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Innovative Approaches to Staff Motivation Based on ESG Business Principles and Intellectualisation: International Experience

Innowacyjne podejścia do motywacji pracowników w oparciu o zasady ESG biznesowe i intelektualizację: międzynarodowe doświadczenie

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Abstract: The theoretical and methodological principles of the use of innovative approaches to personnel motivation are determined, and the methodology of personnel motivation management based on ESG is considered using the example of the USA, Japan, and Europe. Western European companies are characterised by three models of labour incentives: non-bonus (work incentive functions are performed by wages); bonus, which includes payments in the amount related to the size of the company's income or profit; bonus, which provides for payments determined by individual work results. The necessity of using modern work motivation systems based on the accounting of motivational effects, the application of work performance assessment criteria, the forecast of the work behaviour of personnel regarding changes in the work motivation system in the organization, and the monitoring of important deviations from the given form of work behaviour, was proven. Areas of personnel productivity were investigated based on an adapted algorithm of the principal components' method, which made it possible to compare the positions of international companies relative to their competitors and quantify their achievements in personnel motivation. This made it possible to form the general components of a modern universal approach to the motivation of highly productive work.

Keywords: innovation, intellectualisation, motivation, ESG principles, work behaviour.

Streszczenie: W artykule określono teoretyczne i metodologiczne zasady stosowania innowacyjnych podejść do motywacji personelu, jak również metodologię zarządzania motywacją personelu w oparciu o ESG na przykładzie USA, Japonii i Europy. Firmy zachodnioeuropejskie charakteryzują się trzema modelami zachęt do pracy, takimi jak: bezpremiowe (funkcje zachęt do pracy pełnią płace); premia obejmująca płatności, których wysokość jest powiązana z wielkością przychodu lub zysku firmy; premia przewidująca płatności, których wielkość ustalana jest z uwzględnieniem indywidualnych wyników pracy. W stosowaniu nowoczesnych systemów motywowania do pracy, które opierają się na rozliczaniu efektów motywacyjnych, stosowaniu kryteriów oceny wyników pracy, prognozowaniu zachowań pracowniczych w zakresie zmian w systemie motywowania do pracy w organizacji oraz monitorowaniu, udowodniono istotne odstępstwa od danej formy zachowania w pracy. Pola produktywności personelu badano w oparciu o zaadaptowany algorytm metody składowych głównych, co pozwoliło na porównanie pozycji firm międzynarodowych w stosunku do konkurentów oraz kwantyfikację osiągnięć w zakresie motywacji personelu. Umożliwiło to ukształtowanie ogólnych elementów nowoczesnego uniwersalnego podejścia do motywacji wysoce produktywnej pracy.

Słowa kluczowe: innowacje, intelektualizacja, motywacja, zasady ESG, zachowania w pracy.

1. Introduction

Environmental, social and corporate governance (ESG) belongs to the main non-financial approaches to the interpretation of business sustainability and the extent of its social impact, including personnel motivation as a method of indirect management carried out through the interests of employees using specific forms and methods ensuring their interest in work. Staff motivation is also one of the main factors in increasing labour productivity. The transformational society in the era of digitalisation and globalization sets new requirements for changes in the mechanism of work motivation. Based on the fact that motivation represents actions aimed at encouraging each employee and all members of the team towards effective work and activity, its innovative component is important in modern conditions, as a high level of employee productivity in factories using new technologies would be impossible without the supporting processes of the professional training of employees. This determines the need for a thorough study of the personnel motivation system of the modern economic system based on ESG principles and ensuring the formation of an effective model for the development of highly motivated personnel on this basis.

2. Analysis of recent research and publications

Many scientific works are devoted to the problems of work motivation, in which theoretical and practical aspects are comprehensively presented, including the studies of the competitiveness of company personnel by McGregor (2006) and Dvorskyi et al. (2021), investment in human capital by Schultz (1964), behavioural aspects examined by Gibson (2000), and many others. Content-based theories highlight the role of the needs that guide the individual, while procedural theories consider motivation as a process. However, it is important to determine the prospects for applying the latest methods of work motivation (both substantive and procedural) based on the analysis of international experience. The search for approaches to the formation of effective methods of motivating employees, and the analysis of the features of their application in conditions of a certain economic stage of company development, determine the implementation of comprehensive research and the relevance of the chosen topic.

The purpose of the article was to analyse the international experience and systematise the features of personnel motivation systems used globally, determining the expediency and effectiveness of their implementation, based on ESG business principles.

3. Presentation of the main research material

The topic of motivation and stimulation of personnel, as the analysis of theory and practice showed, is discussed in the economic literature, and with all the variety of the existing forms and methods of increasing the motivation of personnel, the problem of choosing the optimal model of stimulation and reward still retains its relevance even today. However, for all the uniqueness of each company, there are some regularities, the accounting of which in the practice of building motivation and stimulation systems helps to ensure the greatest return. The relevance of the study of the global experience of stimulating labour activity lies in the emergence of the specific problems of personnel motivation for each country, as well as the possibility of transferring the positive experience of one country to another regarding motivation, given the fact that the implementation of ESG principles means expanding the boundaries of responsibility.

In a market economy, the motivation of labour activity is the main factor determining the dynamics of aggregate labour productivity. One of the tools for motivating employees is payment, usually directly related to the dynamics of labour productivity. This connection can consist in establishing a certain dependence between changes in work results and subsequent changes in payment. Financial motivation methods can be effective because, for most employees, work is a source of income and a way to provide for the family. Therefore, when applying such methods, employees will try to do everything to perform their work efficiently and receive additional money and bonuses (Bodaretska et al., 2015). However, today the world is actively developing and professing the values of environmental protection and social support.

ESG principles are an effective tool for forming a corporate mission, which adds motivation and commitment to the team. It is well known that a team influences each member if everyone has common interests and interacts well with each other. Therefore, if the motivation of one of them is not effective, then the whole team suffers, and even if they try to influence this person, it is not always effective (Voronyanska, 2008).

Thus, it is a positive trend that for many professionals today, it is important to be part of something more than a profit-making mechanism. A high ESG indicator contributes to the value of the organization and financial efficiency because the conditions for the formation of a competitive environment depend on the selection of acceptable motivational mechanisms and ensuring their rational interaction in the short and the long term, obtaining an additional, synergistic effect of the motivational system of personnel management as a whole, strengthening the competitive positions of a modern enterprise (Pavlyk, 2016).

When forming a motivational policy, the following should be considered:

- coordination of the interests of owners and employees regarding ways to achieve corporate goals and objectives through the implementation of individual abilities;
- increase employees' interest in personal work results;

- create opportunities to increase the level of professionalism and staff productivity;
- support innovative proposals and actions of employees.

In the conditions of the development of modern information technology and globalization, economic methods of motivating management are still of special importance, although recently the importance of administrative and economic methods of influence in the business of developed countries is decreasing with the increasing role of socio-psychological methods of influence (intangible stimulation). In the conditions of the market and global competition facing enterprises, fundamentally new approaches to stimulation are needed. Their essence consists in the rejection of traditional labour remuneration systems, as well as their replacement with labor remuneration consisting of two elements: the base rate and additional incentive payments, which depend on individual results and the efficiency of the work of the division and the enterprise (Cherkasov, 2008).

The purpose of any motivation system is as follows: to encourage employees to work for results; implement the company's growth strategy; enable more efficient employees to earn more; increase the efficiency of production due to the efficiency of the employees; to create a transparent and objective evaluation system for each employee (Bezruchko & Maslak, 2014).

Today, companies are given the right to independently develop and implement various motivational systems, the effectiveness of which is largely determined by the principles of their construction. To create an effective mechanism for motivating and stimulating personnel, an important link is the analysis of the experience of building already existing and successfully functioning systems. Specific approaches to personnel management in global practice include:

- a system approach and building functions taking into account the strategy;
- advanced management as a consequence of advanced capitalism;
- a high level of organizational efficiency;
- employees are perceived as human capital, organizations invest in the long-term development of employees;
- application of long-term motivation systems;
- building communication;
- great importance attached to ensuring informativeness and transparency;
- significance in the organization of values and attitude of personnel to ethics, and their loyalty;
- a structured system of personnel management aimed at increasing efficiency and implemented consistently;
- relations between colleagues, rather than friendship, are based on respect and cooperation.

Approaches to the formation of systems of motivation to work have their characteristics and variations, primarily related to the difference in the conceptual principles of managing the work of employees.

For the formation of an effective system of labour motivation, it is necessary to study and use international experience. American, German, French, Swedish, and Japanese models are recognised as the most progressive systems of work motivation.

The greatest success in this matter has been achieved by Japan and the USA. The study of the personnel motivation system in Western Europe revealed that it applies a wide variety of economic instruments, including a flexible taxation system, incentives for the creation, development, and production of new products, employee training, etc. In most European enterprises, the size of bonuses depends on the increase in the volume of sales of new products and its share in the total volume of production. There is also a tendency to individualise wages based on an assessment of the employee's specific merits. The mechanism of individualisation includes both the differentiation of the terms of employment and the assessment of the labour process. In most developed countries, personnel motivation models have their own characteristics, oriented at the conditions of their market, and regarding national specificities and features of the mentality of the population.

The German model of work motivation combines features of the market economy and social security and is based on the principles of fairness. Set rates of employees and their salaries are regarded as the minimum guaranteed remuneration. Bonuses are paid for increased labour productivity and individual achievements. Most enterprises in Germany introduced extensive social programs for their employees, which complement the state system of social welfare. Pension insurance contributions are paid on a parity basis by the employer and the employee. Large companies, in addition to health insurance, provide their staff with the opportunity to access libraries, attend various cultural programmes, study courses of interest, and play sports.

A feature of the French model of motivation is the inclusion of strategic planning in the market mechanism. Two trends are observed in the wage policy: wage indexation depending on the level of prices and cost of living and its individualisation. The principle of individualised remuneration is applied mainly to management personnel and is carried out by considering the level of professional qualifications, the quality of the work performed, the number of innovative suggestions made, and the level of employee mobility. The forms of the individualisation of wages can be participation in company profits, sale of company shares to employees, and the payment of bonuses. In many French enterprises, a point assessment of an employee's work (from 0 to 120 points) is used according to six criteria: professional knowledge, labour productivity, work quality, compliance with safety rules, production ethics, and initiative (Hlazunova et al., 2016).

The Swedish model of work motivation is built on the principles of solidarity of wages: the same payments for similar work in all enterprises of the same industry and the reduction of the gap between the minimum and maximum wages. This is aimed at reducing inequality and the economic stratification of society by redistributing national income in favour of the less well-off sections of the population. Such

a policy leads to the structural development of the economy and the reduction or liquidation of unprofitable businesses.

The Polish model of personnel motivation involves increasing the efficiency of production, while simultaneously limiting the income of the population and providing social assistance to the poor. The emergence of such a model was caused by the need to overcome crisis phenomena in the economy and the willingness of the population to make certain sacrifices for the sake of future economic and social gains. The shortcoming of the model is the brain drain caused by the desire to have certain material goods today, rather than in the future.

The American system of motivation is aimed at the maximum encouragement of entrepreneurial activity of the economically active part of the population, based on the desire for personal well-being and the economic prosperity of the country in general. The basis for determining the amount of the labour remuneration rate is a list of professions, and a clearly defined level of professional qualifications required by the employer.

The Japanese model of personnel motivation is based on collectivism and characterised by the desire to ensure the ideological cohesion of the corporation. It is believed that the company is 'one family' and all its employees should work selflessly for the common good of the team. In Japanese companies there is a set of benefits and social benefits that each firm provides to its staff, such as severance pay and pensions, medical services, personal insurance, insurance in case of industrial injuries, assistance in obtaining education for family members, etc. The remuneration of company employees depends on the actual results of their work and experience, and for managers – on the company results (Pryakhina et al., 2017).

West European companies followed three models of labour incentives:

- non-bonus (salary serves as the incentive);
- bonus which includes payments in the amount related to the size of the company's income or profit;
- bonus which provides for payments in the amounts set according to individual work results.

Bonus payment models are implemented by involving employees in: profit sharing (differentiated remuneration from the company's profit); income (from the amount of income, a reward is paid to each employee, and its amount is determined based on the results of the evaluation of the performance of the production task, and does not depend on the company's profit); capital (bonuses come in the form of shares at their nominal price). In some industrial enterprises in Germany, contracts are agreed according to which the employee undertakes to use his/her potential with maximum benefit, setting certain performance indicators, while retaining the right to manage his/her working time at his/her discretion. As a result, work motivation increases, as the person not only performs the set tasks, but also participates in the management of the activities. In England, France, and other countries, the so-called flexible payment system has become widespread, which is based on the assessment

of the individual qualities of the employee, his/her merits and work results with the help of special rating scales based on several factors. At the same time, there is an individualisation of wages, which the trade unions oppose, yet this system is supported by highly qualified specialists and skilled workers. Attaching great importance to the qualification of workers, several European pay employees not by the category of the work, but by the category of workers qualifications, which to a greater extent stimulates their improvement.

In the USA and Canada, the focus of incentivising company employees is shifting from focusing on current performance results to long-term performance, which is manifested in the option system, which involves granting the right to purchase a certain number of company shares in the future at their current price. Such a system is appropriate for incentivising senior and middle managers responsible for long-term results. A significant role is played by rewarding innovative and inventive activities, which leads to an increase in the profits of companies. The ratio of the total amount of bonuses paid for innovative proposals to the profits received due to their implementation is 1:8 in the USA, 1:6 in Switzerland, and 1:10 in Germany. Motivation of promising specialists is carried out in the form of monetary rewards, but also benefits and free services from funds for social consumption. Large companies: pay bonuses before the holidays in the amount of 25%-50% of the monthly salary; pay out the 13th salary; make payments before statutory holidays; provide a car for personal use covering the cost of fuel; fully or partially cover the cost of housing; cover the costs of holidays with the family; set a flexible work schedule. Encouraging employees to work in the interests of the company includes awarding bonuses and several other forms of incentives, and also the right to income in the form of shares (Vasylchak et al., 2018).

Developed countries have accumulated a lot of experience in applying a wide variety of wage systems; in Sweden there are solidarity wages, in Japan – payment for seniority and rationalisation, in Germany – stimulation of productivity growth, in the USA – payment for qualifications, in the UK – payment according to individual contracts, in France – individualisation of wages, and in Italy – payment of collective and individual allowances to the sectoral remuneration rate and allowances in connection with the increase in the cost of living. At the same time, in all the payment systems, there is a general focus on increasing production efficiency.

At the same time, in all labour payment systems, there is a general focus on increasing production efficiency. To study the field of labour productivity of personnel (a set of the most significant influencing factors) according to ESG data, the authors suggest taking as a basis the adapted algorithm of the method of main components.

The method of principal components, proposed by Pearson in 1901 and then refined by Hotelling in the 1930s, allows for simplifying the interpretation of information in numerical form by reducing the original data space (x_1, \dots, x_p) , where x_i is the original feature). Such a simplification of multidimensional arrays of

information requires the construction of a new data space containing aggregated features y_1, \dots, y_p , (y_j is the main component, and $p' < p$). In practice, this means that the introduced indicators y_1, \dots, y_p , represent the newly created initial combinations based on the initial array of data, the available x_i and σ_j are the arithmetic mean and root mean square deviation for x_p , and w_{ij} are the coefficients of the main components that maximise the variance of y_j and other entered indicators must be correlated with each other (formula (1)):

$$\left\{ \begin{array}{l} y_j(x) = w_{1j} \frac{(x_1 - \bar{x}_1)}{\sigma_1} + \dots + w_{pj} \frac{(x_p - \bar{x}_p)}{\sigma_p} \\ \sum_{i=1}^p w_{ij}^2 = 1; \quad (j = 1 \dots p) \\ \sum_{i=1}^p w_{ij} w_{ik} = 0; \quad (j, k = 1 \dots p, j \neq k) \end{array} \right. \quad (1)$$

This approach allows us to reduce the amount of raw data, determine the relations between them, to quantify and rank them. To illustrate the fact that today an approach to sustainable development and a policy for ESG initiatives have already been formed, taking into account that employees are the basis of any relation that makes ESG successful – from the connection with customers and the microclimate to building a meaningful future for the organization – the study used data from the ESG reports of world leaders in the auto industry, i.e. General Motors, Ford and Toyota. This allowed to compare several approaches of the American manufacturers Ford and G.M. and the Japanese manufacturer Toyota.

Analysing the provision of staff motivation on an innovative basis based on ESG-reporting data, it was possible to highlight several indicators that, on aggregate, can serve as an objective characteristic of the field of employee labour productivity (Table 1). In general, three key aspects can be distinguished: “Education and Personal Growth”; “Support and Security”; “Remuneration and Employee Satisfaction”. At the same time, the time scale consists in the characteristics of the current state and the dynamics of the indicators.

The traditional algorithm for calculating the main components includes the transition from the original matrix of observations X to the correlation matrix S between the original features. Next, based on the largest eigenvalues that best explain the original space of features, the transition to the main components is carried out. The initial data forming the set of observations are qualitatively and quantitatively homogeneous and have a sufficient volume. Mathematical data processing in the process of applying the method of principal components was carried out using gretl – a cross-platform software package for econometric analysis, written in the C programming language.

Table 1. Source data for determining the field of labour productivity of personnel according to ESG data

Indicator	Company			Years	Indicator (in %)	Company		
	Ford	GM	Toyota			Ford	GM	Toyota
Average number of training hours each employee invested per year	7.0	7.32	7.0	2019	Employees who experience personal growth	76.2	78.1	75.2
	9.0	9.49	8.0	2020		77.0	78.9	77.7
	9.5	20.12	15.0	2021		81.3	79.0	82.1
Work-related injuries (frequency rate of lost working day)	>0.3	>0.4	0.25	2019	Union representation of total global workforce	66.1	64.0	72.8
	>0.3	>0.3	0.24	2020		64.0	61.0	73.1
	>0.3	>0.3	0.24	2021		63.9	61.0	73.3
Remuneration (non-management level), in %	96.0	97.0	99.0	2019	Results of employee satisfaction survey	75.8	75.0	75.8
	100.0	96.0	99.1	2020		76.6	79.4	76.4
	100.0	96.0	100.0	2021		83.7	82.9	78.7

Source: (Ford Motor Company, 2022; General Motors, 2021; Toyota Motor Corporation, 2022).

Since the method of principal components requires the correlation of the initial characteristics, it was first necessary to check the presence of correlation between $y_1 \dots y_p$ for each component of sustainable development. The constructed Pearson correlation matrices are presented in Figure 1.

Since there are zero correlation indicators and those with a negative value, the authors constructed the main components without considering them. The obtained simulation results are presented in Table 2.

Table 2. Construction of the main components

Company	Element of «Education and Personal Growth»	Element of «Support and Security»	Element of «Remuneration and employee satisfaction»
	rating	rating	rating
Ford	$y_1 = 0.479a + 0.428b$	$y_2 = -0.459d$	$y_3 = 0.452e + 0.414f$
	$\lambda_1 = 4.1729$		
GM	$y_1 = 0.335a + 0.428b$	$y_2 = -0.421c - 0.421d$	$y_3 = -0.421e + 0.417f$
	$\lambda_1 = 5.4042$		
Toyota	$y_1 = 0.415a + 0.414b$	$y_2 = -0.407c + 0.383d$	$y_3 = 0.413e + 0.417f$
	$\lambda_1 = 5.7384$		

Source: authors' elaboration.

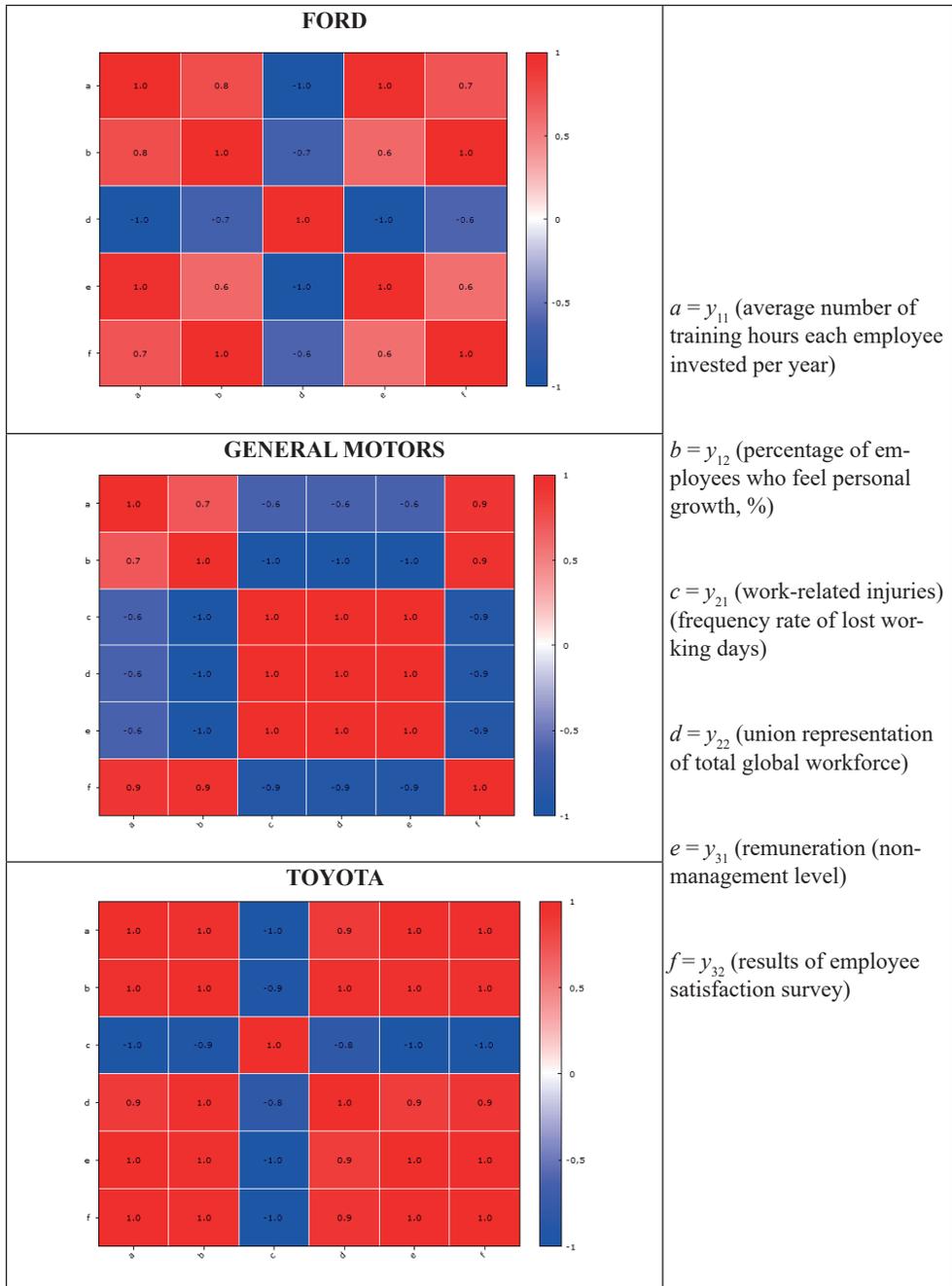


Fig. 1. The value of correlation coefficients for variables characterising the field of labour productivity of personnel

Source: authors' elaboration.

According to the general rating of the field, the highest indicator for the period selected for study was demonstrated by Toyota and the lowest by Ford. As for the factors which had the greatest impact, it should be noted that Toyota increased productivity not only due to its presence in eight countries, but also owing to the specifics of corporate culture. In particular, this explains the highest rating of the “Education and Personal Growth” aspect. The Kaizen philosophy, aimed at continuous improvement, and the system of monetary rewards, as well as the lean production system and the Jidoka (“automation with the human touch”) production concept are inherent in Toyota’s corporate culture. All of this contributed to greater involvement of employees in production processes and their motivation.

The GM company pays special attention to the “Support and Security” aspect. In particular, during the Covid-19 pandemic, social distancing in distribution centres slowed down processes, which has not changed significantly.

The strategies of the Ford company are aimed at the principle that innovations are essential to pushing forward the productivity frontier. Such a principle brings effects only over time because process innovations drive significant improvements in industry productivity rather than the innovations themselves – the hours worked decreased because of process innovations.

It is generally accepted that the most important factor in labour productivity is the financial stimulation of employees. However, attention should also be paid to the social component of the employee, because with an increase in wages, satisfaction with money decreases over time and the social and emotional interests of employees come first. Wages alone are not enough to effectively motivate employees, and the indicators of multi-aspect direction presented earlier for analysis prove this. Personnel dissatisfied with working conditions, the social and psychological climate in the team, and the culture of the organization, will not be interested in working for the benefit and well-being of the enterprise, which, in turn, will lead to a loss of competitiveness of the enterprise and negatively affect the dynamics of the country’s economic growth in general (Pererva et al., 2021).

The main tasks of forming and ensuring effective labour motivation at national and regional levels should be: the development of measures aimed at ensuring the growth of nominal and real wages and the formation of sources of its further increase; the improvement of the mechanisms of the state and the collective-contract regulation of labour remuneration; the restoration of wage functions from the expanded labour force, and bringing its level closer to the real cost of labour on the labour market; the implementation of measures to strengthen social guarantees, protect employee rights and reduce risks in the field of work; the development of measures to increase the cultural and educational level of the population; ensuring the growth of the welfare and quality of life of the population; the formation of the labour potential of market-type employees capable of ensuring the economic and social interests of individuals, enterprises, and the country itself.

4. Conclusion

The conducted research allowed to assert that in the process of building a motivational system, it is necessary to consider the fact that the focus on the personal interests of employees, and their priority in the system of collective and public interests, is of the greatest importance. Only owing to the creation of conditions for realising personal interests, combined with collective and public ones, it would be possible to achieve specifically expressed interest of employees in the effective operation of the enterprise, region, and the country.

By providing a broader reflection on this issue, based on the application of an integrated approach, summarising the theoretical basis of personnel motivation, it was possible to find out that the motivational system is characterised by a wide variety of innovative tools, including incentives for the creation, development and release of new products, emphasis on personal growth, strengthening the role of trade unions, improving the qualifications of employees, etc. This is especially true for the automotive industry, where labour productivity increases either through a reduction in the number of hours required to produce a car or through an increase in average value added. However, the practices of the companies selected for analysis (General Motors, Ford and Toyota) proved that the introduction of innovative approaches to staff motivation based on ESG business principles and intellectualisation, have led to them becoming models to follow.

The field of personnel productivity according to ESG data was also investigated based on the adapted algorithm of the principal components' method, which made it possible to compare the positions of companies relative to their competitors and to quantify achievements in the field of personnel motivation. Approbation of the proposed algorithm on the example of real enterprises showed that global car manufacturers are taking serious steps towards the implementation of ESG business principles regarding personnel motivation.

Analysis of international motivation models can significantly help entrepreneurs to develop their motivation system, however, it is very important not to implement motivation tools simply mechanically, but rather to carefully select the most appropriate ones, taking into account regional and industry specifics, the demographic situation and other important factors. Only then would it be possible to achieve positive business results.

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