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Reward systems within the health and geriatric care sector

— the view of leaders

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Preface

It has been a wonderful and instructive journey writing this thesis, and we would like to thank all of those who have contributed to our final result.

Especially all our respondents, who took the time, gave us knowledge and inspired us in our writing. Your commitment was very valuable for us.

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Abstract

Examination thesis in Business Administration, School of Business, Economics and Law, University of Gothenburg, Management Control, Bachelor thesis, fall term 2009.

- Authors:* Carl Duberg, Märta Mollen
- Tutor:* Peter Beusch
- Title:* Reward systems within the health and geriatric care sector, the view of leaders.
- Key words:* Reward system, Health care, Geriatric care, incentives, motivation.
- Background:* Reward system as a financial tool is relatively new in the health care sector. In media, discussions are going on about the systems impact on quality. Absence of recent research in this area, made us interested to investigate further.
- Research problem:* How are reward systems designed in health and geriatric care and do the current reward systems effect the care quality?
- Aim of study:* This thesis aims to extend the knowledge of reward systems in health and geriatric care. Knowing how these systems are designed and what their effects on quality of health and geriatric care are, is the goal with this study.
- Methodology* With a qualitative approach we interviewed six leaders in both private and public organizations. Two of the leaders worked in geriatric care and four in health care.
- Theoretical framework:* The theoretical framework is based on scientific literature about motivation and reward systems. Also literature specifically about wage conditions in the health care sector and the public sector have been used.
- Results and conclusions:* It is shown that conditions for working with reward systems in the public sector are limited due to the lack of resources and complex large organisation structures with old traditions. This must be reconsidered to be able to work with well designed reward systems similar to those in private care organizations.



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Chapter 1 – Introduction

The introduction chapter begins with background information about our thesis, purposed to introduce the reader to an overall view of the rewards used in today's health and geriatric care sectors. This is followed by a problem formulation, where difficulties and problems associated with the studied area are presented. The chapter ends with the aim of the study, limitations and the outline of the study.

1.1 Background

“Workers in the health care industry are the heroes of Sweden, but they are not treated accordingly.” says Marianne, the Director of a retirement home.

Working in the health care industry often ensures a labor-intensive work and daily contact with injured and sick people. In order to treat everybody correctly and to maintain the Swedish “care and health law”¹, stating that everyone should be given the care they need and be treated on equal terms, one needs competent and hard-working staff. Furthermore, lower level professions, such as nurses and assistant nurses, have a generally low salary. These conditions have made it difficult to make employees feel satisfied with their work place and motivate them to perform a good job in the health care sector.

One can evaluate that most people working in health and geriatric care are probably working in this field because of their desire and need to work with people. They feel satisfied when helping others and recognize the contact with people as an incentive to perform well.

But nevertheless, rewards are essential in all organizations when motivating people to work. They are used to give the employee an incentive to work more efficient.² To create a fully working reward system is difficult. There are many parameters to take into consideration. This includes questions about which types of rewards that will be appreciated, who will be receiving the rewards and if the rewards in fact will be motivating the employees.

A monetary reward system was introduced in Sweden in the 80's to attract new labor and to motivate the workers to perform more efficiently. This was made in the form of an individual wage setting, which rewarded good performance with a higher salary.³

Implementing reward systems in the health and geriatric care sector has some obvious difficulties though. The main problem is the way results are measured. Implementing

¹ <http://www.riksdagen.se/webbnav/index.aspx?nid=3911&bet=1998:531>, Lag (1998:531) om yrkesverksamhet på hälso- och sjukvårdens område. Allmänna skyldigheter. 1 §

² Bruzelius, H, Lars & Skärvad, Per-Hugo, (2000), Integrerad organisationslära, p.42

³ Sjölund, Majvor, Lön för mödan - Lönesättning I offentlig sektor, 1997, p.70



incentives in a private commercial or industrial company is comparatively easy because results are most often measured in money e.g. if you sell more than expected you get a bonus. In health and geriatric care, which is often public and following the “common good”⁴ principle, one measures patient satisfaction and quality of service. Working for the “common good” means that the results should not benefit a small group of people but the entire society. A private health care organization is not restrained from this principle but is still dependent on results which are often difficult to measure in terms of financial numbers.

Studies have shown that efficiency has increased when a public health care organization has gone private. A well-known researcher in the field of reward systems, Per Arvidsson, however, points out that the area is relatively unexplored. He presents in a study a successful transition made at the Huddinge surgery unit in Stockholm. It went from formerly being public to now being run like a private organization. Problems with low productivity and problems to recruit and retain labor the new system managed to increase productivity and change the general negative behavior. They felt more motivated and became more inclined to take on responsibility. The form of reward was an extra monetary bonus on the side of the individual salary.⁵

1.2 Problem discussion

Reward systems in Sweden have met some great criticism⁶. It is mainly because of the huge bonuses that have been handed out to some high executives in the commercial and industrial life. The critics meant that the system made the executives focus more on the bonuses than on their business. The question that can be raised is when reward systems are implemented at health and geriatric care organizations is there a tendency for leaders to also here shift their focus? Will a reward system shift focus for the employees?

To prevent a reward system from malfunctioning it needs to be well constructed and should include all relative goals and visions. The design of reward systems is one of the most complex and sensitive issues in an organization.⁷ If you cannot measure performance, you cannot reward it. It is especially difficult to measure performance in health and geriatric care and thus difficult to create clear goals. The goals do not often consist of financial numbers but of performances indicators difficult to measure such as quality of care or work satisfaction.⁸

⁴ Bergqvist E., Belöningar och prestationer i offentlig verksamhet- En utvärdering av fyra fall inom Stockholms läns landsting, 1994, p.12

⁵ Arvidsson, Per, Styrning med belöningsystem, 2005, p.32

⁶ <http://www.affarsvarlden.se/hem/nyheter/article540043.ece>, Published: 18-03-2009

⁷ Samuelson, Lars A., Controllerhandboken, 2001, p.108

⁸ Bergqvist E., Belöningar och prestationer i offentlig verksamhet- En utvärdering av fyra fall inom Stockholms läns landsting, 1994



Examples of malfunctioning reward systems in health care organizations are discussed in the article: “*Wrong control by reward systems in healthcare*”⁹

The article explains the effects of a reward system at a hospital consultancy in Stockholm where they were awarded 1000 SEK extra in bonus per month if they could handle telephone calls, which include medical advice, in less than 3.48 minutes. One might assume that this can lead to some very stressful receptionists. Another attempt “Vårdval Stockholm”, where a medical center was given bonuses if they treated more than a certain number of patients led to a noticeable change in priority. Easily treated patients, such as self-healing infections were treated first and more severely injured patients were kept on hold¹⁰. Both examples are in direct conflict with the previously mentioned “care and health law” and show clearly that a reward system can shift focus.

Aidemark shows a different outcome in his study. He studied the transition Helsingborg Lasarett AB went through when it changed from being a public company to a private. With the transition a new reward system was introduced. The staff had different opinions on the effects. Some welcomed the incentives, became more motivated and saw a general improvement in both patient satisfaction and efficiency. Others saw that this new business-like behavior could result in wrong prioritization e.g. the favoring of well paid surgical treatments.¹¹

There is a continuous discussion about how scarce the resources in the health care sector are, especially in public health care. The need for more resources is increasing and the demand for qualitative care is constantly high.¹²

We became interested in reward systems after a course in organizational theory. We found it interesting, how reward systems motivate workers in the geriatric care, practiced at retirement homes, but also in healthcare practiced at hospitals. An interesting part was to see how a reward system could help to cope with the present challenges and how it would affect quality? We also wanted to see if there are any great differences when studying another care sector. Are workers in geriatric care motivated by different rewards than in the health care sector?

Therefore we put forward the following research questions:

- How are reward systems designed in health and geriatric care?
- Can reward systems have possible effects on the quality of health and geriatric care?

1.3 Aim of the study

This thesis aims to extend the knowledge of reward systems in health and geriatric care, how a reward system can be designed and if it has possible effects on the health and geriatric care

⁹ http://www.svd.se/opinion/synpunkt/vardens-belongningssystem-styr-fel_2909069.svd, Published: 05-18-2009

¹⁰ Ibid

¹¹ Aidemark, Lars Göran, Sjukvården i bolagsform, 2004, p.173

¹² Von Heland, Jan, Tjänster för samhället, 1999, p.6-9



quality. In particular, we focus on the view of leaders the view of leaders' from public and private organizations active in health and geriatric care.

1.4 Delimitation

Regarding the design of a reward system, it is the management's responsibility to define the desired behavior and performance and later specify how they should be measured¹³ and what you want to achieve with the system¹⁴. Therefore, we have chosen to focus on the leaders in geriatric and health care organization and their experiences of reward systems but not on the employees. We assume that all organizations have some kind of reward system.

We limited ourselves to six interviews, two in geriatric care and four in health care, for the simple reason that among the 10 organization we contacted, only four provided us access to interviewees.

1.5 The outline of the thesis

Chapter 1: Introduction

This part has given the reader a background of reward systems and their implementation in health care. We explain our problem discussion, aim of the study and delimitations.

Chapter 2: Method

In the method chapter a description of the approach to our study is presented in a methodological context. Furthermore the collection of data and weaknesses of the study is presented.

Chapter 3: Theoretical frame of reference

In the third chapter we present relevant theories and studies. This to give the reader a background to the studied area. First we explain different motivation theories, followed by the design and theories related to rewards, and finally research on reward systems in the health care sector.

Chapter 4: Empirical study

Our interviews with the leaders are here presented. The six interviews are divided into four sections. Each chapter represents one organization.

Chapter 5: Analysis

Our empirical material is analyzed, and confronted with our theoretical framework.

¹³ Arvidsson, Per, Styrning med belöningsystem- Två fallstudier av belöningsystem som Styrmedel, 2005, p.20

¹⁴ Anthony, Dearden & Govindarajan, Management Control Systems, 1992, p.394-395



Chapter 6: Conclusion

A conclusion is made, based on the interviews and the results of the analysis. Finally we provide recommendations for future research.



Chapter 2 – Method

In this chapter we will describe our approach to this thesis. We explain and motivate our choice of method. We explain how and why information has been gathered, and present the considerations we have had during this thesis. Finally, we will offer critique on our choice of method and empirical material.

2.1 Research approach

We will with this thesis try to understand how reward systems are designed in health and geriatric care, which rewards are used and how they fulfill their purpose. Our approach is of a qualitative character, conducting interviews with six leaders in four organizations. With their opinions and views we will form an understanding for reward systems in the health and geriatric care sector. Interviews are a very useful tool when studying opinions and views. "...it can take us into the life world of the individual, to see the content and pattern of daily experience"¹⁵. The contrary approach, quantitative method, tries to detect tendencies or irregularities by making experiments, tests and using question sheets. In conducting a qualitative study, verbal formulations, i.e. the gathering of words instead of numbers, is essential.¹⁶

We want to know if the leaders believe that the reward systems they work with create sufficient incentives for the employees to feel motivated. Do they believe that they make people work more efficient? What are their thoughts about their reward system, could they be made better or are they satisfied? Do leaders believe reward systems differ between when used at a retirement home or a hospital? And also, can the use of reward systems have effects on health and geriatric care quality?

2.2 Case study

In case studies one uses a single observation to describe a greater phenomenon. Instead of gathering a massive amount of information from as many hospitals and retirement homes as possible, we focused on a small number of objects. Using case studies allows one to obtain an in-depth, comprehensive view of the object from which one makes general conclusions about the whole population. This is then used to create an overall view of the researched area. In comparison with a statistic study where one often work at a distance, a case study brings the researcher closer to the researched subject, which we found necessary to get a deeper understanding and to obtain the information we needed to conduct our thesis.¹⁷

¹⁵ McCracken, Grant, The Long Interview, 1988, p.9-10

¹⁶ Backman, Jan, Rapportör och uppsatser, 1998, p.31

¹⁷ Ejvegård, Rolf, Vetenskaplig metod, 2009, p.32



Though a case study can never fully explain a phenomenon because it does not depict all relevant factors when explaining reality, it can only describe the reality of the examined observation.¹⁸ It is therefore important to have considered the credibility of the information gathered. The results and credibility of the study are also dependent on our ability to interpret the information gathered.

2.3 Selection of organizations and interviewees

In line with our study, to see differences and similarities in different sectors we chose to investigate both private and public organizations. These were to be active in both health and geriatric care, which both employs the same labor, nurses, assistant nurses and hospital orderlies. This was made to get a wider perspective of how reward systems are used in the health care sector.

Initially we had a contact in the private geriatric care sector, Fridkulla Äldreboende. We expanded this sector with Lillekär Äldreboende after having read articles in journals about their successful system to motivate their employees. Further contacts lead us to both Sahlgrenska and Linköpings Universitetssjukhus. We tried to contact the main private hospitals in Gothenburg, Carlanderska and Lundby sjukhus but were refused interviews. The explanation was that they could not find anyone with spare time for us because of the swine flu vaccination and also that recent layoffs has led to an understaffing. Similar explanations were given by the retirement homes Bagaregården, Bjurslätt, Fyrväplingen and Fässberg.

We choose to conduct interviews with six leaders working in the four different organizations. The purpose of using the leaders' view is because they are actively participating in questions regarding their employees' motivation and work satisfaction. They are also responsible for creating value and good results for the organization over all. We chose to use the word leader instead of manager, superior or executive because of its definition¹⁹. A leader reaches his goal with the help of his co-workers; he leads them while a manager on the other hand reaches his goals by directing resources and manages his co-workers. The criteria for choosing interviewees was that he/she should be familiar with reward systems and motivation issues at his or hers workplace.

¹⁸ Merriam, Sharan B, Fallstudien som forskningsmetod, 1994, p.23

¹⁹ Svenska Akademin, Svenska Akademiens ordbok, 1998



Organization	Respondent	Position	Sector	Care
Lillekär	Monica Andersson	Deputy Director	Public	Geriatric
Fridkulla	Marianne Duberg	Director	Private	Geriatric
Sahlgrenska University Hospital	Ola Eidem	Head of Thorax intensive care	Public	Health
University Hospital of Linköping	Lotta Nysten Unosson	Head of HR, Laboratory Medical Centre	Public	Health
University Hospital of Linköping	Laila Håkansson	Head of Clinical Immunology & Transfusion Medicine	Public	Health
University Hospital of Linköping	Anonymous	Head of a Medical Centre	Public	Health

Table 1: The study's respondents

2.4 Collecting data

There are two different types of data. Primary data is information that the researcher himself collects through surveys, interviews, etc. The information should not have been collected or published before. Secondary data is material taken from already existing research and publications.²⁰

2.4.1 Primary data

Interviews have been the main source of primary data. Some written information has been given to us from the respondent such as evaluation sheets for wage setting purposes, brochures and general information of the organizations.

2.4.2 Interviews

The aim was to give the interviewed as much freedom in their answers as possible, in order to keep the discussion open and display personal opinion.

We conducted six two hour in-depth interviews of which each began with a short presentation of our study. The respondent then gave us a short presentation of their position at the organization and how they came to acquire that position. We then continued the interview following our interview guide (see attachment 1). The questions when asked to people working in a hospital or a retirement home have been to some extent different.

We used recorders while performing the interviews so that we could both focus on the discussion with the respondent. Before writing the empirical evidence chapter, we have replayed the interviews and summarized the information. Furthermore when we have met

²⁰ Patel, Runa & Davidson, Bo, Forskningsmetodikens grunder, 2003, p.65



uncertainty analyzing the interviews we have once again contacted the respondents via telephone or e-mail for a clarification. This happened four times.

2.4.3 Secondary data

The first approach we took in collecting secondary data was to look up similar studies and find out what databases and literature they used. Using those databases we tried to find relevant data that we could use for our own thesis. When looking for literature we used the Gothenburg University's own database GUNDA and the city library of Gothenburg's search engine GOTLIB. For articles our main source was Business Source Premier (EBSCO). We also used SCOPUS (Elsevier). We used further applied different combinations of words such as reward systems, motivation, incentive systems with healthcare, geriatric care, hospitals, retirement homes. These combinations were also used on Google where we found articles published in news magazines. Simultaneously with the interviews we asked the respondents if they could share any kind of material with us and some was handed to us in form of brochures and leaflets.

2.5 Weaknesses of the thesis

The main disadvantage when performing a case study is that a single event or a case can never fully represent reality. This means that one has to be careful when making conclusions.²¹ The difficulties in finding respondents and the time constraints led to six interviews. With more respondents we could create a study that is more certain to reflect reality. We only interviewed one manager in the private sector which needs to be taken into consideration while reading this study. It results in this thesis to be more influenced by the public sector than the private. We could not be entirely certain that the answers we received were truthful but we simply trust that they were.

To create a solid thesis the information needs to be reliable and valid.²² In conducting the interviews, there was a risk that the information we got could be incorrect. Reliability indicates how reliable the information is, which we have received from the completed interviews. High reliability is achieved when several independent measurements of the same phenomenon give the same result.²³

We do not believe that the interviewees consciously handed us incorrect information, the respondents although affected by their ideological beliefs when they interpret and convey information. When talking about public contra private sectors, we therefore tried to tone down the political spectra and focus on the pros and the cons about each separate system. We never asked for their political standpoint. An employee can also be afraid of any negative effects from superiors when they hear about their employee's answers in this study. To prevent this we offered anonymity, and one interviewee chose to be anonymous.

²¹ Ejvegård, Rolf, Vetenskaplig metod, 2009, p.35

²² Ibid, p.77

²³ Ibid, p.77



High validity means that the information presented in the interviews does not contain any bias. It is therefore important that the examination and the interviews we conducted really measures what we intend to measure.²⁴ To do so we needed to construct clear and understandable questions so that no misinterpretation would come from the respondents. For this reason we took influence from other studies and conducted test interviews with two friends working in the health care sector, prior to our actual interviews. Doing so, we believe that we finally created solid and understandable questions.

Regarding our secondary data, it has been difficult to find relevant theories dating from the 1990's to present day. Because of this we have used theories that have their origin from the eighties and earlier. Being old, we still consider them relevant when we found their applicability with today's research and our empirical evidence. Except in three cases, we tried to avoid internet sources because of their lack of credibility. The ones we used were primarily government homepages, to gather statistics about number of employees, number of beds etcetera which would be considered to be trustworthy.

²⁴ Ibid, p.78



Chapter 3 - Theoretical Framework

In this chapter we will present a variety of relevant theories and research. This will give the reader a basic understanding of the study and a foundation needed to understand the empirical evidence and our conclusion. We begin by presenting the basics of a reward system, followed by the motivation theories. This chapter is concluded with a presentation of relevant research done in health care.

3.1 Rewards

3.1.1 Agency Theory

“Modern economic organizations are complex team-productions, since their output is jointly produced by several-input owners, e.g. stakeholders, managers and employees”²⁵

This theory involves a principal, e.g. an organization or a leader and an agent, e.g. an employee. Information asymmetry between the two creates a problem; they have different views, opinions, needs and interests and are consequently driven by different factors. To create congruence between them one can use different financial tools. Implementing a reward system can create common goals, e.g. if a CEO is given shares in a company and is subsequently motivated to make the whole company profitable so that the shares become more valuable.²⁶

3.1.2 Rewards

Rewards are tangible or intangible evidence of appreciation, following an extraordinary performance to one or more employees.²⁷ What individuals see as a reward may differ, and can be anything from a higher salary, increased responsibility and special education to a pat on the shoulder.²⁸

Characteristic features of rewards are:

- It is not continuously recurring, instead directly tied to a specific performance
- It is not contracted neither negotiable²⁹

It is important to understand that there is a difference between a reward and its synonyms; benefit and compensation. Benefit and compensations are often generalized, based on agreements and aimed to strengthen the company's ability to recruit and retain employees.³⁰

²⁵ A.A. Alchian and H. Demesetz, Production, information costs, and economic organization. American Economic Review 62 (1972), pp. 777–795.

²⁶ Merchant, Kenneth A., & Van der Stede, Wim A., Management Control Systems, p.394-395

²⁷ Paul, Ann-Sofie & Alm, Ove., Belöningar och Belöningssystem, 1991, p.20

²⁸ Svensson, A & Wilhelmson, L. Belöningssystem, 1989, p.9

²⁹ Paul, Ann-Sofie et al., Belöningar och Belöningssystem, 1991, p.20

³⁰ Ibid, p.30



Benefits and systems of rewards that primarily aims to strengthen the ability to recruit and retain employees for the organization

- Joint- ownership by shares or convertibles
- Profit sharing
- Collective wages by results
- Subsistence allowances
- Free or subsidized housing
- Free or subsidized car
- Free fuel
- Mobile phone
- Free magazines, books
- Subsidized lunch, coffee, refreshments
- Free work clothes that can be used privately
- Free travel to and from work
- Foundation staff
- Staff discounts
- Credit cards
- Concessional loans from the company
- Insurance
- Resettlement allowance
- Childcare
- Laundry and cleaning at home
- Private use is the company's premises and equipment
- Interior of room for personal preference
- Stunts kick off "ceremony
- Health, wellness
- Advice on private finance, legal
- Staff Parties
- Representation
- Access to vacation homes
- Subsidized sport or other club activity
- Christmas gifts
- Flexible working hours
- Freedom to locate work at home
- Generous regulation concerning leave of absence
- Positive attitude to study and parental leave

Table 2³¹

Rewards which mainly aims to promote and recognize individual performance:

- Pay increase
- Incentive pay
- Performance pay
- Commissions, bonuses
- Gratuity
- Gifts
- Travels
- Restaurant visits
- Compensation when suggestions for improvement
- Spontaneous small rewards
- Estimation
- Recognition
- Public praise, in staff magazine etc.
- Status symbols
- Titles
- Represent the company outwards
- Advancement
- Temporary positions at senior service
- Project work
- Project leadership
- Personal development
- Advanced training

Table 3³²

Benefits and systems of rewards that primarily aims to strengthen the ability to recruit and retain employees for the organization

Rewards which mainly aims to promote and recognize individual performance

³¹ Ibid, p.30

³² Paul, Ann-Sofie et al., *Belöningar och Belöningssystem*, 1991, p.30



3.1.3 Extrinsic and Intrinsic rewards

The term “reward” can be divided into extrinsic and intrinsic reward. An intrinsic reward is aimed at the individual himself and is generally associated with positive, satisfactory feelings. Extrinsic rewards can be monetary or non-monetary rewards and are given by the employer in form of salary or benefits. The organization has control and distributes extrinsic rewards but have little or no direct control over the intrinsic rewards. An example of how an intrinsic reward can be given is when a manager spends time with his co-workers with the only intention to build up the co-workers self-esteem and develop his knowledge and strengths. The intrinsic rewards are as important as the extrinsic.³³

3.1.4 Monetary and non-monetary rewards

*“Money is obviously the primary incentive, since without it few if any employees would come to work”.*³⁴

Money is the most frequently used incentive to improve performance.³⁵ It can satisfy many needs and is therefore applicable to most people³⁶. The link between financial rewards and job performance is strong, and money can therefore be well used as an incentive to make people more inclined to work efficient and enhance performance.

Monetary rewards is not just real money, but also rewards that in some way can be given a monetary value, such as a free car, a cell phone or a news paper,. Almost every organization has some kind of monetary reward.³⁷

*“Money alone is not always enough to motivate high performance”*³⁸

To obtain lasting motivation, one has to pay attention to the non-financial motivators.³⁹The second most frequently used incentive as motivator is social recognition. This is simply explained as giving personal attention, most often conveyed verbally through expressions of interest or approval e.g. the appreciation given for a well performed job.⁴⁰ Examples of other social rewards are responsibility, influence, systematic positive and negative criticism. In

³³ Thorsvik, J. et al, Hur moderna organisationer fungerar, 2008, p.265

³⁴ Latham, Gary P., & Locke, Edwin A., Goal Setting, A Motivational Technique That Works. Organizational Dynamics, 1979, Vol. 8, issue 2, p.68-80

³⁵ Stajkovic, Alexander D. & Luthans, Fred., Differential Effects if Incentive Motivators on Work Performance , Academy of Management Journal, 2001, Vol. 44 , Issue 3, p..580-590

³⁶ Armstrong, M., Managing Reward system, 1993, p.34

³⁷ Thorsvik, J., et al, Hur moderna organisationer fungerar, 2008, p.271

³⁸ Latham, Gary P et al, Goal Setting-A Motivational Technique That Works, Organizational Dynamics, 1979, Vol. 8, Issue 2, p.68-80

³⁹ Armstrong, M., Managing Reward system, 1993, p.35

⁴⁰ Stajkovic, Alexander D. et al, Differential Effects if Incentive Motivators on Work. Academy of Management Journal, 2001, Vol. 44 , Issue 3, p.580-590



contrast to monetary motivation incentives, social and symbolic rewards have very little, or no direct financial cost,⁴¹ only time, effort and interpersonal skills from the managers.⁴²

3.1.5 Rewards systems

Monetary rewards, non-financial rewards and employee benefits are the three basic elements of rewards systems.⁴³

The motivation instrument that has been given most attention is the reward system, also called incentive system.⁴⁴ Various types of wages, benefits or other forms of rewards are created and maintained in different structures and procedures.⁴⁵ The purpose of using a reward system as a financial instrument is to motivate employees to fulfill their assigned roles and perform their assignments in a satisfying way for the organization.⁴⁶ They are also used to facilitate changes and improve the efficiency of the productivity, quality and use of resources.⁴⁷ In all organizations there are reward systems to be found. It can be conscious or unconscious, well-thought-out or unconsidered, systematic or unsystematic. They often have emerged gradually and are based on tradition.⁴⁸

It is in the culture of the organization, what is rewarded, punished (not getting a reward) or what passes by without reaction. What separates the organizations that are aware of their use of a reward system from those who never really thought about it, is that performance is being rewarded in a conscious way, which according to many, better helps organizations reach their required results.⁴⁹

⁴¹ Stephen P. Robbins, *Organizational Behavior*, eight edition, p. 207

⁴² Stajkovic, Alexander D. et al, *Differential Effects of Incentive Motivators on Work* Academy of Management Journal, 2001, Vol. 44, Issue 3, p.580-590

⁴³ Armstrong, M., *Managing Reward systems* 1993, p.130

⁴⁴ Thorsvik, J. et al, *Hur moderna organisationer fungerar*, 2008, p.269

⁴⁵ Armstrong, M., *Managing Reward systems* 1993, p.1

⁴⁶ Thorsvik, J. et al, *Hur moderna organisationer fungerar*, 2008, p. 269

⁴⁷ Svensson, A. & Wilhelmson L., *Belöningsystem*, 1989, p.67

⁴⁸ *Ibid*, p.67

⁴⁹ Paul, Ann-Sofie et al, *Belöningar och Belöningsystem*, 1991, p.24

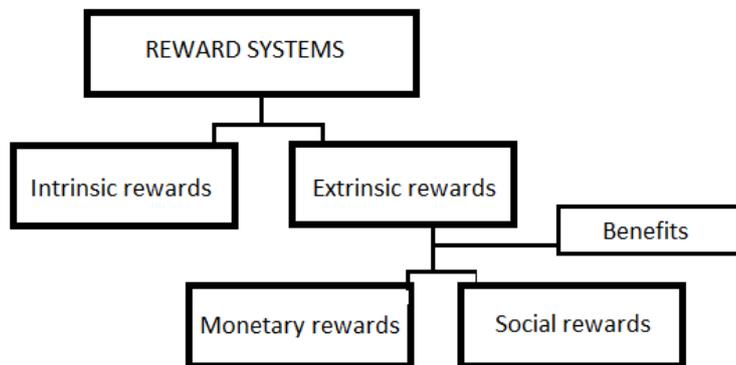


Figure 1: Reward systems and their elements⁵⁰

3.1.6 Important aspects in the design of a reward system

A fully integrated reward system consists of a various mix of rewards, which interacts with one another and contributes to both the organization and its individuals reaching their goals.⁵¹ The difficulty with reward systems is designing a system that in fact generates the desired effect.⁵²

When designing a reward system there are four major points to be considered;⁵³

1. Identify what should be rewarded

The desired results of the organization and the results anticipated from the individual employee constitute the criteria, which the organization uses when constructing a reward system. Qualitative and quantitative goals should be set, as well as the attitudes and performance needed to reach those goals. The incentive systems often consist partly of a fixed salary and partly of a wage component, which varies depending on the employee. This is to maintain both safeness and motivation for the employee.⁵⁴

2. Design systems and criteria how performance can be evaluated or measured

It is not a measurement of scientific significance that is demanded. Qualitative results are often difficult to evaluate, but must still be emphasized because it is most often vital for the business. Rewards must be accepted and perceived as fair by the employees. Openness about how and why evaluation is done is one of the key elements in an effective reward system.⁵⁵

3. Define what is seen as a reward among the different individuals and groups in the organization, and what rewards should be used.

⁵⁰ Source: own

⁵¹ Armstrong, M, Managing rewards systems p.137

⁵² Paul, Ann-Sofie et al, Belöningar och Belöningssystem, 1991, p.29

⁵³ Ibid, p.29

⁵⁴ Thorsvik, J. et al, Hur moderna organisationer fungerar, 2008, p.272

⁵⁵ Paul, Ann-Sofie et al., Belöningar och Belöningssystem, 1991, p.29

The abovementioned monetary and non-monetary rewards should be related to what individuals in the organization perceives as reward in different situations and which of these management is willing to use, depending on the resources available. The individual rewards and the group rewards should be distinguished and appeal to everyone in the organization. Desired effects on individual motivation must be related to the possible risk of internal competition and cooperation problems. An alternative is to have a combination of individual and group rewards, such as large bonuses to everyone in the company based on the profit of the organization and at the same time a smaller individual bonus on sales.⁵⁶

4. Define what is the expected impacts of the reward system

It is important to make predictions on the outcome of a reward system. The positive and negative consequences on income/expenses, potential barriers, changing values, etcetera. One should be aware of which factors that are important to follow up and how it can be done. Many measures can be done, for example measuring the general perception in the staff of reward systems, outcome systems would have on business' budget or customers/clients perception of service and quality.⁵⁷

A well-designed rewards system should be:

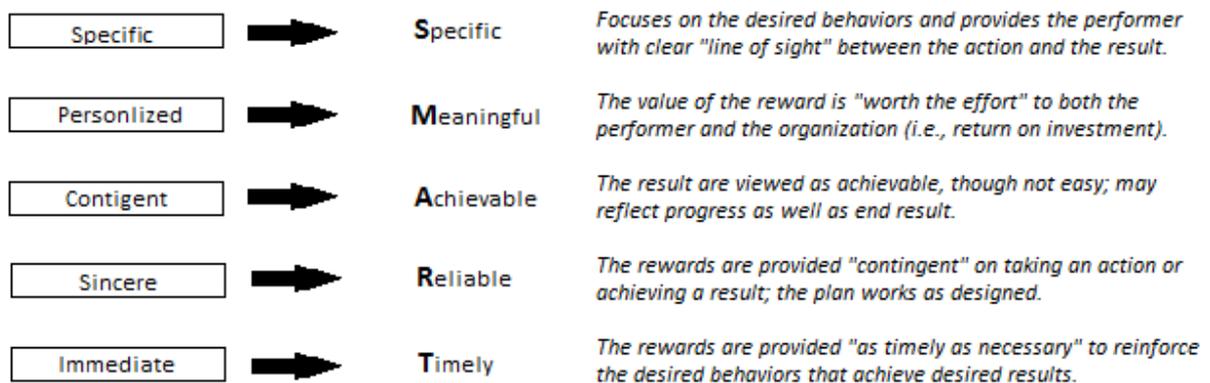


Figure 2: Five criteria for a successful reward system⁵⁸

For the system to finally have a substantial impact, the organization's viewpoint on motivation and rewards has to be adopted and accepted by the managers and employees at all levels. It has to become a part of the company's culture⁵⁹

3.1.7 Hazards of Reward Systems

Reward systems may be powerful motivators, but the systems can also have unwanted side effects.⁶⁰ Herzberg pointed out that organizations which placed great emphasis on motivating

⁵⁶ Thorsvik, J. et al, Hur moderna organisationer fungerar, 2008, p.270

⁵⁷ Paul, Ann-Sofie et al, Belöningar och Belöningssystem, 1991, p.30

⁵⁸ Wilson, Thomas, B., Innovative Reward Systems for the changing Workplace, p.50

⁵⁹ Paul, Ann-Sofie et al, Belöningar och Belöningssystem, 1991, p.23



through extrinsic rewards, must expect to sooner or later end up in a reward spiral.⁶¹ When a person has got her reward, she is satisfied and the motivating incentive is no longer present. It falls into routine and new goals and rewards must continuously be formulated, which means increased costs for organizations. A frequent payment of a bonus could be taken for granted and frustration against management could arise when the bonus for some reason is not longer given. Employees are driven by short term thinking when rewards are based on short term results, which may not be in the organization's best interest in the long term.⁶²

The problem lies in the ability to measure and document the differences between the employees. This is a normal reason why incentive systems sometimes fail. The lack of objective criteria and measurement spreads mistrust among the employees towards management. With vague criteria, the proposed motivation building factor, which the system is based on, defaults.⁶³ Different departments within an organization may have different conditions to achieve good results, depending on what job assignment they have. This may cause jealousy.⁶⁴ Similarly, differences in rewards between individuals or groups who believe they are comparable with one another in their performance, leads to low satisfaction and could finally end up with conflicts. When employees focus their attention on the performances and results that are rewarded, those which are not linked to any rewards are down-prioritized. The not rewarding functions in an organization are often difficult to measure, but are still vital for the company's survival. Example of these functions could be innovation, creativity and capacity building.⁶⁵

3.2 Motivation

Motivation Theories analyses the factors that motivates employees to perform better. They strive to explain the basics in psychology, why people act in a certain way. Why they chose one way instead of another.⁶⁶

3.2.1 Maslow's theory of needs

Abraham Maslow born in New York 1908 was a psychologist that specialized in psychotherapy.⁶⁷ His basic theory of needs, explains five different levels of needs. It begins with primary needs that are more essential for surviving and ends with more self fulfilling

⁶⁰ Thorsvik, J. et al, Hur moderna organisationer fungerar, 2008, p.270

⁶¹ Robbins, Stephen P, Organizational Behaviour, 1997, p.172

⁶² Ibid, p.172

⁶³ Perry, James L. & Petrakis, Beth Ann, Can Pay for Performance Succeed in Government?, Public Personnel Management, 1988, Vol. 17, Issue 4, p.359

⁶⁴ Paul, Ann-Sofie et al, Belöningar och Belöningssystem, 1991, p.23

⁶⁵ Thorsvik, J. et al, Hur moderna organisationer fungerar, 2008, p.271

⁶⁶ Kaufmann, Geir, Kaufmann, Astrid, Psykologi i organisation och ledning, 1996, p.81

⁶⁷ Udechukwu, Ikwukananne, Correctional Officer Turnover: Of Maslow's Needs Hierarchy and Herzberg's Motivation Theory, Public Personnel Management, 2009, 38, 2, p.69-82,



needs.⁶⁸ This theory is a central base in today's organizational literature and is still the most influential theory for explaining the needs and motivations of a person.⁶⁹

By studying mental patients Maslow discovered that satisfying your needs was the primary ground for mental wellness. He then divided the human needs into five categories. These five categories make a hierarchy, where lower level needs first must be satisfied in order to reach a higher level.⁷⁰ Maslow's theory has then been developed to fit many situations. We will give examples on how it can be used on employees.⁷¹

The needs are as follows:

1. Physiological – These are biological needs such as breaks (rest, sleep) or salaries. Salaries are related to the individual's need for money to pay rent (shelter) and food (hunger).
2. Safety – These are psychical needs such as knowing that you will keep your job or girlfriend. These needs are associated with an individual's need to feel physically and emotionally safe.
3. Social – The individual needs for someone to talk to, both as a support and to feel accepted. A company could make it easier for the employee to meet his social needs by providing social events or activities.
4. Esteem – The need for self-respect and respect from others. Personal development is something that is central in this category. The individual wants to feel acknowledged for the work he has done or for the person he is. Status, recognition and attention also help to explain this need.
5. Self-actualization - The last and highest need in Maslow's hierarchy of needs is the drive to become what you are capable of becoming, as well as developing and using the skills and qualities you possess to reach your highest potential. Maslow believes that when the possibilities are given to a person to develop their capacity, a great motivational force is created. One performs best under these circumstances which could in the business world both benefit the employee and the organization.⁷²

⁶⁸ Robbins, Stephen P, Organizational Behavior, 1997, p.169

⁶⁹ Jacobsen, Dag & Ingvar, Thorsvik, Jan, Hur moderna organisationer, 2008, p.260 & Robbins, Stephen P, Organizational Behavior, 1997, p.169

⁷⁰ Kaufmann, Geir & Kaufmann, Astrid, Psykologi i organisation och ledning, 1996, p.86-87

⁷¹ Robbins, Stephen P, Organizational Behavior, 1997, p.169

⁷² Robbins, Stephen P, Organizational Behavior, 1997, p.169 & Kaufmann, Geir, Kaufmann, Astrid, Psykologi i organisation och ledning, 1996, p.86-88 & Bakka, Jörgen, Fivelsdal, Egil & Lindkvist, Lars, Organisationsteori, 1999, p.163



Figure 3: Authors further development of Maslow's theory of need

Being one of the most used and well known motivation theories it still has some flaws. Maslow provided no empirical evidence to validate the theory and there have been great difficulties to prove if whether or not the theory actually works.⁷³ The theory is also very general and the categories are too vague.⁷⁴

3.2.2 Herzberg's Motivation-Hygiene Theory

Frederick Herzberg a psychologist from America has done some extensive research in motivation. He wanted to know what factors motivate people to work and what factors made the workers feel dissatisfaction. He performed a simple survey which he gave to people working at middle-management levels. The questions were constructed to identify critical moments in the workers careers; when they felt very satisfied or when they felt very dissatisfied. Summarizing the results, Herzberg could determine a pattern which subsequently resulted in his motivation-hygiene theory.⁷⁵

Herzberg could detect a pattern in the answers, depending on if the moment was a positive or a negative one. The general idea before the Herzberg theory was that the contrary to dissatisfaction was satisfaction. Herzberg showed that they had no relation to each other.

⁷³ Robbins, Stephen P, Organizational Behavior, 1997, p.170

⁷⁴ Ibid, p.170 & Kaufmann, Geir et al, Psykologi i organisation och ledning, 1996, p. 88

⁷⁵ Robbins, Stephen P, Organizational Behavior, 1997, p.171-172 & Bakka, Jörgen, Fivelsdal, Egil & Lindkvist, Lars, Organisationsteori, 1999, p.165

Removing dissatisfying elements in a job would not necessarily make it satisfying. One conclusion was that the opposite of dissatisfaction is no dissatisfaction. The moments that gave satisfaction were related to what is known as intrinsic factors, such as achievements, recognition, responsibility, work itself and growth. These were named motivation factors. The negative moments were related to extrinsic factors, such as company policy, working conditions, administration and supervision and were named hygiene factors.⁷⁶ The motivation factors promote work satisfaction and the hygiene factors promote dissatisfaction.⁷⁷

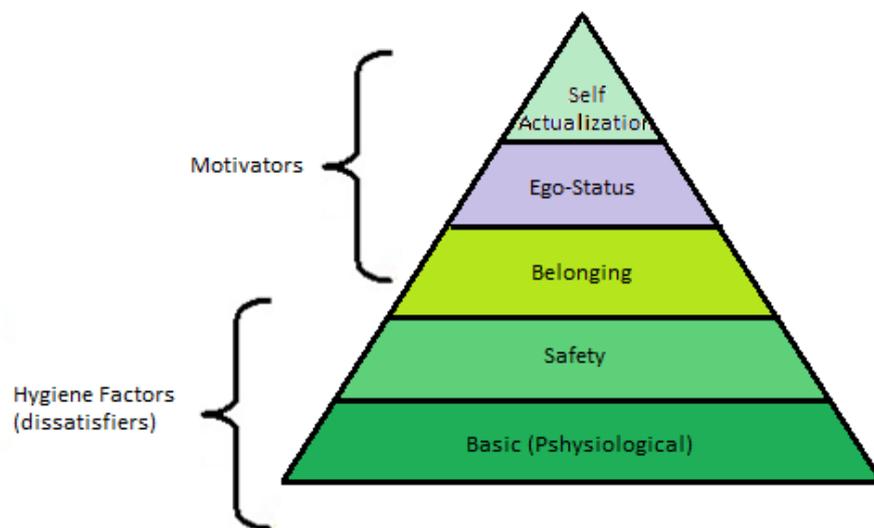


Figure 4: Authors further development of "The Elements of Herzberg's motivational factors"

His findings were that the employer should concentrate on stimulating the intrinsic, motivation factors to motivate the employees

- Challenge the employee and thereby make them use their full potential by making changes in their work.
- Exchange difficult, repetitive and dull work tasks when possible, make them concentrate on more interesting aspects of work
- Expand work with more tasks, creates less monotony and greater work variation
- Use work rotation, the employees will gain new abilities and become flexible and gains a greater understanding.⁷⁸

3.2.3 Expectancy theory

Victor Vroom created one of the most well known theories for explaining motivation. He describes the behavior one has towards an assignment is determined by the person's expectancy of the assignments

⁷⁶ Ibid, p.165

⁷⁷ Ibid, p.165 & Kaufmann, Geir et al, Psykologi i organisation och ledning, 1996, p.107

⁷⁸ Kaufmann, Geir et al, Psykologi i organisation och ledning, 1996, p.109



outcome. Furthermore, the employee adjusts his behavior according to what he believes the result of the outcomes will satisfy his needs.⁷⁹

*"This theory emphasizes the needs for organizations to relate rewards directly to performance and to ensure that the rewards provided are those rewards deserved and wanted by the recipients."*⁸⁰

3.3 Rewards systems and motivation incentives in the health care sector

The use of outspoken incentive and reward systems are not easily found in Sweden.⁸¹ The health care workers have for many years been the heroes of society, since they save lives. This meant that employees in this sector saw their careers as a calling which was enough for them to feel justified. Today, the work is ever more demanding, and as the work-load increases, the professional role has lost its reputation. New ways to motivate employees in this sector has to be found.⁸²

As earlier mentioned about 80 percent of health and geriatric care in Sweden is found in the public sphere.⁸³ The limited resource for rewards for the public sector is a restrictive factor when competing for labor with the private sector. Wages in the public sector has limited and vague elements of performance adaptation and salary gaps between employees are much smaller than they are in the private market. That does not in any way disregard the fact that wages and salary level is of great importance for employees in the public sector.⁸⁴

During the 1980s, major changes were made in the public sector, where wage negotiation became decentralized. Managers in the public sector that previously did not have any responsibility for payroll matters were now given an active role in setting wages.⁸⁵ The motive was to achieve a greater wage differentiation among the employees that was more performance based and in relation with the market wages.⁸⁶ Today, models of management invented and used in the private sector have become of great interest to the public sector and an increase of their implantation here has been seen.⁸⁷

The conditions for working with reward systems differ between the private and public sector. The public sector has five characteristics that create specific conditions for wage policy that in many ways can represent natural restrictions of a reward system:

⁷⁹ Anthony, Dearden, Govindarajan, Management Control Systems, 1992, p.51-52

⁸⁰ Montana, Patrick J; Charnov, Bruce H, Management – 4th edition; (2008) – Barron's Educational Series, Inc

⁸¹ Arvidsson, Per. Empirisk studie av en teambaserad incitamentmodell på Dagkirurgiska kliniken vid Huddinge Universitetssjukhus, p.24

⁸² Heland, Jan, Tjänster för samhället., (1999), p.12

⁸³ <http://www.vardforetagarna.se/web/Statistik.aspx>, 2010-01-04

⁸⁴ Prestationer och belöningar inom offentlig sektor, p.11.

⁸⁵ Sjölund, Majvor, Lön för mödan - Lönesättning i offentlig sektor, 1997, p.10

⁸⁶ Ibid, p.10

⁸⁷ Ibid, p.11



1. Public insight, information is accessible for anyone; employees can see each other's salaries
2. Difficulties in measuring performance
3. Conformity to law, sets boundaries for innovation and creativity
4. Goal, "the common good", not as easy to rewards as private market goal's such as value creating, productivity and yield
5. The activity takes place in a political environment; conflicts may arise between officials and politicians.⁸⁸

Using goal-setting is an effective alternative to monetary incentives in health care, as it offers high returns for relatively small investments. This is an important factor considering today's tight budgets in this sector. Public organizations' goals are often more diffuse and do sometimes because of this lead to conflicts within the organizations. Unlike the substantial and relatively more specific goals of business organizations, which are made to obtain satisfactory profitability⁸⁹. Not being able to clarify what should be achieved can have a devastating effect on a business⁹⁰. In non-profit organizations, goal setting is more complex, but could include "value for money", cost-effectiveness, quality, international recognition, etc.⁹¹ The performance of each of these goals is difficult to measure, and reward incentives by results is therefore difficult to design.

During the 1900's many had ambitions was to change the organizational structure of the health care. Financial problems have lead to a certain shift in goals in health care. Administrative and market influenced control systems have come to challenge the more traditional structure.⁹² The idea of making public activity more efficient lead to changes in the legal system, where competition was accepted and the number of private actors increased on the health care market.⁹³

This resulted in a widespread concern, would "equal quality healthcare for everyone" be replaced with "health care depending on the size of your wallet"⁹⁴. What happens if greed for money takes over in a health care organization? Early organizational research has proven that doctors and nurses always give their medical professionalism priority when faced with conflicts between the organization's and the patients' interests.⁹⁵

⁸⁸ Sjölund, Majvor, Lön för mödan - Lönesättning I offentlig sektor, 1997, p.11

⁸⁹ Perry, James L. & Porter, Lyman W., Factors Affecting the Context for Motivation in Public Organizations, Academy of Management Review, 1982, Vol. 7, Issue 1, p89-98

⁹⁰ von Heland, Jan. Tjänster för samhället, 1999, p.9

⁹¹ Arvidsson, P. Styrning med belöningssystem, 2005, p.3.

⁹² Aidemark, Lars-Göran, Sjukvård i bolagsform, 2004, p.11

⁹³ Landelius, Ann-Charlotte, Vård och omsorg i offentlig eller privat regi, 2006, p.13

⁹⁴ Aidemark, Lars-Göran, Sjukvård i bolagsform, 2004, p.12

⁹⁵ Aidemark, Lars-Göran, Sjukvård i bolagsform, 2004, p.12



In Aidemarks study about Ängleholms hospital, which went from being public to private, he shows how the staff was asked to “produce more” and their response to it. Even though the workload increased the staff was stimulated by the results; shorter queues and more satisfied customers. Overtime was optional and paid out in form of money. The great change had a general positive effect on the staff. They saw the development more as a gratification than a burden.⁹⁶

This case does not mention negative effects on the quality of care but Aidemark points out that even though private hospitals are independent and uses performance incentives, they are still dependent on the well-being of the patient. They try to attract new patients and needs the treated patients to come back to ensure the company’s survival. Then you cannot offer low quality health care.

⁹⁶ Ibid, p.176-177

Chapter 4 - Empirical Evidence

In this chapter we will present the empirical evidence that we collected through interviews. For a better understanding of the interviewed people and their organizations we will begin, each part, with a short presentation of the organization. This is followed by a table showing the benefits and rewards used in the present organization and a description of how the individual wage setting is made, based on descriptions and brochures. Furthermore, each respondent's background is presented, and their opinion's and view's of motivation and the reward system and its affect. Also what differences they see in working with rewards in the public and private sector, and what thoughts they have about future work with reward systems. All information in this chapter is based, when no other source is mentioned, on the interviews. (Interview guide, see Attachment 1)

4.1 Lillekär Äldreboende

Respondent: Monica Hanson, Assistant Manager

Organization

Two retirement homes can be found in Kärra-Rödlund, a periphery district of Gothenburg; Lillekär and Kärarhus. Lillekär has been well mentioned in the press the past 4 years. Their way of motivating their employees and keeping a high standard of quality have earned them three major awards, one of them in 2005 when they were given an award of high quality by the city of Gothenburg. Their greatest achievement was the following year when they won the national "best workplace" by the insurance company Alecta at an award show in Älvsjö. The jury's verdict;

Lillekär offers 90 beds distributed through 8 wards. The area of specialty is dementia and Geriatric Psychiatry. 106 people work at Lillekär. The retirement house is in the process of finding a new director; meanwhile the leadership is divided through two assistant managers.

Rewards used in the organization

	Monetary Rewards	Symbolic rewards
Benefits for all	<ul style="list-style-type: none"> • Fitness and well being courses • Relax room • Gym • Massage • Fruit basket • Pastries on special occasions 	<ul style="list-style-type: none"> • 3-3 schedule • Education possibilities • Responsibility centers
Based on individual (or sometimes group) performance	<ul style="list-style-type: none"> • Individual setting of wage. • Birthday card with gift 	<ul style="list-style-type: none"> • Verbal expression of appreciation

Table 4: Benefits and rewards for the employees at LillekärÄldreboende. Based on answers from the respondent



Individual wage setting

Lillekär works with individual wage setting and uses a sheet with six different criteria's; education, planning, tendency to change, social competence and service mind, ability to act and finally the comprehensive view of the employee. There are three levels in every criterion, good, very good and exemplary, and the amount by which the salary is increased is dependent on the level the employee has reached. Special education is giving to those who are interested and leads to the employee having a responsibility centre. The education is connected with different areas in geriatric care or safety.⁹⁷

4.1.1 Monica's opinions:

Motivation and their reward system

Monica finds that the two most important factors to motivate her employees are recognition and community at the work place. The reward system at Lillekär focuses more on giving the employees appreciation and creating a pleasant environment for everyone than directly rewarding good performance. Appreciation and team work is important, according to Monica. She believes that the system works well and a proof of this is a very low labor turnover. Another successful system in use at Lillekär is the schedule. It is called 3-3 schedule which means that you have three days work and then three days off. She calls it a win-win-win situation. Win for the employees when they have more time off to recuperate, win for the patients when they are met by happy and satisfied workers and finally win for the employers who do not need to employ expensive substitutes. The system is well appreciated by the workforce and has, according to Monica, led to much more motivated employees. There is a close relationship between the both managers and the employees. Most of the workers have been there for long time and they know each other well. Monica sees them all as her second family and can honestly say that she can name most of the children and husbands of every worker. It is also important not to mention the employees as her employees but her co-workers. Knowing her co-workers to the extent she does gives her an advantage in knowing when her co-workers feel or does not feel work satisfaction and motivation. At the time when they were given the awards they had a bigger budget. They invested a lot of the surplus in the employees. An example was the much appreciated spa trip to Varberg.

Reward system's effect on quality

A pleasant respond is first and last in quality of geriatric care according to Monica. Not just towards the residents, but also towards their relatives and to other co-workers. By being

⁹⁷ Lillekär Äldreboende "Så här arbetar vi med hälsa och friskvård på Lillekärs Äldreboende", Carina Petersson, 2007

Göteborgs stad Kärra Rödbby "Lönekriterier för Äldreomsorg 2010", Göteborg stad, 2010



broad-minded and showing respect for each other, a pleasant environment is created, which constitute the base of a qualitative elderly care. Monica also mentions that you have to be prepared to make changes. They often have meetings when they talk about how to respond to residents. Different religious views have to be respected as well as sexual preferences. She clearly states that it is most important “To get the residents to feel accepted and respected for the one they are”. Monica also wants to point out more important aspects in geriatric care, for example, it is vital that there are well-functioning routines and a well-framed working system, which generate an efficient work, and qualified and ambitious staff. The reward system they use has been built up in collaboration with the employees and not the upper management

Private versus public sector

Monica does not believe there would be any differences if Lillekär was privately owned, when talking about motivation and quality. The power she has to make decisions is relatively high. She is bound by the budget and regulations made by the government but there would, according to her, not be any great differences if it was privately managed. Monica believes that in private ownership, there is possibly a higher risk that profit interest in the reward system has a negative impact on motivation, which consequently would lower the quality of the care. The close relationship with the employees has also created a greater understanding when budget cuts have been made and rewards reduced. Monica means that a director of a public retirement home is less accountable for budget cutoffs than a director at a private retirement home, who is more responsible for the home to create yield for owners.

Future

Monica is hopeful for the future but knows that next year it is going to be tough. One of the most disappointing changes is the abolishment of the popular 3-3 schedule. The workers labor party and the government have come to the conclusion that the workers are paid for 37 hours but do not reach those 37 hours with the 3-3 schedule. It is a budgetary call and Monica believes it is a big mistake. Substitutes and healthcare for those who will become sick for over exhaustion will cost a lot more than the hours that the abolishment will gain.

4.2 Fridkulla Äldreboende

Respondent 2: Marianne Duberg, Director of Fridkulla Äldreboende

Organization

Fridkulla Äldreboende can be found on the city border between Gothenburg and Molndal. It is privately owned and run by Attendo Care since 2006. Fridkulla Äldreboende was built in 1997 and has always been a privately owned retirement home.

Attendo is a health and geriatric care organization active in Sweden, Finland, Norway and Denmark. They can be found in 83 municipalities in Sweden. They specialize in different types of homes, mainly retirement and disabled people’s homes but also houses welcoming families and individuals with social problems.

In this retirement home you can find 59 apartments of which 5 are for people suffering from dementia. The apartments are divided into 7 units on 4 floors. Every unit has their own kitchen and living room.

Rewards used in the organization

	Monetary Rewards	Symbolic rewards
Benefits for all	<ul style="list-style-type: none"> • Free fruits and vitamin pills • Free coffee • Reduction on shoes 200 sek/year • Reduction on fitness cards 500 sek/year • Reduction on spa • Free work clothes • Annual year health checkups • Christmas gift • Christmas party 	<ul style="list-style-type: none"> • Two educations per year • Responsibility centres
Based on individual (or sometimes group) performance	<ul style="list-style-type: none"> • Individual setting of wage rate 	<ul style="list-style-type: none"> • Verbal expression of appreciation
Based on individual (or sometimes group) performance	<ul style="list-style-type: none"> • Individual setting of wage rate • Overtime extra pay on special occasions. 	<ul style="list-style-type: none"> • Feedback and encouragement • Cake to celebrate special occasions

Table 5: Benefits and rewards for the employees at Fridkulla Äldreboende. Based on answers from the respondent

The Individual Wage Setting

Marianne has yearly at least 2 meetings with each employee. One is “co-worker meeting” where they discuss how the employee feels and how he or she as an individual can develop. They use the Attendo keywords as a base in their discussion. One example of developing is to take one of the offered educations. There are eight different educations that lead eight responsibility centers. The employees are given two educations per year and these are optional. The second meeting is the “salary meeting”. Here they discuss how the employee has performed during the year. The Attendo keywords are also in this case used as a direction in their discussion. The employee is given grades ranging from A-unsatisfied to E-perfect. If the employee has performed well he or she will be given a raise. Following the vision “strengthen the individual” means more than just developing the individual, it also means that the co-worker needs to feel physically and mentally well, says Marianne.⁹⁸

⁹⁸ Attendo Care, Affärsplan Fridkulla gatans äldreboende 2009, Marianne Duberg, 2009



4.2.1 Marianne's opinions:

Motivation and their reward system

There is no outspoken reward system at Fridkulla and Marianne's first reaction when hearing the word is saying; no we do not have a reward system. That would not be beneficial here. Her perception of reward systems is that it consists of individual monetary rewards for efficient performance. She believes this would worsen the team spirit and create quarrels and completion between the employees. The reward systems that are in use at Fridkulla are made to support the team spirit and Marianne explains that Attendo Cares specific vision is "to strengthen the individual". To follow the vision, everyone has to work with the three keywords; commitment, cooperation and competence. This impregnates the whole organization, especially the reward system, which Marianne means is the earlier described individual wage setting. Other examples of benefits for the employees are fresh fruits and vitamins, which are placed in every kitchen, free to take. The employees are also given discounts on numerous fitness and well being facilities, yearly health checkups and a yearly Christmas party.

Reward system's effect on quality

Marianne's understanding of quality in geriatric care is the proof of the well being of the residents. If the residents feel secure, respected and are enjoying their home, the retirement homprovide high quality of geriatric care they have high quality. Marianne manages Fridkulla with the help of Attendo Care's guidelines and manuals. One of the most important goals is quality. Unannounced controls are made during the year and later presented in a small report. Marianne proudly shows us her 100% result. She believes that the main reason they had this result is because of her co-workers. When they feel motivated and satisfied they perform well. The reward system that they use gives a positive effect on quality.

Private versus public sector

In the field of geriatric care, Marianne has only worked in the private sector. Prior to her recent job though, she has worked at a hospital in the public sector and can distinguish some differences. She believes that a private company, which is often much smaller than a public company, is closer to reality. The private organizations are flat and flexible at Attendo; Marianne has only two superiors, the region director and the CEO. Decisions are made swiftly without board meetings which contribute to a flexible organization. The decisions that are made are also followed up by her superiors and she is given thorough and personal feedback. The follow up would not be as personal at a public company. If rules or systems are out of date or simply not working they can be changed much faster in a private company than in a public.

Future

We have a bright future, says Marianne. The key to sustain high quality care and satisfied co-workers and residents is to communicate. To communicate you need a good leader. Marianne started at Fridkulla in 2002 as assistant nurse. Having experience in bookkeeping she started assisting the directors. Working close to the directors she noticed what was wrong in their

management; their disability to communicate and motivate. When she was asked to manage Fridkulla herself, the other co-workers were very pleased. They trust her and she trusts them and she means that they all manage Fridkulla together. This is why she believes in a bright future.

4.3 University Hospital of Linköping (US)

Respondent 3: Lotta Nysten Unosson, HR-Manager.

Respondent 4: Anonymous, Head of a medical centre

Respondent 5: Laila Håkansson, Unit-Head of Clinical Immunology and Transfusion Medicine

Organization

University hospital of Linköping employs over 11.000 people that work in about forty care centers, public dental services and four hospitals.⁹⁹ They offer 1095 beds and every year 400 000 operations are made.

The operations at the hospital are divided into twenty different units. About half of those are responsible for the specialized care, which is county-wide and are conducted at one the four hospitals; The University Hospital of Linköping, Vrinnevi Hospital, Motala Hospital and Finspång.

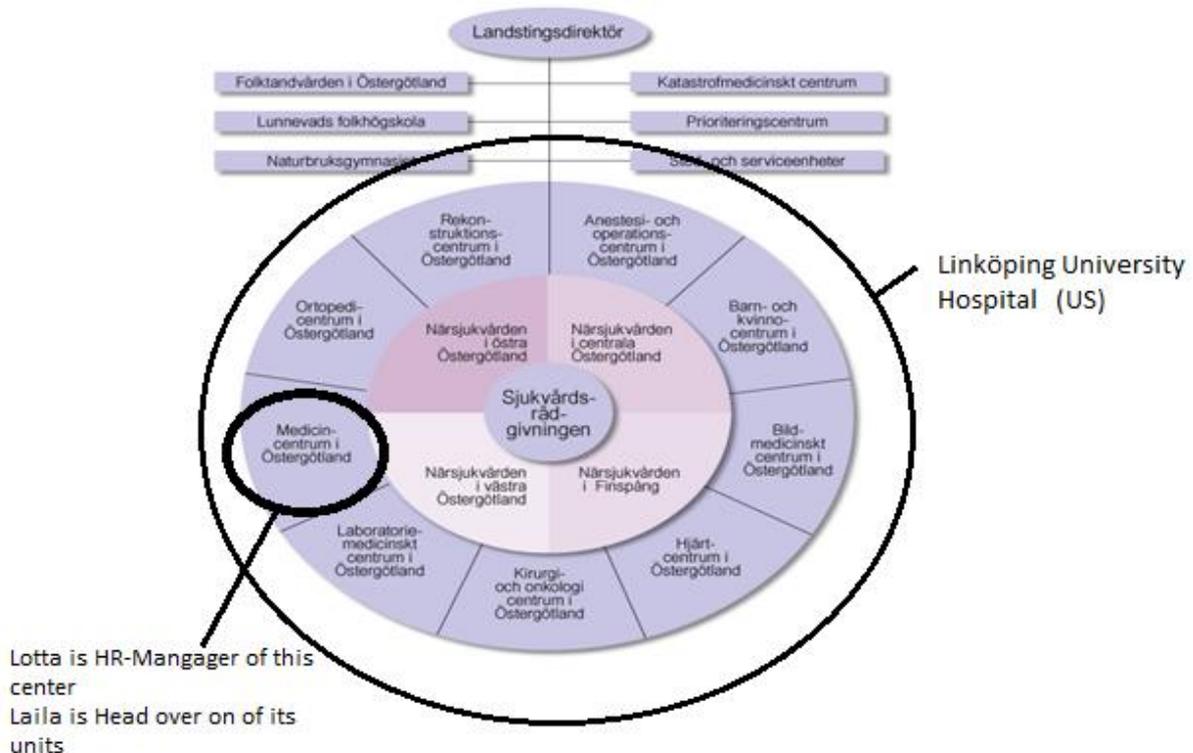


Figure 5: Organizational structure; University Hospital of Linköpings, as a part of the County Council of Östergötland.¹⁰⁰

⁹⁹ <http://www.lio.se/templates/Page.aspx?id=11531>, 23-12-09



Reward used in the organization

	Monetary Rewards	Symbolic rewards
Benefits for all	<ul style="list-style-type: none"> • Reduction on fitness centers, 1500 SEK • Right to use the employer's desktop phone, fax, computer, photocopier for private purposes • retirement annuity, occupational injuries, health and life insurance • Free coffee • Christmas present 	<ul style="list-style-type: none"> • Flexible hours of work • Education possibilities • Possibility to make your own schedule
Based on individual (or sometimes group) performance	<ul style="list-style-type: none"> • Individual setting of wage rate • Overtime extra pay on special occasions. 	<ul style="list-style-type: none"> • Feedback and encouragement • Cake to celebrate special occasions

Table 6: Benefits and rewards for the employees at University hospital of Linköping. Based on answers from the respondent

The individual wage setting

In the individual wage setting, there is first a discussion between the head of unit and each employee individually, relating to development of business and the person. Here it is discussed how the employee contributes to the business achieving its objectives. Thereafter this serves as a planning tool to make an individual development plan, with feedback from both managers and employees. In an individual reward system, an opinion is formed, which range the employees' current skills, initiative, flexibility, social skills, coaching skills and R & D capability. This result finally constitutes which wages the employee get. Respondents from US are careful to point out that they not only assess what the employee makes, but also how he does it.¹⁰¹

4.3.1 Lotta's opinion:

Motivation and their reward system

If you want to motivate your staff to perform well the most important thing is to pay attention to them, says Lotta. It is also important that leaders are available, responsive and really care about the employees feelings. Small things like saying "hello" in the corridor have a significant effect. Secondly, stimulating work, responsibility and opportunities for capacity growth and internal mobility are important factors.

¹⁰⁰ <http://www.lio.se/templates/Page.aspx?id=4457>, 23-12-09

¹⁰¹ Lön i LiÖ, "Lönesamtalsmodellen för vårdförbundets medlemmar", Nyström, Ericsson, 2004



Within the public sector it is often said that implementations of reward systems are not common but Lotta means that their way of setting individual wages is a proof of a basic monetary incentive which is rewarding good performance. If the employees at US, on the other hand realizes that they actually can influence their wage level, Lotta is not sure. It is nevertheless important that the leaders explain to their employees what their salary is based on.

Lotta expects an increase in wage dispersion, although it will be difficult, it is constrained by the budget. Wage dispersions should be more visible between the various levels of staff in order to motivate people to work better and to take more responsibility. She believes that the US's employee benefits have a very good recruit and retain workforce skills, one of the best when comparing with other Swedish hospitals. There is room for even more monetary incentives, according to Lotta but stresses the importance of other factors that motivate employees. She says: *Do you as an employee think that salary is the most important thing in life, then you should not look for work in the public sector.*

Instead, education opportunities, intriguing work and flexible working hours is something that US is offering. This has been much appreciated by the employees. The system still has it flaws; one of them is the lack of new tasks, but that mostly regards her own ward. Laboratory medicine is a quite constricted area. She defends this with the ease that the county's nurses have to change position within the US. Lotta says that the best feature a co-worker can have is the ability to cooperate and this quality should exist even from day one. The main purpose of the rewards is to, in addition to recruit and retain well performing staff, evoke team spirit and commitment to the organization.

Reward system's effect on quality

One of the main aspects of quality in healthcare is having no queues and to offer the right treatment. She cannot see a link to why the introduction of a reward system would affect the quality of care, possibly the introduction of piece wages, when you get paid per produced unit, or in this case number of treated patient, but they are difficult to apply in health care.

Private versus public sector

Lotta understands that there is more money to work with reward systems in the private sector. In the business world, a bonus system might be more practicable, in order to recruit skilled workforce who most often are driven by money. In those cases it might be more possible, says Lotta that a reward system could contribute to adverse effects on health qualities. If the choice of work is mainly based on the organization having a reward system, the employee might be to driven by monetary results than quality and patient satisfaction results. Lotta finds it hard to see that a bonus system would actually lead to more effective care.

Future

If they had more resources, they would definitely be working more with rewards. For example, having the ability to exercise on working hours would give the employees, who



work in a physically demanding place a stronger physic and a better well being. A problem that exists is that employees does not know what rewards actually exists. Their superiors need to be better in explaining these rewards. The US also has to prepare to recruit a lot of new employees because a great number of retirements are soon coming up. Rewards will attract new staff and it is then more important than ever to show what rewards really exist. The opportunity to work shorter hours, when it is desired by the employee could also be a good incentive.

4.3.2 Anonymous opinion:

Motivation and their reward system

The key motivators in this organization are good service conditions and a great working atmosphere, according to the respondent. The current incentives are many and most of them functions well and are exceptionally appreciated by the employees especially the flexible working times and the discount offered on a gym card. What still needs to be reworked is the wage system. It should be made more differentiated between the individuals but with the current financial resources there is no room for extensive modifications.

Reward system's effect on quality

Quality for respondent 4 is giving the correct diagnosis and treatment and easy access to health care meaning short waiting queues and a great geographical spread of health care institutions. To some extent reward systems can influence healthcare quality negatively when the targets for efficiency are too stringent. One has to be really thorough when designing a reward system and careful when choosing incentives. This is why great importance in the LU's wage system has been put on how the employee performs his/her profession.

Private versus public sector

The Local Government Law hinders the possibilities to work with reward systems in the public sector. It restricts the public organization to some extent when the goals are made to obtain the "common good" and not yield on investment or monetary value increase.

Yet, she points out, that private health care also have difficulties using rewards, main problem is their limited resources.

Future

The incentives and wage setting that is currently in use at LU is working well, says respondent 4. There can still be modifications made to improve efficiency but that can also have adverse effects. If we had more resources, we would introduce more monetary incentives.



4.3.3 Laila's opinion:

Motivation and their reward system

Laila thinks that the best motivational factor is making the employee feel that they are doing a good job and that they contribute. She also believes that the farther down you are in the organization hierarchy, the harder it is to identify the incentives that really exist. One forgets or does not pay attention to the rewards that are given and they, the rewards become meaningless.

Among the incentives that the LU has, Laila thinks that education is one of the most important. Not necessarily just to improve their skills, but also to get one days apart from the usual work and to get a general view on what is happening throughout health care, so the employee feel like a part of the whole organization. It increases the social factor. But the main purpose is still for the employees to be satisfied with their workplace. "*A satisfied worker performs well*" she says.

The individual wage setting is also an important stimulus, where the employees can influence their own salary by choosing how much responsibility they want to have, even though in the end it is up to the superiors to determine if the employee is capable of it or not.

Laila believe that the staff at the US sees a limited opportunity to influence their pay. This is mainly because there is not enough dispersion between the wages. Going the extra mile does not result in the increase in pay that it should. There are simply no resources for such a system. Laila has frequent discussions with her employees on what factors that should influence their wages. They can suggest all sorts of things, but recurrent ones are loyalty and reliability. The employees, she says are very understanding and are well aware of the limited resources that the council has and therefore understands the present wage setting.

Laila also says that collective rewards is important to give create team spirit. Laila has some liberties when deciding collective rewards. At her unit they have parties, cakes at special occasions and excursions. These are very much appreciated by the staff and contribute to creating a strong team spirit. The gym card is also a great incentive, says Laila. Not only does it make the employee feel psychically better but it also gives the organization a long lasting worker. She emphasizes: "*Even the smallest pad on the shoulder can make an employee feel appreciated*"

Many of those who work with patients get rewards from them; sometimes with chocolate boxes or gifts but also with verbal expressions of gratitude. Laila sees the importance here to pay attention to those who does not have any patient meetings.

Having the same position for over 20 years, Laila has acknowledged the importance of having a motivated work staff. Incentives have always been utilized but the difference now is how they are presented. Before they were more or less tacit but are now used as outspoken financial tools.



Laila's understanding of her organization is that is very slim, meaning that every function and position is thoroughly worked out and specified. People already work very efficient and she sees few advantages at the moment, offering more incentives related to efficiency. If everyone is already giving their maximum potential, why encourage people work more?

Reward system's effect on quality

Laila says that quality in her unit is performing their functions in the best way possible. Quality in health care is taking care of patients well, to meet their needs and to give them the time necessary. Sure, reward systems can in these cases, if you have incentives based on number of treated patients have negative effects. When reward systems are created it is important to take patient views into account. They will probably demand patient satisfaction and pleasant treatment.

Private versus public sector

The private care does to some extent have more resources but in many cases are they, the private organizations, extensive with complex organizational structures that in many ways are similar to public organizations. They do in these cases also have similar prerequisites. Smaller private organization benefits from having a simple structure, making decisions faster and easier to make. They are more flexible and adaptable.

Future

Regarding the future Laila would want to see a more differentiated pay. This will probably not happen in a near future, there are simply no resources for it. The flexible working hours are going to be taken away. Laila is not happy with this development. She believes that the current schedule system is functioning very well and will fight for its survival.

4.4 Sahlgrenska University Hospital (SU)

Respondent 6: Ola Eidem, Unit Head of the Thorax intensive care

Organization

Sahlgrenska University Hospital is one of the three greater public hospitals in Gothenburg, with these three it forms the "Sahlgrenska University Hospital" organization.

"The Health Care Board of Västra Götaland" region is the one ordering the treatments of patients at SU University Hospital. SU hospital has front-edge competence in about 25 specialty areas and treats patients from all over Sweden. They offer 2300 beds distributed on 165 wards.

Sahlgrenska Universitetssjukhuset
ORGANISATION 2009

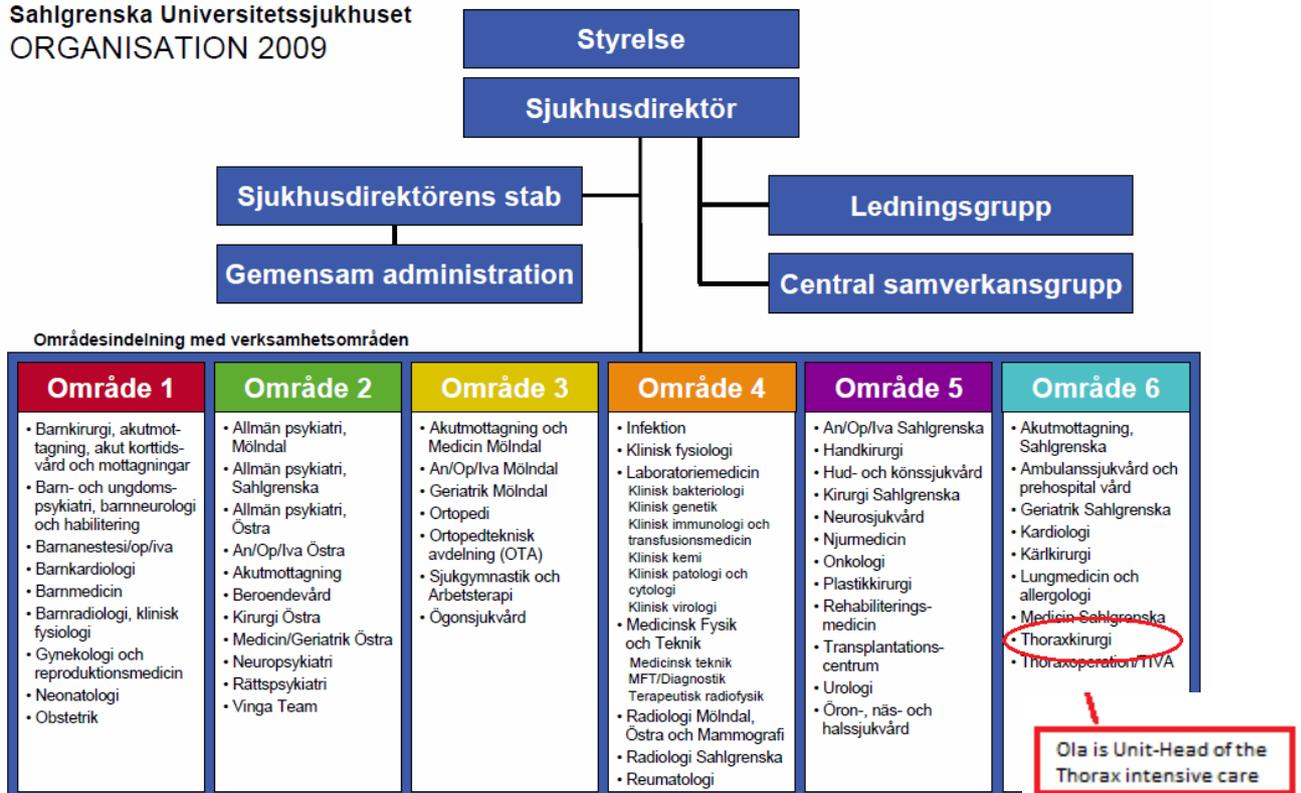


Figure 6: Organizational structure; Sahlgrenska University Hospital¹⁰²

Rewards used in the organization

	Monetary Rewards	Symbolic rewards
Benefits for all	<ul style="list-style-type: none"> Free coffee Christmas present Reduction on gym card Free health care Beneficial insurances Possibility to lease a computer at a low cost, to work on home 	<ul style="list-style-type: none"> Flexible hours of work Education possibilities Possibilities to leave of absence
Based on individual (or sometimes group) performance	<ul style="list-style-type: none"> Individual setting of wage rate 	

Table 7: Benefits and rewards for the employees at Sahlgrenska University Hospital. Based on answers from the respondent

¹⁰² <http://www.sahlgrenska.se/sv/SU/Om-sjukhuset/Organisation>, 09-12-20



The individual wage setting

The individual wage system is actually intended as a reward system, in which, the SU together with the labor union have agreed upon what wage criteria should be used. It needs to benefit both the organization and the employee. The wage setting is based on experience and performance. Things that would raise a salary could be how good the employee is to mentor newcomers, how intuitive he is, their ability to act and great competence.¹⁰³

4.4.1 Ola's opinion:

Motivation and their reward system

Ola thinks it is the professional challenges that motivate employees to perform well in his department. He believes that it is generally so in the health care sector, but especially in the thoracic surgery, where a certain type of people chooses to work. He calls them “disaster romantics” and describes them like people who love when their work is about life and death of patients. People who do not like this challenge will quickly leave.

What also is used to motivate the employees is the exciting cutting edge education they offer, to maintain their high level skills. In thoracic surgery, where a lot of money is put into research, it is difficult to maintain a competitive international level but SU is proud to have one of the best thoracic surgeries in the world. It is one of the most expensive wards at SU, a lot of staff is needed and the machines are very expensive.

In addition to the general rewards who are given to all employees at SU, Ola has also introduced breakfast on Fridays for his employees. In this unit they often work in small groups confined into a small room doing very precise and sometimes risky operations. He saw the need for a meeting point, somewhere people could meet under less stressful circumstances. He started offering breakfasts and it was much appreciated. This has later been questioned by superiors but Ola will fight hard to keep this benefit because he sees the great advantage.

Last year the discussion of a more individual wage setting started. Both the co-workers and the labor party want the employee to have a “wage setting” that is more specific to the level of competence they have. They want a greater dispersion in salaries between those who perform well and those perform not so well. In Ola's ward it is quite clear what you know or what you do not know so the risk of having great differences in salaries between the co-workers he believes would not create jealousy.

Working for the public sector has some obvious negative aspects, one is staying in one place will only grant you one raise per year. So what a great number of people do is change their workplace to get more opportunities for a raise. So a reward system needs to have a high retraction skill, which according to Ola is not the case with SU's. On the contrary a reward

¹⁰³ Based on description from Ola Heidem, 09-12-10



system also needs to not reward people for how long they have been in workplace but how well they actually perform. Passivity should not be encouraged.

Ola understands that the mayor constraint while creating a reward system is how much resource a organization has, but thinks that it sometimes taken to far, or example the decision of not buying the annual Christmas buns to save money. Ola then takes this in relationship with the cost of medicine they spend every hour, which is 140.000 SEK.

Reward system's effect on quality

At my work, results can easily be measured in numbers, says Ola, quality as well. It could be in number of deaths or patient satisfaction. The general meaning of quality in the health care sector is more about the guaranty of care that we have in Sweden. Ola does not see any problems using reward system in health care. At Thorax the work demands a high level of skills and competence and Ola believes that a reward system will probably make people work more efficient but the quality will not be affected. He understands that a reward system can easily be found upon as something that would worsen the quality. Especially at a care center where the result is number of examined people, but this will work anyway because quality is relatively easy to measure and will most likely be included in the reward system

Private versus public sector

Ola has worked in the private sector and has experiences with reward systems in both sectors. It was quite common to use reward incentives at his work in the private organization. Evidently there are differences between the sectors, and spontaneously he mentions that here one has to fight to offer his co-workers breakfast on Fridays while at his former private position he and his co-workers had a glass of champagne before the weekend. The comparison is quite drastic but shows you that differences are great. In the private sector you have almost free hands to implement rewards to motivate the employees and rationalize the system. You only need to run it with your superiors, who are often very few. The public sector is very influenced by political views and managed somewhat differently dependant on government. The main problem is that the structure and management is too traditional. If you open a new ward it will look almost identical with the one that already exists, you copy instead of adapting and looking at new ideas. On the whole, this is the source of all the problems in health care, says Ola and a reason why it is difficult to find outspoken reward system here.

The private health care is also more efficient than public health care, meaning that for every invested penny you get more health care. The efficiency is often given the blame of creating low quality health care, but there is no scientific evidence of this accusation. On the contrary a private organization has much higher demands on performance because they are dependent on the patients coming back. Otherwise they would be out of business. Patients will always come to public hospitals because they have no choice. Public health care is always presupposed to offer high quality care, bizarrely enough there is actually no guarantee that they will.



Ola is convinced that if he offered double pay to half of his co-workers they could do all the work and still give the same quality as before. He says: *“Here, one wants to tone down the importance of money, however you are only fouling yourself, money is an exceptionally strong incentive.”*

He believes the main reason of this general understanding in public health care is fear and ignorance and the simple fact that there is no tradition of using monetary incentives. University hospitals survive because people apply for jobs so that they get experience that can later be used in the CV. As long as there are people who want to work here it does not matter if you have the best or not. The age of the leaders here, says Ola is also a negative aspect. You need greater differences between the youngest and oldest. A retirement wave will soon hit public health care and then you have no experienced leaders to take over. It also drives the young talented and ambitious leaders away when it comes clear to them that they cannot move higher up in the chain. Incentives for internal mobility is therefore very important.

Future

According to Ola there will be more monetary incentives in the public sector in the future. He also believes that there will be more units run as intrapreneurships at SU. It is when a unit becomes self-administered, as a profit centre, within a large organization. Ola explains how an it would work; the board gives you a pile of money and wants that you in return give a specified amount of care, e.g. performed operations. It is then up to the ward to return this care, but they do not need to comply with the board’s budgetary constraints or their opinions. It will take a long time until Ola’s Thorax ward is run in an intrapreneurial fashion.

With today’s resources you can employ less people who will work faster and still offer more care, a controversial theory, says Ola. You will never know if you do not try different work methods. Today the system is too expensive, inefficient and difficult to manage and if nothing is made to change it, he believes, the public system will collapse.

Three incentive motivates and will motivate people in the future; freedom, money and education. They can have different forms, e.g. children daycare at the hospital would create freedom for parents in terms of time.



Chapter 5 – Analysis

This section analyzes the results of the interviews. The empirical information is related to the frame of reference earlier in this thesis. The analysis is divided into headlines for what we find characterizes the important points.

5.1 Consciousness about their reward systems is ambiguous

According to Armstrong¹⁰⁴, rewards systems can be found in every organization. Armstrong explains that a reward system consists of three "basic elements", monetary incentives, symbolic incentives, and salary benefit. Every one of these is used within in all the four objects. Still, the first reactions when mentioning the word reward system to the respondents were that they did not work with such a thing in their organizations.

Just as one respondent reflected, we believe that the respondents first related the word "reward system" to rewarding effective work with money. It could be so, but a reward system can of course also be designed in completely different ways and have completely different purposes. After elaborating on the meaning of the word the respondents all agreed on using reward systems in their particular organization, when motivating and encourage good performance. This is in line with the theory, which states that rewards system in organizations can be of varying degrees conscious, structured and systematic. Depending on these levels the impact on the desired and intended effects varies.

5.2 Intrinsic rewards are important

In line with Herzberg theories that the intrinsic factors are important to motivate employees¹⁰⁵, the leaders mentioned that factors such as professional challenge and varied tasks are important to motivate their staff. In addition, Maslow's Hierarchy of Needs¹⁰⁶ fits also well with the respondents' answers about what motivates employees in health and geriatric care. Especially the two higher levels, which means that the employee is given appreciation, recognition and self-realization and that there are possibilities to progress through education and challenging work that will ultimately result in a motivated employee. The interviewees therefore appear to consider that the intrinsic rewards justify a greater motivational factor than the extrinsic. Since money as a reward is only mentioned by a few we see that workers in health and geriatric care are mainly motivated by social and symbolic factors. This is why, according to Stajkovic¹⁰⁷, the leaders play an important role in the

¹⁰⁴ Armstrong, M., Managing Reward system, 1993, p.34

¹⁰⁵ Bakka, Jörgen, Fivelsdal, Egil & Lindkvist, Lars, Organisationsteori, 1999, p.165

¹⁰⁶ Robbins, Stephen P, Organizational Behavior, 1997, p.169

¹⁰⁷ **Stajkovic**, Alexander D. & **Luthans**, Fred, Differential Effects if Incentive Motivators on Work Performance , Academy of Management Journal, 2001, Vol. 44 , Issue 3, p.580-590



organization as motivator, which is also noted by several of the respondents.

5.3 Lack of monetary incentives

In all studied organizations, we can see a variety of collective employee benefits such as free coffee, reductions on fitness facilities etc. According to Alm¹⁰⁸ theory benefits are primarily used to recruit and retain staff. The respondents would also want to add that these rewards stimulates work satisfaction and creates a pleasant atmosphere. However, the respondents also believe that their staff does not always see their work benefits as a reward. It is when they are removed that the staff understands the effects of such rewards. Instead of becoming satisfied when having them, they become dissatisfied when they don't, which Vroom¹⁰⁹ explains in his expectancy theory. We note, therefore, that these benefits do not generate motivation directly, but are there in order to attract staff to the organization, as it create a pleasant workplace, which in turn gives a satisfied employee who performs well.

Cakes, breakfasts and other small incentives are used to collectively encourage the staff and create strong team spirit. The respondents believe that in a workplace like this socializing with your co-workers and thus strengthen the team is vital when creating a well functioning health and geriatric care organization.

5.4 Individual salary does not give the intended affect

In addition to labor benefits and collective monetary incentives, all the respondents mention that within their organizations there is only one monetary incentive and it is based on individual performance. It is the individual wage, which is influenced by the employee's competence, education, experiences and responsibility. It is constructed so that the employee has influence on his salary.

However, numerous respondents say that they doubt the level of influence the employees really have. They argue that the differentiation is not large enough. Performing over expectations and strive to perform better does not have a substantial effect on their salary. According to Alm¹¹⁰, the employees must feel that the set criteria is achievable and that they can affect whether they get more rewards or not if they meet the criteria. In addition, efforts also need to be worthwhile. If they are, the system can motivate employees, if not it doesn't. The majority of the interviewees therefore want a more differentiated wage setting among the employees. What make it impossible, according to them, are the scarce resources. They want to see more wage levels and a higher wage differentiation between different positions and between different performing employees. It can only then become a functioning reward system that motivates staff to perform better and become more efficient.

¹⁰⁸ Paul, Ann-Sofie et al., *Belöningar och Belöningsssystem*, 1991, p.30

¹⁰⁹ Anthony, Dearden, Govindarajan, *Management Control Systems*, 1992, p.51-52

¹¹⁰ Paul, Ann-Sofie et al., *Belöningar och Belöningsssystem*, 1991, p.29



Nevertheless five of the interviewees believe that money is not the main incentive for motivation in their organizations. One leader mentions that you do not choose to work in the public sector if you think that salary is an important factor. Despite this, Latham, Gary & Locke claims that money is always one of the primary motivation incentives.¹¹¹ Could it be perhaps that money has a greater significance for the individual to perform better than leaders in health and geriatric care dare to admit, because of the subject's sensitive character? One respondent raises this question, saying that he is confident that half of his staff could perform the same workload if they were given a double salary.

5.5 Non-monetary incentives are important and frequently used

All leaders believe that symbolic incentives are very important in the health and geriatric care sectors, and this is why all of the investigated organizations focus on these when they try to motivate their staff. The theory adds the fact that the non-financial rewards are especially important in organizations where resources are scarce.¹¹²

Education is frequently supplied in all investigated organizations, and do not only function as making people more competent but also as a motivation factor. The leaders believe that a large amount of the staff strives to learn more in their profession, and hence driven by opportunities in education. They also argue that it is important that members of the staff, in order to learn more, are given one day off from their usual work routine. In addition, there is a social meeting point which contributes to, what we earlier mentioned, and a more relaxed and well functioning team. Flexible work schedules are much appreciated among the respondents' staff. Employees are more motivated to work when they can influence their own schedule. Social rewards, which are rewarded collectively is something that all respondents in the end believes generates good health and geriatric care.

5.6 Differences between reward systems in the health care sector and the geriatric sector are few

When looking at differences in the work with reward systems at the retirement homes and the hospitals, we can see that the conditions are better for the retirement homes, particularly in the public sector. The main reason is the size of the organizations. The smaller retirement homes do not have a complex structure and decisions are easier to implement when they are taken close to where they are carried out. Otherwise, we see that the motivation factors, choice of incentives and how to work with reward systems are nowadays relatively similar in the two health care sectors. Therefore is the following conclusion in chapter six applied to both sectors.

¹¹¹ Latham, Gary P., & Locke, Edwin A., Goal Setting, A Motivational Technique That Works. *Organizational Dynamics*, 1979, Vol. 8, issue 2, p.68-80

¹¹² Perry, James L. & Porter, Lyman W., Factors Affecting the Context for Motivation in Public Organizations, *Academy of Management Review*, 1982, Vol. 7, Issue 1, p89-98



5.7 Limitations to work with reward systems in the public sector are opportunities in the private sector

Following the interviews with the respondents, we realized that the general perception of reward systems in private health and geriatric care are more focused on monetary incentives than in public health and geriatric care. The most observable monetary reward system in the public sector is the individual wage setting. This does not function as well as in the private sector because the systems are not as developed and restrained by poor adaptability. The result is their inability to motivate people.

The respondents from the public sector all expressed the limitations that exist when working with reward systems, which also Sjölund indicates in her theory.¹¹³ They mention the lack of resources and imply that there is more money in the private sector as well as more freedom to use it how they want. The two respondents who have work experience from both sectors point out just how bound one is to the given structures, most often formed higher up in the organization. Decisions are also taken too far up in the hierarchy, where you really do not have insight on their impact. One sees, therefore, not the consequences of the rewards. Respondents in the public sector are also well aware that municipality laws and political impositions limit the available resources and their use. The work with motivation and rewards are also most often the same in a public organization, meaning that completely different professions are being rewarded in the same way. In addition, the great size and complex structure of the public organization creates a certain inertia that prevents new decisions being taken. Two of the interviewees from public hospitals expressed their frustration when prevented to work with motivation and reward questions in their own way. Knowing their employees personally, they are certain that they can form a much more specific and efficient reward system than the existing one. There is definitely a desire for more freedom of action.

The respondents see better opportunities for reward systems in the private sector, where organizations are smaller and have a simple structure. The size makes it easier to manage; decisions are taken closer to the working core, decisions are not as serious because follow-ups and changes can be made very quickly. One respondent, who has the right to decide how to work with rewards, points out this great advantage. She can make changes after consulting with her staff and customizes the system so that it involves everybody. Does something not working well, then she quickly changes it. Another interviewee, who has had her position in 20 years, says that during this time there have been no changes in her organization's work with reward systems. A third respondent also establishes that the way to motivate and rationalize in the public sector is too tied to old traditions.

Two of the interviewees still consider themselves to have a sufficient amount of rewards to motivate their staff. Additionally, the respondents mention that they are aware of the current

¹¹³ Sjölund, Majvor, Lön för mödan - Lönesättning I offentlig sektor, 1997, p.11



lack of resources, strengthening another one argument that the public health care sector still recruits qualified personnel without the use of monetary reward incentives. Private organizations on the other hand are assumed to offer more rewards, especially monetary incentives like bonuses in order to attract and retain staff to. The same respondent claims that private hospitals are more dependent on staff performing well. This because their work is more controlled, and patients can choose to go elsewhere. To the public hospitals patients will automatically come, and it is assumed that they do a good job. If this is true the private sector is currently more dependent on a management control system and to guide their staff towards the goals and the quality of care that the organization seeks.

5.8 Reward system's do not effect on quality if the reward system is well designed

Thorsvik and Jacobssen make a statement that employees tend to use a short-term thinking for their own benefit, and are careless in their performance in order to achieve high results which will generate a high bonus, when a reward system is used in an organization.¹¹⁴ This together with our own thoughts led us to the question if there is a risk that quality in health and geriatric care is affected when incentives are implemented, which are intended to increase quality employees' work. We had difficulty finding scientific studies that discuss this issue, and therefore our analysis is only based on the respondents' thoughts.

Quality in health and geriatric care quality is broad term and can mean different things depending on who you talk to. The opinions of the respondents also vary, depending on what kind of care the respondent is responsible over. A recurrent answer from all of the interviewees on the question of what quality in health and geriatric care is, is treatment of patients. However, the word seems to have different meaning in geriatric care related to the meaning in health care.

In geriatric care, the two respondents are talking about quality in sense of the importance of that the patients in the retirements homes feel safe, accepted and respected for their personalities. Both also consider that employees who are satisfied with their workplace and motivated to work, provide such quality of their work. All forms of incentives to motivate the staff in their work should therefore be positive for the quality.

The four respondents within health care organizations instead speak of good treatment, as giving the care required. Three of the respondents from public health care organizations say that the quality of care could be affected by their reward system, when the goals for efficiency are too high. One mentions piece wages as an example were this could happen, which is strengthen by Landelius theories that says that it is difficult to use some form of wage by

¹¹⁴ Thorsvik, J. et al, Hur moderna organisationer fungerar, 2008, p.270



results in health care organizations.¹¹⁵ The anonymous center manager believes that it is precisely for this reason that we also have the criteria “how the employee performs his work” in the individual wage setting. In this way there is no risk that people are careless about the quality of their treatment.

None of the respondents has even thought about this dilemma before. They do not consider themselves close to such danger zones within their organizations. But they add that health and geriatric care organization should be careful of what incentives they use and think about consequences when implementing reward systems.

One respondent’s vision however goes against the other health and geriatric care leaders. He means that all types of reward systems that are well designed to motivate staff also are beneficial for health and geriatric care quality. He mentions the “guarantee of care”¹¹⁶ which says that quality in health care is even legally required, so there is no doubt about that the quality will stay high even you implement a reward system. If you only do follow-ups you can always make sure that quality is not badly affected.

Alm’s and Paul’s theory say that in a well designed reward system all factors that you consider important and which you think the reward system can have impact on, have to be followed-up.¹¹⁷ Hence, the risk of adverse effects on the quality when introducing reward systems should not be in the health care sector, if you just follow-up the consequences. And as a respondent also mentions, there is no demonstrable evidence that quality has ever been affected in those cases where there has been suspicious.

5.9 Future changes has to be done in the work with motivation and rewards

Several respondents are hopeful for the future regarding the work with reward systems. Many of them are satisfied with today’s situation, concerning their way to motivate their employees to perform well. However, many of them mean that if they had more resources they would probably introduce more monetary incentives and increase the differentiation in wages.

As respondents from two of the public organizations expressed their feelings over, is that the decision makers within their organizations believe that flexible hours and the so-called 3-3 schedules are too expensive, and are therefore decided to be removed. This is something they believe will lead to dissatisfaction among staff and rather provide more negative effects than positive in the end. They believe it leads to less motivation and burned out employees. This is yet another example where the decision is taken too far from where they actually affect in the organization.

¹¹⁵ Landelius, Ann-Charlotte, *Vård och omsorg i offentlig eller privat regi*, 2006, p.13

¹¹⁶ <http://www.skl.se/artikel.asp?C=3657&A=13616>, 07-01-2010

¹¹⁷ Paul, Ann-Sofie et al, *Belöningar och Belöningsystem*, 1991, p.30



One interviewee says that the public sector have to do better in salary benefits to actually be able at all to recruit staff in the future. Another one goes even further and argues that the current system, which is too expensive and hard-driven, will collapse if we do not do organizational and financial management changes, in order to obtain a more efficient care. He supplies that you should use in-house-contracts within the large health and geriatric care organizations. Each unit should be run as a intrapreneurship as their operational mode, creating self-administered organizations within a larger organization. Better work with motivation and reward systems could then be done, since these are questions that are easier to handle in small organizations. One respondent sees potential for a more efficient organization if only they had more resources to work with rewards. Other respondents within the same organizations say that the staff within their units is already working at maximum. Here we see how the leaders within the same organization look different on the work with rewards and its possible impact. Within the larger organizations, about motivation, reward and its potential affects should maybe be more frequently discussed.



Chapter 6 – Conclusion and recommendations

In this final chapter we will present findings regarding leaders' view on reward systems. Finally recommendations for further research will be presented

The purpose of this study was to identify how the work with motivation and rewards is conducted at different health and geriatric care organizations. We also wanted to identify the reward systems impact on geriatric and health care quality.

All investigated organizations showed similar systems where focus on motivation and reward work, in addition to a variety of employment benefits, mainly consisted of what theories call intrinsic factors. This means that organizations make use of symbolic and social incentives to raise the internal motivation of the employees. The leaders' general opinion was that these incentives are more important in health and geriatric care organizations as motivators than monetary incentives.

Nevertheless, the importance of individual salary is mentioned by these leaders as well, as it is, since its introduction in the 80s, generally the only reward that is individual performance-based. They feel that the staff is although this system experiencing a low ability to influence their salary. This leads to the intended motivation purpose not working.

We therefore come to the conclusion that incentives that health and geriatric care predominantly uses rather generates an enjoyable workplace and a happy co-worker, than motivate the employees to be more efficient.

Leaders and their employees desire a more differentiated pay, suggesting that monetary incentives will then have a greater impact. The staff wants more dispersion in wages between employees who choose to take responsibility and/or to expand their skills. Restraints in dispersion are due, especially in public organizations, to limited resources. There is no financial room for an introduction of them, unlike the private organizations, which are free to decide how they want to use any potential profit. The public sector is also severely limited by government laws and regulations, where conflicts of interest between several stakeholders can arise and it becomes difficult to define targets for an effective reward system. In private organizations, there is much more freedom of action, hence opportunities to work with rewards and to devise a system that generate beneficial effects are simpler.

Other factors also limit the possibilities to work with reward systems, such as the size of organizations where high complexity to get a decision carried out can lead to malfunctioning reward systems still being used. Another disadvantage with large and complex organizations



is that the ultimate decisions are made too far from where they can be effective. The smaller organizations we studied show a great “smaller-size” advantage since they are able to take decisions quickly and close to the staff. The leader can motivate staff with incentives that s/he, in person, sees have a significant impact on the organization.

A profit interest in geriatric and health care may have negative consequences when the implemented rewards are associated with efficiency; however we found no evidence for this. Furthermore, unclear objectives affect the possibilities to work with reward systems. Health care quality is discussed by many, but different perceptions and a general difficulty to precise it makes it a rather unclear goal. What the rewards should be based on is difficult to precise and one has to be very careful when selecting incentives and above all, its consequences must be followed up.

The public health care sector needs greater autonomy and authority to act on lower levels if they ever want to work with well-formed functioning reward systems. Public health organizations then have great potential to motivate their staff to work more, even though a disagreement exists whether the staff can perform effectively than they already do.

We believe in finding new ways for the health and geriatric care to enhance performance. One option is to split the large health care organizations into smaller units, where each unit leader is given the authority to allocate resources as he sees fit. The units would have similar characteristics as a profit center in a private organization. A reward system can now be specially made for the unit and quickly altered when flaws appear. Public organizations should be more influenced by private organizations’ structures.

Continuing to run geriatric and health care in the old traditional way were health professionals are motivated mainly because the characteristic of their profession, helping people, may be sufficient for the individual to feel content and perform well. However if geriatric and health care organization wants to survive on the limited resources they currently have, a reorganization including structure, freedom and power has to be made. Being able to use monetary incentives in sophisticated systems might have significant effects on waiting lists, etc. Money is probably a more important incentive than many dares to admit and opportunities to streamline today’s geriatric and health care are probably more one thinks. If one only dares to try.

6.1 Limitations of our study

When the study is based on only four organizations it is difficult to draw general conclusions on the entire health care sector regarding their work with motivation and reward systems. Since we also have gathered information from organizations only that actually do not work with an explicit reward system, our analysis and conclusion is angled from one side only. Furthermore, only one of the respondents is, working in the private sector, which has led to opinions and views to be more influenced by the public sector. However two of the



public respondents had some prior experiences within the private sector as well, which they shared with us.

The reward system's design, purpose, impact and consequences are based on the answers the respondents gave during the interviews. Consequently, the outcome could depend on, particularly in the larger organizations, which leader we have had the opportunity to interview. The answers of the respondents have provided may also have been misinterpreted by us, the authors. The limited time with the respondents may have resulted in important information being left out.

Finally, only having the views of the leaders provides a simplified image of the reward system's impact and consequences, and excludes the remaining staff's own views on the organizations way of working with motivation and reward. We therefore call for further research in this area.

6.2 Suggestions for Further Research

During our investigation and gathering of data to this study some new ideas emerged on what could be further looked into. Through a detailed insight into the health sector situation, regarding motivation and reward work, we saw more research problems. Here are our suggestions.

Suggestions for future research:

- This essay is based solely on the leader's view concerning motivation and reward systems. An interesting area for further research would be to examine how the remaining staff within the organization perceives the same area.
- It would also be interesting to conduct a detailed study of a healthcare organization that has an explicit reward system and investigate its impact on an organization in relation with one that does not.
- It appeared that experiences and knowledge on the impacts of incentives used to generate more effective care had on care quality was inadequate. It would be interesting to accomplish a deeper study in this field.



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Attachment 1– Interview Guide

Interview guide

Berätta om din bakgrund?

- Hur länge har du jobbat i branschen
- Vilken position har du? Hur länge har du haft denna position?
-

Beskriv er organisationsstruktur?

- Hierarkin
- Hur många medarbetare finns det?
- Arbetar man mest enskilt eller i grupp?
- Vem fattar beslut? Hur delaktig är du i strategiska beslut?
- Vad baseras de beslut som sker i den dagliga verksamheten på, var kommer förslagen ifrån?
- Vad anser du är den viktigaste resursen inom vården?

Vad gör ni för att motivera er personal till ett engagerat och effektivt arbete? Använder ni er av ett uttalat belöningssystem? Berätta!

- Belönar ni gott arbete?

Vad?

- Vilka handlingar/prestationer/handlingar belönas?
- Hur mäter man prestationer/handlingar?

Hur?

- På vilket sätt belönas dessa prestationer/handlingar?
Monetärt, icke monetärt, socialt, symboliskt, psykologiskt.
- Sätter man upp mål? Finns det mål som inte belönas?
- Har man identifierat nödvändigt beteende när man har byggt upp belöningssystem?
- Hur implementerar man ett belöningssystem bland personalen?
- Hur följer man det upp ett belönings system?

Varför?

- Vilket mål har ni när ni motiverar och belönar er personal?
- Vad ser ni för tänkbar anledning till att införa ett belöningssystem inom vården? Tänker ni på det som ett tänkbart styrinstrument?
- Hur tror ni personalen uppfattar ett belöningssystem?

Vad anser du är kvalitet inom vården?

- Ex. väntetider, patientbemötande och äldres läkemedelsanvändning.

Anser du att belöningssystem inom vården påverkar vårdkvalitén?

- Vilka inverkan tror ni att ett belöningssystem skulle kunna ha på vårdkvalitén? Varför?!
- Hur hittar man en jämn relation emellan effektivitet och kvalitet?

Offentlig vs privat



- Vad ser Du för skillnad emellan offentlig och privat vård?
- Vad ser Du för skillnader att arbeta med motivation och belöning inom privat respektive offentlig sektor

Framtida tankar om motivering och belöningsystem

- Hur ser ni på framtiden, Om ni hade mer resurser, hur skulle man använda dessa?
- Kommer belöningar få en mindre/ större roll i framtiden?
- Kan ett belöningsystem vara ett mer frekvent använt styrinstrument även inom vården?