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# REWARD AND INCENTIVE PROGRAMS AND EMPLOYEE SATISFACTION: CASE STUDY OF DM-DROGERIE MARKT D.O.O.

## ABSTRACT

**Purpose:** Since reward and incentive programs play a key role in attracting new employees and motivating existing ones, we decided to investigate which programs are used by highly desirable employers and how satisfied their employees are with these programs.

**Methodology:** A survey on employee satisfaction with work and reward and incentive programs was conducted among 160 (10%) employees of the company dm-drogerie markt d.o.o. The obtained data were processed using methods of descriptive statistics and non-parametric tests.

**Results:** The average satisfaction of employees with the reward and incentive system is 4.39 on a scale from 1 to 5, where 5 means “completely satisfied”. The average job satisfaction is 4.47, and a moderate positive correlation was found between job satisfaction and satisfaction with the reward and incentive system ( $r_s = 0.523$ ,  $p < 0.010$ ). Differences in the level of satisfaction were found in relation to the department and salary level of the respondents: more satisfaction was expressed by employees in the Sales Region department and by those in the highest salary level.

**Conclusion:** The analysis revealed a high average satisfaction level, but also a gap between the importance that employees attach to a particular program and their satisfaction with that program. The results confirm the importance of the reward and incentive system for overall job satisfaction and can be used to improve this system within the company.

**Keywords:** Employee rewards, job satisfaction, dm-drogerie markt, motivation

## 1. Introduction

Attracting and retaining qualified employees is one of the biggest challenges for modern companies. More and more companies put human resources (HR) in the foreground, while their material and financial resources take a back seat (Jambrek & Penić, 2008). Successful companies are desirable as em-

ployers, which is often linked to a well-designed system of employee motivation. Motivation conditions people's behaviour and depends on various factors of material, social and psychological nature. Dessler (2015) states that business strategies should be built and developed taking into account needs and expectations of employees, and this is especially true

for reward and motivation strategies. A motivated employee is a satisfied employee, and employee satisfaction is a good predictor of business success.

The MojPosao internet portal has been conducting the Employee Satisfaction Survey in Croatia since 2008, based on which it identifies the best employers in three categories of companies by size (MojPosao, 2019). In the thirteen years that the survey has been conducted, the best ranked company is dm-drogerie markt d.o.o. (hereinafter: DM). This company has been declared the Employer of the Year seven times and the runner-up six times. Due to the observed high level of satisfaction among the DM employees, we decided to investigate the extent to which the employees of this company are satisfied with its reward and motivation programs and whether there is a relationship between satisfaction with these programs and overall job satisfaction. In addition to this main objective, we investigated the relationship between satisfaction with reward programs and job satisfaction with employee demographic and job characteristics.

The results of the study may help the management of the observed company and other employers to find and develop effective ways to reward and encourage employees to increase their job satisfaction, which should lead to positive selection and greater work efficiency.

## 2. Theoretical framework

The HR of an organisation represent the totality of the knowledge, skills, abilities, creativity, motivation and loyalty of its employees. Unmotivated employees have lower productivity and work performance, are not interested in the quality of products and services, do not identify with the organisation and are ready to leave it (Bahtijarević Šiber, 1999).

According to Heckhausen (1965), personal motivation is the desire to increase or maintain one's own performance at a high level. Bahtijarević Šiber (2014) describes motivation as an internal instinct that leads an individual to behave in a way that ensures the achievement of personal goals, i.e. the fulfilment of needs. The psychological nature of the concept of motivation makes it an internal variable of an individual's behaviour, the presence of which is difficult to determine, so we can only assume it on the basis of observed behaviour (Marušić, 2006). Management constantly studies the needs and expectations of employees and tries to meet them in

order to maintain work motivation. The motivation process itself consists of the quality of "...communicating, setting examples, encouraging, spurring, soliciting feedback, involving others in work, delegating, developing and training, informing, reporting, and ensuring fair rewards" (Deny, 2000).

### 2.1 The most influential motivation theories in HR management

Various and numerous behavioural and motivation theories developed over nearly a hundred years have had a significant impact on the emergence of modern systems of employee motivation. Here we will briefly describe some of these theories, which are considered to be the most important ones.

One of the most influential motivation theories is based on Maslow's model of the hierarchy of human needs. In the pyramidal model, human needs are divided into two groups: deficiency needs and growth needs. As for the first group of needs, people are motivated to avoid their non-fulfilment (Reeve, 2018). Growth needs are higher-order needs that are not caused by a lack of something. They arise from the human need for personal development. Self-actualisation is at the top of the pyramid and all people could achieve it, but many do not due to a variety of life circumstances.

From an HR management perspective, employers should provide their employees with opportunities for self-actualisation so that they can reach their full potential at work. An organisation can support employee self-actualisation in a number of ways by following these steps (Kaur, 2013):

1. recognising employee achievements;
2. providing financial security for the employee;
3. providing opportunities for socialisation;
4. maintaining and promoting employee health.

The literature on the application of motivation theories often refers to the problem of employees unable to express their desires and expectations for work. In practice, therefore, managers often act not on what their employees would say, but on what they believe most employees would want under similar circumstances (Gawel, 1996). In such cases, decisions and offers are made based on Maslow's pyramid of needs.

Alderfer elaborates Maslow's hierarchy of needs and develops the theory of existence, relationship, and growth (ERG theory), which attempts to explain the factors that contribute to an individual's behaviour and motivation (Caulton, 2012). It is a process theory that focuses on the needs for esteem and job performance. According to ERG theory, lower-level needs do not have to be met for an individual to advance to a higher level (Alderfer, 1969). An important contribution of this theory from a management perspective is the introduction of the term "frustration-regression." Alderfer explains that a person who is unable to satisfy a higher-level need will refocus their attention on lower-level needs. This means that an employee who is not allowed to develop could focus their energy on social needs and spend their time at work socialising instead of working. Another important element of ERG theory is the finding that monetary incentives can only indirectly satisfy an employee's work-related needs and recognition, depending on the employee's perception of the value of that incentive (Arnolds & Boshoff, 2002).

Herzberg's (1966) two-factor theory is probably the most influential motivation theory in the field of HR management and is often referred to in the literature as hygienic motivation theory. It is based on the concept of an individual's satisfaction and their effort to achieve that satisfaction. Herzberg assumes that job satisfaction and dissatisfaction do not have the same causes. According to his theory, motivational factors are divided into two groups: extrinsic or hygienic factors and intrinsic factors or motivators. Hygienic factors include conditions which must be met to avoid job dissatisfaction (e.g. salary, job security, and working conditions). Motivators are factors that affect employee satisfaction and hence motivation. They cause more or less job satisfaction among employees (Gutinić et al., 2018). In Herzberg's theory, motivation is divided according to the type of incentive into:

- Extrinsic (external) motivation;
- Intrinsic (internal) motivation.

Extrinsic motivation is based on formal incentives like material rewards, a certain status, a high grade from a supervisor or a promotion (Delaney & Royal, 2017). Intrinsic motivation is based on the innate motivation of individuals to pursue their own interests and to seek challenges that enable the development of skills and abilities (Reeve, 2010).

Organisations that seek to attract, motivate, and retain good employees apply motivation theories in practice and attempt to identify employee wants, needs, preferences, and values. Employee motivation and satisfaction are increased by encouraging and rewarding desirable behaviours through a combination of extrinsic and intrinsic motivators (Brnad et al., 2016).

Early motivational concepts were replaced by cognitive concepts in the 1970s. The cognitive approach emphasises mental processes and cognitive constructs and de-emphasises environmental and biological constructs (Reeve, 2018). Vroom's cognitive model is probably most significant in the development of modern motivation theories. It was developed precisely in an effort to understand motivation and behaviour within the organisation (Bahtjarević-Šiber, 1999). Unlike need-based theories of motivation, Vroom's expectancy theory is based on the premise that people make decisions about their actions based on the expected outcome. It is assumed that people make conscious decisions to achieve the greatest satisfaction or the least pain. In the context of work, this would mean that a person will work harder if they expect a higher reward. Furthermore, an employee will be motivated and productive if two conditions are met:

1. the employee believes that he/she will successfully complete the task;
2. the employee believes that he/she will be rewarded for successful performance.

There is a relationship between the effort made, the performance achieved and the reward received, therefore three variables are used in this model: expectancy, instrumentality, and valence (Dessler, 2013, p. 394). According to this theory, an employer must know an employee well enough to set achievable goals and provide a reward that has an appropriate value in the employee's opinion.

McClelland's "acquired needs" theory is one of the most influential theories in organisational and personality research. According to this theory, people are motivated by three basic factors: achievement, affiliation, and power. Accordingly, McClelland divides total human needs into three dimensions: achievement needs, affiliation needs, and power needs (Royle & Hall, 2012). All three dimensions of needs affect a person's motivation and behaviour, and one of them is always more dominant than the

other two. Therefore, in the context of HR management, these types of needs are considered as factors that affect employee motivation. If the employer recognises the dominant needs of the employee, it will be easier for him/her to assign a role to the employee that matches his/her ability to contribute most to the organisation. A manager will also be able to adjust elements of the reward system to effectively motivate employees. The main theme of McClelland's theory is that needs are learned or adopted in an individual's confrontation with his/her environment. As a result, a rewarded behaviour will recur more frequently in the individual (Pardee, 1990).

In his goal-setting theory, Locke defines a person's goals as the primary drivers of his/her behaviour. In this regard, people who set challenging and specific goals achieve better results than those who set easier goals (Locke & Latham, 2006). There are five critical principles of goal setting: clarity, challenge, commitment, feedback, and complexity. Simply put, those who set goals while adhering to these five principles increase their chances of achieving those goals, first at the individual level and then at the organisational level. This theory has been developed over decades based on empirical research that contributes to its applicability in practice (Locke & Latham, 2006). This application is reflected in the guidelines for integrating goals into incentive programs to increase motivation in work organisations.

## 2.2 Job satisfaction and its measurement

There is no single definition or measurement of job satisfaction, but most of them are based on the relationship between employee expectations of work and what the work actually provides (Gutinić et al., 2018). Various standardised methods and indicators are used to measure employee job satisfaction, such as the Job Description Index, the Minnesota Satisfaction Questionnaire, the EEM-Employee Survey, etc. (Spector, 1997). Job satisfaction or dissatisfaction is indirectly related to motivation, but it is wrong to equate these two concepts. Namely, while motivation refers to the desire and effort to achieve desires or goals, satisfaction refers to the feeling of accomplishment due to the realisation of a desire. Thus, motivation implies a desire for results, whereas satisfaction is a consequence of achieving results (Wehrich & Koontz, 1998). Only if we separate the concept of motivation from the concept of job satisfaction, we can understand the situation of motivated employees who are dissatisfied with the job and similar seemingly illogical situations (Buble, 2006).

An effective motivation system within HR management must encourage 4 types of desirable behaviours: (1) attraction and retention of quality employees, (2) quality execution of work tasks, (3) creativity and innovation at work, and (4) identification with the company and interest in its development (Bahtijarević Šiber, 1999).

Numerous surveys on job satisfaction and work motivation of employees can be found abroad and in Croatia. Zagreb Institute of Economics (2000) conducted a survey on job motivation and job satisfaction. In a sample of employees from 10 companies, they found that the greatest motivators were a salary level and good managers, while education ranked lowest along with work and company status (image). According to the results of a survey conducted among workers in the wood and furniture industry in Croatia, the most important factors motivating workers are job security and regular wage payments (Brnad et al. 2016). The same conclusion is reached by Jelačić (2010), who found that industrial workers are most satisfied with job security, while they are most dissatisfied with the level of wages and the possibility of their growth, as well as the lack of promotion opportunities. Salopek (2019) analysed the system of rewards and motivation of employees in a company and found that the greatest influence on employee motivation is the amount of salary and the regularity of receiving it, followed by interpersonal relations, a pleasant working environment and job security. Research on the motivation of seasonal workers in tourism has shown that they are motivated to acquire new knowledge and experience because they believe that it will be easier to find permanent employment (Gutić Martinčić, 2017). In the same study, the main motivating factors for full-time employees were various material incentives, and it was shown that employment status influences the importance of certain motivational factors among employees. Employee motivation can also be influenced by interpersonal communication and employee interaction and especially recognition and praise from supervisors (Brooks, 2007). The importance of intangible rewards is also confirmed by research conducted among employees in fast food franchise (Peterson, 2006). Therefore, a good incentive and reward system must include tangible and intangible incentives, as not all employee expectations and needs can be met through tangible rewards.

### 3. Methodology

For the purpose of this research, data were collected through a survey using a self-completion questionnaire. The survey was administered online to a sample of 160 DM workers in September 2020. Workers were invited to participate in the survey via an internal email system.

The survey questionnaire contains 20 questions arranged in two parts of the questionnaire. The first part of the questionnaire relates to the socio-demographic characteristics of the respondents and their jobs, and the second part contains scales expressing their satisfaction with company incentive and reward programs, then their satisfaction with the incentive and reward system, and overall job satisfaction. Five-item scales were used to measure satisfaction with the reward and benefit system and job satisfaction. Seven-item scales were used to measure satisfaction with each of the 14 types of rewards and benefits. The questionnaire is available from the authors upon an e-mail request.

Based on the information about the observed company and literature review in this paper, we investigated the following assumptions:

1. The degree of job satisfaction of the respondents and the reward and incentive system are above the average on the scale applied (above 2.5);
2. The level of satisfaction with the reward and incentive system is positively correlated with job satisfaction;
3. The level of satisfaction of employees differs in relation to their socio-demographic characteristics and the characteristics of their jobs.

Non-parametric tests were used to examine differences in employee satisfaction in relation to their socio-demographic and job characteristics. Depending on the type of variables and the number of modalities, the following statistical tests were used:

1. Mann-Whitney U for dichotomous nominal variables: gender, type of household (multi-person or single-person), minors in the family (yes/no), type of employment contract (permanent/temporary), and working hours (full-time/part-time),

2. Kruskal-Wallis H for categorical variables with three or more modalities: age (4 groups), educational level (3 groups), organisational unit (3 types), net monthly salary (4 classes),
3. nonparametric correlation (Spearman rs) for numeric and ordinal variables: total work experience (years), and work experience at DM (years).

Data were processed and analysed using SPSS v. 17.0 statistical data processing package.

### 4. Results and discussion

#### 4.1 dm-drogerie markt d.o.o. company

The Croatian company dm-drogerie markt d.o.o. was established in 1994 and is a part of the German DM Group, which was founded in 1973. The DM Group is an international drugstore chain, which has its stores in 13 European countries (DM, 2020a). The whole group employs more than 62,000 people and has more than 3,600 stores (2019). In Croatia, DM employs 1,592 people and has 160 stores. DM is organised into 4 sales regions, 23 departments and 5 sectors. The sales assortment includes more than 17,000 products from various categories: from cosmetics and dietary supplements to baby and household products. DM has 32 own brands covering almost all assortment categories.

DM sales revenues increased steadily from HRK 1,576 million to HRK 1,822 million from 2016 to 2019 (Dun & Bradstreet Hrvatska, 2021). The value of the company's assets ranged between HRK 370 million and HRK 479 million in the same period and increased to HRK 1,128 million in 2020 due to the purchase of construction assets. EBITDA varied between HRK 130 million (2018) and HRK 192 million (2020) in 2016-2020, while net profit varied between HRK 31 million (2020) and HRK 74 million (2015). Return on assets (RoA) was above 10% until 2020 and then it decreased to 3% as the value of assets increased sharply in that year.

At DM, they point out that the key to their successful business is to "put people first", be it customers or employees. Business strategies are designed to

meet the needs of customers while encouraging employees to collaborate and provide opportunities for improvement and advancement in order to operate as an exemplary community (DM, 2020b). The motivation and reward system in the company consists of various tangible and intangible

programs, which are shown in Table 1. This study investigated how satisfied employees are with the system and each program, and the importance employees attach to each of the 14 programs. In addition, job satisfaction of the employees was investigated.

**Table 1 Reward and incentive programs for DM employees**

No.	Description of the program
01	Gift voucher for kids (up to 15 years) on holidays
02	Gift voucher for a new-born or adopted child
03	Jubilee awards
04	Salary supplement for the length of service in DM
05	Commuting subsidies
06	Free consumption of fruit, juice and hot beverages
07	Financial assistance in the event of death
08	Company car and mobile phone for managers
09	Flexible work schedule
10	Opportunity for career advancement
11	Possibility of further education and training
12	In-house training and education at all levels
13	Foreign language courses
14	'Corporate Family Day' and 'Corporate Christmas Dinner'

Source: Tudor (2010)

#### 4.2 Sample characteristics

A total of 160 DM workers were interviewed, 137 of whom were women and 23 were men. The age of respondents ranges from 22 to 59 years, with an average of 37.14 years (Table 2). The highest proportion are respondents with higher or tertiary education (50%), followed by those with secondary or lower education (46%) and workers with postgraduate education (4%). The percentage of respondents with minor children is 42% and there are 58% of respondents without minor children. Most respondents live in families with 2 or more members (90%), and others live in single-person households. Respondents were evenly distributed into 5 classes according to the overall length of service (between 5 and 22 years) and length of

service in DM (between 3 and 22 years). The average total length of service is 13.74 years (SD=8.85), and the average length of service in DM is 10.68 years (SD=6.62).

According to the average net monthly salary, most respondents (i.e. 46%) earn between HRK 6,001 and 9,000. After that, there follow employees with a salary ranging between HRK 9,001 and 12,000 (28%), and then those with a salary of more than HRK 12,000 (15%). There are 10% of those with a monthly salary of up to HRK 6,000, and 1% of respondents have a salary of up to HRK 3,000. The average monthly net salary in Croatia for the period January-August 2020 was HRK 6,724 (CBS, 2020).

**Table 2 Socio-demographic characteristics of respondents**

Variable & values		Frequency	Percent	Mean	St. dev.
Gender	Male	23	14%		
	Female	137	86%		
Age groups, years	Less or equal to 29	35	22%	37.14	8.61
	30-35	29	18%		
	36-39	37	23%		
	40-45	29	18%		
	46 or more	30	19%		
Education	Secondary school or lower	74	46%		
	Bachelor level	38	24%		
	Master level	41	26%		
	Postgraduate level	7	4%		
Family size	Single person	17	11%		
	Multi-member	143	89%		
Minors	Yes	67	42%		
	No	93	58%		
Organisational unit	Finance/Accountancy	11	7%		
	Informatics	6	4%		
	Logistics	17	11%		
	Commerce and Marketing	17	11%		
	Sales Region (Retail)	106	66%		
Net monthly salary, HRK	≤ 3,000	2	1%		
	3,001 – 6,000	15	9%		
	6,001 – 9,000	74	46%		
	9,001 – 12,000	45	28%		
	≥12,000	24	15%		
Employment contract	Permanent	26	16%		
	Temporary	134	84%		
Weekly working hours	10–19 h	2	1%		
	20–29 h	9	6%		
	30–39 h	9	6%		
	40 h (full time)	140	88%		
Years of service, total	≤ 5	32	20%	13.74	8.85
	6 – 12	32	20%		
	13 – 15	34	21%		
	16 – 21	32	20%		
	≥ 22	30	19%		
Years of service at DM	≤ 3	33	21%	10.68	6.62
	4 - 9	32	20%		
	10 – 12	33	21%		
	13 – 17	30	19%		
	≥ 22	32	20%		

Source: Authors

As many as 84% of employees have permanent employment contracts (employment contracts for an indefinite period), while 16% have fixed-term employment contracts. Furthermore, the vast majority (88%) are full-time employees working 40 hours per week, while only 1% work less than 20 hours per week. The remaining 11% work between 20 and 40 hours per week.

They work mainly in retail shops (66%, Sales Region), and 22% of respondents work in logistics, retail and marketing. The rest work in finance and accounting, information technology and HR (7%, 4% and 2%, respectively). In terms of functions, foremen (24%) and salespersons (23%) are the most represented in the sample. They are followed by clerks (19%), deputies (13%), assistants (11%), managers (6%), and other functions (4%).

According to their work experience, 46% of respondents have spent their entire working life in DM, indicating low turnover and absenteeism: a

prerequisite for organisational success (Bahtijarević Šiber, 1999).

#### 4.3 Employee satisfaction with the incentive and reward system and job satisfaction

DM employees who responded to the survey are well or very well acquainted with the company's motivation and reward programs. Only 10% reported that they knew little about these programs, while 90% reported that they were well or very well acquainted with these programs (Table 3). Satisfaction with the reward and incentive system is very high: the average is 4.39 on a scale of 1 to 5 (SD=0.82). None of the respondents are 'completely dissatisfied' and only six respondents are 'dissatisfied' (3.8%), while 57.5% of them are 'completely satisfied' with the system. The results confirm the assumption that the majority of DM employees, as one of the most sought-after employers in Croatia, will be satisfied with the system of rewards and incentives in the company.

Table 3 Employee satisfaction with the reward system and overall job satisfaction

Level of satisfaction	Satisfaction with the reward and incentive system		Job satisfaction	
	Frequency	Percent	Frequency	Percent
1 Completely unsatisfied	0	0	0	0
2 Unsatisfied	6	3.8	1	.6
3 Neither satisfied nor unsatisfied	17	10.6	9	5.6
4 Satisfied	45	28.1	64	40.0
5 Completely satisfied	92	57.5	86	53.8
Total	160	100.0	160	100.0
Mean	4.39		4.47	
SD	0.825		0.634	

Source: Authors

Similar results were obtained in the assessment of overall job satisfaction in DM. There are no 'completely dissatisfied' respondents, and the average satisfaction level is 4.47 on a scale of 1 to 5 (SD=0.63), which is even higher than satisfaction with the system of incentives and rewards (Table 3). In this regard, there are less 'dissatisfied', 'undecided' and 'completely satisfied' respondents (scores 2, 3 and 5, respectively), and more 'satisfied' respondents

(score 4). As in the case of satisfaction with the reward system, it can be said that the results are consistent with the status of DM as one of the most desirable employers in the country.

Using nonparametric binary correlation, we tested the relationship between employees' level of familiarity with the reward system, their satisfaction with the system, and their overall job satisfaction. A strong positive correlation was found between



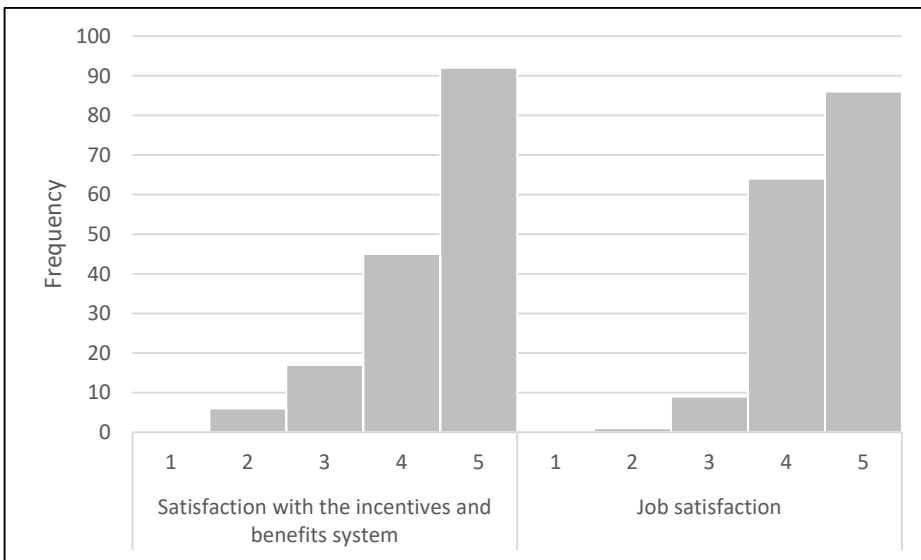
employees' familiarity with the reward and incentive system and their satisfaction with the system ( $r=0.740, p<0.01$ ). A statistically significant positive but moderate correlation was found between satisfaction with the reward and incentive system and overall job satisfaction ( $r_s=0.523, p<0.01$ ), indicating that there is a positive relationship between a high quality motivation system in the form of incentives and rewards and overall job satisfaction.

4.4 *Employee satisfaction with the reward and incentive system in relation to socio-demographic and job characteristics*

Certain types of rewards and incentives in DM are tied to specific socio-demographic characteristics of employees. These are perks and bonuses (e.g., family days, gifts for children). Other benefits are

tied to an employee's job or status (e.g., anniversary payments, company cars). In addition, employee expectations and needs are likely to vary with age, education level, and marital status. Based on all of the above, we examined whether there was a relationship between respondents' socio-demographic characteristics and job characteristics and their satisfaction with compensation and incentive programs. Since the distribution of scores obtained for satisfaction with the reward and incentive system and job satisfaction deviated greatly from the normal distribution (Figure 1), we used the non-parametric Mann-Whitney U and Kruskal-Wallis H tests in the analysis. For the numerical variables referring to years of service (total and in DM), we calculated the Spearman correlation coefficient.

Figure 1 Frequency histograms for DM employee satisfaction with the reward and incentive system and job (N=160; 1='Completely dissatisfied', 5='Completely satisfied')



Source: Authors

The results of the analysis showed that the level of satisfaction with reward and incentive programs related to two of the 11 variables tested, namely the organisational unit variable ( $H=22.378, p=0.000$ ) and monthly net salary ( $H=11.072, p=0.010$ ) (Table 4). Mean rank scores for satisfaction with the reward system of employees in the Sales Region unit, employees in administration units, and em-

ployees in logistics and procurement are 91.31, 65.08, and 55.87, respectively. In terms of net salary classes in HRK, the mean ranks are 96.12 for class 9,000-12,000, 84.46 for class >12,000, 75.74 for class <6,000, and 70.81 (the lowest) for class 6,000-9,000. To recall, most respondents are in salary class 6,000-9,000 (46%), while the smallest number of respondents are in class <6,000 (11%).

**Table 4 Results of non-parametric tests for the relationship between the level of satisfaction with the reward and incentive system and socio-demographic characteristics and job characteristics.**

Variable	Statistics	Value	p-value
Gender (male/female)	Mann-Whitney U	1,253.000	0.077
Age (4 groups)	Kruskal Wallis	0.686	0.879
Education level (3 groups)	Kruskal Wallis	0.903	0.639
Family type (multi-person/one-person)	Mann-Whitney U	911.000	0.054
Minors in the family (yes/no)	Mann-Whitney U	3,093.500	0.934
Type of employment contract (permanent/temporary)	Mann-Whitney U	1,619.500	0.532
Employment type (full-time/part-time)	Mann-Whitney U	1,352.500	0.775
Organisational unit (3 types)	Kruskal Wallis	22.378	0.000
Net monthly salary (4 groups)	Kruskal Wallis	11.072	0.010
Years of service, total, years	Spearman's <i>r</i>	-0.016	0.842
Years of service at DM, years	Spearman's <i>r</i>	-0.024	0.765

Source: Authors

We also tested the relationship between overall job satisfaction and the same set of variables using non-parametric tests (Table). A significant relationship with job satisfaction was found only for the variable net monthly salary in HRK ( $H=12.163$ ,  $p=0.006$ ). The mean rank is highest for groups >12,000 (95.63) and 9,000-12,000 (91.69). The lowest mean rank for

job satisfaction is in group 6,000-9,000 (70.81), and it is slightly higher in group <6,000 (75.74). Based on these data, we can infer that employees in higher salary groups are more satisfied with their jobs, which is confirmed by the Spearman correlation coefficient between net salary and overall job satisfaction, which is  $r_s=0.235$  ( $p=0.003$ ).

**Table 5 Results of non-parametric tests for the relationship between the level of job satisfaction and socio-demographic and job characteristics**

Variable	Statistics	Value	p-value
Gender (male/female)	Mann-Whitney U	1,298.500	0.125
Age (4 groups)	Kruskal Wallis	4.175	0.244
Education level (3 groups)	Kruskal Wallis	5.528	0.061
Family type (multi-person/one-person)	Mann-Whitney U	1,053.000	0.303
Minors in the family (yes/no)	Mann-Whitney U	2,994.000	0.620
Type of employment contract (permanent/temporary)	Mann-Whitney U	1,501.000	0.209
Employment type (full-time/part-time)	Mann-Whitney U	1,242.000	0.379
Organisational unit (3 types)	Kruskal Wallis	4.260	0.117
Net monthly salary (4 groups)	Kruskal Wallis	12.163	0.006
Years of service, total, years	Spearman's <i>r</i>	0.095	0.234
Years of service at DM, years	Spearman's <i>r</i>	0.096	0.226

Source: Authors

The fact that most of the tested characteristics were not associated with satisfaction with reward and incentive programs and overall job satisfaction can be explained by high mean scores and a high concentration of scores around the mean, with extremely negatively asymmetric distributions.

#### 4.5 Satisfaction with specific reward and incentive programs

Individual reward and incentive programs differ in terms of award criteria. For example, some programs are implemented according to family status (gifts and vouchers for children, financial assistance in the event of death), others depend on the job and length of service (supervisor bonus, anniversary bonus, long service award), and some are available to all or depend on the commitment of the individual (commuting subsidies, free food and beverages, opportunities for training and career advancement, etc.). Given the differences between programs, employee socio-demographic characteristics, and the workplace, we conducted an analysis of satisfaction with each reward and incentive program. Non-parametric tests were used to examine a correlation of

each program with the observed socio-demographic and workplace variables.

Significant differences in satisfaction levels were found for seven of the fourteen programs. Differences were found in relation to three of the programs (03, 04, 05) with respect to one workplace variable, another three programs (10, 11, 12) with respect to two workplace variables, and one program (14) with respect to two workplace variables and one demographic variable. In terms of satisfaction with the programs of long service anniversary allowance (03), long service salary allowance (04) and commuting subsidies (05), respondents from the Sales Region unit have higher mean scores than respondents from the other two units. Satisfaction with promotion opportunities (10), training opportunities (11), and in-house training and education programs (12) depended on both the organisational unit and a net salary class. In terms of the organisational unit, employees at Sales Region (retail units) expressed the highest level of satisfaction with these three programs. In terms of a salary class, employees from HRK 9,000-12,000 class and those from HRK 6,000-9,000 class show the highest and the lowest level of satisfaction, respectively.

**Table 6 Results of non-parametric tests for the relationship between the level of satisfaction with a particular reward and incentive program and socio-demographic characteristics and job characteristics**

Variable	Statistics	p-values <sup>a</sup>						
		1	2	3	4	5	6	7
Gender	M.-W. U	0.381	0.310	0.356	0.469	0.805	0.439	0.157
Age	K.-W. H	0.635	0.627	0.770	0.789	0.056	0.671	0.393
Education level	K.-W. H	0.646	0.854	0.499	0.772	0.318	0.762	0.906
Household (multi- or one-person)	M.-W. U	0.403	0.733	0.418	0.239	0.696	0.331	0.491
Minors in the family (yes/no)	M.-W. U	0.381	0.852	0.551	0.487	0.839	0.735	0.573
Type of employment contract (permanent/temporary)	M.-W. U	0.514	0.160	0.868	0.529	0.828	0.543	0.706
Employment type (full-time/part-time)	M.-W. U	0.330	0.291	0.516	0.855	0.073	0.398	0.802
Organisational unit	K.-W. H	0.373	0.406	.018 <sup>*</sup>	.003 <sup>**</sup>	.048 <sup>*</sup>	0.115	0.149
Net monthly salary (classes)	K.-W. H	0.051	0.088	0.051	0.181	0.060	0.445	0.070
Years of service, total	Spearman's r	0.255	0.329	0.752	0.473	.024 <sup>*</sup>	0.530	0.279
Years of service at DM	Spearman's r	0.589	0.474	0.954	0.783	0.062	0.674	0.525

Source: Authors

**Table 6 – continued Results of non-parametric tests for the relationship between the level of satisfaction with a particular reward and incentive program and socio-demographic characteristics and job characteristics**

Variable	Statistics	p-values <sup>a</sup>						
		8	9	10	11	12	13	14
Gender	M.-W. <i>U</i>	0.819	0.300	0.692	0.631	0.532	0.516	0.821
Age	K.-W. <i>H</i>	0.756	0.684	0.107	0.122	0.505	0.862	0.992
Education level	K.-W. <i>H</i>	0.216	0.959	0.669	0.882	0.863	0.987	0.733
Household (multi- or one-person)	M.-W. <i>U</i>	0.190	0.970	0.122	0.312	0.326	0.533	.030 <sup>*</sup>
Minors in the family (yes/no)	M.-W. <i>U</i>	0.959	0.534	0.629	0.403	0.398	0.531	0.933
Type of employment contract (permanent/temporary)	M.-W. <i>U</i>	0.829	0.703	0.600	0.415	0.794	0.462	0.901
Employment type (full-time/part-time)	M.-W. <i>U</i>	0.316	0.961	0.444	0.345	0.232	0.320	0.221
Organisational unit	K.-W. <i>H</i>	0.151	0.478	.000 <sup>**</sup>	.000 <sup>**</sup>	.009 <sup>**</sup>	0.523	.047 <sup>*</sup>
Net monthly salary (classes)	K.-W. <i>H</i>	0.776	0.311	0.047	0.003	0.006	0.086	0.020
Years of service, total	Spearman's <i>r</i>	0.680	0.778	0.221	0.333	0.815	0.607	0.383
Years of service at DM	Spearman's <i>r</i>	0.455	0.692	0.562	0.632	0.876	0.625	0.382

<sup>\*\*</sup>Significant at the 0.01 level.

<sup>\*</sup>Significant at the 0.05 level.

<sup>a</sup> Code list: 01-Gift voucher for kids on holidays; 02-Gift voucher for a new-born and adopted child; 03-Jubilee awards; 04-Salary supplement for the length of service; 05-Commuting subsidies; 06-Free consumption of fruit, juice and hot beverages; 07-Financial assistance in the event of death; 08-Company car and mobile phone for managers; 09-Flexible work schedule; 10-Opportunity for career advancement; 11-Possibility of further education and training; 12-In-house training and education at all levels; 13-Foreign language courses; 14-'Corporate Family Day' and 'Corporate Christmas Dinner'

Source: Authors

The respondents differ most in their satisfaction with the program organised by the company (a 'Corporate Family Day' and a 'Corporate Christmas Dinner'). There is a significant difference in satisfaction with respect to salary classes, with the highest mean rank in HRK 9,000-12,000 class and the lowest in HRK 6,000-9,000 class. Satisfaction with this program is significantly lower among respondents living in a single household (mean rank=59.47) than among respondents living in multi-person households (mean rank=83.00). Finally, employees who work in the Sales Region unit recorded a significantly higher mean rank (85.89) than those who work in Administration (77.40) and Logistics and Procurement (65.53) units.

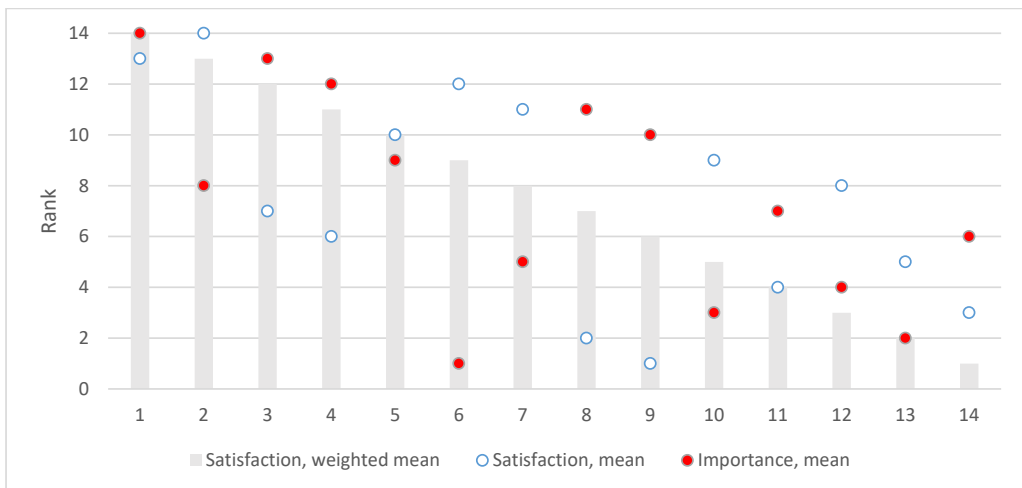
#### 4.6 Satisfaction with a particular reward and incentive program and perception of its importance

DM employees come from different family and wider social backgrounds and have different personal and business goals that give rise to the needs they seek to meet in order to get as close as possible to their goals. With respect to working conditions, salary and salary supplements, and various other reward and motivation programs offered in the workplace, employees will seek out those that meet their needs best. Due to differences in personal preferences, goals, and needs, employees will place different levels of importance on each reward and incentive program. The perceived importance of the program is critical to the effectiveness of its implementation. In fact, a high level of satisfaction

with a reward program that employees consider unimportant is likely to have a smaller effect on motivation than satisfaction with a program that is important to employees. Therefore, in the survey, we asked respondents to rate not only their satisfaction with a particular reward and incentive program, but also the importance of that program from their perspective. A comparative plot of the average satisfaction level and the assessment of the importance of each program shows that there is no correlation between these values (Figure 2). The figure shows the ranking of the mean scores of program satisfaction,

program importance rating, and weighted program satisfaction. The perceived program importance was used as the weight in calculating the weighted mean for satisfaction with a particular program. The programs are ranked highest to lowest based on the weighted mean satisfaction. It is immediately apparent that the ranks of the satisfaction mean scores and the weighted satisfaction mean scores are quite different. The exceptions are the company car and cell phone (1) and foreign language courses (5) programs, where the differences between satisfaction and importance ranks are only 1 point.

**Figure 2 Arithmetic means of the level of satisfaction and perceived importance, and the weighted mean of the level of satisfaction with reward and incentive programs at DM (In ascending order, by weighted mean of the level of satisfaction)**



Code list: 1-Company car and mobile phone for managers; 2- Flexible work schedule; 3-Free consumption of fruit, juice and hot beverages; 4-‘Corporate Family Day’ and ‘Corporate Christmas Dinner’; 5-Foreign language courses; 6-Commuting subsidies; 7-Opportunity for career advancement; 8-Gift voucher for kids on holidays; 9-Gift voucher for a newborn and adopted child; 10-Possibility of further education and training; 11-Jubilee awards; 12-In-house training and education at all levels; 13-Salary supplement for the length of service; 14-Financial assistance in the event of death.

Source: Authors

When considering changes and improvements to reward and incentive programs, attention should be focused primarily on those programs which employees attach great importance to and which they are less satisfied with. In the case of DM, these are programs 03, 04, 08, and 09 in the figure above. For example, the results suggest that programs related to employees’ children and newborns should be maintained because of their importance, but the reasons for a low level of satisfaction with these programs should

also be considered if the employer wants to improve the existing reward and incentive system.

### 5. Conclusion

It is one of the basic principles of modern HR management that motivated and satisfied employees are a prerequisite for long-term corporate success. Based on the findings of motivation theories, companies therefore create and develop measures to

attract and motivate employees, and they include monetary and non-monetary, as well as tangible and intangible rewards or incentives. This survey confirmed on a sample of 160 respondents that employees working for a desirable employer are highly satisfied not only with their jobs but also with the system of rewards and incentives. Moreover, satisfaction with this system is positively correlated with job satisfaction. For most of the socio-demographic variables of employees, there are no differences in satisfaction with the reward and incentive system. However, differences were found in relation to the organisational unit in which an employee works and the amount of the employee's salary. These differences are due to differences in satisfaction with various programs offered by the reward and incentive system scheme. This is particularly true for the 'Corporate Family Day' and 'Corporate Christmas Dinner' program, as well as for programs related to promotion opportunities, training opportunities and in-house training.

An analysis of the relationship between the perceived importance of each of the 14 reward and incentive programs and satisfaction with particular programs showed that there are programs that employees consider important and which they are relatively less satisfied with. This result suggests the possibility of improving the system based on the as-

sumption that the employer should aim for greater satisfaction with programs that employees consider more important.

This research analyses the data collected in a company that has a high long-term rank in Croatia according to the level of employee satisfaction. This is one of the reasons why the obtained results cannot be generalised to all companies in this sector or beyond. Therefore, although we consider this research an important contribution to a better understanding of the functioning of the reward and incentive system, we also believe that similar research needs to be conducted in other companies. It can be said that this research can primarily serve as a basis for improving the reward and incentive system in the company that has been proven to have a high level of employee satisfaction.

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