

Motivation and Incentive Policy of Service Sector Company: Influence of Digitalization

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Abstract — The article discusses the theoretical and practical aspects of the motivation of staff work.

Keywords — motivation, digitalization, stimulation, management methods, system of material and non-material incentives, service sector.

This article deals with the problem of forming a policy of motivation and stimulation of the labor activity of personnel. The main attention in the work the authors focus on the management of a small business in the service sector. The characteristic features of the activities of organizations and their close interaction with the consumer are singled out and described. The article uses the author's model of the motivational potential of employees, the implementation of which is inextricably linked with the digital environment. The leader and subordinate exchange information using digital technologies. The digital economy encourages employees to acquire additional competencies in the application of automated information technologies, which previously belonged to the job responsibilities of system administrators and programmers. The traditionally established mechanisms of motivation are losing their relevance, changing in accordance with the realities of the digital economy. The main content of the study is an analysis of the activities of a small organization in the service sector, a law firm. Considerable attention is paid to the development of a system of material incentives for the personnel of a law firm, which helps to combine both material and non-material motivation of personnel through a combination of material rewards and an increase in the method of personal participation of employees in achieving the goals of the organization.

I. INTRODUCTION

In the works of modern domestic and foreign authors, it is currently noted that with the introduction and development of digital innovations in organizations, human resources are becoming even more important than before. Experienced, reliable, qualified personnel is currently the most valuable resource. The goal of managers is to find profitable points of complementarity of the latest information technologies and human talent. The role of the system of motivation and

stimulation of personnel's labor activity in achieving the final results of the company's activities is increasing. The concept of "motivation" should be considered from the point of view of psychology and management. From the point of view of psychology, motivation is "an attraction or need that motivates people to act with a specific goal; it is an internal state that energizes a person, directs and supports his behavior." From the point of view of management, motivation is "the process of stimulating oneself and others to activities aimed at achieving individual and general goals of the organization." Staff motivation in the digital economy is undergoing a transformation towards assessing the needs of each employee and transparency of the dependence of the result of work on remuneration [1]. For a more comprehensive and complete analysis, a number of concepts should be considered that reveal the term "motivation" by leading domestic and foreign scientists in the field of personnel management in the organization.

From the point of view of predicting labor behavior, it is important to take into account sense-forming motives, because they determine the general orientation of a person in work and stable patterns of behavior. Under the influence of various factors, the structure of motives may change. The paper uses a model of the motivational potential of employees [2]. The motivational potential is closely related to the degree of satisfaction with the actual motives of employees' work and the implementation of basic motives of behavior. A high degree of demotivation of employees, as well as a high degree of motivation, can equally limit the ability of a manager to improve the efficiency of an enterprise. On the other hand, it is important to take into account the potential of complex incentives, such as organizational and economic factors, the management style of the head, the peculiarities of corporate culture, etc. The motivational potential of an employee is the socio-psychological resources of an individual, which are part of the motivational core of the company's personnel, reflecting the totality of the motives of the employee's labor behavior in the process of realizing his labor potential (Fig. 1).

The realization of the motivational potential of employees is inextricably linked with the digital environment. In motivational processes, digitalization can be understood as the introduction of new business technologies that affect the labor and social life of people, the emergence of new prospects for obtaining and improving knowledge,

skills, the emergence of career elevators, increasing the geographical possibility of applying employees' knowledge, increasing the accessibility and understanding by employees of the entire motivation management system and stimulating the work of personnel.

A qualitative motivation system is characterized by maximum objectivity, a reliable assessment of the employee's personal contribution to success. The introduction of digital technologies in the process of human resource management allows you to organize a convenient digital environment for staff. Today, many services for working with personnel are already offered: □ "Experium" and "Skillaz" — recruiting systems; □ "KpiDrive" — KPI Management and KPI Motivation; □ "HRmaps" — a product for personnel management. Also, the artificial intelligence system is able to study and analyze the skills, behavior and actions of the most effective employees, and build educational trajectories for staff based on these data. Digital technologies make it possible to expand the field of motivation. For example, remote forms of work organization can be used, increasing the intellectualization of labor activity, which leads to a more significant payment, reducing the complexity of processes under the influence of robotization, etc. [3]. In the present situation, business is performed with the requirements and desires of the international business purpose, as well as products transfer from one country to another, as well as services, managerial expertise, and technology transfer across nations. In terms of talking with others, globalization has shrunk the whole planet. The world's financial and economic patterns have been merged with greater progress. Because of the organization's desire, digital human resource management plays a key role in today's digital environment as compared to traditional human resource management. Many organizations need high-efficiency Digital Human Resource Management in order to improve organizational performance (Varadaraj and Al Wadi, 2021).

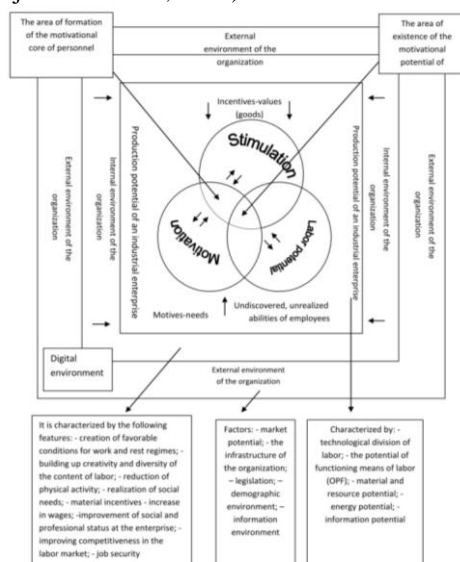


Figure 1 – The place of motivational potential in the model of the relationship between the concepts of "motivation" and "labor stimulation"

The classification of Shapiro S.A.'s of motivation methods by the sphere of influence is proposed: organizational and administrative (legislative framework and

internal regulatory documents of the organization); economic (bonuses, participation in the profits of the enterprise, bonuses, sales commission, additional material benefits, allowances, lump-sum payments and other cash payments); socio psychological (social guarantees, organizational culture and patriotism in the team, the degree of staff participation in decision-making, networking).

Let us consider the effectiveness of the implementation of the policy in the field of motivation and stimulation of labor in the organization of small businesses in the service sector. The importance of studying the effectiveness of the management of small enterprises in the service sector is due to the fact that in about 6 million small enterprises operate on a permanent basis in Russian Federation today. They employ 35% of employed Russians. These enterprises account for 37% of the country's total money turnover - a fifth of GDP. (according to the SME Corporation <https://corpmsp.ru/>). The management of a small business in the service sector has a number of features related to the scale of the organization's activities and its close interaction with the consumer. High-quality work with clients, accumulated experience of the organization is considered as one of the key factors in the competitiveness of companies of this type. At the same time, the revenue of organizations directly depends on the professionalism of employees and their relationship with consumers. Lex Law Firm has been on the market since 2015. The average headcount of the organization for 2022 is 18 people. They are represented by a director, a deputy director, an assistant director, three lawyers, five account managers, six accountants and a secretary.

The tasks of all support services (IT support, cleaning, courier, technical support, marketing) are outsourced.

An analysis of the workload of employees showed that at the moment the staff of the organization is 100% staffed in accordance with its capacity. Thus, there are currently no open vacancies in the organization.

Due to the absence of formal structures in small-scale enterprises with a low number of employees, the system of making managerial decisions is simplified as much as possible, the degree of personal participation of the director in the process of work of all employees of the organization is maximized. The digital economy encourages employees to acquire additional competencies in the application of automated information technologies, which previously belonged to the job responsibilities of system administrators and programmers. The traditionally established mechanisms of motivation are losing their relevance, changing in accordance with the realities of the digital economy.

When analyzing the nature of the joint work of the employees of Lex Law Firm LLC, it was found that the presence of a clear division of tasks and projects between employees leads to the complete exclusion of teamwork - each employee is busy with his own affairs and questions.

General tasks, in which the whole team could take part, are only in finding solutions in the event of controversial and non-standard situations, the so-called "brain storming", however, is unspoken and occurs spontaneously.

The personnel motivation system was mainly reduced to meeting the basic needs of employees - timely payment of wages, comfortable working conditions, social interaction Lex Law Firm did not have a clearly defined strategy for motivating staff. The system of factors contributing to the

growth of employee motivation has developed consistently in the course of the company's work include: 1) Employee-friendly work schedule. The organization receives clients from 9:00 to 17:00 from Monday to Friday. At the same time, if it is necessary for an employee to come later or leave earlier, he can do this provided that at least one specialist with similar competencies is available at the workplace and with subsequent training at any time convenient for him, including on Saturday. An hour is allocated for lunch during the working day. At what specific time the employee will go to lunch, he chooses himself. The main condition is that at least one specialist with similar competencies should remain at the workplace; 2) the possibility of remote work in agreement with the management for a short period. If an employee feels the need to stay at home (personal problems, poor health in the absence of sufficient symptoms and reasons for opening a sick leave), the employee can work remotely; 3) Wages are calculated based on the amount of work done. The salary of specialists in working with clients (filling out tax returns) and accountants consists of a fixed salary and a monthly calculated amount proportional to the work performed. For specialists in filling out tax returns, the amount is calculated based on the number of completed declarations, for an accountant – based on the number of organizations serviced, for a lawyer – based on the number of successfully completed tasks. Thus, the salary of an employee increases in proportion to the work done by him, this motivates employees to take on more responsibilities and eliminates the possibility of such a trend among staff as "imitation of labor activity", characteristic of organizations with a fixed amount of wages and the existing system of fines for violation of labor discipline.

Recommendations for the implementation of the financial incentive system

Employees are paid a part of the salary, represented by a percentage of the work performed. In fact, this amount is not perceived by employees as a bonus and does not lead to an increase in their motivation. When the bonus part of the salary is considered by the employee as an inalienable right, it loses its motivational value and does not contribute to satisfying the need for recognition of the employee. In order to have a positive impact on satisfaction and become a motivational factor, the amount of money must be presented and perceived by the employee as not guaranteed, but achievable bonus. At the same time, the criteria for achieving it should be absolutely transparent and understandable to all employees and documented in the Bonus Regulations.

At the same time, the bonus should be so accessible that it does not give the employee the impression of an unattainable reward. The employee must be clearly aware of what tasks must be performed by him in order to achieve the bonus, and must also consider its dimension sufficient and comparable to the level of tasks performed.

It is as important as possible that the salary of an employee, taking into account the bonus, is higher than the salary that competing companies offer their employees, so that employees considering the option of leaving for competitors have an awareness that at the current place, with sufficient effort, they can receive a salary higher than that of a competitor.

Thus, there should be a clear link between performance and remuneration. Employees should be aware of the fact

that performing a certain number of tasks beyond the usual will lead to material remuneration.

This system is based on the following algorithm: 1) Setting the general annual and quarterly goals of the organization by the head. Goals should be materially measurable and digitalized. For example, an increase in the turnover of the organization, the number of new attracted customers, a reduction in costs for certain items of expenditure by a certain percentage; 2) Setting personal annual and quarterly goals by each employee together with the head. In this case, the goals do not have to be digitalized. This may be the goal of increasing the level of English language proficiency, mastering a new computer program, studying a specific issue that was not previously included in the scope of activity, reducing the average service time of one client, etc; 3) Once a quarter and at the end of the year, the fulfillment of personal goals is monitored with the setting of new ones when the previous ones are fulfilled. The degree of achievement of the goal is determined as a percentage jointly by the manager and the employee. The fulfillment of the general goals of the organization is monitored by the head with the involvement of competent employees; 4) Based on the results of the discussion, the degree of fulfillment of personal goals by each employee is determined. The degree of fulfillment of the organizational goal is determined.

For example, an organizational quarterly goal was set: reducing the cost of purchasing office paper by 5%.

As a result of printing some documents on drafts, reducing the number of erroneously issued documents, using electronic document management, the cost of purchasing office paper decreased by 6%.

Personal quarterly goals were set for the Customer service manager: absence of errors in filling out tax returns identified after submission to the tax inspectorate; bringing to the discussion three ideas of attracting customers without using paid advertising. At the end of the quarter, the specialist had made no mistakes in the preparation of tax returns, and he was able to offer three ideas for attracting new customers.

Thus, the organization's goal is 100% fulfilled, the personal goal is 100% fulfilled.

5) Based on the percentage of the employee's personal goals and the fulfillment of the organization's overall goals, the amount of the bonus for each employee is calculated.

The maximum possible bonus amount is fixed and prescribed in the Bonus Regulations.

The amount of the final bonus for each employee is calculated according to the formula

$$B = B_{max} \cdot \frac{k_{general}}{100} \cdot \frac{k_{personal}}{100}, rub. \quad (1)$$

where B_{max} – maximum possible bonus amount, rub.;

$k_{general}$ – percentage of achievement of the corporate goal, %;

$k_{personal}$ – the percentage of the degree of achievement of the personal goal of the employee, %.

This system helps to combine both material and non-material motivation of personnel by combining material remuneration and increasing the method of personal participation of employees in achieving the goals of the organization.

The main advantages of the proposed system:

1) Flexibility. Depending on the situation of the organization, the maximum possible bonus amount may be revised. So, over the past three years, Russian small business organizations have faced a number of consecutive problems – the coronavirus pandemic, the consequences of economic sanctions by Western states. At the beginning of a crisis situation in the company, the bonus amount can be reduced or canceled in principle. And, conversely, if the company grows, the size of the maximum possible bonus can be increased; 2) Transparency. The procedure for calculating the bonus is as simple as possible for an employee to understand. Seeing the fulfillment of goals, he understands why he receives / does not receive a surcharge; 3) Mobilization of the company's resources. The problem of employees' lack of activity in finding ideas for possible improvements or solving critical issues is eliminated; 4) There is no need to apply sanctions and methods of negative motivation. There is a revolution in the thinking of employees – if earlier, when they realized the possibility of violating labor discipline, they thought how to avoid punishment, using the proposed system, their train of thought will change to "what can I do to avoid violations and get a bonus", that is, preventive thinking is formed.

The negative aspects of the proposed system include the factor of subjectivity of the completeness of the fulfillment of personal goals – although the employee takes part in the discussion of the results of his goals, the final decision on the percentage of fulfillment, and, consequently, on the amount of the bonus, lies with the manager. With a properly constructed staff motivation system, there should be a direct relationship between the level of employee motivation and the company's profit.

This method of evaluating efficiency is optimally suited for evaluating the proposed motivation system, since it is based on the size of the wage fund, taking into account the growth of the premium part of the salary received at the expense of the proposed bonus.

T.A. Medvedeva proposed a qualitative indicator – the efficiency coefficient of the personnel incentive system [11]:

$$K = \frac{LP}{\Delta \text{Wage fund}} \quad (2)$$

where ΔLP – labor productivity growth rate;

$\Delta \text{WAGE FUND}$ – payroll growth rate.

The closer the coefficient is to one, the more effective the system of stimulating labor motivation. At the same time, the profit level should increase.

In the first year after implementation, the calculation of the efficiency coefficient of the incentive system should be carried out monthly. After reaching a constant result close to one, the calculations can be evaluated annually.

Data on the size of the FOT and the profit of the organization for 2019-2021 are presented in Table 1.

Table 1 – The size of the payroll and profit fund of Lex Law Firm LLC for 2019-2021.

	2019 year	2020 year	2021 year
WAGE Fund, rub.	1361196	1852282	2746558

The graph of changes in the level of FOT and profit of LLC "Law Firm "Lex" for 2019-2021 is shown in Fig. 2.

According to the graph, it can be seen that over the past three years, the remuneration fund of LLC "Law Firm "Lex" has been constantly increasing. Sharp jumps can be explained by an increase in the staff of the organization, taking into account the annual indexation of wages carried out in the organization. At the same time, a significant decrease in profits in 2020 is visible, which can be explained by the consequences of a lockdown during the coronavirus pandemic. In 2021, there is an increase in the amount of profit, but it has not reached the level of 2019.

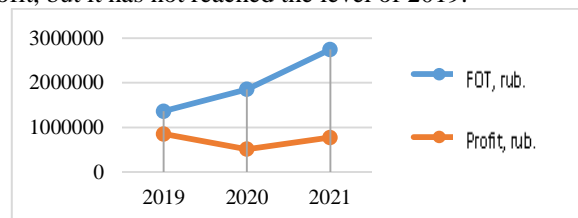


Figure 2 – Graph of changes in the level of payroll and profits of LLC "Lex Law Firm"

In the case of high efficiency of the effect of the implementation of the proposed system of personnel motivation, the schedule of changes in FOT and profit on the coordinate axis will tend to parallelism and constantly increase.

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