

BENEFITS AS AN INSTRUMENT OF MOTIVATION

Bojan LEKOVIĆ¹, Slobodan MARIĆ²

¹University of Novi Sad, Faculty of Economics Subotica, Segedinski put 9-11, 24000 Subotica, Republic of Serbia.
E-mail: bojan.lekovic@ef.uns.ac.rs

²University of Novi Sad, Faculty of Economics Subotica, Segedinski put 9-11, 24000 Subotica, Republic of Serbia.

Accepted 27 November, 2012

Development of the global economy leads to the spread of multinational companies operating in all parts of the world. It follows that multinationals perform relocation of significant resources to other countries, from which eventually derive a profit from the business operations performed there. The influence of growth of international economy has become a major force in business and therefore human resources management. This is a fact with which they must reconcile and face all the multinational companies, and to coordinate policies and procedures to effectively maintain a balance between the needs and desires of citizens of Host Country Nationals, Parent Country Nationals and Third Country nationals. Compensation system is one of the most complex areas in the field of management at the international level of human resources. The reason that makes this system so complex is the need for harmonization of payment systems with local laws and customs of persons for compensation of employees, which also has to fit with the global policies of multinational corporations. In addition to the payment system, it is necessary to carefully consider using incentives as a motivation and reward system for employed persons belonging to one of the above three categories of citizens.

Keywords: benefit, IHRM, motivation, job.

INTRODUCTION

The system of compensation represents one of the most complex fields in human resources management in the international environment. Reasons making this system complex are the need to harmonize the system of paying with local laws, as well as the habits and the policy of compensation to the employees in multinational companies. The global business growth brings to new challenges with which human resources managers in multinational companies face as, up to now, their business have been determined by the national borders. They face different political systems, laws, tax policy, economic environment, habits and the dominant cultural environment where multinational companies do business.

Business globalization brings many challenges before human resources managers in multinational companies, especially in the field of motivation and the system of compensations and benefits. They focus on strategic targets of their multinational companies, developing the adequate plan of motivation-compensation, developing staff and their

permanent training. The plan of compensation must be appropriate to attaining goals in the field of staff policy, as well as the company's plans. The system of compensation has to keep selected employees and their motivation to perform their obligation in accordance to set business plans of the multinational company.

Benefits, as components of the system of compensation, have represented for long the field of harmonization of compensation policies by multinational companies. Multinational companies often face the variant or confrontational goals. On the one side, the company tries to control costs caused by compensation packages, while, on the other side, it must be objective and fair to its employees, providing them the packet of compensations that will be enough interesting to attract, keep and motivate the best workers. This challenge is very complex for all multinational companies and it represents the field of constant skill to harmonize wishes and possibilities of the company, as well as job satisfaction, especially selected staff of the company.

MOTIVATION AS AN INSTRUMENT TO PROVIDE THE REALIZATION OF ORGANIZATIONAL GOALS

People, or the staff, are the most important and the richest resource in an organization. Employees make the basis of an organization and they are greatly included in realizing the economic growth and development. As successful business can be largely in the direct correlation with the employees, so there is the need to determine some factors, i. e. motives that exert influences on efficient engagement of the employees. Therefore, managers, today, besides the role of leaders, at the same time, have the role of psychologists with a view of recognizing the employees' behavior and their motives. Just motivation, according to [Stoner et al. \(1995\)](#) represents the resource that managers use to coordinate relationships in the organization. In fact, recognizing inclinations of the employees, they can determine working tasks, as well as rewards with the purpose of engaging the workers.

Considering the relationship between motivation and rewards as the driving force, we get impression that the motives of individuals can sometimes be very complex. Namely, the employees can be motivated by material property as cars, houses, flats, while, at the same time, they can wish a higher level of self-respect, higher social rank, etc. just these rewards have the role of motivators, which stimulate the individual to some kind of behavior. That is the reason why [Weichrich and Koontz \(1993\)](#) consider that managers must use the motivators that stimulate the staff to work successfully for the enterprise in which they work.

Except motivation of the employees, which is one of managers' tasks, there is a problem of self-motivation that can be perceived through the prism of the individual's character. The workers can feel the satisfaction in their work, showing simultaneously the low level of motivation, because motivation relates to the effort oriented toward the satisfaction of wishes, while satisfaction can be identified with the fulfillment that the worker feels after satisfying needs. Therefore, managers have a complex task to create an appropriate environment oriented toward attaining goals of the organization through the process of motivation of the workers that brings to attaining goals in the organization, i. e. the employees' satisfaction. Lyman and Edward Lawler set one universal motivation model, based on the theory of expectation and strengthening. According to [Porter and Lawler \(1968\)](#), the cited model includes six fundamental components: efforts

of individuals, rewarding, recognizing the role in the process of work, characteristics of an individual, and the level of self-satisfaction. This model supposes that the size of efforts representing the sum of motivation and the quantity of energy necessary for performing the task depend on the value of reward increased for the quantity of energy that every individual considers sufficient to perform the task. The model supposes the regular distribution of the rewarding structure by managers so the cycle of efforts, realization, rewards, as well as satisfaction of the employees, could successfully integrate in the framework of an organization.

Just the cited model can be considered and recognized as one of motivation models when creating successful compensation policies, which are available to managers in the organization. Benefits in the form of rewards, available to the employees in the organization can be seen through the prism of motivators that activate and orient further activities for attaining goals of the organization.

BENEFITS AS A COMPONENT OF THE SYSTEM OF COMPENSATION

It is not surprising that business globalization often requires moving some of the employees abroad as expatriates, or residents based in foreign countries in order to do business better in the wide world. In their professional careers, managers, dealing with compensation policies, must be well familiar with compensation techniques for employed expatriates. As companies widen their business in the world, it is very important to know the laws and norms that define compensations and benefits in these countries.

A particularly interesting area of human resource management (HRM) is the compensation system. Compensation is increasingly seen as: a mechanism to develop and reinforce global corporate culture, a primary source of corporate control, explicitly linking performance outcomes with the associated costs and the nexus of increasingly strident, sophisticated and public discourse on central issues of corporate governance in an international context ([Dowling, Festing and Engle, 2007, 160](#)). Creating compensation policy represents the process producing the constant interest confrontation that unavoidably appears in the relation the company vs. employees. The term reward (compensation) refers to remuneration, pay, and/or incentives used to motivate employees ([Adnan et al., 2011, 63](#)). When creating these policies, enterprises try to protect their interests, and this form of behavior results mostly in

the need to satisfy the employees' goals. According to [Dowling and Welch \(2004\)](#), enterprises are oriented, before all, toward harmonizing compensation policies with their own strategies providing, in this way, the transfer of employees, taking care of the enterprise's cost policy. The employees' interests can be amounted to financial protection in the form of benefits, social security, etc. Naturally, there are some disagreements between companies and employees during defining goals of compensation policies, just because the positions of both sides point to such sort of behavior.

The literature relating to international human resources management points to a sort of recommendation to companies to give up very rigid attitudes when creating compensation policies. They will not take into consideration only conditions in the home country, which, up to now, have been the basis for creating compensation policies, and, at the same time, the obstacle between employees and companies. Compensation package includes global benefits such as shorter work time, vacations and holidays, pensions, insurance (life, social, health, etc.), maternity leave, conscription, etc, flexible benefits and capital distribution in various forms. Apart from the elements mentioned by [Briscoe, Schuler and Claus \(2009\)](#) as well as the other mentioned authors, it is interesting to consider in detail the *flexible benefits* and *equity compensations*. Namely [Dowling et al. \(2007\)](#) cite the fundamental program components of international compensations:

- Basic salary,
- Stimulus for serving abroad,
- Compensations (flat, travel to the country of domicile, education of children, moving expenses), and
- Benefits.

The major problem when defining the package of benefits by the company is a pretty unequal and different approach to the employees' benefits, which can be seen in the practice of some countries. It includes differences in benefits given by the governments of some countries and taxes at the level of the worker and the level of the company. The governments can also provide many benefits provided by employers. Benefits give possibilities for health care, pension schemes, annual vacations, etc. If the government of a country gives the possibility of some kind of benefits, then there is no need to give the same benefits by the companies.

It is noticeable that the problem of compensations and benefits of expatriates is a complex and very

delicate research field. This work points to the fact that the question of compensations and benefits in contemporary business is very complex. It is also proved in the practice of some multinational companies. Today, there is a very complex task for managers of international benefits. It firstly relates to information about benefit systems in some countries. Benefits express their complexity through their structure, i. e. the row of elements representing together the sensible field for managers of international benefits. The complex structure of benefits is expressed through the following: number of working hours realized at the level of one year, privileges for annual vacations and holidays, insurance, pension schemes, paid and unpaid leaves, benefits in share distribution, etc. There are also other extended ways of giving benefits, work autonomy, opportunity for professional development, security or recognition quality of working life, ([Bonache and Fernandez, 1997](#)).

The next part of the work pays attention to the data received by researches of the Cranfield Network on International Human Resource Management (CRANET) for the period from 2008 to 2010. The data collected and processed in more than 30 countries relate, before all, to the proportional survey of some elements of benefits within the framework of companies' compensation policies in some countries. Table 1 point to the data relating to childcare within the framework of companies, childcare allowances, parental leave, pension schemes, and private health care.

BENEFITS AS GENERATORS OF COMPANIES' COMPETITIVENESS ON THE INTERNATIONAL LABOR MARKET

Companies can provide benefits used today when creating compensation policies. At the same time, governments can regulate it by the laws. Table 1. gives the survey of data relating to proportional sums of companies within the framework of a country, which, in its compensation policies, provide some sort of benefits over the legally issued conditions. By creating strategic compensation packages, companies try to realize competitiveness on the international labor market. Table 1 shows the data for 30 countries where CRANET carried out the research of human resources. Thirty countries were included in this research and their categorization was analyzed for EU, Europe and Non Europe.

Comparing the results received by this research, we can notice the fact that there are no enterprises in Serbia giving more benefits for Workplace

Childcare and Children Allowances than regulated by the Law for this field. Serbia is not the only case and it can be seen in this Table where results point to some countries, which have very developed systems of childcare, but also companies in these countries do not feel the need to provide these benefits over the legally regulated conditions. These countries are Sweden, Norway, Island and Hungary. In other countries, involvement of the employers is regulated through private collective agreements, before all, in Austria, Germany and Holland, while liberal economies provide only minimum statutory standards. Companies in the U.S.A., for instance, combine lower employer involvement with only minimum statutory provisions.

For different kinds of leaves, the results in most countries point to the high percent of companies offering different arrangements of leaves and pension schemes. The high percents are characteristic for Japan, Taiwan, Germany and Switzerland, while, on the other hand, within the framework of countries, as Czech Republic and the U.S.A. there are not too many companies that offer these arrangements. The percent of companies offering these kinds of arrangements in EU varies between 17% and 78%. Considering these data, we can draw the conclusion that the Republic of Serbia with 66.5% and 60% relating to parental leaves falls into the group of highly positioned countries when considering the percent of companies offering these kinds of benefits.

Table 1: Proportion of companies with schemes in excess of statutory requirements per country

	Workplace Childcare	Childcare Allowances	Career Break Schemes	Maternity Leave	Paternity Leave	Parental Leave	Pension Schemes	Private Health Care
Austria	12%	8%	23%	68%	60%	74%	56%	35%
Belgium	10%	8%	41%	51%	48%	50%	81%	67%
Bulgaria	2%	22%	5%	50%	17%	22%	21%	21%
Cyprus	0%	1%	12%	56%	21%	35%	52%	70%
Czech Rep.	0%	0%	11%	17%	0%	15%	51%	9%
Denmark	3%	2%	58%	66%	64%	56%	75%	63%
Estonia	2%	6%	37%	31%	35%	31%	4%	29%
Finland	8%	2%	26%	40%	33%	45%	31%	46%
France	3%	16%	13%	51%	45%	45%	27%	75%
Germany	17%	20%	23%	76%	72%	62%	92%	43%
Greece	7%	58%	10%	62%	39%	64%	41%	79%
Hungary	4%	14%	14%	21%	31%	25%	50%	31%
Lithuania	3%	8%	3%	30%	30%	13%	11%	26%
Netherlands	8%	19%	12%	65%	32%	78%	58%	42%
Slovakia	3%	20%	9%	28%	25%	31%	41%	31%
Slovenia	1%	2%	1%	72%	74%	69%	51%	11%
Sweden	1%	0%	2%	41%	41%	19%	46%	31%
UK	11%	27%	26%	50%	49%	36%	72%	52%
Iceland	2%	1%	14%	23%	19%	24%	13%	26%
Norway	8%	5%	10%	25%	30%	23%	68%	25%
Russia	3%	16%	29%	81%	42%	68%	16%	77%
Serbia	0%	0%	50%	66%	50%	61%	39%	5%
Switzerland	13%	21%	11%	81%	41%	32%	77%	42%
Israel	3%	5%	8%	21%	11%	27%	24%	21%
Japan	48%	19%	56%	90%	97%	84%	74%	89%
Philippines	4%	4%	15%	58%	54%	46%	54%	81%
USA	7%	5%	4%	25%	22%	23%	17%	13%
Australia	2%	2%	18%	59%	54%	52%	49%	14%
Taiwan	10%	7%	89%	90%	87%	70%	62%	32%
South Africa	4%	3%	6%	90%	69%	61%	84%	74%

Source: CRANET Survey on Comparative Human Resource Management, International Executive Report, 2011.

For different kinds of leaves, the results in most countries point to the high percent of companies offering different arrangements of leaves and pension schemes. The high percents are characteristic for Japan, Taiwan, Germany and Switzerland, while, on the other hand, within the framework of countries, as Czech Republic and the

U.S.A. there are not too many companies that offer these arrangements. The percent of companies offering these kinds of arrangements in EU varies between 17% and 78%. Considering these data, we can draw the conclusion that the Republic of Serbia with 66.5% and 60% relating to parental leaves falls into the group of highly positioned countries when

considering the percent of companies offering these kinds of benefits.

Private health care in the Republic of Serbia is not at the appropriate level. Only 5% companies in Serbia offer their employees this kind of benefits. Based on this negative record, Serbia is the country with the fewest percent of companies offering this kind of benefits. Beside Serbia, in the lower part of the Table are the Czech Republic with 9% and Slovenia with 11%, while the percents of other countries, EU members vary between 21% and 79%.

CONCLUSION

The increasing tempo of globalization requires from companies the need to develop efficient programs of compensations and benefits. Although globalization, as a phenomenon, does not represent an integration process that has recently seized the world economy, its escalating character has caused that multinational companies pay special attention to international labor trends, as well as all the advantages and disadvantages generating from transfer of the employed from one country to the other one.

Together with the increasing number of enterprises, widening their business in the international area, the need to understand attracting and keeping the employees through development of the system of compensations is also increasing. Business internationalization causes opening new questions, as salaries for the employed. As our country is not an exception for the foreign business influences, and it represents one of elements involved in the process of business globalization, it is expected that the question of compensations and benefits in the next period will be considered and processed by companies realizing economic activities in our country. Actuality of the topic in the work is increasing day by day, both for labor influx and labor drain in foreign countries, especially in multinational companies.

Business internationalization of the companies doing business in Serbia will unavoidably cause the need

to select and train new staff, i.e. managers who will deal with the question of compensations and benefits. As we are convinced in the complexity of international human resource management in this region, future managers will not have an easy task when trying to create new programs of compensations and benefits. Namely, although this work cites the most used approaches, their efficiency and successfulness cannot be guaranteed when creating new programs of compensations and benefits. Skill, creativity, appropriate management for creating compensation programs, especially for every country; it requires well-skilled and informed managers of compensations and benefits.

REFERENCES

- Bonache, J., & Fernandez, Z. (1997). Expatriate compensation and its link to the subsidiary strategic role: a theoretical analysis. *The International Journal of Human Resource Management* 8(4), 457-475. doi: 10.1080/095851997341559
- Briscoe, D. R., Schuler, R. S., & Claus, L. M. (2009). *International Human Resource Management: Policies and practices for multinational enterprises* (3rd ed.). London; New York: Routledge.
- Dowling, P. J., Festing, M., & Engle, A. D. (2007). *International Human Resource Management: Managing People in a Multinational Context* (5th ed.). United Kingdom: Cengage Learning EMEA.
- Dowling, P. J., & Welch, D. E. (2004). *International Human Resource Management: Managing People in a Multinational Context*. London: Thomson.
- Porter, L. W., & Lawler, E. E. (1968). *Managerial Attitudes and Performance*. Homewood, IL: Irwin-Dorsey.
- Stoner, J., Friman, E., & Gilbert, D. (1995). *Management*. Englewood Cliffs, New Jersey: Prentice Hall.
- Wehrich, H., & Koontz, H. (1993). *Management: A Global Perspective* (10th ed.). New York: McGraw-Hill.
- Zurina, A., Hazman Shah, A., & Ahmad, J. (2011). Direct Influence of Human Resource Management Practices on Financial Performance in Malaysian R&D Companies. *World Review of Business Research*, 1(3), 61-77.