. Motivation, Leadership, and Organization: Do American Theories apply Abroad? / Geert Hofstede // Organisational dynamics. – Summer, 1980. – P. 42–63.
4. Latham Gary P. Work Motivation Theory and Research at the Dawn of the Twenty-First Century / Gary P. Latham, Craig C. Pinder // Annual Reviews Psychology. – 2005. – P. 485–516.
5. Богиня Д. П. Трудовий менталітет у системі мотивації праці / Д. П. Богиня, М. В. Семикіна. – Кіровоград: Поліграф–Терція, 2002. – 226 с
6. Kondo Y. Human Motivation: A Key Factor for Management / Y. Kondo. – Tokyo, 1989. – 320 p.
7. Locke Edwin A. What should we do about motivation theory? Six recommendations for the twenty-first century / A. Locke Edwin, P. Latham Gary // The Academy of Management Review. – Vol. 29. – No. 3 (July, 2004). – P. 388–403.
8. Закон України «Про державний бюджет на 2012 рік», стаття 13 [Електронний ресурс]. – Режим доступу: http://budget-oblik.okis.ru/dergbudget_2012_zakon.html.
9. Державна служба статистики України. Офіційний веб-сайт [Електронний ресурс]. – Режим доступу: <http://www.ukrstat.gov.ua>.
10. European Comission. Eurostat. Official web-site [Electronic source]. – Access: <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home>.
11. Raiser M. Are wages in Ukraine too low? And what could be done to increase them? / Martin Raiser // World Bank Country Office. – April, 2007. – P. 5.
12. Croucher R. Employee involvement in Ukrainian companies / R. Croucher // European Journal of Industrial Relations. – 2007. –Vol. 10. – P. 90–109.
13. Fuxman E. Emerging trends in Ukrainian management styles and the challenge of managerial talent shortage / Eleonora Fuxman // International Journal of Commerce and Management. – 2004. – Vol. 14. – Iss: 1. – P.28–43.

Summary

This article examines employee motivation in Ukrainian enterprises of fat-and-oil industry and is based on case studies among employees and managers of the largest plants. The study explains, why Western theories and approaches to employee motivation may not work in Ukraine. We reached three conclusions, regarding the specificity of reality of management in Ukrainian enterprises.

Key words: employee motivation; welfare package; HR management; Total Quality management; reward, national system of values; fat-and-oil industry.

UD classification: 334.716: 331.101.3

Date of acceptance: 06.11.2012