

IMPROVEMENT OF THE MOTIVATION SYSTEM FOR THE COMPANY IN THE HIGHLY REGULATED INDUSTRY

Olga Niemi¹, Aleksandra Kozlova²

Abstract. The present study hypothesises that employee motivation plays a critical role in the performance of companies operating in strictly regulated industries such as pharmaceutical distribution. The hypothesis is based on the premise that compliance, transparency, and participation in public procurement create additional operational pressure in this sector. The article focuses on a Latvian pharmaceutical wholesaler that distributes reimbursed medicines and medical devices and operates under both EU pharmaceutical and procurement regulatory frameworks. The objective of the present article is to ascertain the key motivators among employees. The research is grounded in the application of the Multidimensional Work Motivation Scale (MWMS), with quantitative analysis of two distinct employee groups divided by age: below 45 years and above 45 years. The data were collected through the implementation of an anonymous survey, and were subsequently analysed using SPSS. The findings indicated a substantial discrepancy in the motivation types exhibited by different age demographics within the workforce. Specifically, younger employees demonstrated higher levels of internal motivation, while older employees exhibited a greater propensity to be influenced by external factors. However, the mean motivation score across all respondents indicated a generally high level of demotivation. The findings of this study indicate that motivation strategies must be customised according to age group, with a focus on career development for younger staff and job security and compensation for older employees. The article is of practical value in that it puts forward a series of adaptive motivation strategies that have been shown to be effective in aligning with the operational limits of pharmaceutical distributors engaged in public procurement. The strategies proposed in the article aim to reduce employee turnover, increase engagement, and ensure regulatory compliance through improved workforce performance.

Keywords: motivation system, regulated industry, pharmaceutical company, amotivation, age groups.

JEL Classification: M5, M12

1. Introduction

In the context of highly regulated industries, such as pharmaceutical production and distribution, employee motivation has been identified as a significant predictor of organisational success. Companies operating within this sector encounter a dual challenge: on the one hand, they are required to comply with strict legal and procedural frameworks; on the other, they must also ensure sustainable development and competitiveness. The pharmaceutical supply chain in the European Union is one of the most tightly regulated sectors, with extensive rules covering product quality, safety, environmental and social standards, and, increasingly, workforce-related requirements. Additionally, companies participating

in public procurement must adhere to heightened transparency and accountability standards.

Despite the importance of employee motivation in such industries, little research has examined the impact of regulatory compliance on human resource management practices, particularly with regard to motivation strategies and outcomes, in pharmaceutical distribution companies involved in public procurement. This discrepancy is particularly pronounced in small-to-medium enterprises within EU Member States, where financial and organisational flexibility is constrained. Consequently, pharmaceutical companies operating in the fields of production, storage and delivery of goods, and especially delivering goods to public institutions due to procurement, are subject to

¹ ISMA University of Applied Sciences, Latvia (*corresponding author*)
E-mail: olga.verdenhofa@gmail.com

ORCID: <https://orcid.org/0000-0002-7906-3463>

² ISMA University of Applied Sciences, Latvia

E-mail: kozlova.aleks@gmail.com

ORCID: <https://orcid.org/0009-0002-5347-5029>



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even more stringent regulations and must adapt their human resource policies and activities accordingly. These companies are not as flexible in developing various human resource management policies as they cannot apply all the available human resource instruments proposed by modern human resource management practices.

This article addresses the issue of low motivation among employees in such companies, as well as the mismatch between existing HR practices and the motivational needs of different age groups. This research aims to identify the dominant motivators among employees of a Latvian pharmaceutical wholesaler and assess motivation levels across age groups, in order to propose age-sensitive strategies for improving motivation. The key research tasks are: (1) reviewing literature on motivation in regulated industries, (2) measuring motivation levels using a validated instrument, (3) analysing motivational differences between age groups, and (4) proposing recommendations for improving motivation within regulatory constraints.

The research is grounded in a quantitative approach, employing the Multidimensional Work Motivation Scale (MWMS) and distributing it to 30 employees, stratified into two age groups (<45 and >45). The primary limitations of the present study are as follows: firstly, the small sample size; secondly, the focus on a single company; and thirdly, the exclusion of qualitative insights. Key references include EU regulatory documents and academic literature on employee motivation (Zilincikova & Repkova Stofkova, 2020; Gagné et al., 2015), as well as pharmaceutical compliance frameworks (EMA, 2022; EC on Public Health, 2023).

2. Literature Review

The company's performance in regulated industries presents a challenge, as it has to comply with numerous legal requirements and norms. At the same time, it is necessary to maintain a pace of development and remain competitive in the market. Employee motivation is one of the key elements of a competitive edge (Zilincikova & Repkova Stofkova, 2020). Conversely, motivated employees exhibit a greater propensity to align with organisational goals and demonstrate heightened engagement in their professional activities. The retention of these employees has been shown to result in the surpassing of predetermined targets, leading to innovation and enhanced performance. These factors are considered prerequisites for increased profitability and long-term success.

The pharmaceutical industry is one of the most heavily regulated sectors, with oversight extending to all aspects of pharmaceutical production and supply chain operations (Deloitte, 2023; Anjoran, 2022). Pharmaceutical supply chain processes, including

storage and distribution, are among the most regulated in the European Union. This is due to the fact that medicines are critical products that have a direct impact on human health, and ensuring their safety, efficacy, and quality is of utmost importance. The European Union has established a comprehensive regulatory framework for the pharmaceutical industry. The pharmaceutical supply chain within the European Union is subject to a stringent regulatory framework, the purpose of which is to ensure the safety, efficacy and quality of medicines. These regulations encompass all aspects of the supply chain, from the procurement of raw materials to the management of human resources (EMA, 2022; EC on Public Health, 2023; Hawkins, 2022). Furthermore, from 2023 through 2024 and 2025, the regulatory framework will undergo further revision, particularly with regard to the pharmaceutical supply chain, with a narrower focus on environmental, social, and governance (ESG) practices. These changes will impose additional requirements on the employee-related policies of pharmaceutical companies operating within the supply chain (Manufacturing Chemist, 2022).

Concurrently, the EU boasts a stringent regulatory framework for enterprises engaged in public procurement processes, ensuring fair competition, transparency, and equal treatment of all participants in the procurement process. The primary legal instrument governing public procurement in the EU is Directive 2014/24/EU, which establishes the rules and procedures that public authorities are obliged to observe when procuring goods and services. The regulatory framework encompasses the selection of participants and the award of public contracts, incorporating requirements for the evaluation of tenders, the utilisation of selection criteria, and the application of award criteria (EC on Public procurement, 2023; Lopriore et al., 2022). In numerous countries, including Latvia, the accountability of the company and the evaluation of its performance encompasses an indirect evaluation of human resource processes, encompassing the financial and non-financial motivation of employees.

Moreover, as Latvia's population is ageing, pharmaceutical distribution companies must manage a workforce that includes both older and younger employees. This demographic trend introduces additional complexity to human resource management, as motivational drivers and expectations differ significantly across age groups. Failure to address this diversity in employee needs may lead to increased turnover, reduced productivity, and a decline in service quality, especially in critical areas such as public healthcare supply. Simultaneously, emphasis was placed on the fact that, in comparison to their younger counterparts, older employees possess a number of advantages in a variety of different areas, including incentives and stress-related work skills.

In order to successfully leverage and foster those abilities in contemporary employment settings, it is essential to have an understanding of the potential strengths in question and the processes that underpin them (Hertel et al., 2013). Managing the motivation of different age groups is said to advance research into intergroup contact, employee motivation and the ageing labour force, as it highlights age-related disparities in the potential positive effects of generational engagement (Hirschi, 2021). Furthermore, the provision of a more extensive array of career opportunities for younger employees has been demonstrated to enhance their levels of motivation. In the context of an ageing strategy, the provision of mentorship by superiors to employees of all ages has been demonstrated to contribute to the maintenance of those workers (Boumans, de Jong, Janssen, 2010). The findings of this study generally corroborate the propositions put forward in the extant literature, which indicate a shift in the objectives of individuals as opposed to a general decline in inspiration with age. Senior workers exhibited reduced motivation in terms of extrinsically rewarding job characteristics, and instead demonstrated heightened motivation in relation to intrinsically gratifying aspects of their occupations (Inceoglu, Segers, & Bartram, 2011).

3. Methodology

When assessing employee motivation, particularly across different age groups, autonomous and controlled motivation can significantly enhance one's capacity to manage financial stress. Autonomous motivation involves engaging in a task or behaviour because it is personally meaningful and satisfying, whereas controlled motivation involves doing something due to external pressures or rewards (Ren, Zhang & Wei, 2021). In this regard, the authors conducted an evaluation of the employees' motivation levels within the research context. The evaluation was grounded in a comprehensive literature analysis, which identified two predominant survey instruments for assessing motivation: the WEIMS (Work Environment Impact Measurement Survey) and the MWMS (Multidimensional Work Motivation Scale) (Ren, Zhang & Wei, 2021). The MWMS tool was utilised in the research process. The scale measures a range of factors related to work motivation, including intrinsic motivation, extrinsic motivation, and amotivation. The MWMS is a tool designed to assess motivation levels across a range of dimensions, with a view to providing a comprehensive understanding of the factors driving employee motivation in the pharmaceutical industry. This information can be used to develop targeted initiatives to address areas of concern and improve employee engagement and productivity. Furthermore, the tool is translated into

the language stated as the native language by the majority of employees (Nortje, 2023; Trepanier, 2022).

4. Results

The article focuses on a pharmaceutical company that primarily operates as a full-spectrum distributor of pharmaceutical goods and medical devices in the Republic of Latvia. The company plays an active role in public procurement, serving as a representative for numerous producers within the Latvia territory whose registered medicines are included in the list of reimbursed medicines (National Health Service of the Republic of Latvia, 2023) within the country (for instance, producers from Croatia, Ukraine, Slovenia, and others). This signifies that the distributor is under no choice but to participate in the procurements in order to deliver such medicines to health institutions, prosecution instances, and similar state-controlled or semi-state-controlled entities. In the majority of cases, the company is obliged to participate in the procurement process, unless the medicines are unavailable in stock. This situation occurs on the market due to the pricing model applied to medicines included on the reimbursement list, as well as existing regulations (Cabinet of Ministers, 2006; State Health Agency of the Republic of Latvia, 2023). Based on these regulations, when a patient is prescribed an active ingredient rather than a specific medication, the pharmacist proposes the cheapest medicine containing that active ingredient, which is then reimbursed accordingly. More costly medicines are not reimbursed and are therefore less frequently purchased by individuals. Due to the high costs associated with supply chain management in the pharmaceutical industry, producers evaluate sales in detail. They may decide to withdraw a medicine from the market due to low turnover, which often results in only one medication containing the specific active ingredient being available. Similarly, non-reimbursed medicines containing the same active ingredient have even lower purchase rates. Consequently, it is often the case that there is only one distributor of a specific medicine containing a particular active ingredient on the market. When state-controlled or semi-state-controlled entities require stock replenishment, this distributor must participate in the process.

The object of research is specific to the product portfolio, as it principally focuses on the particular types of diseases and related medicines that the company has developed over the course of its 25-year operational history. With regard to the object of the research, the percentage of turnover related to procurement deals fluctuates from 18 to 22 per cent per year. These changes occur in line with seasonal demand, inflation and other external factors that impact performance. Nevertheless, the company

participates in 15 to 25 procurements each year. Each procurement process involves evaluating the company as a procurement participant based on EU and local regulations, including social aspects. For instance, precedents have been observed when the mean hourly rates of employees specified in the offer in the profession group have been calculated and evaluated (Saeima, 2017). In the process of assessing eligibility, it is imperative that the rates cannot be lower than the mean hourly rate in the specific professional group. However, it is equally crucial to consider hourly rates that are excessively high due to additional bonuses, as this could be regarded as unfair play and result in the participant being excluded from the procurement process. In the case of pharmaceutical supply, this result may not only result in fines for the inability to supply state-regulated essential medicines, but also indicate a lack of quality assurance. This may suggest weak regulatory compliance with distribution requirements and norms at national and EU levels. Therefore, the company needs to balance its human resource practices and the wishes and needs of its employees with existing regulations.

The company's workforce is comprised of 55 employees (with two new employees having recently joined the main office) and 11 employees based throughout the country. The majority of employees residing in the country's regions are medical representatives and are employed on a part-time basis; therefore, the population of 53 will be considered as the primary focus of the research. The demographic composition of the employees is illustrated in Figure 1.

Concurrently, the age demographic of employees represents a challenge for company management, particularly in instances of significant age diversity (see Figure 2).

At the same time, due to regulations and overall industry trends, salaries at the company are relatively low (an average of €930 net per month) and employees experience substantial pressure due to the industry's peculiarities and specifics. Furthermore, it is important to note that, given the age group and the management of the company, which has led the entity for over 25 years, the human resource management practices in place can be considered conservative and traditional. The measures employed to motivate

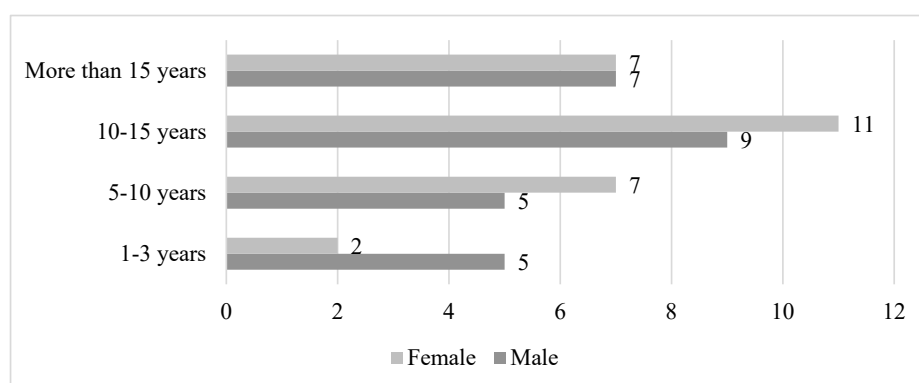


Figure 1. Distribution of employees by gender and length of service

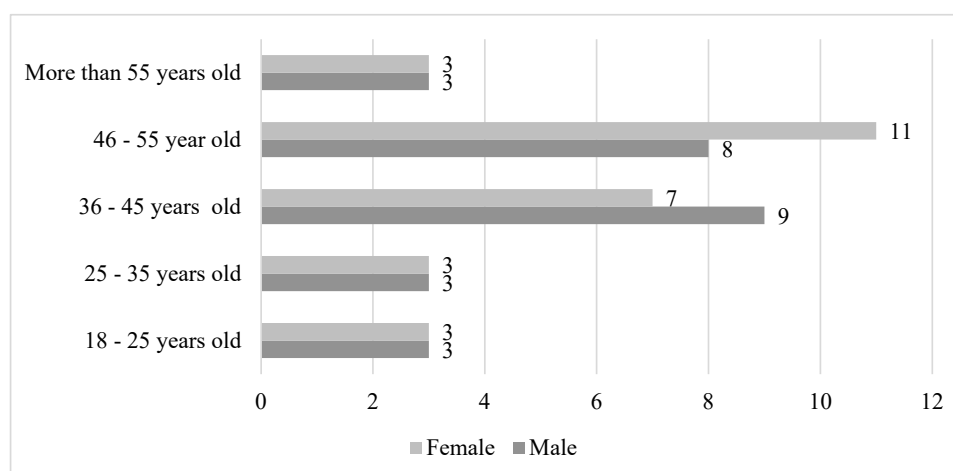


Figure 2. Distribution of employees by age group and gender

employees include the following: annual bonuses of a fixed amount for all employees, and corporate events on three occasions per year (company anniversary, Christmas, spring events). Employee motivation is not measured, the motivational system is not revised and diversification of motivational measures is not considered. For example, educational programmes are not considered a motivational measure and are only performed if requested by the employee or required by compliance measures. At the same time, the company is not reconsidering or revising its salary and bonus systems. The fixed increase of 7–10% has been used for the last 15 years and is not considered a motivational tool. The aforementioned issues lead to numerous intra-company problems. The company experiences high staff turnover among young employees. Older employees are often vaguely motivated and perform their duties at an acceptable level. They do not try to achieve additional goals or exceed expectations. The set plans are often not reached at all, as there is no system of fines for employees in the human resources department. In consideration of the aforementioned background, it can be hypothesised that the occurrence is attributable to the markedly diminished employee motivation.

The authors managed to gather two groups of 15 people, one aged under 45 and one aged over 45. The survey was coded accordingly and was fully anonymous. When analysing the results in SPSS, Levene's test for equality of variances indicated that the significance level for all pairs was higher than 0.05; therefore, it was possible to assume that the variances of the two groups were the same. The p-value for the pair of external motivation factors is 0.001 and the p-value for the pair of internal motivation factors is 0.000. Therefore, at a 5% significance level, there is a difference in the mean values of the external and internal motivation factors for employees under and over 45 years of age. At the same time, the level of amotivation does not differ significantly between the groups. This provides an opportunity to define the level of amotivation as 3.067 across all respondents, indicating a high level of amotivation. When given reverse coding,

this value means that employees are more demotivated than motivated to perform their duties overall.

As was ascertained, external motivators hold greater significance for individuals over the age of 45. Conversely, for those below the age of 45, internal motivators exert a more substantial influence on performance.

5. Discussion

Amotivation, defined as a state of reduced motivation or disinterest in a task or activity, can be identified as a primary concern to address prior to enhancing motivation levels within a workplace setting. This is due to the fact that motivation constitutes a more severe form of low motivation, and it is challenging to address other motivation issues when employees are completely disengaged. Conversely, employees who are experiencing low intrinsic or extrinsic motivation may still evince some level of interest in their work or be driven by some external factors in regard to their engagement. However, employees who are amotivated may not have any interest or belief in their ability to perform the task, making it difficult to improve motivation without first addressing the underlying issue. It is imperative to consider the influence degree of the identified motivators in the development of appropriate groupings. This will facilitate the formulation of the most effective motivation strategies for employees (Aliakperova, 2018).

For younger employees, internal motivation may be more significant as they are still in the process of establishing their career goals and personal values. The concept of internal motivation is driven by internal factors, including personal fulfilment, autonomy, and a sense of purpose. These elements are of particular importance to younger employees, who are seeking to find meaning and direction in their work. Internal motivation also has long-term benefits for younger employees. Studies have shown that employees who are intrinsically motivated are more likely to remain with their current employer, perform better and demonstrate greater creativity and innovation in their work.

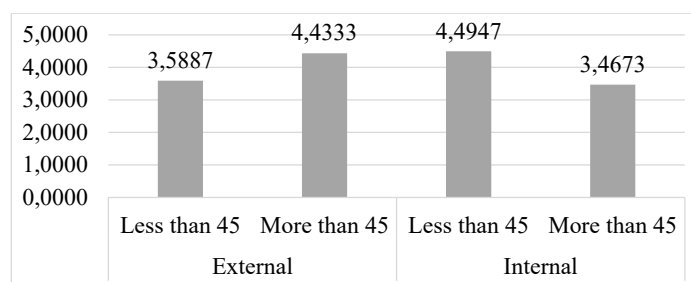


Figure 3. Internal and external motivation factors according to the different age groups

This is particularly important for those just starting their careers, as they are looking for opportunities to learn and develop. Concomitantly, while extrinsic factors such as job security, competitive salaries, and benefits may be of significance for older employees, it is imperative to acknowledge that both intrinsic and extrinsic motivation are essential for employees of all ages. Consequently, it is imperative to acknowledge and address individual differences with regard to work motivation, and to formulate strategies that are tailored to the unique needs and values of each employee.

As individuals in different age groups may have different needs, values and expectations when it comes to work motivation, it is important to address internal and external motivation differently in different age groups. Therefore, organisations may need to adopt different strategies to address internal and external motivation within these groups. For instance, younger employees may benefit from regular feedback and recognition, opportunities to develop their skills, and clear career progression pathways. However, it is important to note that individuals within the same age group may have different motivations, so a one-size-fits-all approach may not be effective.

6. Conclusions

Addressing a lack of motivation may require identifying the root cause of the disengagement. This could be due to factors such as a poor job fit, a lack of clear expectations, or a mismatch between an individual's values and an organisation's goals. Once these issues have been resolved, organisations can work to boost motivation by fostering a supportive work environment, setting clear goals and expectations, and offering opportunities for growth and development. While all forms of low motivation are problematic, addressing amotivation should be a primary focus before attempting to improve other forms of motivation. By addressing the underlying causes of amotivation and creating a supportive work environment, organisations can help employees to rediscover their motivation and become more engaged and productive. Next, the various elements of the internal and external motivators should be studied in detail (Gagne et al., 2014; Winter et al., 2020), and individual differences in motivation should be considered when developing strategies to address them. Adopting different strategies for different age groups and considering individual differences enables organisations to create a supportive, engaging and motivating work environment for all employees.

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