

THESIS

Jenna Kiviniemi & Minttu Leppänen

**EMPLOYEE WELL-BEING AS COMPETITIVE
ADVANTAGE
Case If P&C Insurance**



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ammattikorkeakoulu**
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Thesis

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Jenna Kiviniemi & Minttu Leppänen

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Tämän opinnäytetyön tavoitteena oli selvittää Oulun If Vahinkovakuutus Oy:n puolesta, onko työhyvinvoinnilla ja tuottavuudella yhteys, ja jos on, miten se vaikuttaa yrityksen toimintaan ja tuottavuuteen. Jotta löytäisimme vastauksen tutkimuskysymyksemme, määrittelimme ensin työnhyvinvoinnin käsitteenä, minkä jälkeen tarkastelimme mitkä asiat siihen vaikuttavat. Selvitimme myös, miten työhyvinvointia voidaan parantaa ja mitä seuraa, jos sitä ei paranneta. Opinnäytetyömme aineisto on kerätty useista eri lähteistä, joihin kuului lehtijulkaisuja, alan kirjoja, oppitunteja, lakipykälää sekä verkkojulkaisuja. Lähteitä kriittisesti vertailemalla ja yhdistelemällä takasimme prosessimme onnistumisen sekä luotettavan tekstin aikaansaamisen. Opinnäytetyön teoriaosa tarjoaa uusia ideoita ja ajatuksia työhyvinvoinnista yleisesti. Työ soveltuu myös oppaaksi Oulun If Vakuutusyhtiö Oy:lle, jota yritys voi käyttää ymmärtääkseen paremmin, miten työhyvinvointi vaikuttaa päivittäiseen liiketoimintaan ja miten yritys voi parantaa omaa työyhteisöään sekä työntekijöidensä hyvinvointia.

Empiirisessä tutkimuksessamme teimme kvantitatiivisen tutkimuksen kyselylomakkeella, jonka suoritimme toukokuussa 2012. Kyselylomakkeen tarkoituksena oli tehdä työstämme räätälöidyn Oulun If Vahinkovakuutusyhtiö Oy:lle sekä täydentää koko tutkimustamme lisäämällä siihen työntekijöiden ajatuksia ja mielipiteitä aiheesta.

Teoriaosamme käytettyjen lähteiden kriittisen vertailun sekä empiirisen tutkimuksemme tuloksien ansiosta voimme vetää johtopäätöksen siitä, että työhyvinvointi vaikuttaa työntekijöiden sekä yrityksen suoriin. Useat tarkastelemamme aiemmat tutkimukset aiheesta osoittivat työhyvinvoinnin suoria sekä epäsuoria yhteyksiä yritysten tuottavuuteen. Empiirinen tutkimuksemme tuki aikaisemmin tehtyjä tutkimuksia, sillä sata prosenttia kyselymme vastanneista työntekijöistä uskoi, että työhyvinvoinnilla ja suorituksella on yhteys. Kyselymme vastanneet myös mainitsivat samoja työhyvinvointiin liittyviä vaikuttimia kuten aikaisemmatkin tutkimukset. Työhyvinvointi on välttämätön osa menestyvää ja tuottavaa yritystä pitkällä aikatahtimella. Työhyvinvointi luo paremman suorituksen sekä toimivan kilpailuedun yrityksille.

Avainsanat: Työhyvinvointi, kilpailuetu, tuottavuus, suoritus

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1 INTRODUCTION

In today's international business environment employee well-being can be seen as a foundation element for organizational success and competitive advantage. The thesis topic was chosen because of the increasing importance of employee well-being. The nature of work has changed a lot during the last decades and on that account also the employees' needs. Today approximately half of the Finnish labour force are categorized as knowledge workers whose results are determined by knowledge, skills and their willingness to achieve results. A company's human capital is formed by its people, their skills and enthusiasm. The human capital's significance for company success and development has also increased due to globalization and the growing competitiveness. It is no longer enough that machinery and technology are maintained because in the end, competitiveness is achieved through the people.

The aim of our thesis was to find out on behalf of Oulu If P&C Insurance if there is a connection between employee well-being and performance and if there is, how it affects the company's operations. The theoretical part of our thesis is devoted to resolving what employee well-being consists of and how its' different areas effect on the business's overall productivity. This is done based on previous research by the Finnish Occupational Health Department and others. We did not get the permission to make a public intellectual report as planned at first and therefore we did a quantitative research which was conducted to add value to our study by adding Oulu If P&C Insurance's employees' view on the subject. This was carried out through a questionnaire where the employees got to tell their personal opinions on how and which factors of employee well-being affect their work, performance and productivity.

2 THEORY OF EMPLOYEE WELL-BEING

2.1 Definition of Employee Well-Being

There are numerous definitions and several related concepts to employee well-being. The term 'employee well-being' has grown in popularity over time and has nearly entirely replaced the old term 'work capacity'. Work capacity was previously used interchangeably with employee well-being but the term has received critique because of the concept's emphasis on physical health. The unilateral focus on health might have been comprehensive enough in the past when work was mainly physical. However, as already mentioned the nature of work has changed and approximately half of the labour force are today considered as knowledge workers. Knowledge workers deal with producing thoughts and ideas which are then developed into innovative services and products. The most important asset of a knowledge worker is the human brain the creativity and function of which are dependent on much more than on physical health. The brain's productivity level is also dependent on the satisfaction of social, psychological, emotional and developmental factors. (Ojala–Ahonen 2005, 22.)

As the contrast to the work capacity the employee well-being is much more than avoidance of becoming physically sick. It takes better into account today's knowledge workers, is aware of business results and benefits with satisfied employees and focuses on how the individual experiences the daily life at work. Employee well-being can be thought as a subjective state that takes into account the individual as a whole including physiological, environmental, social, emotional and developmental factors. The Finnish Institute of Occupational Health suggests that employee well-being is resulted from a good working environment that provides its employees with work that they consider meaningful and fluent in secure and healthy surroundings where the employee's career is supported by the working community including management and co-workers. (Kehusmaa 2011, 14.)

Because the employee well-being is an individual's overall experience of the work he or she is doing it is important that the job responds to the employee's

goals, expectations and professional skills. Unrealistic expectations compared to the individual's qualifications can lead to one of the largest threats of employee well-being which is work related stress. Stress is usually caused by too high challenges but also from work that the individual experiences as too monotonous. The symptoms of stress can be identified through an employee's tension, anxiety, nervousness or sleeping disorders. It is important to know that work related dissatisfaction, stress and sick leaves are all strongly connected to each other which prove the significance of employee well-being. (Pahkin et al 2010, 35–36.)

2.2 Common Misconceptions of Employee Well-Being

“We focus on employee well-being”

The organization's management has often a quite positive view on how much they invest in their employees' well-being. Common investments usually include occupational healthcare services, atmosphere studies and support for leisure-time activities. “We do have exercise dates and sport vouchers” is a common sentence from leaders praising their organization's well-being activities. This shows how narrow the understanding of the concept well-being often is. When employee well-being is perceived narrowly, it is clear that even small inputs feel relatively large. Employee well-being should be considered as an entity which consists of both the organization's and the individual's well-being which is sum of physical, emotional and social factors. So, offering for example sport vouchers seems like a fairly modest investment, and does not alone assure satisfied employees. (Kehusmaa 2011, 31.)

When investing in employee well-being it is good to think beyond the factors usually listed under the title of employee well-being. For example different training or development programs whose primary goals are not necessarily linked directly to employee well-being, have often a substantially higher effect than measures listed under the title of employee well-being. If employee well-being would be understood as a wide entity, the assessment of the actual inputs and received benefits could be assessed more realistically. Without

good understanding of the concept there is only left the shallow and empty mantra: "We focus on employee well-being". (Kehusmaa 2011, 31.)

"Everyone is responsible for their own well-being"

Yes, this is true in the end. Everyone is responsible for their own well-being. This responsibility cannot totally be transferred to the manager or to the work community. In a functional organization well-being is achieved through the collaboration of the management, the superiors and the employees. Often the responsibility of well-being is entirely pushed upon the individuals suggesting that if the employees are not satisfied with their job, they are free to leave. Also often, the dissatisfied employees are considered to be negative persons in general and their complaints are therefore not always taken seriously at the work place. However, it is important to know that there are not large numbers of these "never satisfied" people in one workplace and that when there is constant complains, there is usually a good reason for it. (Kehusmaa 2011, 32.)

Personal life and work life are strongly connected and therefore it is not always clear where the dissatisfaction originates from. Being a good supervisor means that he or she is genuinely interested and concerned of his or her employees and is willing to at least listen to them or make arrangements that help coping with personal life difficulties. Work arrangements in this context do not refer to giving sick days to the employee. Managers sometimes resort to this, even if the personal life difficulties do not ease up with days out of work. On contradiction, employees sometimes need a familiar and safe working environment and an understanding from the work community. Therefore more suitable arrangements in this content may making adjustments on the content of work, working hours or a need to travel. Usually, it is enough that the supervisor and co-workers notes the personal situation and tries to deal with it appropriately. (Kehusmaa 2011, 33.)

Even though the source of discontent sometimes originates from personal life or a employee's negative personality, equally it can be originated directly

from the workplace. The employer's obligation is to constantly improve the working conditions and the atmosphere. Risks and harms resulted from the actual work itself and the physical environment are often taken much more seriously, than the psychological factors and disadvantages. Managers focus on possible accidents and occupational diseases and often take actions much more easily if an employee observes risk factors concerning physical health. The physical safety and health risks are viewed specifically for preventive actions. It is another situation when psychological well-being is at risk. The manager does not necessarily experience the same kind of responsibility for mental well-being, even if it would be work-related. This is an interesting fact, because the most common reason for disability retirement in younger age groups has do to with psychological factors such as depression. (Kehusmaa 2011, 33.)

2.3 Individual Well-Being through Maslow's Hierarchy of Needs

2.3.1 Maslow's Five Leveled Hierarchy of Needs

Maslow's hierarchy of needs tends to be treated as classical within the field of organizational behavior. It has remained a starting point when studying human motivation. Maslow first introduced his concept in his paper A theory of Human Motivation and later in his book Motivation and Personality. The hierarchy is usually presented in a shape of a pyramid with the largest and most fundamental need at the bottom and the need of self-actualization on the top. In Maslow's theory there are thought to be five sets of needs which people possess and try to satisfy. The core idea of the five level-model is that the person does not feel the second need until the demands of the previous need is satisfied. The needs are congenital and therefore universal and unchanging. The lowest needs are physiological and include human basic needs such as food and drink. The physiological needs are followed by safety needs, love and belonging needs, esteem needs and finally the need for self-fulfillment. (Wilson 2004, 146.)

Individual well-being can be demonstrated through Maslow's five leveled hierarchy because motivation is the driving force of humans. It also includes

the objectives that lead to satisfaction and happiness. The strength of the theory lies in the fact that it supports management practices that encourage employee autonomy and personal growth as these will enable employees to satisfy esteem and self-actualization needs. Proper management and encouragement to fulfill these needs at work enables constant improvement in working life due to the growing motivation. The needs are explained more detailed as follows. (Wilson 2004, 146.)



Figure 1. Maslow's Hierarchy of needs (Let's Start Thinking 2012.)

2.3.2 Physiological Needs

Physiological needs are the most essential needs to satisfy and they consist of the human basic needs such as oxygen, water, nutrition, shelter and sleep. These basic needs can be compared to a person's health, which consists of both physical and mental state. Health is the foundation of employee well-being, because it has a direct impact on how well a person can utilize his or her professional skills at the workplace. An individual's health has an effect

on a person's energy level, productivity and ability to handle stress. For example a person that has not had enough sleep is not able to embrace new knowledge or work efficiently. To achieve and to stay healthy it is important to remember that health is more than just avoidance of becoming physically sick. It is a holistic feeling of well-being and includes psychological and social components in addition to physical ones. Poor health does not only affect the individual itself but can also lead to significant organizational, economical and societal consequences due to sickness absence. Health can be enhanced when a vital person experiences his or her life as meaningful, understandable and manageable. (Suutarinen–Vesterinen 2010, 24.)

In addition to health, proper wage can also be included in the level of physiological needs because money enables to buy human necessities such as shelter and food. It is also important to note that salary has greater value to employees whose work is mentally poor or physically strenuous than to those who experience inner satisfaction with their work. Wage is also more important to those who are struggling on the level of basic needs than to those who have climbed up in the hierarchy and are able to feel internal pleasure within their work. In other words, if a person is missing the essentials the feeling of need towards those deficiencies only continue growing and prevents the appearance of new desires. (Ruohotie 1998, 44–45; Viitala 2004, 287.)

2.3.3 Safety Needs

Safety needs are related to obtaining a secure environment where the individual is free from threats. The sense of security comes from physical factors such as safe working facilities and a healthy working environment. There are many health hazards that employees face with, such as dust, noise, extreme temperature, unsafe equipment, physical overload et cetera. It is important to remember that most people spend 40 hours per week at the work place and therefore employee safety should be a high priority for any company. A secure working environment provides the employees with well-designed workstations, functioning ventilation, necessary safety equipment

and sufficient safety measurements in case of emergencies. Work ergonomics are also a significant factor to take into consideration when speaking of physical safety because an investment in ergonomics reduces the potential for accidents, injury and other health problems. The sense of security has also been proved to improve work performance, productivity and to keep the employees healthy. (Kaupanalan esimiesliitto KEY ry 2012.)

In addition to physical safety factors, there are also psychological safety needs that must be satisfied. Perhaps one of the most important ones is the security of continuity, which in this context refers to the employees' need to feel secure that his or her job will continue to exist in the future. Even though no company can guarantee what the future holds, the feeling of safety increases when the employees at least feel concern from the management in difficult times and know that assistance is provided if for example layoffs occur. Workplace provided insurance and a well-designed retirement plan also improve the sense of security for employees. (Ojala–Ahonen 2005, 29.)

Workplace violence is also an important employee safety factor. Workplace violence is any act or threat of violence, intimidation, harassment or other threatening invasive behaviour. It can occur at or outside the workplace and can range from verbal abuse, physical assault or as a worst scenario even homicide. The most common form of workplace violence is psychological harassment which is for example frequently giving unreasonable amounts of work or timelines, social isolation, verbal insults or attacks, humiliation, denigration, wrongful accusations or other constantly continuing negative behaviour directed on a certain individual. All harassment has a bad impact on an individual's ability to focus on work, his or her esteem and social behavior. (Occupational Safety & Health Department 2012.)

The feeling of security is one of the most important requirements for employees to experience their job as fluent and meaningful. If the employees feel concern or fright when going to work whether it is because of workplace uncertainty, unhealthy facilities or violence, they cannot fully focus on their job tasks or receive wanted results.

2.3.4 Love and Belonging

A basic need for human beings is to experience belonging to the groups they are a part of. Every workplace is a community with social interactions and relations. Good social relations at work provide meaning, context and value in our lives. A fair degree of belonging also encourages loyalty, commitment, initiative and enthusiasm towards work. It also promotes a sense of ownership in people, which enables them to take responsibility for their actions and see their roles as important or at least as contributing to the organizational success. A work community where the employees feel a strong sense of belonging helps to perceive a common goal and increase team spirit. (Rauramo 2004, 122–125.)

Team spirit is a feeling of working together as one and it is an important factor to take a business to pride, expansion and success. A workplace with good team spirit enables people to work together efficiently to achieve common targets. It also helps to find the best qualities of each member of the corporation. Pooling of individual talent and sharing of skills strengthens the whole team which usually leads to greater and better results. To achieve a good and strong cohesion among the members of an organization leaders and managers should understand the value of the individual members. The employees who feel valued are more likely to contribute in building up the right spirit and they will be more easily persuaded of its importance. While the team is able to function and show results even without good team spirit, it will nearly always operate better when the team members feel a sense of respect and belonging to each other. (Rauramo 2004, 125–127.)

The need of love and belonging is only fulfilled through functional interaction in the community that consists of both the co-workers and the management. Employees' need to feel that the contribution they give serves a purpose and that their investment is needed and prized, especially by their superiors. A smart leader understands that synergy is the factor that helps teams to do what individual members will not do and that the whole team's performance is more than the sum of the performances of individual members of the team.

The leader should be encouraging, easily approachable and let the team know that he or she is also a part of the team and that he or she is there to take the final responsibility of possible mistakes. (Rauramo 2004, 125–127.)

2.3.5 Esteem

Esteem needs represent the human desire to be accepted and valued. The sense of appreciation is often divided into two layers. The lower level esteem needs come from others that are outside the individual, and their social approval, judgment and thoughts. Appreciation from others can be noticed through reputation, popularity, status, recognition, respect or a person's power status. The feeling of respect and appreciation from others plays a significant role in building up a person's self-esteem which is the higher level of esteem needs. Self-esteem comes from within a person and represents personal worth set by the individual's own defined standards. It includes the individual's qualifications, achievements, independence and freedom. Self-confidence is an important part of a person's self-image and closely linked with taking charge of one's own life. A healthy self-image improves an individual's ability to cope with different challenges and raises self-appreciation and -respect. (Dunderfelt–Laakso–Niemi–Peltola–Vidjeskog 1998, 106.)

In the working life employees respond to appreciation through respect and recognition of their good work. It confirms that their input has been noticed and is valued. Respect is usually earned by a person's professional abilities and therefore it is important that the individual's professional skills are applicable to the tasks handed at the workplace. Every employee must know his or her responsibilities and tasks. Knowing what is expected will support any self-esteem and bring a peaceful workplace atmosphere. Respect also has a positive effect on the feeling of security in the working life and it supports social well-being. (Rauramo 2004, 137–140.)

2.3.6 Self-Actualization

The highest level of Maslow's hierarchy consists of self-actualization, which includes factors such as creativity, development of one's own skills, personality and achieving personal goals in life. The key concept of this level is the human desire of personal fulfillment and the quest of reaching one's full potential. Unlike the lower level needs, this need is never fully satisfied because as one grows psychologically, there are always new opportunities to continue growth. The level of self-actualization can be thought as an aspirational need for humans because a person on this level pursues becoming more of what he or she already is, to become everything that the person is capable of. However, reaching this level demands satisfaction with all the lower level needs which only a small percentage of the world's population is truly able to do. Maslow himself suggested that only about two percent of human kind are able to reach the level of self-actualization. He identified some common characteristics of self-actualized people and explained how they differ from the mass of others. (Abraham Maslow 2009.)

Self-actualized people have an advisable sense of realism, which enables them to view things logically and rationally rather than fear the unknown. They set realistic expectations on themselves, others and on the world around them and are able to accept things as they are. Being realistic also gives them the ability to identify what is dishonest and fake from what is real and genuine. People who are self-actualizing are also described to be problem-centered, which means that they treat problems as difficulties demanding solutions. They do not surrender due personal issues, but focus on solving challenges, including helping others. Self-actualizing people also are more spontaneous than others in the sense that even though they can conform to rules and social expectations, they also tend to be open and unconventional. Spontaneity allows them to share ideas and be creative. They are also more comfortable being alone, rely on their own decisions and taking responsibility of their own behavior. Demanding independence and privacy also allows them time to focus on developing individual potential. Being independent also means that the person is less dependent on cultural

issues and habits meaning that he or she is not likely to fall for social pressure due to reliance of own experience and values. Furthermore, they have a wider sense of humility and respect of others, continual appreciation of life, different perception of ends and means and strong ethics. Self-actualization includes morality, creativity, spontaneity, problem solving, lack of prejudice, and acceptance of facts. (Abraham Maslow 2009.)

The self-actualization need should also be an objective need for corporations meaning that companies should encourage its employees to reach their full potential for example by offering reasonable challenges and meaningful work assignments which enhance creativity, innovation and progress according to long-term goals. Being able to implement personal strengths helps to commit, focus and reach positive results driven from within. (Abraham Maslow 2009.)

2.3.7 Limitations and Criticism of Maslow's Hierarchy

Maslow's hierarchy has had a lot of criticism mainly because of the theory's lack of empirical support. In Maslow's five leveled model if the individual is frustrated at a particular level, he or she stays there until the need is satisfied. Only once it is satisfied the person is able to continue on to the next level of the hierarchy. Even though Maslow's hierarchy makes sense there is not much evidence that supports his strict hierarchy and many criticize its rigidity. The theory does not consider the fact that different people may have different priorities and it is difficult to accept that people's needs progress steadily up the hierarchy. As an example, in some cultures social needs are considered higher than any others. It is also difficult to accept that a person is only able to focus on satisfying one need at a time. Later on Maslow himself admitted that the hierarchical order does not necessary always apply, that sometimes needs on different levels can overlap or be highlighted to the detriment of other levels. (Armstrong 2003, 220; Kehusmaa 2011, 17; Wilson 2004, 146–147.)

Another implication of Maslow's theory is that the higher-order needs for esteem and self-actualization are suggested to be the greatest influences on an individual's motivation. The higher needs grow in strength when they are

satisfied and the lower needs decline in strength when they are satisfied. However, the jobs people do will not necessarily satisfy the higher needs especially when they are consisted of routine or deskilled tasks. (Armstrong 2003, 209.)

Even though Maslow's theory has had a lot of criticism especially about the needs strict satisfaction orders it is important to value the theory's comprehensiveness. The theory encases the core driving forces of an individual and therefore the categorized groups can be applied when studying a person's motivation and well-being.

2.4 Corporate Well-Being

Each employee and company has a unique vision of the importance and the meaning of well-being at work. For some, well-being is respect, good relationships with co-workers, challenging tasks, well-planned environment and opportunity to develop and improve in one's work. For another it may be safe and secure working conditions, predictable work and health benefits. Corporate responsibility is a commitment that a company makes for a good corporate citizenship. It demonstrates an organization's values and ethics on the environment, working community, safety and security, workplace culture, human resources, performance management, leadership and healthcare. (Brammer–Jackson–Matten 2012.)

2.4.1 Insurance Companies Productize Employee Well-Being

Insurance companies have mostly done a great job in creating a practical and understandable picture of the employee well-being. Marketing-driven but appropriate productizing has improved the understanding of employee well-being in the customer base of insurance companies. The pension insurance company Etera states that well-being at work consists of small pieces. Etera's vision is based on four business activities that are in interaction with each other and describe the reality of working. Therefore, the development of employee well-being is a part of a company's overall development activity. The employer is responsible for the basics of employee well-being: safe

working conditions, skilled management and planning the work. However, in the end everyone is responsible of their own work ability. The pension insurance company Varma has used a so called Well-Being Circle as a basis for their well-being services and concepts. According to Varma, employee well-being is an entity which is influenced by the attached circular areas. The big picture can be looked from the perspective of an individual, the work community, leadership or the entire organization (demonstrated in figure 2). According to the well-being model, employee well-being is built in everyday life, each working day. (Kehusmaa 2011, 21; Varma Mutual Pension Insurance Company 2012.)



Figure 2. Varma's employee well-being circle (Varma Mutual Pension Insurance Company 2012.)

2.4.2 Working Environment

As mentioned previously in Chapter 2.3.3, a healthy and safe working environment is a vital part of employee well-being. Employees face with many health hazards in their working environment and the hazards depends on their occupation. Some general hazards employees are often exposed to include factors as poor air quality, chemicals, radiation, noise pollution and

bad lighting. It is the employer's obligation to figure out possible dangers at the workplace and take care of any necessary prevention work. Even small adjustments can have a significant impact on the employees' health and overall well-being. Investments in the working environment also improve the business' profitability by reducing sick leaves and healthcare costs. A healthy and well-functioning working environment consists of well implemented materials and equipment, safety factors, risk assessment and consideration of employees' social and emotional needs. (Työterveyslaitos 2011.)

One health hazard employees cope with on a daily basis is the air they breathe. The air quality has a significant effect on employees' health and their ability to manage daily tasks at work. Poor air quality is usually an outcome from structural and internal humidity, microbial damage, irritant dust or fibers and chemical contaminants of indoor air. These factors can lead to increased health problems which can be noticed through a person's tiredness, headaches, watery eyes et cetera. Poor air quality can be prevented for example through a well implemented air-conditioning. Investing in an air-conditioning does not only profit the company by reducing sick leaves and health care costs but it also lowers the use of energy and therefore saves additional costs. (Työterveyslaitos 2011a.)

In addition to the air quality, noise pollution is also a common health hazard and work weakening factor at workplaces. Environmental noise pollution does not only affect the employees' concentration and productivity but it can also cause serious health issues. Continuous or extreme noise can for example cause tinnitus, annoyance, aggression and stress. Long-term exposure to environmental noise also increases the risk of vascular disease and can result to permanent hearing loss. Therefore it is important that the employer invests in working facilities free from disruptive noise and provides a harmful and calm working environment. (Työterveyslaitos 2011a.)

The right type of lighting also affects the employees' well-being since it contributes to comfort, vivacity, safety and productivity. It also contributes to the employees' health by reducing eye strain symptoms and other health

problems such as dry eyes and headaches. It is important to remember that the eyes are very sensitive and that even small adjustment can have a great effect on the employees. For example an increase of luminosity of about 500 lux to 1600 lux has detected to improve the employees' productivity with several per cent and reduce the number of errors made in tasks. Well executed lighting can also save energy. When choosing lamps to ensure good lighting, the size of the workspace, the wall colors, the reflecting of different surfaces and task requirements must be taken into consideration since all of these factors affect the visual perception. Vision is also affected by the viewer's individual characteristics such as age, eyesight and alertness. (Työterveyslaitos 2011a.)

Air, noise and lighting are the most common factors employees struggle with in their physical working environment and the factors are easily manageable even though they make a great difference. There are several more issues to take into consideration when making improvements in the working environment depending on the occupation. Every employer must assess the risk that their employees face with and implement proper measures to prevent possible accidents or health problems and to make their employees physical environment efficient. (Työterveyslaitos 2011a.)

2.4.3 Safety and Security

Corporation safety means overall implementation of safety factors. Safety issues should be part of the daily business activities and a natural part of the company's risk management. It ensures a company's legal operations, disturbance free services and production as well as a safe operating environment. Practical corporation safety work is preventive work that helps to protect the company's employees, property, information, environment and image. It also prevents possible damages and criminal actions against the company. (Health and Safety Executive 2012.)

According to the law employers are responsible and in charge of health and safety management. It is their duty to ensure welfare, safety and health of their employees and others who might be affected by the business. That is

why employers are obligated to address and assess all possible risks that may occur and cause harm at the workplace. After identifying the risks, employers are entitled to do what is reasonable and practical to attain the company's and its employees' security. That means ensuring protection from anything that may cause possible harm, risk or injury that may occur in the working environment. Employers are also obligated to provide their employees with information about the risks at their workplace and to give advice or training how to protect themselves. This can be done through safety and health consulting either directly or through a safety representative who is either chosen by the workforce or organized by a trade union. (Health and Safety Executive 2012.)

Workplace safety is not only the employer's responsibility but also the employees' responsibility. Employees are obliged to follow the company's given safety instructions and to use possible issued safety equipment. In addition, the employees' responsibilities are to look after their co-workers safety and inform their supervisors on noticed dangers. Employees have the right to make the workplace safer and healthier for example through proposals on how to improve the workplace safety and the right to get feedback about it from the employer. (Työturvallisuuskeskus 2012b.)

2.4.4 Workplace Culture

A good workplace culture provides the basis for a good atmosphere at work. The workplace culture sets common norms for the whole working community. It provides the employees with guidelines on how to act and how to communicate and interact with co-workers, customers and stakeholders. It also defines the organization's work ethics, rules and policies. In other words, the workplace culture is set up by the values, beliefs, attitudes, behaviors and underlying assumptions shared by the whole organization including its entire people. (Työturvallisuuskeskus 2012a.)

The workplace atmosphere is created alongside the daily activities at work and it has a great influence on the employees' well-being, motivation and performance. Effective communication and open interaction within the

organization are one of the key factors in creating a good workplace atmosphere. When issues are discussed openly, everyone knows his or her responsibilities and the whole team works towards the same goals and the team spirit increases thus raising the workplace atmosphere. A positive atmosphere at work also includes providing the employees with a certainty of future, common objectives, up-to-date rules and practices, time for social interaction, learning and improving possibilities. The workplace can also improve the atmosphere by encouraging its people to use their personal talents and creativity hence creating a greater feeling of purpose for the individuals. (Työturvallisuuskeskus 2011a.)

2.4.5 Human Resource Management

Human Resource Management (HRM) is a strategic approach to the management of businesses' main assets – the staff working there who collectively and individually contributes to the achievement of the objectives of the business. Human resource management and human resources have replaced the term 'personnel management' as a description of the strategies and processes used in managing people in businesses. Simply, human resource management consists of hiring talents, developing their capacities, utilizing, maintaining and compensating their services with the job and organizational requirement. (Schuler 2000.)

Human resource utilization has clearly become a critical feature for those firms where HR's are potential assets in the search for competitive advantage; this is particularly pertinent for international companies. Both human assets and human resource practices influence on a company's competitive behaviour. Organizations' human capital, social capital with one another and the motivation to deploy their human and social capital toward planning and execution of competitive moves are the functions that companies' competitive behaviour consists of. Resources are not valuable in and of themselves but they allow firms to perform activities that create advantages in particular markets. (Schuler 2000.)

People are the organization's key resources and organizational performance greatly depends on them. If an appropriate range of HR policies are developed and implemented effectively, HR will make a significant impact on firm's performance. (Armstrong 2006, 12.)

The key concept of human resource management, work well-being, is born at work, by working and through co-operation at the workplace. It is both individual and community experience. Well-being at work is created together. It is based on leadership, know-how, management and involvement. It raises excitement and sense of community and gives strength on a way to defined goal, productively and innovatively. Human resource strategy is a long term plan of how the personnel implements the organization's strategy and how the personnel perspective is taken in consideration on company's operations. It is a way of dividing the actual strategy plan. It is associated with the preparation of personnel management and strategic management of human resources. Usually the organization's senior management is involved in drawn up the plan including the organization's representatives and staff representatives. Strategic human resource management is a way to perform human resource management. Cornerstones supporting management of employee well-being are clearly organized work, management that serves working, personal leadership, development of skills, work supporting organization, common ground rules, open communication and continuous assessment and development. Strategic human resource management defines how personnel management is organized and how organization wants to achieve wished outcome in human resource practices. (Way-Johnson, 2005.)

The high level of competition in an agency or institution is created by keeping the amount and the structure of the staff proportionated, employees prosperous, skilled and motivated. Human resource strategy includes collectively all the measures related to strengthen the know-how of the staff and supporting the reproduction. Related practices and their individual measures are associated with how the personnel's knowledge is identified, how they are developed and maintained and how the employee's well-being

is taken care of. These procedures reinforce the reproduction of the staff. (Valtionkonttori 2007.)

Know-how and reproduction bring a lot of new challenges that can be viewed in terms of workplace equality. One special challenge for the next few years are the work forces' ageing and their retirement regardless of the sector. Employees close to retirement may need work continuance and employee well-being flexibility concerning working hours and re-organizing duties. That causes pressure in the work community related to "decent retirement policy" measures. In practice, this challenge is associated with organizational age management, which should consider typical "ageing needs". Entities concerning personnel competence and reproduction can be divided in several different ways. Subject matters may include following themes: work arrangements and principles of relocation, current skills profile and changes for needed skills in the future, degree programs and other measures to strengthen the reproduction, networking, knowledge transfer, age management taking different age groups' needs into consideration including working time flexibility and a decent retirement policy and measures to improve employee well-being including working conditions, gender equality, knowledge transfer and principles of delegating the tasks. (Valtionkonttori 2007.)

The human resource strategy's key part is lining reward principles. Incentives and principles on how rewards are shared have to be commonly known and approved. These practices are fair when they are applied consistently to all of the employees. It is important to remember that rewarding is not only financial or material. As important form of rewarding is immediate thank you from the manager. Human Resource Management's vital part is giving feedback and thanksgiving. Immediate rewarding and recognition follow good work performance. Incentive rewarding is motivating employees and encouraging them to achieve the objectives of an organization. Reward system has to support achievement of organization's vision and encourage employees to operate according to the values. In governments payment systems, a person's wage is determined by the job specifically and by the

individual part of the salary. The job-specific wage is based on its employees requirements of the work and its relative value compared to other jobs. The individual pay is based on a person's quality and quantity of work and his or her ability to perform their obligations. Individual performance must have a genuine effect on the amount of pay. If individual part of the salary does not change sufficiently depending on productivity, it does not provide an adequate incentive to even greater results. (Valtionkonttori 2007.)

Communication strategy is a key part of the strategy process. When the entire staff is familiar with the organizations current situation and goals, it is much easier to work for a common goal. Strategy is not just a top management's tool, but it is a common alignment of the principles, which are observed in human resource management. It is surprising how little attention is paid on communication, even though the success of the whole strategy often depends on the fact that it has been successfully delivered to personnel. Communication is a central tool of strategy implementation: by means of that strategy work starts and successful communication ensures the strategy coming through. On strategy communication it is not enough that strategy document is distributed to the personnel. Strategy communication is moving from working the strategy to the actual implementation of the strategy. If this move fails, the entire work fails. (Valtionkonttori 2007.)

2.4.6 Performance Management

Performance management is a systematic process where the company involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment in their mission and goals. Employee management includes planning, monitoring, developing, rating and rewarding. These factors are demonstrated in figure 3. (U.S Office of Personnel Management 2001, 4.)

In an effective company work is planned in advance which means explaining the performance expectations and the goals for the employees. It is important to include the employees in the planning process since it helps to get the employees to understand what the company's goals are, what needs to be

done, why it needs to be done and how much effort should be put into it. Employee performance plans should be flexible so that they can be adjusted for example in change situations. They should also be measurable, understandable and achievable. (U.S Office of Personnel Management 2001, 4.)

Monitoring is also an important part of the performance management process and therefore projects and assignments should be monitored continuously. In practice it means that the employees should get ongoing feedback on their progress on reaching the company's goals and that there should be constant performance measurements done. The monitoring process provides an opportunity for the employer to get a view on how the employees are doing and to identify and to resolve any occurring problems on an early stage. (U.S Office of Personnel Management 2001, 4.)

A company's function to be efficient also needs constant developing of its employees' skills for example by providing training, challenges, new assignments or improved work methods. This increases the employees' skills, ability to keep up with change (for example when introducing new technology) and their willingness and capacity to do a better job performance. The performance management process enables both the employer and the employees to identify the areas and skills that need development which helps to improve good performance even further. (U.S Office of Personnel Management 2001, 4.)

Employee performance must sometimes be summarized because it helps to compare performance over a time period or among various employees. It also helps to find out who the company's best performers are. Rating is an effective way for evaluating an individual employee's or a whole group's performance against the standards and goals set in the employee performance plan. It also means assigning a summary rating of record which is based on work performed during a specific time period. (U.S Office of Personnel Management 2001, 4–5.)

Proper rewards are one of the most important factors of employee motivation. Rewards are tools for showing the employees that they are valued. It means recognizing the employees for their performance and acknowledging their contribution to the company's success. Companies are used to controlling behaviour with consequences but usually it is emphasized in negative situations. It is important to apply the same practice when for example tasks are handled well. Positive behaviour should also be recognized with a formal reward or an informal compliment. A lot of the actions that reward good performance for example just saying 'Thank you' do not require much but often mean a lot to the employee. Rewards can also be more formal for example extra money, giving time off or other recognition items. (U.S Office of Personnel Management 2001, 5.)

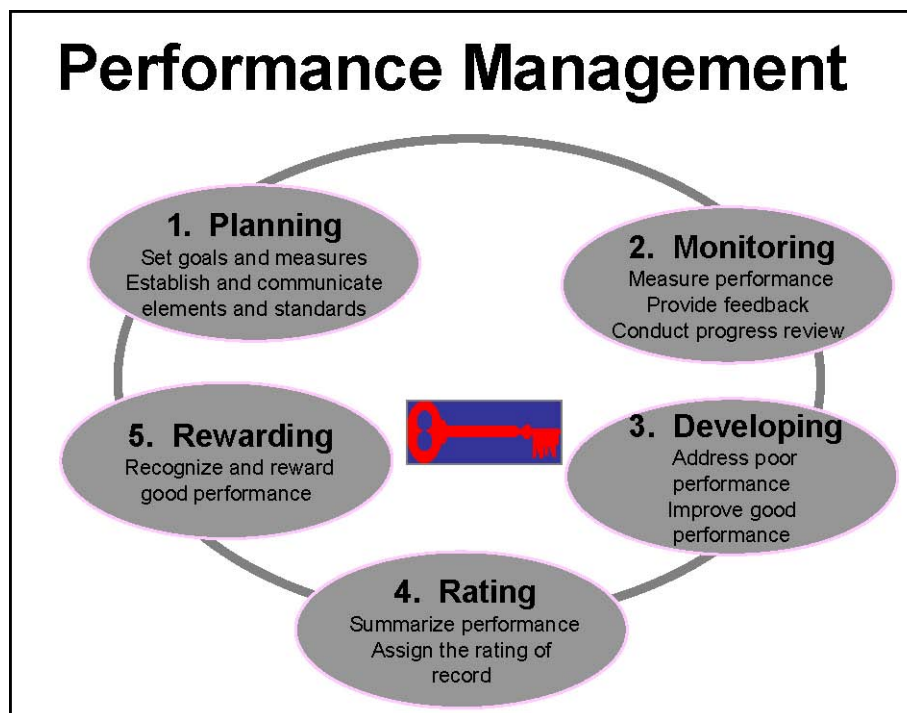


Figure 3. Performance Management Process (U.S. Office of Personnel Management, 3)

2.4.6 Good leadership

An organization's leadership has a significant impact on its employees' overall opinions of the company, well-being and engagement level. Good

leadership increases the employees' willingness and ability to do their work because if the leadership is experienced as fair and supportive, employees are more likely to enjoy their work and to stay there longer. The leader's role is to create a functional working environment and to achieve wanted results. He or she is also responsible for the whole work community's well-being and of the retention and development of the staff's professional skills. Leaders have a great impact on the workplace culture as their actions set an example for the other members of the working community. (Pulkkinen 2011, 10.)

Trust is one of the most important features of a good leader since he or she has been appointed as the team leader. People are not willing to recognize someone as their leader unless they trust the person ethically, morally and intellectually. Likewise, people will not follow the leader unless they are convinced that the leader knows where he or she is going. Trust does not only mean the employees' trust in the leader, it should be a mutual feeling between the both. A good leader is confident with his or her people and is not afraid of losing control, but is willing to allow others to step in. When employees know that their leader has confidence in them, they become willing to accept more responsibility and therefore giving a greater contribution to the organization. The building of trust is time consuming and requires most of all that the leader is easily approachable and constantly present. It also requires that the leader keeps his promises, is open for challenges and encourages communication. (Valtonen 2009.)

To be able to succeed as a leader the person should also have good self-awareness. Self-awareness means that the leader is conscious of his or her strengths while acknowledging what still needs to be learned. This includes that the leader is able to admit that he or she does not have answers to all the questions. Admitting weaknesses increases trust and the leaders credibility which in turn, increases leadership effectiveness. It also enables the leader to develop and make improvements on the shortages. Self-awareness also plays a great role in building up the company culture and its values. A good leader understands their importance and relevance in a company's success. Knowing the strengths and weaknesses also allows the

leader to evaluate his or her own behaviour, actions, decisions and values objectively taking account possible personal motives. (Kehusmaa 2011, 119.)

Respect and the skill to perceive the “big picture” in daily activities are also important characteristics of a good leader. A leader that respects his or her employees is willing to give fair amounts of responsibilities and authority to the employees. Respects also means to see the employees as individuals and to utilize each individual’s personal skills, strengths and knowledge. A good leader also sees the big picture in things, which requires the leader to view things from different aspects, recognize causation and to understand the links between different factors. A leader who is able to concentrate on the big picture does not waste valuable time on irrelevant factors and also helps the whole company to stay focused on the more important factors. The constant increase of information and different data channels require a lot from leaders since they have to have the skills to eliminate and simplify unnecessary and difficult information, as well as the ability to concentrate on the essentials. These are perhaps one of the most development demanding areas in leadership. (Kehusmaa 2011, 119–120.)

2.4.7 Employee Well-Being as Managerial Responsibility

When developing the employees’ well-being, it is important to consider how the employees overall satisfaction affects the company’s objectives and what consequences there may be if the employees are dissatisfied. This helps the company to focus on the right factors. In other words, to identify how and where employee well-being has a positive effect on the company’s operations and how and where employee dissatisfaction may cause business risks. (Ojala–Ahonen 2005, 189–190.)

The management needs to have specific goals considering the company’s sustainable development including results, competence and well-being. To be able to get an economic gain from employee well-being, the company should execute employee well-being measurements regularly and compare the results to other business measurement results (for example quality, financial and performance measurements). The results play a significant role

in understanding how employee well-being influences the business operations and how fast it influences other areas of the business. This information is more than helpful when the company faces new business challenges because it reminds the importance of employee well-being investments and identifies the areas that need most strategic input. (Ojala–Ahonen 2005, 190.)

Employee well-being is an important managerial responsibility and it should be constantly improved and developed just like cost-effectiveness, quality or other factors that supports a company's success. Just like other competitive factors, it also is dependent on specific goals, a development plan, a charge person or team, measurements and monitoring. (Ojala–Ahonen, 190–191.)

2.4.8 Occupational Healthcare

Occupational health is the promotion and maintenance of the highest degree of employees' physical, mental and social well-being in all occupations by preventing departures from health, controlling risks and by adaptation the work for individuals and the individuals to their work. (ILO 2010.)

Occupational healthcare improves and maintains the employees' occupational health, security and work ability. It also co-operates with the employers to prevent possible hazards and disabilities conducted from work. Occupational healthcare is not like any other health care, since it takes into account how the nature of work, the working conditions and the workplace atmosphere affects the employees' health and work ability. The occupational healthcare's aim and responsibilities are defined by the occupational health law. Among others, the law states that the employer is responsible for organizing occupational health care services on his or her expense for the employees. However, it is up to the employer to decide whether he or she only acquires the minimum requirements of the occupational health services or if the company includes additional occupational healthcare services for the employees for example by offering medical treatment services. (Ely-keskus 2012.)

The employees' and the entrepreneurs' well-being is important not only for themselves but for the entire company since happy and healthy individuals are more productive. The occupational healthcare professionals have a wide expertise on health and well-being which is worth applying for especially when the company notices weaknesses in its employees' workability. Also other issues affecting the work community can be resolved by contacting the occupational healthcare center. Several problems occurring at workplaces are easier to overcome, when policies to solve them have been agreed in advance in collaboration with the healthcare center. These matters may include factors such as use of drugs and alcohol, conflicts in the work community and repetitive sick leaves and other absences. The occupational healthcare is able to assist the employer in planning methods and making agreements on these issues. They also give guidance on how employee absences and sick leaves are followed and how to retaining the individuals' workability. (Ely-keskus 2012.)

Investing in occupational healthcare services is also economical. There have been several calculations that estimate, that every euro invested in occupational healthcare and employee well-being increases savings worth of 6 euros per employee. The benefits are achieved through the prevention of premature retirements and from the decreased of sick leaves. The savings are important to keep in mind since sometimes health care expenses can be high depending on if the occupational healthcare includes nursing. The average healthcare costs are approximately 300 euros a year per employee and for the entrepreneurs around 150 euros a year. From these expenses Kela (Social insurance institution of Finland) compensates 50-60 percent based on claim. The rest is tax- deductible. (Kansaneläkelaitos 2011.)

2.5 Importance of Employee Well-Being for Corporations

2.5.1 Legislation Sets Requirements for Employee Well-Being

Finnish working life is highly regulated. Legislation and collective systems are set to provide fairness, reasonableness and protection to employees. They also set certain standards for employee well-being and legal protection. The

labour legislations main purpose is to guarantee employees an equal, fair and humane treatment in their working environment. (Viitala 2007, 32.)

In recent years there have been several legislative acts that in addition to the focus of the employee's and employer's relationship also concentrate on setting common frameworks for organizations that have a great influence on their business models and practices. Improvements have been made in the legislation that focuses on the working environment and the overall working conditions. For example the Occupational Health and safety legislation has been updated to better take into account especially knowledge workers mental strains. The legislation is also continuously being modified to overall take better acknowledge of psychological factors in occupational disuses. (Ojala–Ahonen 2005, 35–36.)

The Ministry of Employment and the Economy is responsible for drafting and evolving the labour legislation in Finland connected with the EU Employment and Legislation and the ILO. Some relevant legislation regarding employee well-being includes the Act on Codetermination, Occupational Safety and Health Act, Occupational Healthcare Act, The Non-Discrimination Act and Equality between Women and Men Act. (Ojala–Ahonen 2005, 36)

The Act on Codetermination enables the personnel to take part in corporate decisions and get their voices heard. The act's purpose is to encourage the employers and the employees to co-operate in developing and monitoring as well as to communicate factors that affect the whole organization. The Occupational Health and Safety Act obligates the work communities to have a drawn up plan, implementation follow up and clearly divided responsibility areas concerning occupational safety and health in the company. The Occupational Healthcare Act obligates the employers to arrange healthcare service on their expense to their employees to prevent work-related health hazards. The equality between men and women is supported through the Non-Discrimination act. According to the act workplaces with over 30 employees must have an annual plan for promoting equality between gender roles. Resources are also used to promote balance between work and family

life, fair working hours, good leadership, development of skills, mental health, work capacity, well-being etc. with the intention to ensure and encourage employees to stay at their jobs for longer time periods. (Ojala–Ahonen 2005, 36–37.)

Employee well-being is partly a legal obligation for corporations and must be followed in all workplaces. However, it is important to remember that the legislation only sets a minimum requirement for businesses and that they alone do not guarantee satisfied employees. The distinguishing feature is what the businesses are willing to do in addition to those minimum requirements. There are good workplaces that for example provide their employees challenges, give respect, encourage learning, support social relationships and honestly care for their staff upon law and regulations. Then there are workplaces that have a poor workplace atmosphere, discourage creativity, have strict rules, unapproachable management et cetera. and only do what is required according to law. It is not difficult to draw conclusions about which of the above is more likely to have more motivated and productive employees, and more likely to succeed. (Ojala–Ahonen 2005, 38–39.)

2.5.2 Workforce is Ageing, Decreasing and Changing

The working life is going through changes due to different employment trends such as economic globalization, internationalization, multiculturalism, technology development, outsourcing of services, social responsibility, diversity of employment contracts et cetera. In pursuance of the changing business environment, the existing workforce is ageing and constantly decreasing due to the large retirement rate. Since year 2010 there has been a steady decrease in the labor market and it is estimated to continue for the next 30 years. This increases the strenuousness and the amount of work which a smaller number of employees have to cope with. Globalization and the reducing labor force cause challenges for businesses, as they have to start competing for human capital. This is a change situation where only

those employers who master the rules of employee well-being are able to compete in. (Tossavainen 2007.)

As the competition of young employees tense, businesses have to start re-thinking of ways to induce new talents and more importantly how to keep them. According to the research, the youth thought the workplace atmosphere, professional co-workers and the development of their own skills were most important when choosing a workplace. The content of the work and the ability to find self-fulfillment from the tasks handed were also of high value. The employee well-being is a strong focus point for today's labour force and it is ranked higher in the scale of values than salary. If companies want to stay competitive in today's labour market and recruit the best people, they have to be able to develop according to the labour market's values and needs. This means that corporations have to invest in employee well-being to be able to offer a desired and good workplace. (Ojala-Ahonen 2005, 47–48.)

2.5.3 Employee Well-Being and Sick Leaves

The lack of employee well-being can become expensive for corporations since it has a direct effect on employees' work capacity. For example, if the employees are under constant pressure to perform under unrealistic expectations, it may increase the risk of becoming sick or lower the threshold to take sick days. There are many different factors that cause sickness absences and all of them are not manageable. Sick leaves are a necessary benefit for all employees and if companies did not offer sick leaves, they would accelerate health problems and the spread of diseases. This would lower the productivity level of the employees. However, according to the research, there are many organizational factors that contribute to the risk of sick leaves. Some of these factors are poor organizational climate, insecurity of work continuity and stress. The most common sick-leaves are short 1–3 day absences that are usually an outcome from these organizational factors. Short absences cause direct expenses for corporations since the employer is obligated to pay wage for the employees for the first ten absence days. (Ojala-Ahonen 2005, 51; Viitala 2007, 212–214.)

Besides substantial expenses, sick leaves also have a significant effect on the operational fluency. It is often difficult and time consuming to find professional stand-ins for the absentees especially on a short notice. The absence of one person often leads to increased workload for other staff members which may lead to exhaustion and additional absences. This is a vicious cycle that is often reflected in customer service situations. Investments in employee well-being will not only prevent and reduce sick leaves but also benefit the organization and the society by increasing the possibility to do productive work and to give good customer service. However, it is important to keep in mind that the reduction of sick leaves should always be done with health promoting actions. If sick leaves are reduced other ways for example by increasing control or by attendance rewards, there is a risk that the personnel's long-term health weakens and affects the lifetime productivity level. (Ojala–Ahonen 2005, 52; Viitala 2007, 213.)

2.5.4 Knowledge Work Emphasizes the Need of Employee Well-Being

Already more than half of the Finnish labour force are considered to be knowledge workers. Knowledge work is defined as work which deals with concrete materials that benefit from information and communications technology, where added value is generated by combining data and creating new knowledge. However, every cashier or secretary is not a knowledge worker. Typical features of knowledge work are self-direction and control, high-level thinking and strong cognitive learning skills and teamwork. Knowledge work is not just using a new kind of technology. Knowledge workers can be divided into the following categories: knowledge producers, (e.g. researcher, accountant) intermediaries, (e.g. tele-technician) processors (e.g. office worker, cashier) and administrative maintainers (e.g. computer technician). Knowledge workers come mainly from the industrial and public services sector. (Ojala–Ahonen 2005, 54.)

Knowledge work's strain has not been extensively researched until recently. There are several controversial matters that contribute to fatigue and

jeopardize the ability to work, therefore mental stress is emphasized in the knowledge work. Autonomy, complexity and high income's reverse side is mental stress. Three of four knowledge workers experience their work almost always mentally hard. Knowledge workers' work is independent but at the same time strictly controlled. Self-direction and self-control are much more demanding than the manager's control. Knowledge work requires continuously new competencies. Pressure at work and continuous learning requirements mean that new things are learned independently. The most important thing is to learn effectively. It is also important to plan the work in a way that it provides an opportunity to learn more throughout and that there will also be time to embrace new things. Experienced work management increases existing alternatives and the work community's and management's support. This means that innovative work demands supporting management, good work atmosphere and such arrangements that the employee feels that he or she has an opportunity to choose freely between a variety of options. (Ojala–Ahonen 2005, 54.)

As knowledge workers have so far been young people, there has not been enough attention on having enough strength to manage the work. Arousal and motivation are difficult to maintain in a monotonous repetitive work where the increasing use of technology easily leads. Independence and flexibility that machines have brought have caused an increase in physiological working times unfamiliar to brain and to the entire body. Interaction between machines has often replaced the human interaction. The more intensive the operations are, the greater the importance of employee well-being is. The significance of employee well-being is highly emphasized also when knowledge workers start ageing and consequences from hectic working pace will start straining. Only maintenance of knowledge and skills are not enough for continuous innovation. It also requires a community where different competencies can be combined and where people are creative and enthusiastic to develop their work. (Ojala–Ahonen 2005, 58–59.)

The financial success of self-reinforcing circle begins with maintaining know-how and taking care of employee well-being. Well-being goals, metrics and

their constant monitoring are needed. Know-how and well-being provide the base for effective and renewable operations and up-to-date processes. They in turn confirm that customers receive consistently high-quality and cost-effectively produced outputs they need to function in their own ever-changing situation. Satisfied customers in turn provide consistent financial performance ensuring constantly satisfied owners. Unfortunately it often happens that when the economic indicators begin to decline, the first cuts are made in investments in employee well-being which reinforces future losses. Therefore, employee well-being effects on tomorrow's economic success and creates opportunities for sustainable competitiveness, growth and success. (Ojala–Ahonen 2005, 54–59.)

3 EMPLOYEE WELL-BEING AS COMPETITIVE ADVANTAGE

3.1 What is Competitive Advantage?

Competitive advantage is the component that separates a business from its competitors. It is an advantage over competitors gained by offering consumers greater value. Traditionally competitive advantage is divided into two types, which are cost leadership and differentiation. Cost leadership means that a company has a possibility to produce a service or good at a lower price than its competitors. This allows them to sell their goods or services at a lower cost, or to attain a larger margin on sales. Differentiation means that a company's products or services differ from its competitors and customers see them as better than the competitor's products. Competing with cost or differentiation has become more challenging for businesses due to globalization and the increased competition. This has forced businesses to find new ways of gaining a competitive advantage. (Porter 2004, 3.)

In today's increased competitive environment employee well-being can be seen as a foundation element for organizational success and competitive advantage or for profitability and productivity. Human capital has become a more important focus point throughout the years as an organizational competitiveness and success factor and companies are starting to realize the value of human capital's knowledge, expertise and professional skills.

Competitive advantage consists of cost-effectiveness, productivity, quality and customer satisfaction. It also requires continuous development of products or services, creativity, an ability to form new business relations and other effective networks. All of these components are a result from the company's human capital. In addition, competitive advantage can be considered as an art to recruit the right people and to keep the best talent. For a business to gain competitive advantage in the product and service market, it also needs to be competitive in the labor market. Only an employee that is enthusiastic about his or her job can truly provide service that the customers are satisfied with. These competitive factors can be mastered through employee well-being. (Ojala–Ahonen 2005, 69.)

Firstly employee well-being reduces costs significantly caused by sickness absences, injuries and work disabilities. Therefore it has positive impact on the business's productivity and profitability. Secondly employee well-being increases motivation and improves the workplace atmosphere, which upgrades the service level and increases customer satisfaction. Thirdly employee well-being encourages to shared thoughts and knowledge which leads to creativity and enables the emergence of new services and products. Fourthly and finally employee well-being generates enthusiasm and commitment in employees which improves the image of the business and makes it attractive in the eyes of jobseekers and potential business partners. (Ojala–Ahonen 2005, 69–70.)

3.2 Employee Well-Being's Economic Effects

Research shows an obvious connection between employee well-being and financial efficacy and that an investment in the employees produces profit in the same way as other investments. There have been calculations that estimate that companies can get back 10–20 times the money invested in the employees' well-being. Half of the benefits come from reduced sick leaves, occupational diseases, occupational accidents and disability pension costs. The other half comes through improved productivity. According to a research made by the Finnish Institute of Occupational Health, a company can save

1000–2500 euros a year per employee by investing in employee well-being. Most profitable results came from the development of leadership and professional skills. Another significant factor effecting business profitability was the workplace atmosphere and the overall well-being of the employees. This was probably because improved employee well-being leads to greater customer satisfaction, which increases their willingness to buy. Employee well-being also affected the quality of the work by reducing errors and mistakes made in the work process. (Ojala–Ahonen 2005, 72–73.)

3.3 Employee Well-Being and Productivity

Employee productivity is the driving force behind a business's growth and profitability because it has a direct influence on operational costs. It is a measurement of inputs and outputs. Inputs are the amount of effort and time put in to work, and outputs are the results achieved. If the inputs and outputs are equivalent the work can be thought as productive. Employee productivity is a particularly important issue for managers and superiors as the primary purpose of their job is to get the most out of the people they are responsible for. When employees are productive they accomplish more in a given amount of time. (WebFinance, Inc 2012.)

Employee well-being and employee productivity are closely connected because they are both dependent on an individual's motivation. Productivity is also an outcome from an individual's good physical and mental state alongside with a balance between professional skills, work load and work capacity. The workplace atmosphere including its overall functionality, the supervisor's expertise and the ability to interact with others are also in great importance for employee motivation and productivity. Another factor affecting motivation and productivity which today's young highlight is the importance of taking account the individual's needs for example having a balance between working and private life, flexible working hours, job tasks that enable personal growth and good promotion possibilities. The content of work, challenges and an encouraging atmosphere, where the employees feel comfortable to ask,

comment, and learn about their work and the work community also increase staff motivation. (Talouselämä 2007.)

Strong motivation and productivity means that employees want to use their full potential and that they are prepared to take responsibility. They are more resistant to short-term stress and want to take part in developing and improving their own work and the overall working conditions. This leads to better results and continuous development. A good human resource policy also affects the company's image and attracts new talents. On the contrary to motivated individuals, employees who lack motivation often contribute lower results due to increased amount of errors, generated loss and overuse of sick leaves. It is also reflected negatively in customer service situations and in the ability embrace new knowledge. The lack of motivation and professional self-esteem also harms negotiation situations which can be noticed for example by the incapacity of producing new ideas. An unmotivated employee also usually spends more time on completing duties which leads to piled up work and exhaustion. Exhaustion often results to neglect which can lead to breach of security due to run off at the mouth and using the business's information systems against agreement. (Talouselämä 2007.)

3.4 Employee Well-Being Affects Quality

The concept of quality is used when describing products or services and their features and desirability. Quality is defined by the user's needs and experience. It consists of the businesses' and their employees' professionalism, motivation and their willingness to continuously develop their products or services according to customer needs. It is important to keep in mind that a satisfied customer will return back after a pleasant experience and that a loyal customer base gives a company an opportunity to develop their operations and to anticipate future customer needs. Quality experts have calculated that new customer acquisition can cost up to six times more than keeping an old customer. Quality and customer satisfaction is directly reflected from a company's atmosphere. In other words happy employees produce happy customers. (Ojala-Ahonen 2005, 80.)

Even though employee well-being is not always directly noticeable for the customer, the quality of a product or service is strongly influenced by the well-being of the employees. The lack of professional skills or poor employee well-being can usually be noticed through corporate malfunction. For example a company can have a technically brilliant and innovative product but the customer will not be satisfied if the product is incorrectly assembled or if the order is delayed. Also employee dissatisfaction reflects on the ability to serve customers. Not even a business with a good service concept can save its reputation if the staff behaves rude towards customers. Dissatisfied employees with lost motivation do not often have the strength to focus on the customer experience and they also often start to make errors in their work which can be noticed through the quality of products or services. (European Agency for Safety and Health at Work 2012a.)

3.5 Lack of Employee Well-Being is Business Risk

With the opening of borders to trade and foreign investments, globalization brings a lot of opportunities but also a lot of pressure for businesses. Technological advances and the rise of the internet have enabled businesses to reach a wider audience and grow their customer bases internationally but at the same time it has led to increasing competition. Competing with cost or differentiation has become more challenging for companies since the same products or services are often available for reduced price and the consumers have more options to choose from. In response to these changes many businesses have already embraced the knowledge that human capital is an important tool for higher performance and those traditional competitive tools alone can only bring momentary success or competitive advantage. (Ojala-Ahonen 2005, 92.)

Companies are used to evaluating different risks including financial risks, marketing risks, strategic risks, operational risks et cetera. But often, businesses tend to forget assessing risks considering its human capital, even though the lack of employee well-being can cause significant costs and risks. Employees need maintenance and care just as machinery and other

equipment to stay functional and to ensure quality. Employee maintenance means developing the working environment more safe, building up a good atmosphere, encouraging communication and organizing work so that it feels more meaningful for the individuals. Businesses should assess the development costs of employee well-being and compare them to costs caused by injuries, sick leaves, work disabilities and high staff turnover which are direct consequences from disregard of human capital maintenance. (Monni–Ruokonen–Heinonen–Mäkelä 2003.)

3.5.1 Consequences of Stress

Stress usually creates a negative conception, but in decent amounts it can have a positive influence on a person's performance and lead to better results. Positive stress (eustress) is short-term stress that is a healthy feeling and increases an individual's immediate strength. It keeps a person motivated and alert for example when giving a presentation. It also helps to get inspiration to complete tasks for example under a deadline. But beyond a certain point, stress stops being helpful and starts causing damage. Long-term stress (distress) has a negative impact on a person's work, health, productivity, mood, relationships, and overall quality of life. Distresses can occur at any workplace and it can have a negative effect not only on the employee, but on the whole business. Stress is often a result from an individual's unhealthy relationship to his or her work. It usually starts when the individual no longer feels as in control of the job he or she is doing. Too demanding tasks, heavy workloads, change or constant new knowledge burdens an individual's job performance. (My stress management, 2010.)

A distressed employee will eventually get mental and physical symptoms. It decreases a person's creativity, efficiency and the ability to absorb new knowledge. This decreases a company's competitive advantage by reducing its human capital. A stressed employee is also usually tired and has difficulties concentrating. This can lead to accidents and work disability that impacts a company's cost-effectiveness due to expensive sick leave payments and other related costs. Work disabilities and sick leaves also

increase other staff members' workload, which in turn causes additional stress to others and creates tension in the workplace atmosphere. Bad workplace atmosphere has a negative impact on quality, social relationships at work and customer satisfaction. This decreases the customer base and consequently the business's wealth. The negative impacts of stress are demonstrated in Figure 4. (Ojala–Ahonen 2005, 93.)

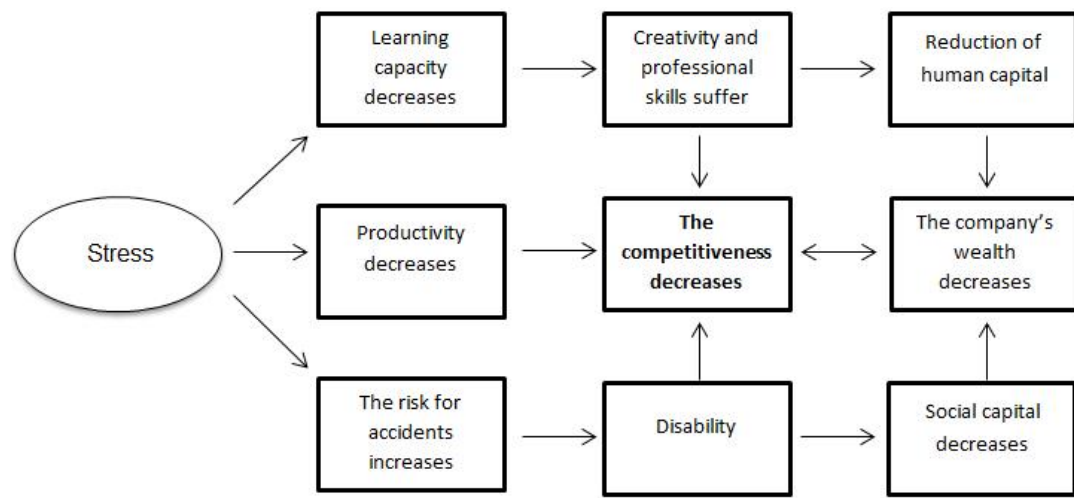


Figure 4. Consequences of Stress (Ojala–Ahonen 2005, 93.)

3.5.2 Consequences of Outdated Professional Skills

Stress is often a consequence from outdated professional skills. An organization is only as good as its people, and therefore it is important to update the employees' professional skills. Increasing globalization creates new challenges for employees and businesses because it means constant change in the current business environment. In order to take advantage of new opportunities, companies and employees must adapt, learn to anticipate and manage change. This can only happen when companies can identify what skills their employees are missing and how those deficiencies can be restored to meet the demands of an international business environment. This requires that employees have a realistic understanding of themselves and their skills. It is the prerequisite for learning and it encourages employees to take an active role in developing their own work. (Ojala–Ahonen 2005, 93; Peltonen 2009.)

Employees' professional skills can be updated for example through training development courses. Effective training should enable learning and development for people as individuals. This way each individual's strengths can reach full potential. Right employee training, development and education provide large payoffs for the employer in increased productivity, knowledge, loyalty and contribution. On the contrary, if employees' professional skills are not constantly updated and developed, it will have a negative impact on the business's quality and productivity level. This in turn affects the company's competitive advantage as demonstrated in Figure 5. (Ojala–Ahonen 2005, 93–94; Peltonen 2009.)

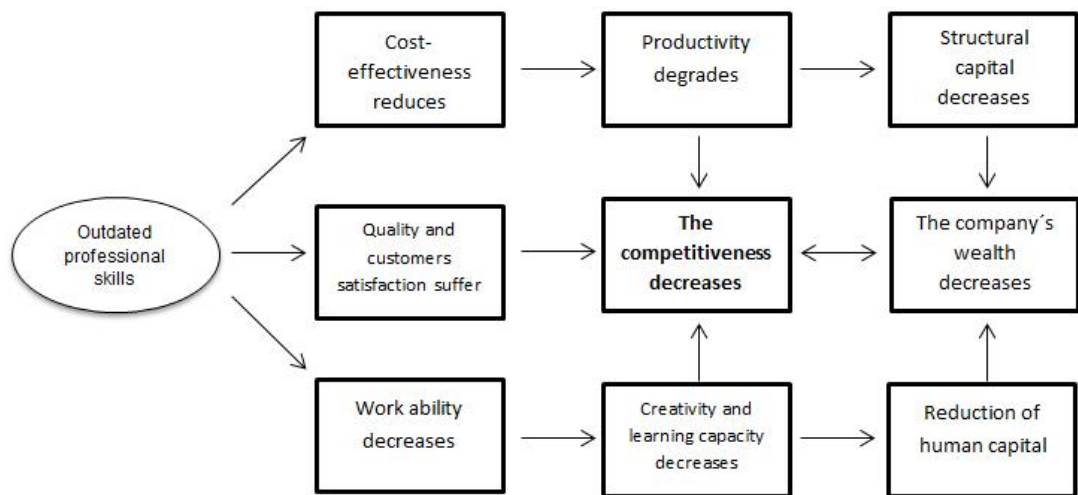


Figure 5. Consequences of Outdated Professional Skills (Ojala–Ahonen 2005, 94.)

3.5.3 Consequences of Poor Working Environment

A bad working environment or workplace atmosphere usually means that there are deficiencies in the management and that the internal operations are undeveloped. External threats against the business and uncertainty of the job continuity among the employees also have a negative impact on the working environment. A bad working environment prevents sharing knowledge and professional skills which is essential for creating new innovative ideas and staying competitive. A bad atmosphere at work also results to employees seeking for new jobs. In pursuance of businesses losing valuable human capital, their image suffers and new employees and even partners will be

hard to find. Having a bad working environment impacts a business' chances to succeed and be profitable in the future declines. (Ojala–Ahonen 2005, 95.)

A bad working environment also increases costs caused by factors that could be easily prevented by the company. One simple example is ensuring cleanliness and orderliness of the working facilities. Even this minor improvement can reduce costs significantly and at the same time raise productivity through improved work fluency and by removing unnecessary distractions. Therefore improvements in the working environment are a relevant part of developing the quality and the productivity. It is also important to know that every year approximately 80 people die in work related accidents and that the average work disability time is three weeks in occupational accidents. The negative effects of a poor working environment are demonstrated in Figure 6. (European Agency for Safety and Health at Work 2012b.)

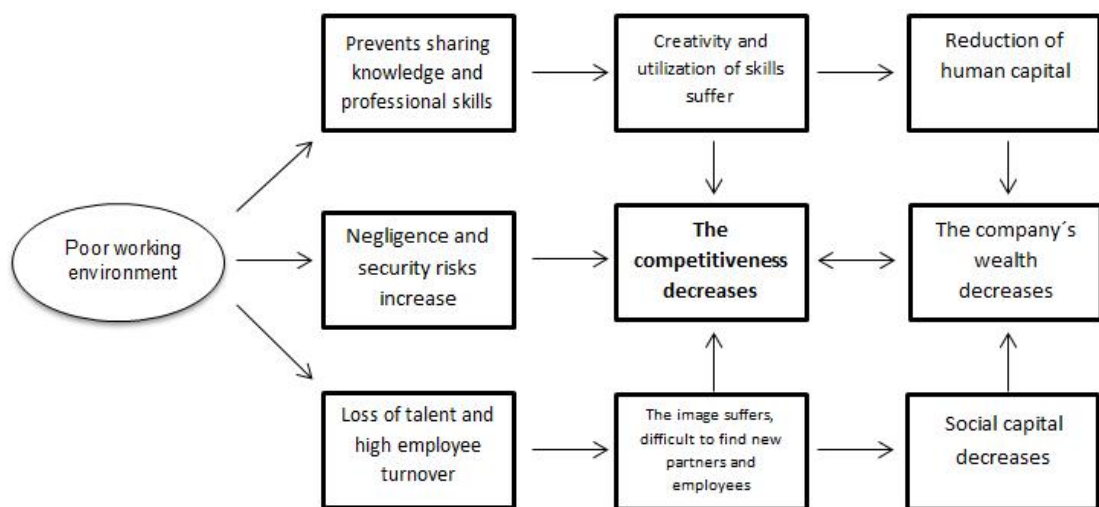


Figure 6. Consequences of Poor Working Environment (Ojala–Ahonen 2005, 95.)

3.5.4 Consequences of Poor Leadership

Poor leadership has a significant effect on the employees and the organization. Firstly it can be noticed in the increase of sick leaves. Absences increase the operational costs and weaken the competitiveness on an expenditure effectiveness level. Poor leadership also results in lack of the employees' motivation and weakens their organizational commitment and

effectiveness. The best employees may start seeking for a better workplace and leave which results in high staff turnover. The employees who stay may start doing their jobs from their personal perspectives, meaning that the corporate benefit is forgotten. Also their physical and mental health is affected negatively and their skills will not necessarily develop like they should. It also prevents sharing knowledge when the common goal is unclear. This and other factors conclude a rapid decrease in the competitiveness since poor leadership affects the company on all assets. For example structural capital does not meet individual capital, which means that the organization's overall skills will not develop and the structural capital decreases. Poor leadership also weakens the social capital because unmotivated employees rarely produce satisfied customers. Customer and co-operative relations suffer and the brand will not develop. Prices for products and services cannot be set properly which weakens sustainable development. The effects of poor leadership are demonstrated in Figure 7. (Ojala–Ahonen 2005, 95.)

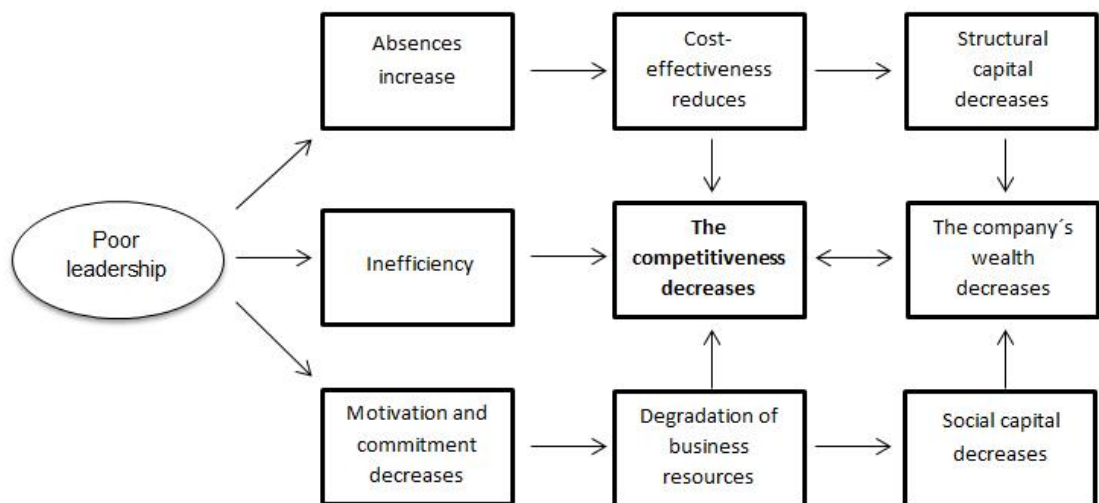


Figure 7. Consequences of Poor Leadership (Ojala–Ahonen 2005, 96.)

3.6 Criticism of Linking Employee Well-Being to Performance

While several researches indicate that companies with strong financial success often have the most satisfied employees, companies with poor financial performance also have satisfied employees. It is important to remember that employee well-being affects many different variables that are

connected to companies' financial performances. Therefore it is crucial that companies succeed in determining how to define employee well-being and which factors are relevant and affect their operations. For example when focusing on increasing employee well-being to increase the satisfaction of customers, it is important to define them in such terms that they are in correlation to carry out a purpose for the company. If a company is not capable of determine employee well-being in a correct way, it will not receive the benefits of the investments in it. (Corporate Executive Board 2003, 2.)

On the contrary, some measurements may also indicate that a company is doing financially well but that the employees are dissatisfied. This may for example occur in a situation where the employees do not feel good at work and need to stay on sick leaves resulting a decrease in the work force. The company now uses less work force and saves money which then can be seen in the economic results. However, this increases the other staff members' workload and requires them to use their maximum capacity when completing work tasks. Using less work force may be profitable in a short-time run for the company but eventually the employees will get exhausted and inefficient. The employees are not capable of staying productive in the long-term run. (Corporate Executive Board 2003, 2.)

4 CASE IF P&C INSURANCE

4.1 If P&C Insurance

If P&C Insurance company, as known today was established in 1999 by the merger of the non-life insurance operations of Scandinavia of Sweden and Storebrand of Norway. The aim was to become the number one insurance company in the Nordic region. The name of the company comes from the English word 'IF' referring to "If something happens". (If vahinkovakuutusyhtiö Oy 2012.)

Today If P&C Insurance is one of the leading property and casualty insurance companies in Scandinavia and is a fully owned subsidiary of Sampo plc. If offers insurances for their 3.6 million customers in Sweden, Norway, Finland, Denmark, Baltic countries and Russia. In addition, If serves their Nordic customers international activities through their offices and networks. The If P&C Insurance Company has about 6400 employees. (If vahinkovakuutusyhtiö Oy 2012.)

If's mission is to keep their customers satisfied with their service and insurance solutions for example by offering a profitable choice compared to other insurance companies. The company offers both existing and new customers a variety of benefits like If "Center customer" benefits, "Own risk" benefit, If "Folder" to private customers and If "Login" online service for business customers. If has professional knowledge and experience about risks and how to avoid them. That is how they are able to help their customers with their insurance matters and to provide the best insurance coverage as possible. (If Vahinkovakuutusyhtiö Oy 2012.)

If's vision is to be the Nordic and Baltic region's leading life insurance company, with the industry's most satisfied customers, the most comprehensive expertise and with a superior profitability. If offers competitively priced insurance solutions that bring safety and stability in entrepreneurship, living and daily life. To ensure their customers satisfaction, they have organized their employees' daily work according to four core

values which are based on their customers' expectations. The first values enable their staff to easily access and understand information about the company's products and services to ensure effortless flow of communication. The second value is based on reliability, which means holding promises to customers and offering all possible help according to their needs. The third value is committed, which guides employees to take initiative in customer service situations and to genuinely convey for the customers. The fourth value is renewing. It is constantly developing their company, insurance products and services according to the changing environment and to their employees and customer's needs. (If vahinkovakuutusyhtiö Oy 2012.)

4.2 How to Measure Employee Well-Being

Employee well-being as a concept has to be distinguished from job satisfaction. The latter describes how employees feel about the organization they work at that will say, how it is like to work in the specific organization, work environment and job. Employee well-being is considered as an objective goal of work condition improvement and occupational safety, but there is a risk that the results of the measurements are interpreted unilaterally. People generally think that a satisfied employee is always good for the business and dissatisfied comparably bad. However, work communities need a suitable level of dissatisfaction and competition because criticism, development and resources for change embark from them as well as motivation to follow own personal development and well-being. Employee well-being refers to the balance of an organization's overall well-being and productivity, which requires assessing every step of employee well-being separately. (Rauramo 2004, 33.)

Different workplaces have a wide range of indicators and tests for measuring employee well-being. In order to develop well-being, it is natural that the initial situation has to be assessed. Before the assessment the organization's mission, goal, values and ways to achieve goals have to be determined. This includes also definition of activities related to employee well-being and their target state. What is the goal that is being pursued? What are the

measurements that will support monitoring the best and are genuinely an advantage in the development? (Rauramo 2004, 33.)

Employee well-being measurements can be divided into individual, workplace and work environment indicators. In the individual's case the indicators depend on the work requirements. In knowledge work the emphasis can be put on mapping skills and comparably in a work requiring physical skills, fitness and functional capacity testing. Health monitoring is always important. The development of the organization's well-being can be divided into the activities that improve individual's health, fitness and strength, heal work community and organization's functionality and develop work environment and encourage professional skills. (Rauramo 2004, 33.)

Measurements and indicators associated with monitoring employee well-being

- SWOT-analysis
- Workplace clarification
- Work hygienic measurement
- Exposure measurement
- Physiological strain and working posture analysis (e.g. OWAS, emg-indicators, videotaping work)
- Risk assessment
- Work protection excursion
- Work environment questionnaire
- Work satisfaction questionnaire
- Work community functionality questionnaire
- Mapping of expectations, development objects and goals

- State of health questionnaire
- Health check-ups
- Weight-index
- Physical health and capability measurement
- Sport hobby questionnaire
- Work stress questionnaire
- Bergen Burnout Indicator 15 – question form
- Work ability index
- Manager interviews
- Tracking and inspection of accidents, incidents and sick leaves (Rauramo 2004, 34.)

Improvement of employee well-being is at its best a perfectly functioning collaboration between the organization's internal and external actors. Internal stakeholders are the business' management, supervisors, human resources, organizational co-operations, health and safety committee, occupational health and the working communities and their individual employees. Whatever the approach is, it is important that the needs are taken into consideration. Different stakeholders including research, training, development, rehabilitation and specialist service providers maybe be needed to support the measurement methods and development. (Rauramo 2004, 35.)

The modern world and the changing working life set new challenges for the development of the employee well-being. Above occupational accidents and diseases, there is the rise of work-related mental strain factors. Stress itself is an individual process and a natural human way to react to changing circumstances. In a stressful situation, the employees evaluate the

workloads' demands and their own resources. Stress management includes everything we try to do to improve the current situation. (Rauramo 2004, 36.)

A good employer considers the employee's qualities and gives them a reasonable workload. A clear work description, good communication and an influence on own work increases the work management experience. In the modern working life, conflicts and haste from time to time cannot be avoided. The ideal work criteria is rarely met and therefore individual stress management methods, an overall activity development and active problem-solving in the work community are highly important. (Rauramo 2004, 38.)

4.3 How to Measure Employee Performance

Employee performance can be measured through intellectual reports. Intellectual reports study the employees' time management, turnover, education, health and well-being. When assessing the working community's combined health and their efforts as a part of the intellectual report, the company gets a simple but accurate illustration of the employees' well-being and the company's performance. It also forms a perspective where the employees' skills, commitment and ability can be connected to the company's development and productivity. Intellectual reporting is a process of identifying and measuring data about the employees with the attempt to depict the potential of the employees' in monetary terms. In short words, it is a balance sheet of the company's knowledge and it helps the company to ascertain how much it has invested on its employees and how much return it can expect from this investment. It is up to the company whether to publish the intellectual report (Intellectual Accounting) or to keep it as an internal tool (Intellectual report). (Hottinen 2002, 2.)

The content of the intellectual report depends on the company. However, usually it includes factors such as the personnel's number and structure, work and time inputs, human resource expenses, the staffs' workability and well-being, employees existing skills and possible development needs and data about leadership. By collecting the factors of the personnel's condition and development into statistics, the company creates an opportunity to

systematically develop its human resources. Intellectual reporting is important because it creates a view on the employees' impact on different operational areas. This helps the company to make decisions considering employee training, promotion and transfers as well as utilizing their skills efficiently. It also helps to identify the causes of high employee turnover, locating the real cause for low return on investment and improving employee performance by understanding individuals' interest and motivation. An example of an intellectual report is provided in Figure 8. (Kunnalinen työmarkkinalaitos 2012.)

TURNOVER				
Human resource expenses				
Expenses of the actual working hours				
	salaries	XXXXXX		
	rewards	XXX		
		XXXXXX		
Merit pay expenses				
	merit pay	XXXX		
		XXXX		
Overtime work expenses		XXXX		
	overtime work	XXXX		
Recurring expenses of the staff				
	vacation pay and compensations	XXXXX		
	vacation pay	XXXX		
	turnover and initiating expenses	XXX		
	job advertisements	XX		
	other recurring expenses	XXX		
		-XX		
		XXX		
Human resource development expenses				
	atmosphere study	XXX		
	training expenses	XXX		
	training period pay	XXX		
	course trips, -accommodation -participation	XXX		
	occupational health care expenses (I preventive)	XXX		
	KELA compensations (I preventive)	XXXX		
	human resource activity	XX		
		XXXXXX		
Straining expenses of the staff				
	accident-time pay	XXX		
	sickness- and motherly leave pay	XXX		
	sickness- and motherly allowance returns	-XX		
	disability pension KELA-compensations	XXX		
	occupational healthcare (II repairing operation)	XXX		
	KELA-compensations (II repairing operation)	-XXX		
		XXXXXX		
			XXXXXX	100 %
SUBCONTRACTING SOLD WORK			-XXXX	
OTHER EXPENSES			-XXXX	
PROFIT OF THE ACCOUNTING PERIOD/OPERATING LOSS			XXXX	

Figure 8 Example of Intellectual Report (European Agency for Safety and Health at Work 2002, 6.)

4.4 Empirical Studies

Our original purpose was to make an intellectual report for If P&C Insurance Oulu. However, then we would have not been able to use the company name in our thesis because an intellectual report provides detailed information about the company and If P&C Insurance did not want to show them publicly. Therefore we decided to find out Oulu IF P&C Insurance's employees' opinion of the subject if there is a connection between employee well-being and employee performance. In the research we used a quantitative approach. This method was chosen based on our If P&C Insurance contact person's suggestion. Her request was based on the respect of the employees' privacy. She also believed that the employees would answer a questionnaire more openly and honestly than what they would do in an interview situation which was first planned.

The data gathering was executed through a written form questionnaire both in English and Finnish (Appendix 1 and 2). The questionnaire included eight questions three of which were classifying questions with background information about the respondents such as age, gender and how long time they had been working for If P&C Insurance. Two of the questions were multiple-choice questions with closed-ends and different options to choose from. The other three questions were open-ended questions where the respondents could freely express their thoughts and opinions.

If P&C Insurance office located in Oulu is rather small with only ten employees. Therefore we included all the employees in the Oulu region into the research. The questionnaire was handed out to the whole office located in Oulu on 8 May. The employees were given three days to reply and we received the questionnaires from 10 employees by post on 11 May.

4.5 Results of Survey

In this section we will go through the answers received from the questionnaire. We will first go through the classifying questions to provide some background information about the respondents which after we will go

through the closed-ended and the open-ended questions. Some of the results are illustrated with charts in addition to the actual text to make the subject and the results easier to understand.

4.5.1 Classified Questions

The first three questions were classifying questions. According to the survey question number 1 (Q1) all the employees in the If office in Oulu are women. Figure 9 represents the question number two (Q2) providing the age of the respondents in the survey. The age range of the age Chart varies from 25 to over 50 years old. Half of the respondents were of age range over 50.

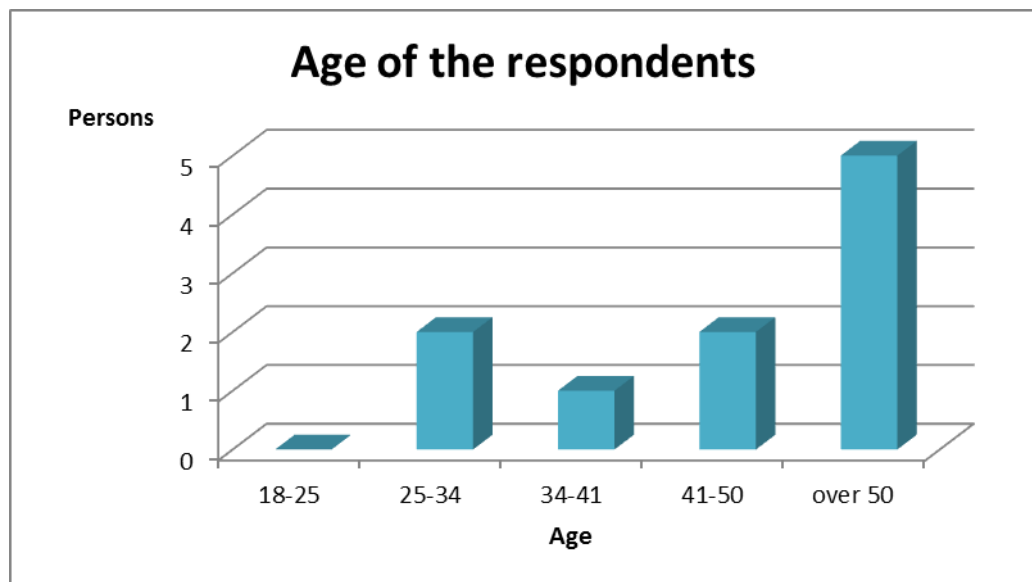


Figure 9. Age of Respondents Chart

Figure 10 demonstrates the question number 3 (Q3) which tells the years respondents have been working for If company. Only one respondent has been working in the company for less than 1 year and four respondents have been working as long as 20-29 years in the company.

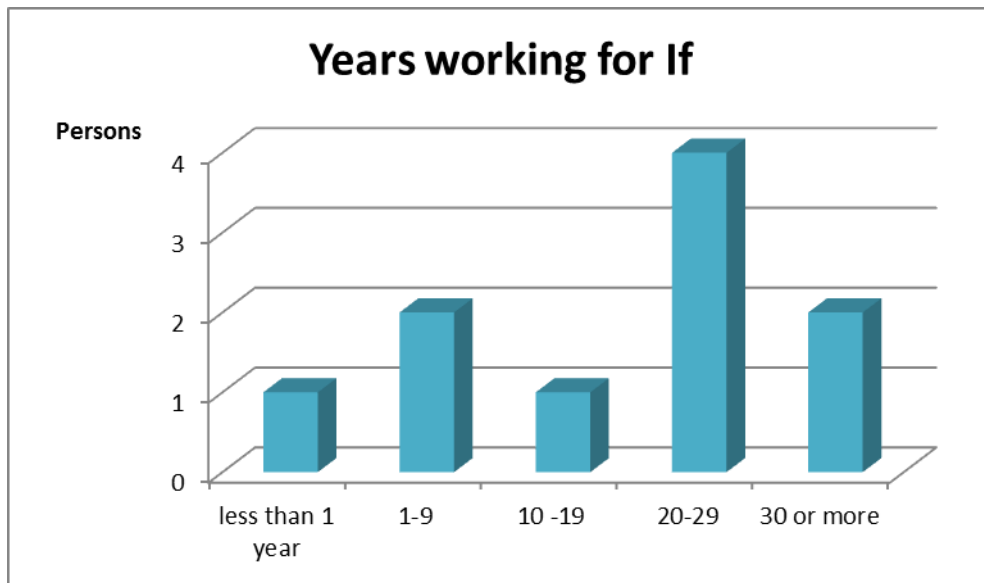


Figure 10. Years Working for If P&C Insurance Chart

4.5.2 Mostly Valued Factors at Work

In the fourth question (Q4) respondents were asked to choose factors that they personally value most in work. The question included 11 options from which the respondents could choose as many as they wished. Figure 11 represents the mostly valued factors at work. Five of the respondents chose salary as one of the most valued factors in work. Seven of the respondents chose good workplace atmosphere as one of the most valued factor. Three of the respondents chose self-fulfillment as one of the most valued factor. Four of the respondents chose working hours as one of the most valued factor. Five of the respondents chose co-workers as one of the most valued factor. Three respondents chose appreciation and recognition from co-workers and managers as most one of the valued factor. Four respondents chose development of own skills as one of the most valued factor. Two of the respondents chose possibility of advancement at work as one of the most valued factor. Four of the respondents chose good and fair leadership as one of the most valued factor and one person chose non-monetary rewards as one of the most valued factor. None of the respondent chose status as one of the factor they value most.

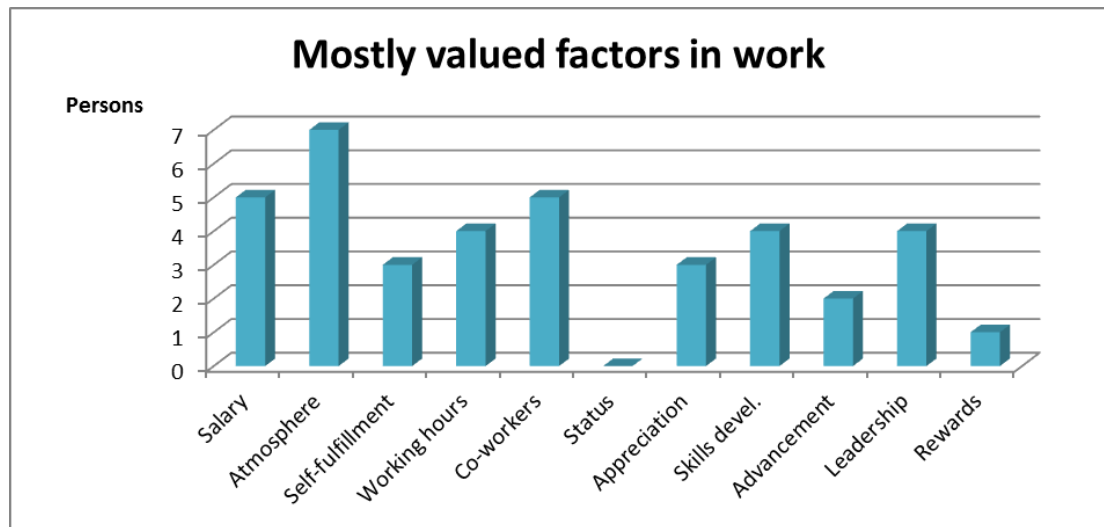


Figure 11. Mostly Valued Factors in Work Chart

Based on the results, seven respondents chose atmosphere as one of the mostly valued factor in their work. That counts seventy percent of all the respondents, concluding that the workplace atmosphere is the most valued factor among the respondents. Five of the respondents chose salary and co-workers as one of the most valued factors, which counts fifty percent of all the respondents and comes as the second most valued factor. Working hours, development of own skills and good and fair leadership come as thirdly most valued factors in work counting forty percent of all the respondents. The fourth most valued factor is self-fulfillment and appreciation counting thirty percent of all respondents. Based on the results possibility of advancement and non-monetary rewards were valued the least among the respondents and none of the respondents considered status as most valued factor.

Figure 12 represents how the respondents' amount of working years for If company affect most valued factors in work. Based on the results respondents who have been working for If less than 1 year, value most salary, atmosphere at workplace, co-workers and development of own skills. Respondents who have been working for If 1-9 years value mostly leadership. Respondents who have been working for 10-19 years for the company value mostly salary, atmosphere and possibility of advancement at work. Respondents who have been working 20-29 years for the company

value mostly atmosphere at workplace. Respondents who have been working over 30 years for the company value mostly working hours.

How working years affect most valued factors in work					
	less than 1 year	1-9	10-19	20-29	30 or more
Salary	1	1	1	1	1
Atmosphere	1	1	1	4	0
Self-fulfillment	0	1	0	2	0
Working hours	0	1	0	1	2
Co-workers	1	1	0	2	1
Status	0	0	0	0	0
Appreciation	0	0	0	3	0
Skills devel.	1	1	0	2	0
Advancement	0	0	1	1	0
Leadership	0	2	0	2	0
Rewards	0	0	0	1	0

Figure 12. How Working Years Affect Most Valued Factors in Work

4.5.3 Correlation Between Employee Well-Being and Performance

Question number five (Q5) was formulated to find out if the employees believed there to be a connection between employee well-being and performance. This question had the choice options of 'yes' or 'no'. 100% per cent of the employees thought there to be a connection between employee well-being and performance.

4.5.4 Employee Well-Beings Impact on Work Performance

The aim of question number six (Q6) was to figure out how the employees at Oulu IF P&C Insurance estimate that employee well-being effects positively on work performance. As already mentioned, all ten respondents thought there to be a strong connection between employee well-being and performance. All of them explained that if the work feels meaningful and if it is nice to wake up and go to work in the morning, the productivity-level is much higher. It helps to cope with new challenges, embrace new knowledge and it motivates the employees to give their best. In this section many had added the importance of the workplace atmosphere and the support from co-

workers and superiors. They explained that if they feel that their effort is appreciated, they want to make a greater contribution to common goals and constantly develop their own skills. For example one of the respondents wrote “If the job is enjoyable and the atmosphere is good, the performance level is much higher resulting productive work. If I do not feel that the work I am doing is valued, I do not feel the motivation to improve my work efficiency”.

On the contrary to Q6, the question number seven (Q7) was added to find out the effects of employee dissatisfaction on performance. As in Q6 also in Q7 the answers were consistent among the respondents. Almost all respondents expressed that if the employees are dissatisfied at work they feel tired, are only willing to do the essentials, are more likely to become sick, start lacking respect for the company and the superiors, become stressed and depressed, start using the energy in wrong places and that they are not able or motivated to do a good job. The employee dissatisfaction was also thought to have a negative impact on the employees’ private life, customer service situations, the company image and the whole workplace atmosphere. One of the respondents wrote “If the atmosphere is not good, I feel bad and I am not able to achieve much. This reflects to others and causes a negative snowball-effect. It is crucial that it is nice to go to work in the mornings. If employees do not enjoy the work they are doing or do not feel good at work, it can be noticed in customer service situations both in the voice for example on the phone or seen directly in face to face situations”.

4.5.6 Factors Impacting Positively and Negatively on Work Performance and Productivity

Question number eight (Q8) was conducted to find out which factors assist and have a positive effect on the respondents’ personal work performance and which factors have a negative impact or harm their work performance. According to the question results, one of the most important factors affecting the work performance is the superior’s encouragement and his or her effort on giving continuous feedback. The superior’s role was mentioned by seven

respondents and one of them stated the following “The supervisor’s feedback is important, because he or she needs to ‘harness’ the subordinates to good performance. The lack of feedback has negative consequences because if the duties and the expectations are unclear for the employees and if there are unresolved issues at the workplace, it affects the mood of the entire working society. Therefore, open communication, feedback and clear instructions from the supervisor are a must”. The second most mentioned factor was to have a supporting and positive workplace atmosphere which was thought to consist of both the attitude and actions of the supervisor as well as the co-workers’. Other factors affecting the performance and productivity level in a positive way were physiological factors such as good health and exercise, co-workers, mental well-being and a fair salary.

The factors that were thought to have negative impact on the work performance were naturally the lack of the factors mentioned as positive, that will say the lack of feedback and a poor workplace atmosphere, which were both mentioned by five respondents. Supervisors who only focus on the employees’ shortages without giving any encouragement or positive feedback, a too controlling environment and ongoing strict monitoring were also mentioned to have a negative impact on their work. As an example, one of the respondents wrote “Continuous tracking and stalking at the workplace is anguishing, creates extra pressure and lowers the productivity as well as the motivation level.” In addition two of the respondents wrote that personal life difficulties and the employees’ own attitude have a great impact on the work performance. For example if the employee is struggling with a family member’s illness or if the employee has a negative attitude towards life in general, it affects the whole workplace atmosphere which in turn affects everyone’s performance resulting in poor company productivity. Some other factors that were mentioned as negatively affecting factors were bad salary, bad equipment and poorly functioning machinery.

6 CONCLUSION

Employee well-being is a complex entity and consists of many different factors. It requires the satisfaction of the employees' physiological, social and emotional needs. The correct definition of employee well-being and an understanding of its effects on a company's performance is crucial, in order to exploit the subject as a competitive advantage. It is important to learn that sport vouchers, welfare days and work environment studies are just a small part of the improvement of employee well-being. By specifying and viewing the concept as an entity and by solving how to achieve the satisfaction of the employees' needs, will help a company to succeed and realize that employee well-being is a genuine competitive advantage.

Through the comparison of the data gathered in our theoretical part and our empirical study, employee well-being can be considered to have a direct impact on the employees' and a company's performance. Several studies show the effects of employee well-being on company performance. Our empirical research can be thought to support those studies since 100 per cent of our respondents believed there to be a connection between employee well-being and performance and they also mentioned same affecting well-being factors as the other researches. It is important to note that our research was minor with a study of only ten people from one company. Therefore the research does not have a great validity on a universal level. However, because the purpose of our thesis was to do a research for the If P&C insurance Oulu's use, the research can be considered to be valid since 100 per cent of their employees' are included in the research. This thesis can be used as a "handbook" by If P&C Insurance Oulu to understand how employee well-being affects their daily business operations and how to influence and improve their work community and their employees' well-being.

Our final conclusions of the subject are that employee well-being is an essential segment of a successfully progressing company. It is also a key element in determining a company's long-term profitability. Well-being at work achieves higher levels of performance and creates competitive

advantage for organizations. From the employer's point of view a healthy and satisfied staff is profitable in many ways. It is an investment that pays off in the long-term run. For example it increases the employees' excitement and motivation towards their work, which contributes to employees staying longer in the company and in the working life in general. It also improves the quality, customer satisfaction, productivity and the company image. Financial benefits are gained through the decrease of sick leaves, premature retiring and high employee turnover. Investments in employee well-being also profit the employees' for example by giving a sense of purpose with their work and by providing a healthy balance between leisure and work.

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APPENCIDES

Questionnaire

Appendix 1

Kysely

Appendix 2

Appendix 1 Questionnaire

1

QUESTIONNAIRE

We are two students from Rovaniemi University of Applied Sciences and this questionnaire is a part of our bachelor's thesis. The subject of our thesis is "Employee well-being as a competitive advantage". The aim of this questionnaire is to find out if there is a connection between employee well-being and performance. You can help us in the process by answering the following questions.

Thank you for your time!

The questions:

1. Gender: Male Female
2. Age: 18–25 25–34 34–41 41–50 50 or older
3. How long have you been working at your current workplace?

4. What do you personally value most in work?
 - Salary
 - Good workplace atmosphere
 - Self-fulfillment
 - Working hours
 - Co-workers
 - Status
 - Appreciation and recognition from co-workers or/and managers
 - Development of own skills
 - Possibility of advancement at work
 - Good and fair leadership
 - Non-monetary rewards (For example sport vouchers, refreshment days, trips or other perquisites)

2

5. Do you feel that job performance and job satisfaction are inter related and inter dependent?

Yes No

If yes, please answer questions 6 and 7.

If no, please continue to question number 8.

6. How does employee satisfaction reflect on the work performance in your opinion?

7. How does employee dissatisfaction reflect on the work performance?

8. Which factors impact positively on your work performance and productivity? Which factors effect negatively?

Appendix 2 Kysely

1

Kysely

Olemme kaksi opiskelijaa Rovaniemen Ammattikorkeakoulusta. Tämä kysely on osa tradenomitutkimomme opinnäytetyötä. Opinnäytetyömme aiheena on "Työhyvinvointi kilpailuetuna". Kyselymme tarkoituksena on selvittää onko työhyvinvoinnilla ja työntekijöiden suorituskyvyllä yhteyttä toisiinsa. Voit auttaa meitä prosessimanne vastaamalla seuraaviin kysymyksiin.

Kiitos ajastasi!

1. Sukupuoli: Mies Nainen

2. Ikä: 18–25 25–34 34–41 41–50 yli 50

3. Kauan olet työskennellyt talossa?

4. Mitä arvostat eniten työssäsi?

- Palkka
- Hyvä työilmapiiri
- Itsensä toteutus työssä
- Työajat
- Työkaverit
- Asema
- Työkavereiden ja esimiehen arvostus ja tunnustus
- Oman ammattitaidon kehittäminen
- Ylenemisen- ja etenemisen mahdollisuus
- Hyvä ja oikeudenmukainen johto
- Ei rahalliset palkkiot (Esimerkiksi liikuntaselitteit, työmatkat, työsuuhdeauto yms.)

5. Onko mielestäsi työhyvinvoinnilla ja omalla suorituskyvylläsi yhteys

Kyllä Ei

Jos vastasit kyllä, vastaa myös kysymyksiin 6 ja 7.

Jos vastasit ei, siirry kysymykseen 8.

6. Miten työhyvinvointi mielestäsi vaikuttaa myönteisesti suorituskykyyn?

7. Miten työtyytymättömyys mielestäsi vaikuttaa suorituskykyyn?

8. Mitkä asiat edesauttavat omaa suorituskykyäsi ja tuottavuuttasi työssä? Millä asioilla on negatiivinen vaikutus omaan työsuoritukseesi?