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THE INFLUENCE OF WORK MOTIVATION ON EMPLOYEES' RELATIONSHIP WITH THE LEADER

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Abstract: Over the past century, management has progressed from Taylor's scientific management to modern approaches emphasizing human motivation. This study examines how work motivation influences the employee-leader relationship in Serbian organizations. We surveyed 100 employees (public and private sector) on the importance and fulfillment of various job motivators and the quality of leader-member exchange (LMX). Results show that most employees rate both basic (e.g., salary, security) and higher-level (e.g., growth) needs as very important, yet far fewer report these needs as satisfied. For example, about 75% of respondents deemed pay and security crucial, but under one-third felt adequately compensated or secure. Similarly, ~73% valued personal development, but only ~20% had such opportunities. Employees with better-fulfilled needs also reported higher-quality leader-member relationships. Average LMX quality was moderate, with only a minority experiencing high-trust exchanges. The discussion relates these findings to Herzberg's two-factor theory, self-determination theory, and LMX theory, highlighting the importance of both extrinsic and intrinsic motivators. The obtained results indicate that leaders and managers need to adapt their leadership style more closely to employees' motivational needs in order to improve relationship quality and increase organizational effectiveness.

Keywords: Work motivation; leadership; leader-member exchange (LMX); self-determination theory; Herzberg's two-factor theory

Introduction

Since the industrial revolution, management has evolved from Taylor's focus on economic incentives (Taylor, 1911) to recognizing employees as the critical element in organizations. Employee motivation – the internal and external factors that energize work behavior – is now seen as essential for performance (Pinder, 2014). Even capable employees will not maintain high productivity without sufficient motivation (Babin & Boles, 1996). In Serbia's transitional economy, many organizations still use traditional, authoritarian management (Živanović, 2020), creating a pressing need for more modern leadership approaches. Contemporary leadership theories suggest that by understanding and satisfying employees' needs and expectations, leaders can elicit higher motivation and performance (Bass, 1990; Graen & Uhl-Bien, 1995).

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The research problem of this paper arises from the limited understanding of how different motivational factors affect the quality of the relationship between employees and leaders, particularly in organizations operating in a transitional environment. The existing literature shows a lack of studies that simultaneously analyze employee motivation and the quality of the relationship with the leader, so this paper seeks to fill an important theoretical and empirical gap.

This study investigates how workplace motivational factors affect the employee–leader relationship in Serbian organizations. Specifically, we survey 100 full-time Serbian employees to assess (a) the importance they attach to various work motivators and how well these are fulfilled in their jobs, and (b) the quality of their leader–member exchange (LMX) with their direct supervisor. We hypothesize that (H1) employees will report a significant gap between the importance of key motivators and the extent to which those motivators are satisfied, and (H2) employees perceiving greater fulfillment of their important motivational needs will have higher-quality relationships with their leaders. We also explore differences across sectors (public vs. private) and other demographics. In the sections that follow, we review relevant motivation and leadership theories, describe our survey methods, present the results on motivational gaps and LMX quality, and discuss the findings in light of contemporary theory, drawing implications for leadership in transitional economies. The scientific contribution of this paper lies in the integration of dominant motivation models with the LMX theoretical framework, as well as in the empirical examination of their interrelationships within the organizational context of Serbia. The study is of particular importance due to the specific characteristics of transitional organizations and the dynamic organizational environment in Serbia, in which motivation and leadership style represent key factors for achieving employee job performance.

Literature Review

Employee Motivation: Concepts and Theories

Motivation theories are often divided into *content theories* (what needs drive people) and *process theories* (how motivation occurs) (Steers, Mowday, & Shapiro, 2004). Among content theories, Maslow's hierarchy (1954) remains influential: he posited that basic needs (e.g. physiological, safety) must be satisfied before higher needs (e.g. social belonging, esteem, self-actualization) emerge as motivators. Herzberg's two-factor theory complements this by distinguishing **hygiene factors** (extrinsic, e.g. pay, company policies) from **motivators** (intrinsic, e.g. achievement, recognition) (Herzberg, 1959). Herzberg found that poor hygiene factors cause dissatisfaction, but improving them only removes dissatisfaction; true satisfaction comes from motivators. Thus, managers should both ensure fair pay and conditions *and* provide opportunities for meaningful work and recognition. McClelland's need theory (1961) adds that people are motivated by dominant needs for achievement, affiliation, or power. Alderfer's ERG theory (1972) similarly classifies needs into Existence, Relatedness, and Growth, allowing that multiple needs can operate concurrently.

Process theories such as expectancy theory (Vroom, 1964) and equity theory (Adams, 1965) focus on cognitive evaluations of effort and fairness. For example, expectancy theory suggests that employees will be motivated to the extent they believe effort leads to performance and that performance leads to valued rewards. Equity theory suggests employees compare their input-output ratios to others and feel



demotivated if they perceive inequity. While these perspectives are useful, our study focuses on the content of motivation (what employees value) and how its fulfillment relates to leadership.

Collectively, these theories underscore that employees have *multiple* needs and motivators, both extrinsic and intrinsic. Today's workforce typically values not only fair compensation and security but also opportunities for growth, recognition, and meaningful work (Maslow, 1954; Herzberg, 1959). We therefore consider a broad range of motivators across basic (salary, safety), social (teamwork, support), and growth (advancement, autonomy) categories.

Self-Determination Theory (SDT)

Self-Determination Theory offers a modern framework for understanding intrinsic motivation. Deci and Ryan (2000) distinguish between autonomous motivation (engaging in work for inherent satisfaction) and controlled motivation (driven by external pressures or rewards). Crucially, SDT identifies three basic psychological needs: autonomy (control over one's actions), competence (feeling effective), and relatedness (connection to others) (Deci & Ryan, 2000). When these needs are satisfied, individuals experience stronger intrinsic motivation and well-being (Ryan & Deci, 2000). For example, employees who have autonomy in decision-making, opportunities to develop skills (competence), and supportive relationships (relatedness) are more likely to be engaged. Conversely, when these needs are thwarted – for instance by micromanagement or isolation – motivation suffers (Sarmah et al., 2021).

Leaders can nurture motivation by creating autonomy-supportive environments: offering choice, acknowledging employee perspectives, and providing rationale for tasks (Slomp et al., 2018). Research shows that leadership styles that support autonomy and competence (e.g. transformational or servant leadership) enhance employee motivation (Deci et al., 2017; McAnally & Hagger, 2024). In contrast, controlling leadership (e.g. threats, constant surveillance) undermines intrinsic motivation (Sarmah et al., 2021). SDT suggests that fulfilling employees' basic psychological needs is a key path to motivation and engagement.

Leadership and Leader–Member Exchange (LMX)

Leadership involves influencing people toward goals, and modern theories emphasize relational and behavioral aspects (Northouse, 2007). Transformational leaders inspire employees by appealing to higher ideals and development (Bass, 1990), while transactional leaders focus on exchanges (rewards for performance). Servant and authentic leadership emphasize serving and valuing followers (van Dierendonck, 2011), fostering trust and intrinsic motivation.

Leader–Member Exchange (LMX) theory provides a specific lens on the leader–follower relationship. It holds that leaders form unique dyadic relationships with each subordinate, resulting in varying quality of exchange (Graen & Uhl-Bien, 1995). High-quality LMX is characterized by trust, mutual support, and open communication, whereas low-quality LMX is more formal and contractual. High-LMX employees typically receive more attention, autonomy, and development opportunities (Graen & Uhl-Bien, 1995). This often leads to higher job satisfaction, commitment, and performance (Dulebohn et al., 2012). For example, Aggarwal et al. (2020) found that higher LMX is associated with greater empowerment and engagement and lower withdrawal. Conversely, low LMX can drain motivation: employees in poor



exchanges may feel like outsiders, with little support or recognition. Differentiation in LMX (in-groups vs. out-groups) also affects team morale, as out-group members perceive unfairness (Liden et al., 2006).

In sum, both motivation content (needs and rewards) and leadership behaviors (especially the quality of relationships) are crucial. High LMX relationships can satisfy employees' needs through support and recognition, enhancing motivation (Premru et al., 2023). Thus, examining motivational fulfillment and LMX together can illuminate how leaders and organizational contexts jointly influence employee motivation.

Methodology

We conducted a cross-sectional survey in 2020 among full-time employees in Serbia. Participation was voluntary and anonymous. After excluding incomplete responses, the final sample consisted of 100 respondents from various public (65%) and private (35%) organizations. Demographics: 61% were female; ages ranged from 18–30 (10%) to over 51 (24%), with most (66%) between 31 and 50. Education levels included secondary (24%), university graduate (60%), and postgraduate (16%). Most respondents held supervisory roles (37%) or staff positions (63%), with 25% of supervisors reporting about even more senior managers. These characteristics allowed us to examine differences by sector, age, gender, and hierarchy.

The survey instrument had three parts: (1) demographic and job information; (2) motivational factors assessment; (3) leader–member exchange (LMX) scale. For (2), we listed 16 specific work motivators drawn from Maslow, Herzberg, and SDT categories. These covered **physiological/existence factors** (e.g. satisfactory salary; job security), **safety factors** (e.g. fair policies, stable conditions), **social/relatedness factors** (e.g. good relations with colleagues; support from supervisor), and **growth/esteem factors** (e.g. career advancement; recognition; autonomy; challenging work). We asked respondents to rate how *important* each factor is for their motivation and how *well it is fulfilled* in their current job, using identical 5-point Likert scales (1="not important/never" to 5="very important/always"). A pilot test ensured clarity of wording.

For (3), we measured LMX quality using a standard scale (Graen & Uhl-Bien, 1995) with items assessing trust, mutual respect, and support (e.g. "My supervisor understands my problems," "I have a good working relationship with my supervisor"). These were rated on a 5-point scale. We computed each employee's overall LMX score (mean of items) to quantify relationship quality.

Quantitative data were analyzed with paired t-tests (importance vs. fulfillment), correlations, and group comparisons (e.g. t-tests for public vs. private sector). Qualitative comments from open-ended questions supplemented interpretation but are not the focus of quantitative analysis.

Results

Importance vs. Fulfillment of Motivational Factors (H1)

All tested motivators showed a large, significant gap between importance and perceived fulfillment (paired $p < 0.001$ for each). Employees rated both basic needs and growth needs as highly important, but reported far lower satisfaction with them. Notably, **salary** and **job security** topped the importance ratings: about 75% of respondents marked each as "very important." Yet only ~12% felt their salary met their



needs “to a very great extent,” and about 30% felt job security was that high. (Mean importance vs. fulfillment ratings were roughly 4.8 vs. 3.1 for salary, 4.7 vs. 3.3 for security on a 5-point scale.) Other safety-related factors followed this pattern: clear policies and fair administration averaged importance ≈ 4.5 but fulfillment ≈ 3.2 , indicating many employees value fairness yet see it lacking.

Social/Belongingness needs (e.g. teamwork, supervisor support) were rated important by a majority (~67% “very important”), though somewhat lower than basic needs. Social factors had a mean importance ~ 4.3 , but fulfillment averaged only ~ 3.4 . For example, while employees appreciated camaraderie, only about 29% felt a strong sense of belonging in their organization. Satisfaction with colleague relations was moderate (~ 3.5), reflecting some positive comments (“My colleagues are the best part of this job.”) but also complaints of poor communication or team spirit. Overall, social needs showed a significant gap (importance ≈ 4.3 vs. fulfillment ≈ 3.4 , $p < 0.01$).

Growth/esteem needs (e.g. advancement, skill use, recognition) were also rated very high: ~73.5% of respondents said career growth and personal development were “very important,” and ~70–75% marked achievement and meaningful work as such. On average, these higher-order factors had importance $\approx 4.6/5$, nearly as high as basic needs. This suggests that many employees (often educated, mid-career professionals) are striving for development. In stark contrast, fulfillment of growth needs was low. Only about 20% felt opportunities for advancement or skill development were very available. The mean fulfillment for “opportunities to advance” was around 2.5 (out of 5), one of the lowest of all items. Similarly, “opportunity to use skills fully” averaged about 3.0 fulfillment (vs. importance ~ 4.6). Recognition followed the same trend: ~68% said being recognized for contributions was “very important,” but only ~25% felt adequately recognized by their leader or organization. Each of these discrepancies (advancement, autonomy, recognition) was highly significant (all $p < 0.001$). Qualitative comments (e.g. “I work hard but feel invisible without praise”) underscored how lacking recognitions damages motivation.

When summarizing these in terms of Herzberg’s categories, we see that **motivator factors** (intrinsic needs like achievement, recognition) had slightly higher overall importance (mean ~ 4.6) than **hygiene factors** (extrinsic needs like pay, security; mean ~ 4.5). However, the gap (importance minus fulfillment) was generally larger for motivators. For instance, nearly everyone valued growth opportunities, but almost none reported that their jobs fulfilled them excellently – whereas a somewhat larger minority felt basic contractual conditions were at least moderately met. In short, *all* key motivators showed substantial shortfalls: employees in this sample consistently feel their important needs are not fully satisfied.

Leader–Member Exchange (LMX) Quality

We next examined the quality of leader–employee relationships. The overall average LMX score was $M \approx 3.4$ ($SD \approx 0.9$) on a 5-point scale, indicating moderate relationship quality on average. Roughly 25% of employees reported high-quality LMX (mean scores > 4.0), characterized by strong mutual trust, support, and personalized attention from the supervisor. These respondents agreed with items like “My supervisor understands my problems” and “My supervisor goes out of their way to help me.” Many in this high-LMX group were in supervisory roles themselves or worked in private firms, and they frequently cited mentorship and open communication from their leaders.

About half of the sample (≈ 50 –55%) fell into a middle LMX range (scores ~ 2.5 –4.0). They reported generally functional relationships: work is handled effectively, but there were caveats in trust or support.



Common sentiments included, "My leader and I get along, but I'm not sure they fully have my back," or "Communication is fine for tasks, but there's not a close personal connection." Finally, roughly 20% of employees had low-quality LMX (scores <2.5). These individuals expressed a lack of trust and support: supervisors rarely sought their input or acknowledged them, and some even felt friction in the relationship. For example, when asked to describe their working relationship, some in this group chose "ineffective" or "mostly negative." Many low-LMX cases also corresponded with the largest motivational shortfalls (e.g. feeling unrecognized or undervalued).

Analyzing item-level LMX responses, the weakest aspects were related to support: the average response to "My supervisor understands my problems and needs" was only ~3.1. Many employees clearly felt unseen or unheard by their bosses. Likewise, "I can count on my supervisor to help me when I really need it" averaged ~3.2. By contrast, basic task-related items (e.g. "We have an effective working relationship") averaged higher (~3.6), indicating that at a minimum the work got done even if deeper trust was lacking.

Significant differences emerged by sector and position. Private-sector employees reported a higher average LMX ($M \approx 3.7$) than public-sector respondents ($M \approx 3.2$; $t \approx 2.45$, $p < .05$). Private firms (especially smaller or entrepreneurial companies) tended to foster closer communication and more flexibility, leading to stronger supervisor support. Public sector work (often bureaucratic) was more hierarchical: one respondent noted, "My boss is mainly an administrator, not really a mentor – we don't have a personal rapport." In line with that, public employees rated transactional aspects (like pay and promotions) as fixed by policy, limiting what leaders could do to motivate staff.

Higher-ups also reported better LMX: managers generally rated their relationships with superiors as higher quality than front-line workers did. For instance, 45% of non-managers said they "rarely" or "only sometimes" get needed support from their leader, compared to 20% of managers. This suggests a "trickle-down" effect where leaders invest more in certain subordinates (often other managers) at the expense of rank-and-file staff. Such LMX differentiation can breed resentment among out-group members (Liden et al., 2006).

Link between Motivational Fulfillment and LMX (H2)

As hypothesized (H2), employees' perception of motivational fulfillment was positively associated with LMX quality. We computed each respondent's overall motivation-satisfaction score (averaging their fulfillment ratings for factors they rated important). This composite fulfillment score correlated with LMX at $r \approx 0.45$ (Pearson's $p < .001$), a moderate relationship. In practical terms, those who felt their jobs met their important needs tended to rate their leader relations higher.

For illustration, we split the sample by median fulfillment. The high-fulfillment group had a mean LMX of about 3.8, whereas the low-fulfillment group averaged ~3.0 ($t(98) \approx 4.20$, $p < .001$). Nearly all employees with very high LMX (5.0) were from the high-fulfillment group, while the lowest LMX scores came from those with the largest motivation deficits. Qualitative comments reflect this: one employee who felt underpaid and overlooked by training wrote that he unsurprisingly "couldn't trust my boss or care about this job."

Drilling down to specific motivators, we found that satisfaction with **recognition** ("I receive praise for good work") had one of the highest correlations with LMX (≈ 0.50). It makes sense: recognition typically



comes from one's leader, so being appreciated strengthens the bond. **Autonomy** (leader empowering decision-making) also correlated strongly (≈ 0.40), aligning with SDT's idea that autonomy-supportive leadership builds trust. By contrast, pay satisfaction alone had a weaker correlation (≈ 0.20 , $p < .05$), suggesting that employees see pay as an organizational issue rather than a direct leader action. Opportunities for advancement and training correlated moderately (≈ 0.30 each) with LMX, implying that when leaders involve employees in growth (through mentorship or recommending promotion), those employees feel a stronger relationship.

We also compared LMX *in-groups* and *out-groups*. Employees in high-LMX relationships reported significantly higher fulfillment in areas like involvement in decisions (mean ≈ 3.8 vs. 2.7 for low-LMX), information sharing, and fairness. These differences are intuitive: in-group members often receive more communication and input, satisfying relatedness and competence needs, while out-group members often feel "left out" and "kept in the dark," reflecting lower need satisfaction.

In summary, H2 was supported: there is a clear positive association between employees' motivational needs being met and the quality of their relationship with their leader. Those whose needs are fulfilled have much higher trust and support in LMX, whereas unmet needs coincide with poorer leader relations. This is consistent with social exchange theory: high LMX involves reciprocal investment and rewards from the leader (blameless or not) in the form of support, recognition, and autonomy, which in turn satisfy employee needs (Colquitt et al., 2013). Conversely, when needs go unmet (for reasons within or outside the leader's control), employees may become disaffected, straining the relationship.

Sectoral Differences (Public vs. Private)

Beyond the formal hypotheses, we observed some consistent differences by organizational context. **Motivational fulfillment:** Private-sector employees generally reported slightly higher satisfaction of motivators. For instance, the average rating for growth opportunities was ≈ 3.3 in private firms vs. 2.7 in public institutions ($p < .05$), reflecting more training or promotion paths. About 45% of private-sector respondents agreed that supervisors recognize their contributions, compared to only $\sim 20\%$ in the public sector. Public employees often noted that rewards and promotions are tied to tenure or fixed scales, limiting leader influence. Interestingly, private employees also had higher expectations (they valued rewards and autonomy), so motivational gaps existed in both sectors albeit slightly narrower in private organizations.

Leadership climate: As noted, private-sector workers reported better LMX overall. They described leaders as more entrepreneurial, flexible, and communicative. In contrast, public-sector culture was more bureaucratic and formal. Many public employees mentioned that their pay and promotions were set by government, so even willing supervisors had limited means to reward performance, hindering both motivation and LMX (since helping an employee grow was often not in a manager's control).

Job security: One area where public sector fared better was security. About 50% of public-sector respondents rated their job security fulfillment as high (4 or 5), versus only $\sim 20\%$ in private (where short-term contracts or market fluctuations prevailed). So public jobs traded higher security for lower immediate rewards. Notably, when asked "How motivated do you feel in your job?" on a 1–10 scale, private-sector employees averaged 7.1 versus 5.9 for public. This suggests that despite insecurity, some private employees remained more motivated, perhaps due to higher pay or growth prospects.



In sum, **Summary of Key Quantitative Findings:**

- **High Importance of Multiple Motivators:** Employees rated salary, job security, advancement opportunities, and interesting work as very important (over two-thirds marked them “very important”). Recognition, good working conditions, supportive colleagues, and autonomy were also important to most.
- **Significant Motivational Gaps:** There was a clear shortfall between what employees value and what they experience. Only a minority (often 10–30%) felt their top-valued needs are satisfied to a high degree. Both extrinsic factors (pay, security) and intrinsic factors (growth, recognition) showed large gaps, with intrinsic motivators exhibiting especially low fulfillment.
- **Moderate LMX on Average:** The overall leader–employee relationship was average (mean $\sim 3.4/5$). About 25% enjoyed very high-quality, trustful exchanges with their leader; roughly half had an adequate but not close relationship; and about 20% reported poor relationships. Common LMX issues included lack of understanding or support and perceived favoritism/differentiation among team members.
- **Positive Link Between Fulfillment and LMX:** There was a substantial correlation (~ 0.45) between employees' need fulfillment and LMX quality. Employees whose organizations/leaders satisfied their important motivators had much higher LMX scores. Recognition and autonomy (often provided by leaders) showed the strongest association with LMX, highlighting leaders' role in fulfilling these needs.
- **Public vs. Private Context:** Private-sector employees reported somewhat better motivator fulfillment and higher LMX, whereas public-sector employees felt more secure but less recognized or developed. These differences underscore how organizational context influences both employee motivation and leadership dynamics.

Discussion

Our findings reveal a **pervasive motivational gap** among Serbian employees: they strongly value a range of rewards and experiences but rarely see them fully delivered. This pattern echoes global surveys (e.g. Gallup) where many employees feel under-recognized and underutilized. Theoretical frameworks illuminate this result. Herzberg's two-factor theory would label the unmet basic needs (pay, security, conditions) as *hygiene factor* deficits that cause dissatisfaction. Indeed, many respondents explicitly noted salary concerns and job insecurity, suggesting these dissatisfiers loom large. Simultaneously, the shortfall in motivators (advancement, achievement, recognition) means few employees reach positive satisfaction. In Herzberg's terms, organizations in this context often *fail on both counts*: they leave dissatisfiers (low pay or unfair policies) and also lack satisfiers (no challenging work or praise). Recent research confirms that both types of factors matter: for example, Malik and Garg (2022) found hygiene factors strongly predict turnover intent while motivators drive engagement. Our data align with this: employees who lacked basic compensation frequently expressed thoughts of leaving or apathy, and those lacking growth opportunities voiced disengagement.

The context of Serbia's transition economy likely exacerbates these issues. Many firms and public agencies have undergone restructuring and budget constraints, leading to pay scales that lag regional standards. Equity theory suggests that employees compare their inputs (education, effort) to outcomes and to others. Several respondents essentially echoed this: “We work as much as Western counterparts, but get a fraction of the salary.” Such perceived inequity can foster resentment and demotivation (Adams,



1965). Public sector salaries are often fixed by government norms, so even when secured in position, employees feel underpaid. This helps explain why public-sector workers in our sample still rated pay as very important despite having permanent jobs.

Self-Determination Theory provides additional insight. Many unmet needs correspond to SDT's psychological needs. **Autonomy** needs were largely frustrated: respondents often reported limited decision-making freedom, reflecting either bureaucratic constraints or micromanagement. Such frustration can lead to controlled or amotivated employees who do only the minimum. Research shows autonomy-supportive leaders boost intrinsic motivation (Slomp et al., 2018), so the lack of autonomy here likely contributes to lower engagement. **Competence** needs also suffered: the dearth of training and promotion opportunities means employees feel unable to grow or master new challenges. In our sample, only ~20% felt significant career advancement was available; unsurprisingly, those few who did have training were among the more engaged. McAnally and Hagger (2024) emphasize that competence satisfaction strongly predicts work engagement, which is consistent with our observations. **Relatedness** needs were moderately unmet: while not the top priority, many employees desired better camaraderie and support. Low-quality LMX employees often reported feeling isolated or unheard, indicating a lack of relatedness with their leaders or peers. SDT theory warns that frustrated relatedness leads to disengagement (Ryan & Deci, 2000). During the COVID-19 pandemic, studies (e.g. Sonnenschein et al., 2022) highlighted loneliness as a new dissatisfier, showing that connections are crucial even in remote settings. Our mostly on-site sample faces a relatedness gap arising from hierarchical distance – many feel simply like a number. These unmet SDT needs – autonomy, competence, relatedness – together help explain the moderate overall motivation levels we observed.

What about leadership? The study's second major focus was LMX and its interplay with motivation. We found that good leadership and good relationships coincide with positive employee outcomes. This aligns with social exchange theory (Blau, 1964) and LMX theory (Graen & Uhl-Bien, 1995): high-quality LMX represents a strong exchange where leader and follower invest beyond the bare contract. Our data suggest a virtuous cycle: employees with supportive, high-LMX leaders reported higher motivation (fulfillment of needs and engagement). High-LMX workers received more recognition and empowerment, fulfilling their esteem and autonomy needs. This reciprocity is consistent with prior research: LMX quality is known to boost satisfaction and reduce burnout (Petrilli et al., 2024; Breevaart & Bakker, 2018). Conversely, employees in low-LMX relationships felt undervalued, which undermines their motivation. This underlines the leadership maxim that satisfied employees often reflect good leadership.

However, LMX differentiation presents challenges. As Graen and Uhl-Bien (1995) note, leaders naturally develop closer ties with some subordinates. If not managed carefully, this can breed perceived favoritism. Indeed, some low-LMX respondents alluded to jealousy or confusion when others got special projects or praise. This can harm motivation of out-group members (Liden et al., 2006). Modern leadership guidance suggests expanding one's "inner circle" by involving more team members in meaningful tasks and recognition, a strategy some progressive managers in our sample seemed to adopt (especially in the private sector). The lower LMX scores and stricter hierarchies in public organizations point to a need for leaders there to work harder at building trust and treating employees equitably.

Another insight is the power of simple recognition. Our analysis showed recognition was one of the strongest correlates of LMX. Recognizing employees addresses esteem needs and signals that the leader



values them, strengthening the bond (Brun & Dugas, 2008). It echoes principles of servant and authentic leadership, which emphasize valuing followers. Recent findings (Ma & Jiang, 2020) show servant leadership enhances employee need satisfaction, boosting engagement – precisely what recognition and support do. This suggests a practical point: leaders who take time to acknowledge and thank their team can markedly improve motivation and LMX at essentially no cost.

We briefly note that our data were collected around 2020, just as the COVID-19 pandemic began. Though most respondents were still in traditional workplaces, the emerging literature on remote work is relevant. Studies in 2020–2022 (e.g. Sonnenschein et al., 2022; Petrilli et al., 2024) emphasize that LMX and trust became even more critical under remote/hybrid conditions. Leaders who had already established strong exchanges were better able to maintain motivation when teams went home. For Serbian organizations that navigated sudden remote shifts, those with higher LMX probably saw less drop in team motivation. Conversely, teams with weak pre-existing relationships likely struggled more.

Limitations and Future Research

Some limitations should be noted. The sample (N=100) was relatively small and not randomly chosen, limiting generalizability. Different industries may have unique motivators (e.g. IT vs. manufacturing). Future studies could use larger, stratified samples or compare across countries to see how context affects these dynamics. Second, our cross-sectional design means we cannot infer causality: while we interpret that better fulfillment *leads* to higher LMX, it is also possible that trusting leaders create more opportunities (and thus fulfillment). Longitudinal or experimental studies (e.g. leader training interventions) would help clarify causal directions. Third, all data came from employee self-reports, which could be biased. Future work could incorporate supervisor reports or objective performance measures. Cultural factors may also play a role; for instance, Serbian work culture has historically high power distance, which might influence how social needs are rated. We did not measure values like collectivism, which could be interesting in future. Finally, our focus was on classic motivators; emerging factors like work–life balance, meaningfulness of work, or remote flexibility were not deeply examined. Given global trends since 2020, these factors could be added in follow-up surveys.

Despite these caveats, the study offers a comprehensive snapshot of motivation and leadership dynamics in a transitional economy, reinforcing many evidence-based leadership principles.

Conclusion and Recommendations

In conclusion, this study illustrates that **both what motivates employees and how leaders act are crucial and interconnected**. Our Serbian respondents clearly want a balance: fair compensation and security on one hand, and opportunities for learning, growth, and appreciation on the other. When either side is missing, motivation and the leader–employee relationship suffer. Conversely, when employees feel valued, supported, and fairly treated by their leaders, they respond with greater engagement and trust.

The central message is that effective leadership is a key lever for activating employee motivation. Leaders who build high-quality exchanges – acting as coaches and supporters rather than mere



taskmasters – fulfill employees' psychological needs and unlock better performance. This aligns with frameworks like transformational and servant leadership (Bass & Riggio, 2006; van Dierendonck, 2011) which show that inspiring and empowering leaders enhance motivation by satisfying autonomy, competence, and relatedness.

For practitioners and organizations in Serbia and similar contexts, the implications are clear. To foster a motivated workforce, one should:

- **Ensure the basics are in place:** Pay employees fairly and on time; provide stable employment terms; maintain decent working conditions. Communicate honestly about security and changes to reduce anxiety. Even if budgets are tight, consider creative non-monetary benefits (flexible hours, extra leave, public praise) to partially compensate for lower salaries.
- **Invest in employee development:** Offer training, mentoring, and clear career paths. Give employees challenging assignments and autonomy to build skills. Managers should have regular career conversations, set developmental goals, and provide "stretch" projects. Especially for younger and highly educated staff, visible growth opportunities can prevent disengagement or turnover.
- **Create a culture of recognition:** Establish practices to celebrate successes and express gratitude. Leaders should give both public and private praise routinely, acknowledging contributions big and small. These behaviors cost little but powerfully boost esteem and relatedness. Formal programs (employee-of-the-month, shout-outs) can institutionalize appreciation.
- **Empower and involve teams:** Delegate authority and invite employee input on decisions. Trust employees with responsibility and avoid micromanagement. This not only taps into their autonomy needs but also signals respect. For example, regular one-on-one meetings that discuss employees' ideas and concerns (not just tasks) can foster both autonomy and relatedness.
- **Cultivate trust and fairness:** Be transparent in decision-making, apply rules consistently, and avoid favoritism. When special opportunities arise (like training spots or projects), explain selection criteria and consider rotating benefits among team members over time. Procedural justice practices (Scandura, 1999) help mitigate jealousy. Leaders should strive to expand their "in-group" by developing good relationships with all subordinates (a process Graen & Uhl-Bien (1995) call "leadership making").
- **Support leaders' people skills:** Technical skill is not enough for managers. Organizations should train and reward leaders for emotional intelligence, communication, and coaching. For example, including employee engagement scores or 360-degree feedback in evaluations encourages leaders to be supportive. In the public sector especially, leadership development programs could emphasize more participative, empowering styles.
- **Adapt to changing expectations:** Recognize that employee priorities evolve – flexible work arrangements, work-life balance, and empathy are increasingly expected. Even if full remote work isn't feasible, allowing occasional remote days or understanding personal needs can satisfy autonomy and relatedness without major cost. Research (Li & Tang, 2020) shows that even with limited extrinsic rewards, leaders can maintain engagement by enhancing intrinsic motivation (e.g., by emphasizing meaningful aspects of work).



By following these recommendations, organizations in Serbia and similar transition economies can begin to **close the motivational gaps** identified here. Over time, this should yield benefits like higher productivity, reduced turnover (mitigating brain drain), and a more innovative, resilient culture, since motivated employees are more likely to go above and beyond and drive improvement.

Finally, while some challenges here are pronounced in transitional contexts, the underlying lesson is universal: aligning employees' work with their motivations and leading in a way that fulfills their needs is key. In the post-2020 world, where quality of work life is increasingly emphasized, companies that succeed in this alignment will see not only better performance but also greater employee well-being. As Deci and Ryan (2008) argued, supporting human autonomy and growth is good for individuals *and* organizations. Our study affirms that principle and calls leaders everywhere to put it into practice.

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Conflict of interests

The author declares no conflict of interest.

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