

PROFIT AND SALARY - MOTIVATING FACTORS AT THE ORGANIZATIONAL LEVEL

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ABSTRACT: *The market economy presupposes the development of economic activities that are characterized, first of all, by efficiency, this realizing the connection between the allocated resources and the obtained results. An activity is the more efficient when a higher value of production is obtained with the same amount of production factors used, or when a given amount of results is obtained with a minimum consumption of production factors. Thus, an economic activity is characterized by efficiency when profit is made - which is the main goal and also the motivating factor of any entrepreneur. In order to increase the efficiency of the labour production factor, an important role is played by the reward system, where the salary has a primordial place.*

KEY WORDS: *salary, profit, economic efficiency, reward system, motivation.*

JEL CLASSIFICATIONS: *M10, M52.*

1. INTRODUCTION

Human needs are the engine of all socio-economic activity. Transformed into goals of social activity, needs become interests. Economic interests represent those human needs that are aware of and become - direct or indirect, immediate or prospective goals - of people's struggle for existence, of their confrontation and cooperation in order to acquire the goods necessary to meet their needs.

For the entrepreneur, the owner of the capital production factor, the main economic interest, and at the same time, the main motivating factor that determines him to act is the maximization of profit. Profit - as a motivating factor is the basis for initiating and carrying out economic activity being one of the basic premises that an entrepreneur has in mind. Profit is the engine of any national economy and, at the same time, the objective motivation of entrepreneurs in the market economy; all economic

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entities, regardless of their size or type, organize and carry out their activity in order to obtain and maximize profit.

For the owner of the labour production factor, the main objective is to satisfy the needs and ensure decent living conditions; in this context, the main motivating factor for employees is the salary (reward system).

In order to satisfy economic interests, it is necessary to organize productive activity that enhances and capitalizes on the factors of production, so as to ensure the material foundations of human welfare for each category of economic actors involved in economic life and thus each economic category to achieve its goal. Productive activity involves attracting and combining all the factors of production, such as: natural resources, physical and intellectual potential of people, modern manufacturing technologies, technical-scientific innovations, the ability and managerial capacity of the entrepreneur, etc. Thus, entrepreneurs are constantly faced with the choice of optimal options for using and combining factors of production that ensure a certain level of production and allow them to maximize profits.

In fact, skills such as responsibility, spontaneity, adaptability, flexibility, initiative and entrepreneurship are assets by which entrepreneurs, based on available resources, must choose the best methods and practices of combining factors of production so as to obtain maximum efficiency and profitability.

2. PROFIT - A MOTIVATOR FACTOR FOR THE ENTREPRENEUR

In any entrepreneurial activity, the main role is played by the entrepreneur (capital owner) who allocates a wide range of resources with the main purpose of maximizing profit. Basically, profit becomes the main motivating factor of any economic activity.

Etymologically, the word profit comes from the Latin term "proficere" which means to progress, to give results, a term that has acquired, over time, the meaning to give, or bring profit.

Profit is, in the narrowest sense, the income that economic agents obtain as a result of the use of capital. In the broadest sense, profit is the gain that economic agents make as a surplus over the cost of production. We conclude that profit is the advantage realized in the form of money from an action, operation or economic activity. Therefore, no economic agent can progress if he does not make a profit.

Profit maximization is the main motivation of all managers of economic units and the major criterion of economic efficiency, without the realization of which economic activity would cease. Basically, the prospect of making a profit stimulates the economic initiative of entrepreneurs and causes them to take a number of risks, thus contributing to increasing the production of goods, the development of existing companies and starting new businesses.

Depending on the managerial capacity of the entrepreneurs, but also taking into account the type of market, the economic situation and the state of the business environment, the profit can appear in various forms:

- a) The normal profit represents that part of the profit that the entrepreneur realizes and appropriates in his capacity of owner of the production factors. Normal

profit is actually the minimum profit a company needs to make in order to continue operating;

- b) The supernormal or economic profit represents the part of the profit that is obtained as income over the production cost, regardless of whether this income is the result of some rented production factors or as a result of the competition on the market. The economic profit that the entrepreneur realizes and appropriates is a reward for his work;
- c) The monopoly profit is realized by economic entities that have secured a monopoly position on the market, a position that results from different situations in which they carry out their activity;
- d) Unexpected profit is made by economic agents in conditions of economic-political or other conditions, favourable;
- e) The legitimate or legal profit is the one realized in the context of the observance of the legal provisions during the entire activity from which it is obtained;
- f) The illegitimate or illegal profit, the one realized in the context of the deliberate or not violation of the legality.

Regardless of the form of profit, the motivation of the producer is the prospect of profit, which he wants, in an unspecified period of time, to maximize.

In order to obtain and maximize profit, the entrepreneur must take into account a number of determining factors whose action is urgently needed to be known and quantified.

In general, the factors that influence the size of profit are related to the internal organization of the business, where an important role is played by the entrepreneur's ability to manage the business efficiently, but there are a number of external factors that do not depend directly which can influence the size of the profit: the legislative system, taxes and duties, macroeconomic policies, economic situation, etc.

The main influencing factors that any entrepreneur must take into account in order to maximize profit are:

1. The level of productivity of the production factors used in the productive activity; an increased efficiency of the use of the factors of production will be positively reflected in the final result of the activity and, conversely; in all forms of productivity, labour productivity has a particular importance (its dynamics must be superior to the dynamics of the nominal wage). Increasing productivity has a special economic importance because it can contribute to increasing profit, reducing unit cost, alleviating the tension between needs and resources, increasing the competitiveness of companies, increasing the well-being and standard of living of the population, etc.;
2. The way of rewarding the employees according to the obtained performances can lead to different dynamics of labour productivity with implications on the level of profit;
3. Given that the objective of each entrepreneurial economic agent is to obtain the highest possible profit, it determines him to assess the necessary consumption of factors of production before starting the activity and to calculate how much it costs to obtain a good or service. Thus, the lower the cost of production, the

higher the profit at the same price level; cost reduction means reducing the consumption of factors of production;

4. The volume, structure and quality of production, which act separately but especially in their unity and interdependence;
5. The speed of capital turnover, with which the volume of profit is directly proportional, is a qualitative indicator that expresses the efficiency of its use depending on the possibility of recovering, replenishing and reactivating the initial investments in new economic cycles;
6. The quality of the management of the activity of production, supply and sales, activities in which the ability of the entrepreneur has a decisive role. Managerial capacity is an important neofactor of production in modern economies on which depends the quality of the economic process and, implicitly, the company's results.

In general, entrepreneurs aim to streamline their business, to achieve maximum results with a minimum of effort (expenses), in other words to obtain profits that are as high and secure as possible, which will then be distributed to owners and / or investors.

Subsequently, in addition to the motivating function that profit performs, it can also be seen as a reward for the entrepreneur for the activity carried out. Thus, the profit can be:

- reward for investing capital; the allocation of investment resources implies a waiver of the immediate consumption of these resources, a consideration of the opportunity cost and an awareness of the unavailability of the sums of money invested until the moment of their recovery;
- reward for taking the risk associated with any economic activity; risk in economic activity is a normal and real component of economic life, without which the behaviour of economic agents would be unnatural;
- reward for the innovative factor that any successful business implies; a company that wants not only to stay on the market, but to grow has the duty to constantly seek innovation. A true engine of business success and also a sure way to solve problems that arise unexpectedly in the life of the organization, innovation is the surest way to differentiate yourself from the competition, and to make a profit;
- reward for attracting and efficient use of information resources that are particularly useful in the current period;
- reward for the organization of an efficient economic activity or as J. Schumpeter stated "profit rewards the action, dynamics and innovation of the entrepreneur".

As a corollary of the above, we can conclude that at the microeconomic level, profit is a key factor in stimulating private initiative and risk acceptance, it reflects the rationality of economic activities and, on this basis, the development, maintenance or restriction of an activity. At the macroeconomic level, profit stimulates competition, influences economic development and social progress, orients the efficient allocation of resources to economic sectors, cultivates the spirit of saving.

It is obvious that profit is the basic motivation and primary goal of any entrepreneur, but the way in which it is obtained cannot be ordinary. In contemporary

society, at the level of economic entities, profit maximization must be based on elements such as: social responsibility, business ethics, fair competitive practices, respect for human rights, avoidance of undeclared work, ensuring decent working conditions, care for the environment, material recovery and recycling, etc. In other words, companies need to be aware of the impact of their business on the rest of society, including its own stakeholders, as well as the environment; there is a real danger in allowing businesses to operate solely on the idea that more is better.

3. SALARY - MOTIVATING FACTOR FOR EMPLOYEES

Employees are hired and active in companies motivated by the desire to meet individual needs. Each of them is guided by the motivation through needs, going through the stages of the motivational process, such as: the existence of individual needs; the desire to satisfy these needs; choosing the behaviour and activity; the concrete actions undertaken as an employee of the company; the performance achieved, determined by the degree of productivity and work efficiency; the reward received and the degree of satisfaction of the needs.

In this way it is obvious that the reward received by the employee from the company in which it operates (external reward) directly determines the degree of satisfaction the needs of the employee.

Individuals are similar to economic entities in that they need sufficient incentives to be persuaded to put their resources to the use of others. If there are no such incentives, then the individual keeps his resources and uses them for his personal benefit. For example, an employee must be rewarded with salary and / or other forms of reward in order to be willing to provide their workforce, knowledge, experience, skills.

Work, as a factor of production, is a conscious, specifically human action, directed towards a certain goal, in which the skills, experience and knowledge of the individual, the consumption of physical and intellectual energy are set in motion. Work is an active and determining factor of production, which trains other factors in order to obtain goods and services.

For the contribution made to achieve the company's objectives, the human resource is remunerated and rewarded through the reward system that can include financial gains, tangible services and benefits that employees receive. The payroll system is an important component of the rewards system.

In this context, a key role is played by reward management, which is the process of developing and implementing strategies, policies and reward systems that enable organizations to engage and retain the human resources needed to achieve their goals.

The reward system represents the set of material and intangible income, financial and non-financial, of the facilities or advantages attributed to the individual depending on the activity carried out and the proven competence. A reward system refers to the financial rewards and benefits of employees, together forming the total remuneration. The reward system may include direct rewards, indirect rewards and non-financial rewards.

Direct rewards may include: the basic salary is a fixed salary which is the "starting point" for a certain position; the merit salary; additional rewards (incentives), which can take the form of: individual remuneration depending on performance, bonuses, commissions, bonuses, profit sharing, etc.

Indirect rewards are very diverse, differing from one organization to another, depending on its size and financial strength and can take the form of: health or life insurance, business car, holiday vouchers, leisure facilities, expense settlement transport etc.

One category of the reward system that should not be neglected is non-financial rewards, those that meet people's need for fulfilment, recognition, responsibility, influence and personal growth. A motivating factor in the organization can be the inner satisfaction that an employee feels after successfully performing an activity, such as: generating a successful business idea, performing a timely analysis and identifying weaknesses in the business, creative and innovative approach to activities, etc.

But the most important component of the reward system is the salary. The notion of salary is a category specific to the market economy, being considered an income that belongs to the labour factor, due to the direct participation, together with the capital production factor, in the economic activity.

In a general sense, the salary is considered the price of the rented work, the income received by a person in exchange for the work submitted. Viewed from a macroeconomic perspective, the salary is the employee's income, as a reward for contributing to the creation of national income, as a result of renting and using labour by those who have other factors of production, classic and neoclassical (capital, land, entrepreneurial skills).

The salary is established on the basis of a consensus between the owner of the labour factor and the one who needs this factor of production, in the general context of the relationship between labour demand and supply.

The size of the salary is subject to contradictory tendencies: of differentiation from one employee to another and of closeness (it can be achieved by increasing the qualification, by improvement; it presupposes closeness (equalization) and in terms of work efficiency). The differences determined by the characteristics and significance of the work, from a certain angle, exist objectively, in the sense that it tries to match the size of the salary with the volume and working conditions. and work efficiency. The existence of differences in the size of the salary received by each owner of the labour force, depending on the qualities of each individual, the characteristics of the work and its efficiency, has a stimulating character for the training of employees and their participation in the work process. At the same time, these differentiations correspond to the interests of those who use the labour force, in the sense of hiring with priority the workers with the highest efficiency (productivity).

In order to achieve the strategic and short-term objectives of the organization, by ensuring a well-motivated and competent workforce, a key role is played by the reward strategy.

The reward management policy, from the organization's point of view, must:

- to stimulate behaviours that contribute to the achievement of the organization's objectives and to be, at the same time, a reward mechanism for the obtained performances;
 - play a major role in highlighting the organization's value, performance, standards and expectations;
 - to derive from the economic strategy of the organization and, at the same time, to contribute to it;
 - to support the achievement of the organization's mission and the achievement of its essential objectives in terms of innovation, teamwork, quality of products/services, attitude and behaviour towards customers, flexibility and speed of response, etc.;
 - be governed by economic objectives and be integrated into all other personnel and development strategies of the organization;
 - be compatible with the external and internal environment of the organization;
 - to ensure the reward of those results that correspond to the essential organizational objectives, thus stimulating and consolidating the desired behaviours;
 - be developed following consultations with key stakeholders and at the same time be practical and easily applicable.
- From the employees' point of view, the reward management policy is aimed:
- to determine the employees to show a pro-active behaviour at work, to become more involved and interested in the functioning of the organization;
 - to assure the employees that they will be treated fairly, honestly and consistently in relation to the work they perform and the contribution they have in the company;
 - the transparency - employees need to know what the organization's rewards policies are and how they influence them.

The salary becomes a motivating factor for the employee when his formation is based on a number of principles, such as:

- the principle of wage negotiation, according to which salary is the result of individual or collective negotiation between employee and employer; Salary formation is subject to market mechanisms and involvement of economic and social agents;
- the "equal labour, equal salary" principle aims to eliminating discrimination in the payroll;
- the principle of salary after the amount of work takes into account the quantity of products or works carried out over a period of time. This quantity is determined by the size of the labour norm and the individual or collective performance;
- the principle of ensuring the correlation between productivity growth and salary growth, etc.;
- the principle of salary according to the quality of work;
- the principle of salary according to working conditions.

The organization's performance is influenced by how rewards for employees are used. A reward becomes a motivating factor when a number of conditions are fulfilled: is attributed to the employee who improves their performance; is desirable, expected by the employee; between the additional effort of the employee and performance improvement there is a direct proportional ratio.

4. CONCLUSIONS

The decision to drive factors in economic activity is based on different reasons. The owner of the capital production factor invests in productive activity is motivated by the profit. In the case of the production factor, the available work resources to form the job is necessary to fulfil the remuneration condition. As such, profit and salary, as fundamental income in the economy, become motivating factors for two categories of producers of production factors.

In order to achieve individual targets but also those of the organization, employees should show a pro-active attitude and be aware that their conjugate contribution can achieve material and moral well-being. In turn, employers must be aware that without a properly motivated and remunerated human resource, achievement of economic desires, maximizing profits, cannot be achieved.

At the firm level, employees and employer are parts of a social partnership, which through their conjugated efforts, lead to the satisfaction of the various needs of each of them.

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