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**WORK MOTIVATION, ITS IMPORTANCE AND EFFECT ON  
ORGANIZATIONAL PERFORMANCE IN ESTONIAN FINTECH  
COMPANIES**

Master's thesis

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I hereby declare that I have compiled the thesis independently and all works, important standpoints and data by other authors have been properly referenced and the same paper has not been previously presented for grading. The document length is 13,976 words from the introduction to the end of conclusion.

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## **ABSTRACT**

This thesis aims to reveal the impact of employee motivation on organizational performance. The study is based on the qualitative research method. The interviews with the research participants were conducted in the period from 01 October 2021 to 09 May 2022. This thesis focuses on how employee motivation, through various motivational aspects such as material rewards, recognition, management styles, and workplace setting, influences organizational performance. The study shows that employee motivation is significantly linked to organizational performance.

The novelty of this topic is that it sheds light on motivation specifically in fintech companies in Estonia. The study examines cognitive, behavioral, and affective measures of motivation. Fintech companies started to emerge in Estonia recently, and the management of these firms is not experienced in developing motivation plans for personnel. This results in the insufficient employee performance and declining profits of companies.

An interesting finding is that non-material motivation makes greater impact on employee performance in combination with material incentives. The study indicates that the different aspects of motivation are essential to performance level of employees. The results of the study show that non-material rewards are more essential than material motivation. However, managers often fail to understand this problem. The combination of material and non-material rewards can boost performance and result in higher productivity. The major conclusion is that managers of fintech companies should emphasize the non-material rewards to motivate employees and combine material and non-material rewards to reach higher effectiveness, competitiveness, and productivity of their companies.

Keywords: motivation, performance, organization, people, efficiency.

## **INTRODUCTION**

In the modern corporate world, retaining highly-qualified employees is crucial in any industry. Companies have nearly similar inputs at their disposal except for labour resources (employees). The issue of high-quality workforce is acute in fintech companies of Estonia. Attracting workers to fintech companies is a pivotal issue, but providing an appealing reward system to promote motivation is even more important. This helps entice workers' loyalty and lower staff turnover (Zinakova, 2020).

Motivation is one of the most important factors influencing productivity. According to Richard and Aquilino (2016), high productivity can be reached only with the help of interaction between management and workers. Among these forces are employee development plans, training, organizational development, tangible and intangible rewards, performance appraisal schemes, selection and recruitment of employees, human resource planning and communication (Richard and Aquilino, 2016).

According to Lilian (2015), employee motivation is one of the most effective and accessible policies targeting productivity increase. Motivated employees are more responsive and responsible. The likelihood of reaching organizational goals is higher if staff is motivated as compared to those having lower levels of engagement. Lilian (2015) states that employee motivation is one of the greatest intangible assets that helps improve organizational reputation and image through higher levels of performance. On the contrary, the lack of employee motivation leads to the under-utilization of employee potential and skills. If employees do not feel they are rewarded fairly, they are not motivated to deliver high-quality products or services to customers. This leads to customer dissatisfaction and bad reputation of the companies (Akdol & Arikboga, 2017).

The productivity of fintech companies is interlinked significantly with workplace motivation (Lukonga and Holland, 2018). Having this in mind, the aim of this study is to improve organizational performance in fintech companies in Estonia. This research shows how an organization can improve its performance through using appropriate motivation (FinTech Baltic, 2020).

The choice of this topic is conditioned by its topicality: emerging fintech companies in Estonia experience lack of qualified personnel, and in order to attract them, management of fintech companies should develop an appropriate motivation plan. The issue is widely discussed in the scholarly literature. The aim of this thesis is to reveal motivation approaches used in the financial companies globally to develop recommendations for one of the fintech companies in Estonia. The novelty of this topic is that fintech companies started to recently emerge in Estonia and management of these companies is not experienced in developing motivation plans for personnel. This results in insufficient employee performance and declining profits of fintech companies (Jasmi, 2012).

Fintech companies in Estonia require high-skilled employees to be hired as this is an innovative area of business and employees should possess exclusive skills including knowledge of fintech specificity and agile management (Crunchbase, 2020). These skills are not met in the employees and the major issue of fintech companies in Estonia is to hire and retain highly-skilled employees. It is difficult to find the correct motivational approach towards qualified employees which greatly affects overall organizational performance due to the high competition in attracting and retaining human resources between fintech companies in Estonia (FinTech Baltic, 2021).

The statement of the research problem:

Fintech companies in Estonia require high-skilled employees to be hired because this is an innovative area of business and employees should possess exclusive skills including knowledge of fintech specificity and agile management. These skills are rarely met in the employees and the major problem of fintech companies in Estonia is to retain highly-skilled employees. The goal of the research is to reveal the themes that can help improve organizational performance through more effective employee motivation in fintech companies of Estonia.

This study aims at answering the following research questions:

Research Question 1: How are people employed in fintech companies of Estonia motivated?

Research Question 2: Why does material motivation influence employee performance in some fintech companies of Estonia, but employees in other fintech companies in Estonia prefer non-material incentives?

By answering these questions, the researcher will be able to find solution for existing problem of motivating employees in fintech companies of Estonia.

The thesis consists of three main chapters: theoretical framework, methodology, and results. In the first chapter, the results of the previous research on the topic are examined. Also, the opinions of other authors are introduced and the relevant concepts outlined. This chapter helps frame the current research and set its direction. The second chapter describes the research framework and method used in this study. In the third chapter, the results of this research are described. The results of the research are based on the interviews. The results of the study are summarized in the conclusion part.

# **1. THEORETICAL FRAMEWORK: WAYS AN ORGANIZATION CAN IMPROVE ITS PERFORMANCE THROUGH USING APPROPRIATE MOTIVATION APPROACHES**

## **1.1. The Importance of Material Motivation**

Fintech companies in Estonia have just begun to emerge. In general, this area of business is under-researched. According to Laidroo, Tamre, Kukk, Tasa, and Avarmaa (2021), only four years ago the number of fintech companies in Estonia made up 84 start-ups. In 2021, the number of fintech companies made up 215 units. The initial fintech industry in Estonia emerged in 2008. Presently, Estonia boasts to build a cashless society with approximately 99% transactions conducted digitally based on electronic IDs and Blockchain technology (Laidroo, Koroleva, Kliber, Rupeika-Apoga, and Grigaliuniene, 2021).

According to Alterkawi and Bittar (2019) fintech companies are those companies that use financial technologies in their operations. These technologies may involve technological advances that deliver financial services through innovative software. For example, online banking, cryptocurrency, and mobile applications designed to make payments.

Horn, Oehler, and Wendt (2020) define fintech companies as financial institutions providing financial services or financial products to streamline, augment, and digitize their offerings. Fintech refers to integrating innovative technologies into financial services to improve offerings of financial institutions and provide more rapid delivery of financial services to consumers (Rupeika-Apoga and Wendt, 2021).

Rupeika-Apoga and Thalassinou (2020) argues that the word fintech combines two words which are “financial” and “technology”. This term describes the use of various innovative technologies aiming to deliver high-quality financial services or products to customers of financial institutions. Fintech are used by banking institutions, insurance and investment companies (Rupeika-Apoga and Thalassinou, 2020).



According to Rupeika-Apoga and Wendt (2021), fintech companies in Estonia face a great number of issues including lack of economic and legal regulations, as well as lack of qualified workforce. Fintech companies mostly experience problems when attracting skilled workers because they require high level of knowledge in this industry. However, the current state of the local labor market does not offer the workforce required by the fintech companies (World Bank and World Economic Forum, 2020). It is worth mentioning that the competitiveness of the workforce companies essentially depends on the availability of the educated and professional workers (Solovjova, Rupeika-Apoga, and Romānova, 2018). Fintech companies in Estonia tend to hire local professionals and not international highly-qualified ones. This is because the latter build their businesses moving from one country to another without stable employment (Financial Stability Board, 2019). Also, hiring international professionals requires flexible immigration policies which are not available at the moment. In addition, there are conflicts between local and international specialists that hamper the development of healthy working environment in these companies (Rupeika-Apoga and Wendt, 2021). This area should be researched more in-depth because with emerging of multiple fintech companies, the issues related to finding qualified workforce arise as well.

Laidroo, Tamre, Kukk, Tasa, and Avarmaa (2021) also states that the lack of qualified workforce poses a significant threat to fintech companies in Estonia. The issues faced by companies in this industry were ranked from 1 to 7 by (Laidroo et al., 2021). The issue of lack of qualified workforce is ranked on the third place after finding customers (5.4) and problems associated with regulation of fintech companies in Estonia (Figure 1).

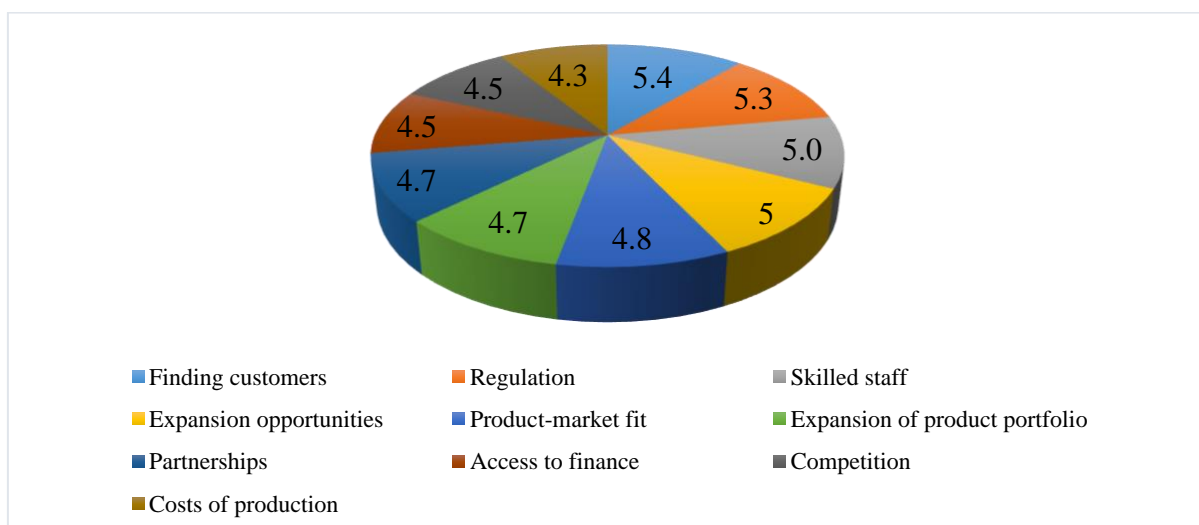


Figure 1 The Most Acute Problems in Fintech Companies of Estonia (Laidroo et al., 2021)

The same concerns motivational approaches in these companies. The significance of this study is that the research on the motivation of employees working in fintech companies of Estonia is scarce. It is a new developing industry in this country and it faces the problem of employee motivation. Staff is one of the most important inputs for fintech companies of Estonia. Therefore, a lot of attention is paid to staff retention. Also, productivity and performance of employees working in fintech companies depends on motivation. This study helps shed light on employee motivators to help fintech companies form appropriate reward packages. The aim of this thesis is to find interrelations between employee motivators and existing motivational systems to reveal whether they are effective. This study will help HR specialists to draft better motivational systems to retain employees in fintech companies (Institute for Management Development, 2019).

Fintech companies offer services based on innovative technologies in the area of finance. Recently, many companies in Estonia offer fintech services. This is an emerging industry that rapidly captures national business. According to Enterprise Estonia (2021), Estonia has recently turned into a cashless society with more than 99% digital transactions and it has ambitions to become a global centre for excellence in the area of fintech. This process is triggered by the rapid development of innovative technologies in the globalized world. There are more than 100 fintech companies having headquarters in Estonia. Fitek, Guartime, Bondora, Funderbeam, Fortumo, and e-Residency are a few examples of fintech companies that operate in the country. One of the major problems of fintech companies in Estonia is service delivery process (Saksonova, 2014).

Motivation of employees is an issue that has been researched for many years globally. The problem of motivation was raised in the middle of the past century when employers faced the necessity to encourage employees to perform better. There were several motivational theories developed based on the research of human needs. Four theories became more popular than others including Herzberg two factor theory, John Adair fifty-fifty theory, and Vroom's expectancy theory (Akah, 2010). These theories outline main external and internal factors influencing people management and motivation. Recently, employee motivation is becoming the core issue in any business because all other factors fintech companies have in their disposal are nearly equal, but people management can make the difference. Therefore, many researchers pay attention to the issue of employee motivation. The current research is based on the studies of Heslpo (2013), Maksic (2016), Mfinanga (2018), Arendse (2013), Dulami (2012), Nguyen (2017), and Flynn (2013) who considered different motivational approaches employees and the effectiveness of people

management. The variety of the studies conducted globally helps better understand the problem of people management and motivation and apply their findings to fintech companies in Estonia.

Nguyen (2017) researched the impact of employee motivation on organizational effectiveness based on major motivation theories including Herzberg's Two-Factor theory, and Vroom's Expectancy theory. Nguyen (2017) identifies three main motivational factors namely: salaries, personal growth, and work-life balance. The results of this study can be of a particular use for the current research. Nguyen (2017) examined motivational factors based on secondary data. The research results showed that the most motivational factors for employees are money, the opportunity of personal growth, and the balance between work and life.

Flynn (2013) emphasizes the importance of commitment and cooperation at workplace and studies the factors that make a significant impact on employee motivation. Flynn (2013) considers several motivational schemes that help organizations reach target performance. The author evaluates effectiveness of different reward schemes that can be useful when evaluating the impacts of motivation schemes examined in the current research.

## **1.2. The Importance of Non-Material Motivation**

Mfinanga (2018) used quantitative approach related to work motivation in the companies of Tanzania. The findings of Mfinanga (2018) were that intangible motivation is undervalued if compared to tangible motivation tools. The study revealed the lack of intangible motivation namely recognition of efforts, verbal appreciation, lack of assistance, and social gatherings.

The opinion of Mfinanga (2018) coincides with the opinion of Hesplo (2013) stating that financial rewards are less motivational as compared to intangible motivational factors.

According to McLeod (2007), the Maslow hierarchy of needs suggests that there are basic (psychological and safety) and improved needs (love, belongingness, esteem, self-actualization) of a person. Therefore, it can be concluded that the needs for self-actualization are not less important as compared to material rewards. However, workers need material rewards as they need to pay off their bills. Hence, material and non-material rewards should be balanced to provide sufficient level of workers' motivation.

Mfinanga (2018) argues that such factors as employee appreciation, recognition of personal achievements, and the sense of belonging (social gathering) play an important role in developing motivational schemes.

The study of Arendse (2013) argues that the increasing pace of globalization and economic shocks makes pressure on the companies requiring better performance. Therefore, the reliance on the workforce performance increases that raises the issue of motivation. Arendse (2013) examined the dependence of motivation stimulus on various factors including race, gender, and the number of other factors that can make potential impact on motivation.

Dulami (2012) examines work performance and motivation based on the main human resource theories. The author research the impact of motivation on performance at workplaces and motivation approaches that help encourage employees to demonstrate better performance. As well as Mfinanga (2018), Dulami (2012) emphasizes intangible motivation factors rather than material compensation.

Dulaimi (2012) examined the relationships between workplace motivation, employee performance, and job productivity. In the opinion of Dulaimi (2012), employees should be motivated based on the main motivational theories. The author concluded that employees whose opinions were studied in the course of the research revealed low performance levels that was reflected in low organizational productivity.

On the contrary to the hypothesis developed by Nguyen (2017), Maksic (2016) states that financial incentives don't play the major role in motivation at workplace. Many authors suppose that work motivation depends on financial rewards, but the results of their studies present the opposite evidence.

### **1.3. The Impact of External Circumstances on Motivation**

The study of Heslpo (2013) considers human resources as the most important asset in any organization, and motivation is seen as the most important function in human resource management. This tendency has strengthened within the last decade taking into account the

changes in human resource management and economies in whole triggered by globalization processes.

Maksic (2016) considers work motivation from the perspective of two concepts: the degree of work satisfaction being impacted by external factors and circumstances and the responses developed by different organizations regarding job satisfaction.

Hesplo (2013) examined the variety of internal and external factors making impact on employee performance. Thus, Hesplo (2013) included internal factors influencing employee performances such as race, gender, tenure, marital status, and the level of education. The external factors researched involve nature of work performed, the level of salaries and age differences between employees. Hesplo (2013) developed a particular focus on the role of gender. In the opinion of Hesplo (2013) gender plays the most significant role when developing reward schemes.

Arendse (2013) revealed that a great number of factors make an impact on motivation, such as remuneration, working conditions, work content, leadership, recognition, and benefits make a significant impact on job satisfaction. Also, internal factors including race, gender, marital status, tenure, level of education, age are essential for developing effective motivational approaches (Arrasyid, Amaliyah & Pandin, 2019).

In this way, workplace motivation depends on a number of external and internal factors. These factors depend on age, gender, race, and many other aspects that are examined by the researchers in different countries. However, the research related to motivation of the employees working in fintech companies as one of the emerging industries globally is scarce. This also concerns Estonia and the researcher plans to provide some evidence on the motivational tools that can be helpful to improve motivation in an emerging industry such as fintech.

#### **1.4. The Analysis of Previous Empirical Research Results**

Empirical research results are represented by the studies of the authors that made core contributions to the current research. The studies selected for analysis represent the opinion of different authors which researched work motivation globally on the companies operating in different industries to reflect the importance of the issue under research.

Heslpo (2013) states that workplace motivation acquired greater meaning during globalization. Basically, the companies operating in the competitive markets, such as fintech companies, have nearly the same resources at their disposal. At the same time, they need to differentiate their products and services to attract greater number of customers to earn profits. The differentiation can only be reached by hiring qualified employees and retaining them to improve the results. Hence, human resources are the source of the core competitive advantage in the modern business environment.

Some authors consider the factors that make an impact on workplace motivation. Maksic (2016) revealed that motivation is being impacted both by the variety of external factors and the responses developed by different organizations to the employees' queries related to job satisfaction. Responsiveness to the employees' queries reflects job satisfaction, but external factors can be hardly controlled (Marasinghe and Wijyaratne, 2018). The results of the study of Maksic (2016) can be used to compare the current research results to the previous research results in terms of the impact of the organizational responses on the quality of human resources and their productivity.

Mfinanga (2018) compared the impact of tangible and intangible motivation factors on employee productivity. This research presents high value for the current study as it helps collect evidence regarding the relative importance of tangible and intangible motivation factors. Mfinanga (2018) presented evidence that intangible motivation is undervalued. The lack of intangible motivation tools such as effort recognition, verbal appreciation, lack of assistance, and social gatherings makes negative impact on organizational climate and productivity (Hong, Abd Hamid, and Norliza, 2013).

Arendse (2013) states that employee motivation becomes more important in the competitive environment. Organizations started to rely on employees to a greater extent with the strengthening globalization trends. Arendse (2013) presented valuable insights on the dependence of various motivational tools on race, gender, and other factors. These findings are particularly valuable for the current research.

The research of Dulami (2012) presented evidence of the importance of intangible motivation tools. In the current study, the major focus is to reveal which type of factors is the most motivational for the employees in the fintech companies in Estonia. This thesis will help reveal and compare the factors making impact on the employee performance as the reflection of their satisfaction and motivation.

Nguyen (2017) revealed that the major factors making impact on employee performance are adequate payment, availability of personal growth, and balance between work and personal life. Two out of three factors are intangible, while one is tangible, all of which make an impact on workplace performance. Hence, intangible motivation tools are more important as compared to tangible tools. This research is valuable from the perspective of assessing the impact of different motivation factors on workforce performance and productivity.

The results of the study of Flynn (2013) revealed that the internal environment and organizational climate are of particular importance for increasing workforce productivity. Flynn (2013) outlined that commitment and cooperation at workplace are the most important factors influencing employee performance. The outcomes of this study will be compared to the results of the current research to reveal whether there are differences in motivation of employees working in different companies and different industries.

Based on the literature researched, the opinions of different authors were examined. These opinions will be used as theoretical background for the current study.

### **1.5. The Opinions of the Authors Related to the Research Topic**

The authors whose studies are examined in this research to develop theoretical background drew attention to different sides of motivation. Also, they researched different factors that motivate or discourage employees from demonstrating better performance. The results of examining the authors' opinions are summarized in this section.

Hesplo (2013) argued that motivation depends on the variety of factors, such as race, gender, and education level to name a few. This dependence will be examined in the current research with the help of the interviews of the respondents working in the fintech companies in Estonia. The findings of Hesplo (2013) are that the motivation tools significantly depend on the age and gender of the respondents. The researcher will examine these interrelations to reveal whether age and gender play a particular role when developing motivational schemes in fintech companies of Estonia.

On the contrary, Maksic (2016) argued that non-financial rewards are more important as compared to financial rewards. Based on this assumption, the researcher included an equal number of interview questions related to the importance of tangible and intangible motivation tools that

should be used to increase performance and productivity of employees in fintech companies in Estonia.

Mfinanga (2018) and Hesplo (2013) emphasized the importance of intangible motivation tools. The researcher included interview questions targeting to reveal whether intangible motivation is more important than tangible as the interview results can be different depending on many factors such as gender, age, level of education, cultural background, and even industry. This will help reveal the most important motivational tools that can be used to build a new motivational scheme for the fintech companies examined.

According to opinion of Arendse (2013), the most important factors making impact on motivation are intangible. However, remuneration appeared to be important as well. Arendse (2013) stated that remuneration does not play an outstanding role in motivation. Employees rather take this motivational factor for granted. Intangible factors are considered as the major factors making impact on employee retention and the reduction in employee turnover. This can be valuable for the current study from the perspective of developing effective motivational scheme for fintech workers as the research of Arendse (2013) concerns the banking industry of a developing country.

Dulaimi (2012) revealed the links between motivation, employee performance, and job productivity. The results of the research of Dulaimi (2012) are in line with the core motivational theories. Dulaimi (2012) revealed that low performance levels are associated with poorly designed motivational schemes and result in a low workplace productivity.

Nguyen (2017) reveal three major motivational factors making impact on employee performance. However, Nguyen (2017) studied a different working and cultural environment. Therefore, results of this study may not be applicable to the current study. However, the concepts used in this work were useful for designing interview questions for the current research.

Flynn (2013) was one of few researchers who studied the perception of motivational approaches by employees. This is a very important problem because sometimes employers do not realize that the motivational approaches they use are ineffective. This study can be useful for designing a motivational framework for employees in fintech companies of Estonia. The methodology of this work was developed based on the findings of the previous studies.

Overall, there is little research on the motivation in fintech companies in European countries. The major research presents the evidence on motivation in the services sectors in developing countries



of Asia and Africa. Therefore, the research results of the studies examined are not applicable to the motivational approaches that can be used in the fintech companies of Estonia as the mentality and workplace settings are different. Also, fintech industry in Estonia is a relatively new area of business, and the management of fintech companies is inexperienced in motivating its employees to perform better to improve performance of these companies. However, the results of these studies can be used to compare motivational approaches globally and develop motivational framework for fintech companies in Estonia.

The problem of motivation in fintech companies is acute because of several reasons. In spite of the fact that the issue of motivation is nowadays well-researched, the particularity of financial technologies industry makes this area quite unexplored. These companies started to emerge in Estonia since 2012. At present, the pace of emerging of these companies increased. Therefore, competition in the financial market increased accordingly. High competition forces fintech companies to search for new sources of core competitive advantages. As all other accessible production factors are similar, staff is the only source of the competitive advantage. This necessitates paying greater attention to motivation as the factor that can boost performance of fintech companies.

## **2. METHODOLOGY**

### **2.1. Research Object**

In this chapter, the research design, research approaches, sampling, data collection method, and data analysis method are described. Also, data relevance and validity are justified. The qualitative approach to data analysis is chosen. The themes are developed based on the interview data. Interviews are collected from the sample of managers working in the fintech companies in Estonia, Tallinn. Therefore, the research object is the fintech industry in Estonia.

### **2.2. Description of Research Method**

In the current research a qualitative research method is used. The qualitative research is based on the interviews with the workers of one of the fintech companies in Estonia. The object of this research is motivation approaches used by Estonian fintech companies.

The methodology part relates to the research design, research objectives and their justification, description of the research object and method. The interview design is described and the interview questions are presented. Also, sampling process and procedures of data collection are outlined. Data validity and reliability are described as well.

The goal of the research is to reveal which external or internal motivation make the greatest impact on employee motivation in fintech companies of Estonia to develop relevant frameworks for motivation in these companies. This is an acute problem because fintech companies in Estonia face deficits of qualified workers. They aim to develop motivational approaches to retain employees because qualified employees are difficult to find and retain as competitors provide better material or non-material remuneration (Saunders, 2009).

The rationale for choosing this research approach is that it allows for probing the answers of interviewees. Data collection technique is a semi-structured interview. One of the benefits of semi-

structured interviews is that interviewees can explain and build on their responses in depth. As interviews are conducted in the informal setting, this helps derive maximum information regarding the research question. In contrast to formal interviews, interviewees feel relaxed and open-minded when the interviews are informal. Such types of interviews provide insights that are specific to the industry which is examined. In this cases, fintech industry of Estonia. Despite lack of representative statistics, informal semi-structured interviews help interviewees develop expanded answers that provide the researcher with the maximum information regarding the research topic. One of the major disadvantages of qualitative approach is subjectivity (Ranjit, 2005).

Many other researchers that examined the issue of employee motivation used quantitative approach. Quantitative approach is beneficial because it helps analyze the interrelationships between employee motivation and job performance using statistical data. However, qualitative approach helps to analyze data collected in depth (Saunders, 2009).

### **2.3. Research Design**

Research design is represented by the framework of the study that guides data collection and analysis (Saunders, 2009). The meaning of the research design is to ensure the relevance of the study to the central research question developed in the course of the research. The researcher targets the description of the relationships between employee motivation and their performance in fintech companies in Estonia. At the first stage, the analysis of literature related to the research topic is conducted. This helps to get relevant insights regarding the central research question and develop relevant themes that will help answer the central research question when the interviews are complete. The major goal of composing the research design is to provide data collection with minimal efforts in terms of expenditures and time (Ranjit, 2005).

Explanatory research design is used to conduct this study because there is a need to examine the relationships between employee motivation and performance at fintech companies in Estonia. Fintech industry is a relatively new area in the sphere of finance. The motivation of the employees in these companies is under-researched. Therefore, there is need in a more in-depth research of the problem of motivation in these companies because motivation in plays an important role in boosting performance. In its turn, high performance helps develop core competitive advantages in the highly-competitive environment. This type of research design allows for in-depth analysis of

the central research question outlined based on the investigation of data collected from interviewees (Bryman, 1984).

## 2.4. Description of Qualitative Research Method

Qualitative research is differentiated from quantitative in a number of ways, primarily through the duty to view society from the view point of an actor. Qualitative research is useful to understand the context of human behaviors of certain societal groups (Bryman, 1984).

Non-standardized interview is one of the methods of qualitative research approach. Non-standardized (semi-structured) interviews are used to collect data which is analyzed qualitatively to answer the research questions (Saunders, Lewis, & Thornhill, 2019).

Qualitative research involves non-numerical data collection and analysis such as text, audio or video information sources. Qualitative data helps understand social concepts, opinions and experiences related to the central research question. Qualitative research approach is used to gather in-depth insights on the central research question and generate new ideas for further research.

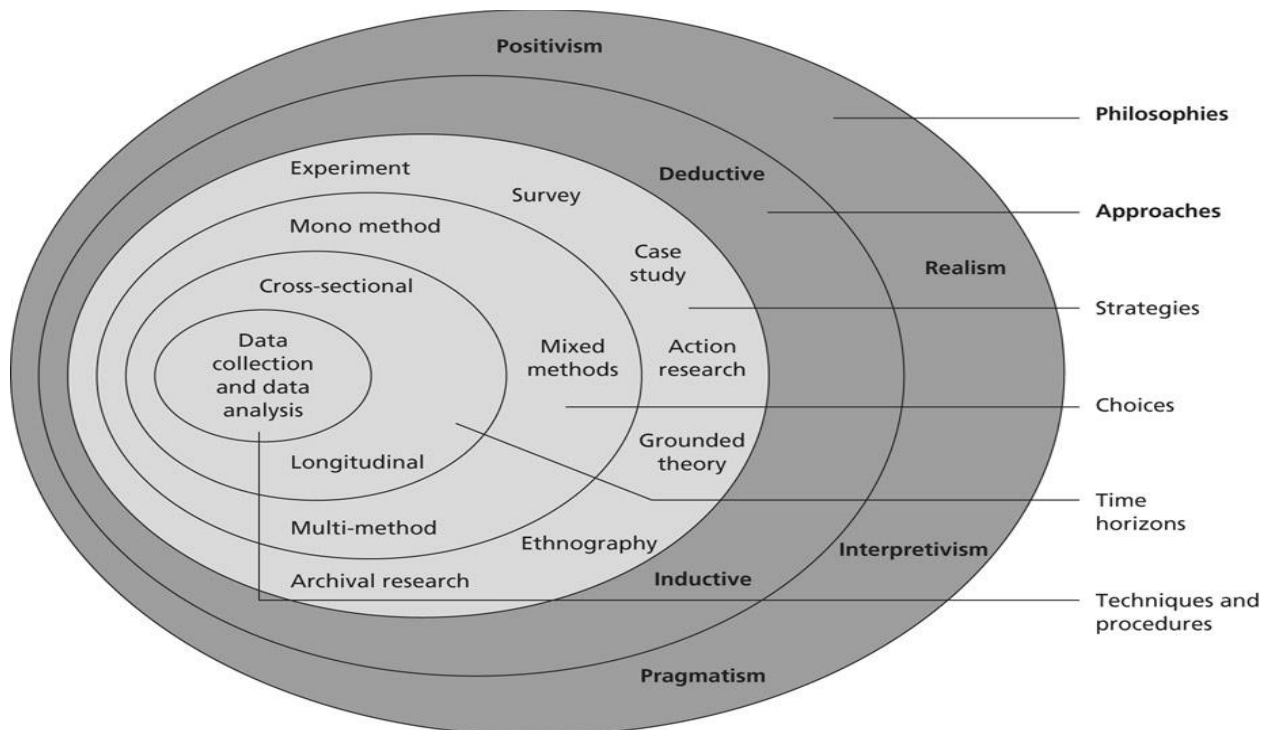


Figure 2 Research Onion (Saunders, Lewis, & Thornhill, 2019)

An interpretivist research philosophy is used in this study to conduct research in humanistic areas (Figure 2). The qualitative research approach is used in this study. Interview method belongs to qualitative research method. On the contrary to quantitative research method, qualitative research method helps examine the issue in depth (Bryman, 1984).

According to Saunders, Lewis, & Thornhill (2019), the deductive research approach is used to move from specific observations to broad generalizations. Deductive research approach helps generalize conclusions that emerge from the research results (Figure 2).

The non-standardized or semi-structured interview method is chosen for the purposes of the current research. Based on the interviews with the research participants, their opinions are derived. The opinions of the interviewees are analysed based on the themes revealed during the interviews. Participants of these interviews are working in different fintech companies. Each interview lasts minimum 30 minutes and maximum 3 hours. The interviews were conducted in English as all the interviewees have sufficient English language level to participate in the interview. The themes are revealed during the analysis of the answers of the interviewees. The data collected is analysed using thematic analysis approach (Bryman, 1984).

The rationale for choosing this research approach is that it allows for probing the answers of interviewees. By answering the research questions, the conclusion regarding interlinks between motivation and performance can be made. This will help fintech companies in Estonia develop better employee motivational systems and improve their performance.

One of the benefits of semi-structured interviews is that interviewees can explain and build on their responses in depth. As interviews are conducted in the informal setting, this helps derive maximum information regarding the research question. On the contrary to formal interviews, interviewees feel relaxed and open-minded when the interviews are informal. Informal interviews provide insights that are specific to the industry which is examined. In this cases, fintech industry of Estonia. Despite the lack of representative statistics, informal semi-structured interviews help interviewees develop expanded answers that provide the researcher with the maximum information regarding the research topic. One of the major disadvantages of qualitative approach is subjectivity (Saunders, Lewis, & Thornhill, 2019).

Many other researchers that examined the issue of employee motivation used quantitative approach. Quantitative approach is beneficial because it helps analyse the interrelationships between employee motivation and job performance using statistical data. However, quantitative

approach often lacks in-depth analysis of the problem. On the contrary, qualitative approach helps organize an in-depth analysis of the data collected and reveal possible hidden issues that the quantitative research method fails to reveal due to a more formal approach used (Saunders, Lewis, & Thornhill, 2019).

Qualitative research method and techniques offer a unique understanding which is difficult to obtain from a survey based on closed questions. Respondents interviewed using the qualitative research method are able to freely express their opinions, disclose their experiences without constraint thanks to informal atmosphere. Qualitative research method helps gather more detailed information about the research topic. It can be used to discover the problems or opportunities that require solutions at the moment (Saunders, Lewis, & Thornhill, 2019).

Besides, qualitative research method can be helpful on the final stage of the interview analysis. The quotes obtained from the interviewees derived with the help of open-ended questions can offer greater number of themes to be analyzed as compared to other qualitative approaches such as case study approach. The data obtained using the qualitative approach helps describe motivation approaches used by the companies from the perspective of the users of the motivational schemes. This helps discover the blind points in the motivation schemes used by the fintech companies (Bryman, 1984).

In addition, the qualitative research requires participation of fewer number of respondents as compared to quantitative research. The researcher has access to a limited number of potential respondents. Therefore, qualitative method fits the objectives of the current research at best. Despite quantitative research being based on a survey of a greater number of respondents, it helps answer broad questions. However, this research requires a more in-depth analysis of the issue because a lot of studies related to motivation of employees were conducted, but the objective of the current research is to study motivational approaches employed in the fintech companies to reveal the most effective ones. Therefore, the qualitative research method is preferable (Bryman, 1984).

Qualitative research is useful when there is a need to explore the ideas whereas quantitative approach is mostly used to test existing theories or hypotheses. In this study, the researcher aims to understand the most effective motivational approaches through analysing the thoughts, opinions, and experiences of the interviewees. Quantitative research method does not fit the goals

of this research because it helps to only test existing theories or hypotheses (Saunders, Lewis, & Thornhill, 2019).

As compared to case study, semi-structured interviews offer greater data for analysis because the latter do not concentrate only on one case. However, case study method offers a more in-depth analysis of the research problem as compared to semi-structured interviews. At the same time, case study method focuses on one case that may lead to excessive subjectivity of the research (Saunders, 2009).

Touré-Tillery and Fishbach (2014) examined cognitive, behavioral, and affective measures of motivation. The authors distinguished between different motivational dimensions including outcome-focused and process-focused motivation. This approach helped reveal the circumstances that contribute to the development of each motivational patterns and make conclusions regarding the differences in motivation that can be employed to reach better results. Also, Touré-Tillery and Fishbach (2014) studied the measures such as learning and psychological depletion that make an impact on motivation and non-motivated behaviors among workers. The authors state that the employers should be careful when selecting motivational approaches and interpreting fluctuations in motivation among workers triggered by motivational approaches employed.

## **2.5. Sample and Sampling Process**

A sample of participants is chosen from a large number of workers employed in the fintech companies in Estonia, Tallinn. It is possible in a qualitative study to use a smaller sample of participants as compared to the sample used to analyze data in quantitative studies. A sample of multiple interview participants is chosen. The choice of the participants is random. This is a minimum interview sample required according to Kothari (2007).

## **2.6. Procedures of Data Collection**

Kothari (2007) states that procedures of data collection serves as a guideline for collecting, processing, and analyzing data from the identified population. Data collection follows the stage of identifying the central research question. In this research, two types of data are used: primary and secondary data. Primary data are collected directly from research participants. The interviews are conducted with the help of personal meetings. Personal meetings are chosen instead of focus

groups to provide confidentiality and openness of the research participants. Interviews are designed to answer research questions. Secondary data are collected from the literature examined in the literature review part of this study. The major research approach is to compare the data collected from the quantitative studies related the interlinks between motivation and workplace performance of the workers employed at the fintech companies in Estonia.

## **2.7. Data Validity and Reliability**

### **2.7.1 Validity**

Validity is the ability to measure instruments of research study what it is claimed to measure. To ensure the validity of the research instruments (interview) is piloted by the researcher to test the validity, refine the interview questions, and ensure that the interviewees can answer interview questions (Richard, 1997).

### **2.7.2 Reliability**

Reliability refers to the ability to get similar results by measuring an object or a feature with the help of independent and comparable measures (Richard, 1997). Also, reliability of a study is measured by the accuracy and precision of the measuring approaches used in the study. Reliability of the data collection method is tested before starting the initial data collection. Data reliability shows the consistency of the responses obtained from the interviewees.



### 3. EMPIRICAL STUDY RESULTS

#### 3.1 Demographic Characteristics of the Sample

In this section, the findings and the results of the current research are presented. This study targets 5 respondents who are working in one of the fintech companies in Estonia. Gender distribution of the interview participants is as follows: 2 participants are females and 3 participants are males. All interview participants are aged between 19 and 35 years old. Two of them are married and three of them are single.

Table 1 Description of the Interview Participants

Interviewees	Gender	Age (years)	Marital status	Position held	Education level	Working experience (years)
Interviewee 1	Male	35	Married	Manager	Master's degree	7
Interviewee 2	Male	31	Single	Manager	Bachelor's degree	6
Interviewee 3	Male	29	Single	Specialist	Bachelor's degree	3
Interviewee 4	Female	19	Single	Specialist	Bachelor's degree	2
Interviewee 5	Female	26	Married	Manager	Master's degree	5

They hold either managerial or clerical positions. Their educational level is either Bachelor's degree or Master's degree. Their working experience varies between 2 and 7 years (Table 1).

#### 3.2 Qualitative Findings

The researcher collected qualitative data based on the interviews. Each interview participant answered twelve interview questions. Based on the answers given by the participants, the most important themes that were revealed during the interviews were outlined. The results are summarized in the tables. Further, the research results were analyzed towards two core research questions and compared to the results of the previous research to reveal the most important trends in motivation.

Table 2 shows the themes that arise during the interviews with the participants when the first interview question was asked. The answers to this question revealed that the participants are satisfied with material rewards offered, but the management pays little attention to intangible motivation tools such as team building or cooperation between employees to reach better productivity. Overall, the working environment was characterized as non-cooperative.

Table 2 Themes That Arise from the Set of Question 1 During the Interviews

Interview Participants	Reflections	Themes Revealed
Interviewee 1	“By offering material rewards for fresh ideas that work well for the company.”	Management mainly uses material rewards.
Interviewee 2	“Material rewards that do not work as expected.”	Low attention is paid to intangible motivation.
Interviewee 3	“Material rewards. Satisfied with motivation scheme offered. Good team.”	No issues found.
Interviewee 4	“Encouragement of participation in decision making by offering non-material rewards such as status improvement (i.e. employee of the month, etc.) No employee gatherings or teamwork.”	No attention is paid to team building.
Interviewee 5	“Bonuses proposed for ideas that work. Good supervision. Low cooperation with colleagues.”	Employees can not realize cooperation and participate in teamwork effectively to work out viable decisions.

Judging by the answers of the fintech companies’ managers, employees working in these companies are mostly motivated by the material incentives. However, according to McLeod (2007), non-material incentives are not less important as compared to material ones. Therefore, it seems that the management of the companies underestimates the importance of non-material motivation in fintech companies in Estonia.

It is worth mentioning that active participation in decision-making is encouraged in these companies. One of the respondents mentioned that regular gatherings take place in their company. This is evidence that in some company’s non-material motivation is actually present. Besides, this is an indicator that opinions of staff are appreciated which in line with Maslow’s concept of motivation when non-material rewards are more encouraging for some employees as compared to the motivation generated by the material rewards. Fintech companies belong to the new industry in Estonia requiring highly-qualified personnel (Gomber, Kauffman, Parker, and Weber, 2018). Hence, non-material motivation should be preferable in these companies as employees working in such companies are usually young, ambitious, and are ready to participate in the decision-making process. This can be a motivational aspect to improve performance in these companies.

Team building is an issue which has to be attended as no attention is paid to it. It appears to be that teamwork is minimized between colleagues. However, as this is a specialized industry it is important to build teamwork as the performance of these companies largely depends on cooperation and cross departmental collaboration. These findings are observed in the study of Flynn (2013) who emphasized the importance of team work in the banking sector. Fintech companies in Estonia have similar features with the banking sector companies. Therefore, by building a healthy teamwork in these companies, the performance can be improved.

Table 3 Themes That Arise from the Set of Question 2 During the Interviews

Interview Participants	Reflections	Themes Revealed
Interviewee 1	Usually, I'm a very responsible person and my supervisor tells me this.	Some extent of encouragement
Interviewee 2	He distributes the responsibilities equally among the workers of our department.	Equal distribution of responsibilities in the department
Interviewee 3	I just do my job, if there is something wrong, my supervisor explains my responsibility.	Reactive management
Interviewee 4	Sometimes he is nervous when something goes wrong. No explanation is usually given.	Low communication skills among the company's leaders
Interviewee 5	The responsibilities are written in my duty paper. I use it to perform the tasks.	No explanation of the responsibilities is given

Several themes were raised when analyzing the interview answers to the third question (Table 4). For example, managers stated that motivating employees is a difficult task. Also, it is difficult to develop a non-material framework to improve performance of employees. Among the major problems the difficulty of making employees feel belonging to a larger organization, employee retention, and performance measuring were stated.

Table 4 Themes That Arise from the Set of Question 3 During the Interviews

Interview Participants	Reflections	Themes Revealed
Interviewee 1	I agree. It is important for workers to feel a part of a larger organization.	Making employees feel a part of a larger organization is a difficult task. Sometimes I do not know how to do because all people are different.
Interviewee 2	Yes, the sense of belonging is really important because people tend to socialize.	It is difficult to develop a feeling of belonging. Sometimes I succeed, sometime I do not.
Interviewee 3	I think that money is one of the most important motivational aspect when employees start working in the company. With time, they start to be more demanding in terms of non-material rewards.	It is important to retain employees in the long-term period by non-material rewards.
Interviewee 4	I think that collaboration is important, but money matters more.	Material rewards prevail.
Interviewee 5	I think that additional bonuses can always boost performance.	In our company we mostly use material rewards to boost performance.

When managers were asked about the ways they prefer to motivate excellent performance, they stated that they used mostly material rewards. Some of them consider that non-material rewards do not work well to improve employee performance. These findings are not in line with the findings examined in the literature review. In the studies examined, many authors stated that non-material rewards are not less important as compared to the material rewards.

Table 5 Themes That Arise from the Set of Question 4 During the Interviews

Interview Participants	Reflections	Themes Revealed
Interviewee 1	As a new startup, we mostly use material rewards in the form of bonuses.	Material rewards can sometimes increase performance. Sometimes it is not enough to use only material rewards.
Interviewee 2	Sometimes we have employee gatherings where the best employees are announced.	Non-material rewards do not work well along when the improvement of workplace performance is required.
Interviewee 3	Sometimes I say that the work of my subordinates is appreciated, but in the most cases I am too busy to talk with them.	Sometimes the work is appreciated. No systematic work appreciation is observed.
Interviewee 4	I try to exchange a couple of words with my subordinates every day to sense whether they are satisfied with their working environment.	No work appreciation scheme I present.
Interviewee 5	I gather my subordinates once a week to announce the results of their weekly performance.	Workplace performance is regularly tracked, but workplace appreciation is minimal.

It is an important finding that managers in some fintech companies regularly track the performance of their employees. This helps better assess performance delivered by staff. However, the performance measures are not always perfect to assess performance correctly. As a result, unfair judgements about employee performance result in higher employee turnover rate in fintech companies. Therefore, it is not that employees are motivated by the wrong methods, but employee's performance measurements are wrong and not efficient.

The major problem in the non-material motivation is that managers fail to make a viable dialog with employees. This hamper developing healthy work environment and effective team building. Also, managers in fintech companies need to be educated from the perspective of adequate human resource management as often they simply do not understand goals and motivations of their subordinates. This results in poor employee management and the increased turnover rate (Table 6).

Table 6 Themes That Arise from the Set of Question 5 During the Interviews

Interview Participants	Reflections	Themes Revealed
Interviewee 1	Usually, no discussion occurs. I just track the results according to my abilities.	Insufficient explanation of the skills needed to perform the tasks.
Interviewee 2	It is written in the instructions paper. In the most cases, I am busy to explain something to my subordinates.	The lack of time for proper management.
Interviewee 3	Only a short description of the skills needed is given.	No detailed description of the skills needed. The tasks are not clear.
Interviewee 4	Sometimes I discuss the skills required when I have time.	The lack of time for proper management.
Interviewee 5	We only discuss the skills if my subordinates make a mistake related to their duties.	Reactive management.

The majority of managers either can hardly assess the success of their upper management in terms of motivation or consider that the motivational approaches they use work well, whereas the rate of the employee turnover increases. This is the result of the inadequate assessment of motivational approaches used in such companies (Table 7).

Table 7 Themes That Arise from the Set of Question 6 During the Interviews

Interview Participants	Reflections	Themes Revealed
Interviewee 1	The roles of my subordinates are explained in their duty papers they sign when they are hired to perform the jobs. The performance of the tasks is compared with the list of the duties every week.	High level of supervision. Performance is tracked regularly, but the effectiveness of workplace motivation is unclear.
Interviewee 2	Mostly, the team I supervise delivers great performance. If there is a decline in task performance quality, I have a direct talk with my subordinates to reveal the reasons for poor performance.	Low level of cooperation. Low level of supervision.
Interviewee 3	I explain the task with enough details. Usually, it is clear what my subordinates need to do.	Detailed explanation of the roles that results in great performance in the most cases.
Interviewee 4	I explain the roles verbally if I have enough time. As a rule, they tend to deliver excellent performance.	Insufficient explanation of the roles of the subordinates resulting in poor performance.
Interviewee 5	Sometimes I write a short paper to remind to my subordinates what I they need to do. Usually, they deliver satisfactory performance.	No detailed explanation of the roles of the subordinates. Non-material motivation and cooperation with subordinates is absent making the performance worse.

Also, some managers deliver high level of supervision that may also hinder the increase in performance. In addition, the lack of cooperation at workplaces discourages employees from delivering higher performance results. Cooperation is the core success factor in team building as follows from the literature review analysis. Unfortunately, in many fintech companies in Estonia, little attention is paid to enhancing cooperation between workers.

As it follows from Table 8, managers are often satisfied with the satisfactory performance of their subordinates. However, in case of a company global expansion this issue would aggravate. As there is a lack in performance tracking mechanisms to better track and improve performance or even provide a constructive feedback that would positively contribute in better future performance (Table 8).

Also, management should develop an individual motivational approach based on non-material incentives. This will help connecting motivation measures to employees' performance thus improving eventually company's performance.

Table 8 Themes That Arise from the Set of Question 7 During the Interviews

Interview Participants	Reflections	Themes Revealed
Interviewee 1	"I think that they are satisfied as they deliver satisfactory performance. If they do not, we gather all workers and ask them about workplace motivation."	Workers deliver satisfactory performance. There are mechanisms to improve performance.
Interviewee 2	"Usually, the workers are satisfied with the allowances provided in the company. If the performance drops, we make an anonymous survey to reveal the upcoming issues. It usually works well."	Individual non-material motivation is absent. There is no flexible approach to non-material motivation.
Interviewee 3	"I track the performance of the employees monthly. If someone did not deliver the performance required, I have a talk with this person and ask how I can help improve motivation."	It is sometimes difficult to reveal the reasons for poor performance as people can be reserved.
Interviewee 4	"As a rule, we do not have conflicts based on the lack of allowances. If a workplace conflict related to poor performance or job dissatisfaction arises, we gather a meeting to reveal the issues that arise."	The lack of workplace cooperation to reveal motivational and non-motivational aspects making impact on workplace performance.
Interviewee 5	"Satisfied employees deliver better performance. We track performance on a regular basis and change motivational approaches from time to time."	There is no a stable motivational system. The Employees are not sure whether they can get the reward they expect.

Based on the themes developed from Table 9, flexible motivational systems should work well. These systems should be grounded on the combination of material and non-material motivational aspects.

Table 9 Themes That Arise from the Set of Question 8 During the Interviews

Interview Participants	Reflections	Themes Revealed
Interviewee 1	"We use the system of bonuses directly tight to workplace performance. As a new startup, we do not have a stable non-material motivational system to encourage the employees to perform better."	Preference to material rewards which is not always effective.

Interviewee 2	“We use a combination of material and non-material rewards, but they do not always work as we expect.”	The attempts to optimize the motivation system take place, but they are not always effective.
Interviewee 3	“At our company, we mostly use material rewards. No survey on the usefulness of the motivation system is performed.”	The company does not perform any surveys on the effectiveness of the motivation system used to motivate personnel.
Interviewee 4	“We combine both material and non-material rewards. The employees always have a choice to prefer material or non-material rewards.”	Flexible motivation system, but its effectiveness is not examined.
Interviewee 5	“We use both systems. We track the performance on a regular basis and make regular surveys regarding satisfaction of the employees with the working environment. We make experiments with different combinations of material and non-material rewards.”	Flexible motivation system, but it is still in the process of creation. No stability in delivering material and non-material rewards.

The themes that arise from Table 10 are that employees are not always willing to talk about motivational issues or simply they do not understand which motivational approaches can be better for them.

Table 10 Themes That Arise from the Set of Question 9 During the Interviews

Interview Participants	Reflections	Themes Revealed
Interviewee 1	“Incentives offered at our company are usually seen as satisfactory. If the employees have complaints about the motivational system used in the company, we try to listen to them and change the system to improve performance.”	The employees are not always willing to talk about the preferable motivation and other problems.
Interviewee 2	“We consider that we succeed to develop an effective motivational system at workplace. If employee performance declines, we change the set of incentives.”	The motivational system is reactive. There is no stability in the motivational incentives offered.
Interviewee 3	“The performance in our company is average. There are not any outstanding results. We need to improve performance in the company, but not sure which measures are suitable to reach this goal.”	Unstable motivational system that delivers average results. There is a need to improve the performance, but the management is not sure how to do it.
Interviewee 4	“We are usually quite satisfied with the performance delivered by our employees. However, we need to improve the results as the competition increases.”	There is a need to enhance motivation. The management is not sure whether there are interlinks between motivation and performance.
Interviewee 5	“The incentives offered in the framework of our motivational system seem to be well-selected for the employees. However, we do not often ask them if they are satisfied with the incentives offered.”	There is a need to collect the feedback from the employees to polish the motivational system used.

This also concerns management that is involved in human resources management and the development of the motivational approaches in these companies. Therefore, it is important to tune sound communication between managers and the employees to work out the most effective motivational approaches that can potentially boost employee performance that leads to better company performance (Table 11).

Table 11 Themes That Arise from the Set of Question 10 During the Interviews

Interview Participants	Reflections	Themes Revealed
Interviewee 1	“We offer material rewards and other perks that involve non-material rewards such as health insurance and friendly working environment.”	There is no any sound performance evaluation system.
Interviewee 2	“We usually stimulate performance with the help of bonuses. Sometimes we offer special rewards tight to performance evaluation results.”	There is no viable performance evaluation framework.
Interviewee 3	“It is difficult to boost performance in our company. However, we have stable average performance that meets our goals.”	Performance evaluation is episodic. It helps reach positive short-term results, but it is not clear whether performance can be improved in the long-term.
Interviewee 4	“As a rule, we struggle hard to improve performance. Each time we use different approaches to motivation, but the results are different in each particular case.”	The survey of the employees is required to reveal which motivational approaches should be used to boost performance.
Interviewee 5	“Sometimes we succeed to boost performance, but we do not understand the interlinks between motivational approaches and performance.”	There should be a motivational approach developed to provide viable results when trying to boost performance.

As it follows from Table 12, not all employees working in the fintech are motivated with packages of incentives offered in their companies. This is an indicator that such companies have an ongoing issue with their motivational system.

There is a need to develop personalized motivational systems to enable staff to choose from several motivational options. For example, in order to reach certain performance results, employees can choose from several material or non-material rewards. This will make motivational systems more flexible and encourage positive performance.

Several themes arise from the Table 13 as follows: excessive reliance of the managers on material rewards, inconsistency of the motivational systems, absence of additional training, absence of viable motivational framework, and the lack of non-material appreciation of the employees.

Table 12 Themes That Arise from the Set of Question 11 During the Interviews

Interview Participants	Reflections	Themes Revealed
Interviewee 1	“We offer material rewards such as bonuses and non-material rewards such as pre-paid tours to other European countries.”	Not all employees are motivated with the incentives offered.
Interviewee 2	“We appreciate the work our employees do for the company by placing their photos on the wall to appreciate excellent performance.”	There is a need to do more research on the motivation that works for each particular employee.
Interviewee 3	“We usually use a traditional approach to motivation. We do not make the experiments with changing	The management of the company should use different approaches to



	motivational approaches or offering different incentives.”	motivation to reveal the most effective ones.
Interviewee 4	“We pay good salary to our employees. If outstanding results are reached, we appreciated these achievements verbally.”	The achievements are only appreciated verbally.
Interviewee 5	“We have a structured motivation system. Usually, it works well, but sometimes some issues arise.”	There is a need to personalize the motivational system.

Also, managers do not have an appropriate assessment framework to evaluate the performance of the employees.

Table 13 Themes That Arise from the Set of Question 12 During the Interviews

Interview Participants	Reflections	Themes Revealed
Interviewee 1	“We largely rely on salaries and bonuses. We do not offer a wide variety of non-material incentives as we consider that a limited set of motivational incentives works better.”	Excessive reliance on material rewards. Few non-material motivation measures are used.
Interviewee 2	“I think that material rewards are the most important. However, we offer non-material incentives. I am not sure whether existing motivational approaches are viable.”	The motivation system is inconsistent. It needs to be balanced.
Interviewee 3	“I think that we pay more attention to material rewards whereas non-material rewards are important as well. However, we do not know which approaches should be used to boost performance.”	Additional training is needed regarding the motivational approaches used in the company.
Interviewee 4	“We use different approached to motivation such as bonuses, additional days off, and gatherings with family members during picnics. However, we do not have any performance measures to measure the effectiveness of the approaches used.”	There is a need to develop a viable framework for measuring performance.
Interviewee 5	“We rarely succeed to boost performance. We usually use bonuses to appreciate the outstanding performance.”	The lack of non-material appreciation measures is observed.

These results in unsatisfactory performance and problems associated with high employee turnover. These problems will be analysed in the next section of this thesis to reveal the current problems that exists in motivational framework of fintech companies operating in Estonia.

### 3.3 Discussion

The analysis of the themes that arise when considering motivational approaches in fintech companies in Estonia aims at answering the following questions:

RQ1: How are people employed in fintech companies of Estonia motivated?

RQ2: Why does material motivation influences employee performance in some fintech companies of Estonia, but employees in other fintech companies in Estonia prefer non-material incentives?

The current thesis examines the relationships between employee motivation and performance in fintech companies in Estonia. The research showed that mostly young people up to 40 years old are working in this industry. Majority of employees working in fintech are ambitious and powerful to perform their duties and generate new ideas. Therefore, they need to be motivated differently as compared to older employees or even people who work in different industries. It is relatively easier to motivate young people as they tend to deliver higher performance as compared to older employees. Young employees have high motivational drive, they are ready to perform new tasks, their motivational needs for career development are reduced, and job security is not very important for them. The results of the research showed that age has a significant motivation on performance.

After analyzing the answers of the interview questions, several main themes were revealed. In total, there were twelve main themes outlined. The themes are shown in Table 14. The analysis of each theme is included in Table 14 as well.

The findings of the study are that more males are working in fintech companies as compared to females.

There is a greater quantity of people that are single as compared to married employees. Therefore, simple motivational systems and approaches are mostly used. As an overall tendency, material rewards are mostly used but the use of non-material rewards is very limited. This often results in the increase in employee turnover rate and unstable company performance and often management of does not understand the causes of employee turnover and in some cases they do but find hard time creating a counter solution to minimize this rate.

The main themes that emerged during the interviews are shown in Figure 3. One of the themes that emerged was preferences to material rewards from the side of managers.

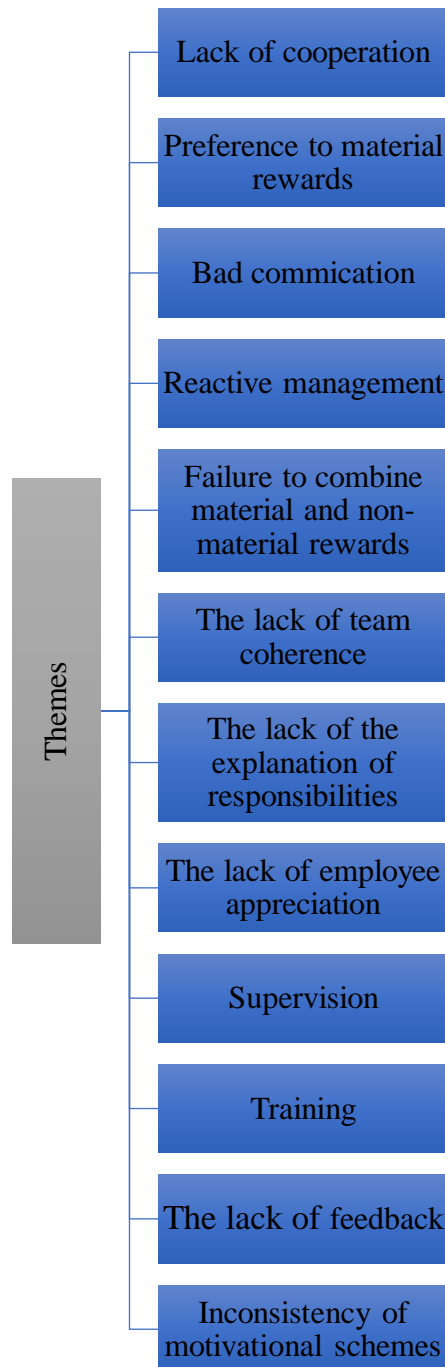


Figure 3 Themes That Emerged in the Interview Process

In the majority of the analyzed cases, managers of companies emphasize the material rewards. However, employees working these companies do not always prefer material rewards to non-material rewards. Appreciation, cooperation with others, and personal contribution to solving

companies' problems is a big positive contributor. These outcomes are consistent with the study of Flynn (2013) who emphasized commitment and between employees.

It was also revealed that team building and cooperation is not seen as an essential motivational factor. Team building events are underestimated by some managers. However, these events help increase the sense of belonging to a larger group of people and enhance cooperation between employees. This helps boost performance and reach greater productivity. These findings are in line with the outcomes of the study developed by Arendse (2013) who argued that team building and cooperation is important in developing effective motivational schemes for fintech workers.

Reactive management is observed in examined companies. Unfortunately, the interviewed managers showed that they practice reactive management. This means that they tend to solve problems that arise instead of planning and reaching better performance in the company. This indicates the lack of experience in motivating employees to reach better performance. Therefore, human resource managers and middle-level managers need to undertake training to be able to employ more effective methods of motivating employees. This problem is also observed in other companies that operate in different industries. For example, Dulaimi (2012) stated that poor management and leadership is the major cause of designing ineffective motivational schemes. This may mean that to build stronger fintech organizations, top managers of these companies should pay attention to education of middle-level managers. This could improve the effectiveness of the whole organization.

It was also revealed that insufficient attention was paid to communication between employees. Communication between employees helps solve current problems that arise in the process of work and deliver better service to the customers of fintec companies. However, interviews showed that there is a lack in cross departmental and in-team communication which by default leads to negative performance, delays and backlogs. A similar problem was observed by Maksic (2016) in his research related to motivation in the financial institutions in developing countries. Sufficient attention should be paid by the managers of these organizations to improve organizational performance.

It was found out during the interviews that the lack of the explanation of responsibilities leads to low performance. Results showed that majority of managers have trouble explaining roles and responsibilities of their subordinates which leads to poor performance. Marasinghe and Wijyaratne (2018) refer to the same problem in the companies they researched. This means that

middle-level managers should pay more attention to more detailed description of the roles and duties of their subordinates to improve performance.

Another important finding was that managers fail to make employees feel that they are part of the larger group. Usually, work fintech companies is individualistic in nature that is unfavorable factor from the perspective of team building. However, team building and developing the feeling of a larger organization is necessary to make fintech organizations more competitive. These topics were touched upon in the studies of Mfinanga (2018) and Hesplo (2013) who emphasized the importance of intangible motivation tools especially team building and developing a sense of belonging to a larger organization.

Managers fail to combine material and non-material rewards in effective ways. The best solution for fintech companies is to combine material and non-material rewards because material rewards motivate employees to work better to boost performance whereas non-material rewards help retain them. Nguyen (2017), Dulaimi (2012), and Mfinanga (2018) also stated in their studies that the effective combination of material and non-material rewards helps boost organizational performance.

The lack of employee appreciation decreases performance results. Sometimes employees need to be appreciated by words as this helps improve their image in the eyes of their colleagues.

Excessively high or excessively low levels of supervision make negative impact on performance results. Different fintech companies use different levels of supervision over performance of their employees. Unfortunately, often they use either low or high levels of supervision that cripples workplace performance. Management should find the individual levels of supervision that would fit best the internal climate of their companies. Arrasyid, Amaliyah & Pandin (2019) also stated that the development of balanced supervision approach is important for the improvement of organizational performance. Therefore, fintech companies in Estonia should target a balanced approach to supervision to reach better performance.

The lack of training for personnel management staff leads to failure to reveal the reasons of poor performance. The most acute problem in fintech companies is that they lack the qualified staff in human resource departments. Flynn (2013) and Hong, Abd Hamid, and Norliza (2013) also suggested to use training of middle-level managers to improve employee performance.

Employees are unsure which motivational methods they prefer. Human resource department should research this issue and develop different combinations of motivational measures to increase

performance results. In this case, it is better to use experienced middle-level managers to use the most effective approaches of motivating employees based on age, gender. These findings are consistent with the findings of Arendse (2013) who stated that the major role in developing motivational frameworks belongs to middle-level managers.

Inconsistency of motivational schemes used by fintech companies' management. Management should pay attention to the consistency of the motivational schemes used in their companies. This will help organize better motivational systems and improve performance. These findings are consistent with the research of Nguyen (2017) who stated that a consistent motivational framework can boost performance and improve employee morale.

It is worth mentioning that non-material motivation is underestimated in fintech companies in Estonia. Also, one of three managers interviewed used health insurance, creating positive workplace environment, and social gatherings to provide non-material motivation to employees.

The interviewed managers emphasized that it is difficult to track performance in fintech. Viable performance measures are needed to address this issue. Most of them consider that employees are satisfied with the workplace motivation offered. However, the evidence from the literature review examined presents different results stating that the managers working in fintech companies mostly fail to nail motivational needs of their employees. Also, there is inconsistency between the behaviors of employees, their statements regarding their satisfaction with job, performance, and motivational measures used. Sometimes managers consider that motivational system works well, whereas, in fact, it is not effective at all. This happens because it is very difficult to measure the performance of employees using existing performance measures in these companies. Quite often, the performance measures are not used at all due or measured subjectively due to how recent and complex this industry is. This leads to high employee turnover which leads to bad company performance overall.

It was also revealed that employees working in the fintech are paid well. However, they have to work extra hours sometimes. Quite often, workers are only paid extra hours, while non-material incentives are absent. This is a serious problem in the fintech companies. Overall, the major problems associated with the motivation of employees working in the fintech companies are tight to the fact that mostly young employees are hired. Young employees are full of energy and optimism. Therefore, they tend to deliver high performance. However, after working for more than two years for these companies, they tend to be dissatisfied with the incentives offered. At the same

time, managers of these companies still consider that the motivational schemes work well to deliver high performance.

It is worth mentioning that employees that took part in the decision-making process tend to feel they belong to a larger organization and that their opinions are taken into account. This makes positive impact on the decline in the long-term employee turnover rate.

Also, the employees working in the fintech companies are motivated if they take part in the organizational gatherings and informal events with the participation of their family members. This helps better integrate in the team and contribute to the team building. In addition, favorite working environment contributes to creating a positive climate. However, as the interviews' results showed, managers in fintech pay little or no attention to the non-material motivational aspects. Those who were trying to use the non-material motivation, did not reach outstanding results because it is difficult to measure the outcomes of the non-material motivation.

The current research contributed to the theory in terms of using a balanced approach to motivation in the companies based on innovative financial technologies. In the past, the managers of fintech companies used more traditional motivational approaches that mostly involved material rewards. This was justified by the fact that mostly young employees of these companies prefer material rewards to non-material rewards. However, the current research revealed that a more balanced approach is needed to retain qualified employees of fintech companies. It is not possible to either retain workers or boost performance by using only material rewards. Therefore, additional training of human resource managers in fintech companies is required to organize more effective employee motivation in fintech companies in Estonia.

## CONCLUSION

The study conducted revealed that employee motivation and employee performance are directly related. The motivation of the employees in the fintech companies makes an impact on employee performance. The managers in the fintech companies of Estonia use material motivation, non-material motivation, and the combination of both material and non-material motivation. Positive employee motivation is advantageous for increasing the employee performance. However, sometimes managers feel confused about the motivation approaches to be used to motivate their employees. This result in the decline in performance results.

In general, the managers evaluate the employee performance in their companies as satisfactory. When the performance of the employees declines, they discuss these problems with employees. However, the motivational systems in fintech companies are often unstable because the managers only try to find effective motivational approaches to increase the performance of employees working in these companies.

It was also revealed that the managers of fintech companies significantly underestimate the power of non-material rewards and positive climate in the companies. This is a wrong perception of the problem and this issue should be addressed as it definitely helps build cooperation patterns and increase morale of the employees that helps reach better performance results.

The non-material rewards help build loyalty of employees as they feel that their efforts are appreciated. Managers of many companies are not aware of the problem of developing effective motivational approaches as they sincerely believe that the approaches they use are effective (FCMC, 2021). However, the literature review on this topic presents the evidence that new startups pay little attention to motivation as their primary task is to enhance their business. The literature review suggests that the new companies underestimate the power of employee motivation whereas this is the core success aspect in the current highly-competitive business environment.

The evidence suggest that companies start to pay greater attention to employee motivation as soon as they expand. This is a wrong strategy as they lose many talented workers on the stage of their



initiation. Therefore, this study suggests that the fintech companies should pay attention to employee motivation from their first day. Effective employee motivational systems help build trust and cooperation between workers and managers. By taking care of the employees, fintech companies can enhance their performance and increase their profits in the long-term time horizon. Presently, the motivational approaches used in the fintech companies only provide short-term motivation to employees. This results in the increase in the employee turnover and talent loss.

Another essential observation is that recognition plays a significant role in enhancing employee motivation. If managers appreciate the employees for the work performed by allowing them to participate in the decision making or make them feel satisfied with the job performed, employees will be filled with enthusiasm to accomplish the tasks set. Also, their motivation will be higher.

Management may choose from the wide variety of tactics and strategies to motivate employees in the process of job completion. The problem is that different tactics have different motivational power on different people. The major task of the management is to reveal the motivational approaches that would fit the expectations of the employees and help boost their performance (Colombo and Stanca, 2014).

A certain motivational system may have power to enhance the performance of one person and discourage another person from delivering excellent performance. It is important to consider the uniqueness of the individuals to ensure the success of motivational systems used in fintech companies. Also, the diversity of the workers should be taken into account as well.

Management should consider different motivational alternatives when developing motivational frameworks. Also, the situations at which certain motivational approaches are employed should be considered as well.

The study highlights different aspects of employee motivation in fintech companies aiming to improve their performance. This research might aid restoring the balance between material and non-material motivation of the employees. Besides, it can help contribute to the improvement of the employee performance in fintech companies and realize the obligations of the workers towards the performance of the whole companies. The improvement of the organizational performance is expected to improve the reputation of the fintech companies and increase their profits in the near future.

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## **APPENDICES**

### **Appendix 1. Research and Interview Questions**

RQ1: How are people employed in fintech companies of Estonia motivated?

Set of Research Questions 1

Questions related to the encouragement of employees to participate in decision making.

Set of Research Question 2

Questions related to the encouragement of the employees to take responsibility at workplace.

Set of Research Question 3

Questions related to material motivation and non-material motivation.

Set of Research Question 4

Questions related to appreciation of excellent workplace performance at workplace.

Set of Research Question 5

Questions related to the discussion of the skills needed to improve the workplace performance among employees.

Set of Research Question 6

Questions related to the workplace performance motivation effectiveness.

RQ2: Do you think that material and non-material motivation influences employee performance in the company under your supervision in different ways?

Set of Research Question 7

Questions related to the employee satisfaction with the allowances provided by the companies to boost workplace performance.

Set of Research Question 8

Questions related to the types of incentives (material or non-material) used to motivate employees.

Set of Research Question 9

Questions related to the impact of the incentives offered at workplace and other benefits on employee performance.

Set of Research Question 10

Questions related to the ways used to boost employee performance.

Set of Research Question 11

Questions related to the recognize the workplace achievements.

Set of Research Question 12

Questions related to the types of motivation that helps boost performance of the employees.

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