

The Impact of Employee Motivation on Productivity and Organizational Performance in Laguna Small and Medium Enterprises

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ABSTRACT: Resiliency and long-term sustainability of small and medium enterprises (SMEs) heavily rely on effective workforce and employee engagement. However, localized operational gap persists regarding how distinct intrinsic and extrinsic motivational dimensions affect workforce outcomes, leaving it unclear which drivers exert the most critical influence on productivity and organizational performance within this developing regional economy. This study examines the relationship between employee motivation, productivity, and organizational performance among Small and Medium Enterprises (SMEs) in Laguna, Philippines. Utilizing a quantitative, descriptive-correlational research design, data was gathered through a structured 5-point Likert scale questionnaire from respondents operating across key functional departments. Respondents are employees working in selected Small and Medium Enterprises (SMEs) in Laguna. The statistical analysis revealed that both intrinsic and extrinsic motivation are exceptionally high among employees. Employees exhibit their highest drive when experiencing a sense of personal accomplishment, having opportunities to learn and grow, and taking pride in the quality of their work. While financial compensation remains a vital factor, salary received the lowest relative rating among the external indicators, suggesting that monetary reward alone is insufficient for sustaining long-term engagement. In terms of organizational outcomes, overall employee performance is highly rated, marked by strong execution in attendance, punctuality, efficiency, and the quality of work output. However, employees showed the least inclination toward assuming additional responsibilities, indicating a critical area where employers must provide further encouragement, recognition, and support to foster proactive participation. Statistical analyses confirm that as employee motivation increases, performance increases accordingly. Both motivational dimensions share a significant positive relationship with performance, but intrinsic motivation possesses a much stronger connection than extrinsic motivation. In conclusion, Employee motivation plays a critical role in driving productivity and overall organizational performance within Small and Medium Enterprises (SMEs) in Laguna. While workforce performance is generally high particularly regarding attendance, efficiency, and quality of output, there remains a notable reluctance among employees to assume additional responsibilities, highlighting a need for enhanced institutional support, recognition, and targeted encouragement. Intrinsic motivation, derived from personal growth, autonomy, and a sense of accomplishment, serves as the primary factor for exceptional employee performance. Additionally, extrinsic factors such as financial incentives and benefits, while essential, act predominantly as supportive mechanisms rather than primary drivers. Therefore, to ensure long-term business sustainability and optimal productivity, small and medium enterprises (SMEs) must transition from a heavy reliance on financial incentives toward fostering an organizational culture that prioritizes meaningful work, professional development, and employee involvement.

KEYWORDS: Extrinsic Motivation, Intrinsic Motivation, Productivity, Organizational Performance, Small and Medium Enterprises

I. INTRODUCTION

The economic vitality of the Laguna region is significantly driven by Small and Medium-Sized Enterprises (SMEs), where human capital serves as the primary engine for organizational survival and scalability. In the contemporary human resource management discourse, the relationship between employee motivation and productivity is recognized as a fundamental determinant of institutional success. As noted by Kalaivani and Venkatachalam (2024), a motivated workforce is intrinsically linked to heightened productivity levels; such employees not only fulfill individual targets but also exert a positive influence on peer performance, thereby aligning collective efforts with broader corporate objectives.

Despite the documented benefits of high engagement, many SMEs operate without a concrete motivational framework. This structural deficiency often results in measurable capital loss through high turnover rates, frequent absenteeism, and the

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phenomenon of "quiet quitting." While larger corporations rely on economies of scale, SMEs must rely on agility and innovation—traits that are only sustainable through a committed workforce. Rizvan et al. (2025) identify a significant positive correlation between organizational output and a triad of drivers: job satisfaction, leadership excellence, and work-life equilibrium. Personnel who perceive their roles as fulfilling and operate under transformative leadership consistently exhibit superior performance metrics compared to those in rigid, purely transactional environments.

Current data suggests that organizational success is increasingly influenced by leadership-led strategies and individual psychological factors rather than mere financial compensation. Consequently, there is a critical need for SMEs to transition from ad-hoc appreciation to structured engagement models. These models must integrate financial incentives with psychological empowerment to foster a culture of recognition.

However, while the general link between motivation and performance is well-established, there remains a localized gap in understanding which specific drivers—ranging from tangible rewards to intrinsic psychological factors—are most effective within the unique socio-economic landscape of Laguna's SME sector.

This study addresses this gap by examining how various motivational drivers correlate with employee performance, providing a data-driven framework for SMEs seeking to scale efficiently in a competitive market.

II. PROBLEM STATEMENT

Small and Medium Enterprises (SMEs) play a crucial role in economic development, particularly in developing regions such as Laguna. Despite their significant contribution to employment and local economic growth, many SMEs continue to struggle with low productivity levels and inconsistent organizational performance. One of the most critical factors influencing these outcomes is employee motivation, which encompasses both intrinsic and extrinsic elements that drive employee behavior and performance.

Recent studies emphasize that employee motivation has a significant positive effect on productivity and organizational outcomes. A meta-analysis of 115 studies confirms that high-performance work practices—including recognition, training, and performance-based incentives—are positively related to employee engagement, motivation, and job satisfaction, while reducing turnover intention (Hansen, Usanova & Geraudel, 2025). Systematic literature reviews focusing on MSMEs further indicate that structured human resource practices significantly enhance employee motivation, satisfaction, and productivity (Munandar et al., 2026). Additionally, motivation factors such as financial incentives, recognition, and work environment have been found to strongly influence employee performance and productivity in SMEs (Strategic HRM Practices, 2024). Empirical research highlights that motivation, along with work environment and organizational practices, significantly enhances employee performance and efficiency in small business settings (Tawingan, 2024).

Despite these findings, there remains a lack of localized studies focusing specifically on SMEs in Laguna, particularly in understanding how different dimensions of employee motivation affect both productivity and organizational performance. Additionally, while previous research has established general relationships between motivation and performance, there is still a need to identify which aspects of motivation—intrinsic or extrinsic—have the most significant impact in the context of local SMEs.

Therefore, this study aims to examine the relationship between employee motivation, productivity, and organizational performance among employees in Small and Medium Enterprises (SMEs) in Laguna. Specifically, it seeks to answer the following questions:

1. What is the level of employee motivation among SMEs in Laguna in terms of:
 - a. Intrinsic motivation (e.g., recognition, career growth, meaningful work)?
 - b. Extrinsic motivation (e.g., salary, benefits, work environment)?
2. What is the level of employee productivity in SMEs in Laguna in terms of:
 - a. Efficiency and quality of work output?
 - b. Attendance and punctuality?
 - c. Willingness to take on responsibilities?
3. What is the level of organizational performance of SMEs in Laguna in terms of:
 - a. Profitability and cost-effectiveness?
 - b. Customer satisfaction and retention?
 - c. Employee retention?
4. Is there a significant relationship between employee motivation and employee productivity in SMEs in Laguna?
5. Is there a significant relationship between employee motivation and organizational performance in SMEs in Laguna?

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6. Which aspect of employee motivation (intrinsic or extrinsic) has the greater influence on employee productivity and organizational performance?

III. THEORETICAL FRAMEWORK

This study examines the impact of employee motivation on productivity and organizational performance in Small and Medium Enterprises (SMEs) in Laguna is grounded in several established theories in organizational behavior and human resource management. These theories collectively explain how motivation influences employee performance and, consequently, organizational outcomes.

Maslow's Hierarchy of Needs Theory

Maslow's Hierarchy of Needs Theory (1943) posits that human motivation is driven by a sequence of needs arranged in a hierarchical order: physiological, safety, social, esteem, and self-actualization. Accordingly, individuals are expected to satisfy lower-level needs before progressing to higher-level needs.

In this regard, within SMEs in Laguna, employees are initially motivated by basic needs such as salary and job security; however, higher productivity and engagement are achieved when organizations address higher-order needs, including recognition, belongingness, and personal growth. Therefore, both intrinsic motivation (such as self-fulfillment and achievement) and extrinsic motivation (such as compensation and incentives) play essential roles in enhancing employee performance and commitment to organizational goals.

Herzberg's Two-Factor Theory

Herzberg's Two-Factor Theory (1959) distinguishes between two categories of factors that influence employee motivation: hygiene factors and motivators. Hygiene factors, such as salary, working conditions, and company policies, prevent dissatisfaction; however, they do not necessarily increase satisfaction. In contrast, motivators—including achievement, recognition, and responsibility—directly promote job satisfaction and improved performance.

Thus, in SMEs in Laguna, this theory indicates that financial incentives alone are insufficient to sustain employee productivity. Instead, organizations must also focus on intrinsic motivators such as recognition, empowerment, and opportunities for career advancement. Consequently, addressing both hygiene factors and motivators can lead to higher job satisfaction, reduced turnover, and improved organizational performance.

Vroom's Expectancy Theory

Vroom's Expectancy Theory (1964) explains motivation as a function of three key elements: expectancy, instrumentality, and valence. Expectancy refers to the belief that effort will lead to improved performance; instrumentality refers to the belief that performance will result in rewards; while valence pertains to the value an individual places on those rewards.

Therefore, in SMEs, employee productivity is significantly influenced by employees' perceptions of the relationship among effort, performance, and rewards. If employees believe that their efforts will be fairly evaluated and rewarded, then they are more likely to be motivated and contribute effectively to organizational objectives. As a result, this theory emphasizes the importance of transparent performance management systems and equitable reward structures in enhancing motivation and productivity.

McClelland's Theory of Needs

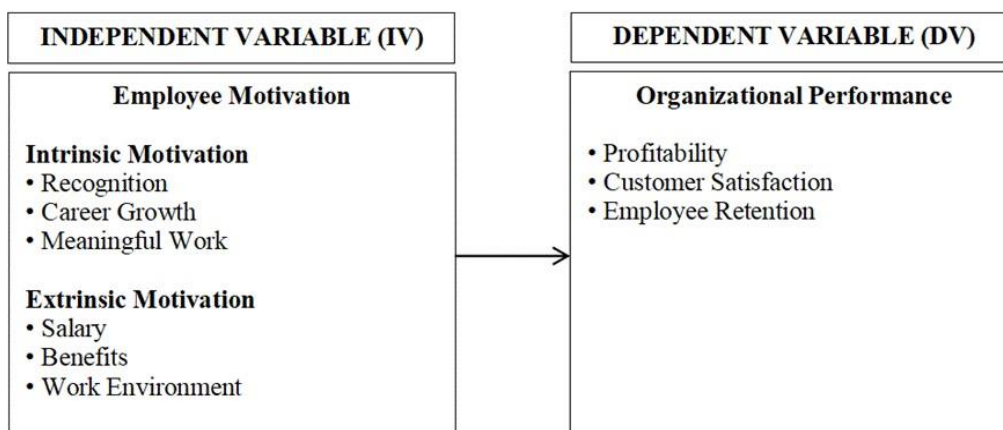
McClelland's Theory of Needs (1961) identifies three primary drivers of human behavior: the need for achievement, the need for affiliation, and the need for power. Individuals with a high need for achievement seek challenging tasks and strive for excellence; whereas those with a high need for affiliation value interpersonal relationships, and those with a high need for power aim to influence or control others.

In the context of SMEs in Laguna, this theory provides valuable insight into how individual differences in motivation affect job performance. By understanding employees' dominant needs, managers can assign roles and responsibilities that align with their motivations and strengths. Consequently, this alignment leads to increased job satisfaction, enhanced productivity, and improved organizational performance.

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IV. CONCEPTUAL FRAMEWORK

Table 1.



Conceptual Synthesis Statement

This study synthesizes established theories of motivation to explain the relationship between employee motivation and organizational performance in Small and Medium Enterprises (SMEs) in Laguna. Drawing from Maslow's Hierarchy of Needs, Herzberg's Two-Factor Theory, Vroom's Expectancy Theory, and McClelland's Theory of Needs, employee motivation is viewed as a multidimensional construct composed of both intrinsic and extrinsic factors.

These theories are integrated by highlighting different but complementary aspects of motivation. Maslow's Hierarchy of Needs Theory explains that employees are driven by a progression of needs, where satisfying basic and higher-level needs (such as recognition and self-fulfillment) enhances motivation. Similarly, Herzberg's Two-Factor Theory reinforces this idea by distinguishing between hygiene factors (extrinsic) that prevent dissatisfaction and motivators (intrinsic) that actively increase satisfaction and performance. In addition, Vroom's Expectancy Theory contributes a cognitive perspective by emphasizing that employees are motivated when they believe their effort will lead to desirable rewards, thereby linking motivation to performance outcomes. Furthermore, McClelland's Theory of Needs complements these views by focusing on individual differences in motivation, such as the need for achievement, affiliation, and power, which influence how employees respond to both intrinsic and extrinsic factors.

Collectively, these theories provide a comprehensive understanding of employee motivation by combining needs-based, factor-based, cognitive, and behavioral perspectives. When integrated, they suggest that motivation arises from the interaction of fulfilled needs, supportive work conditions, expected rewards, and individual drives. Consequently, these combined motivational influences lead to improved work attitudes and behaviors, which ultimately enhance organizational performance in terms of profitability, customer satisfaction, and employee retention in SMEs.

V. REVIEW OF RELATED LITERATURE

Employee motivation has been widely acknowledged as a fundamental factor influencing productivity and organizational performance, particularly in Small and Medium Enterprises (SMEs), where human capital serves as a primary driver of success. In organizational settings, motivation is often viewed as the force that initiates, guides, and sustains work-related behaviors. Kalaivani and Venkatachalam (2024) emphasized that a motivated workforce directly contributes to improved organizational performance, as employees who feel valued and engaged are more likely to demonstrate commitment, efficiency, and a higher level of job involvement. Similarly, Rizvan et al. (2025) highlighted that motivated employees positively influence workplace morale and collaboration, resulting in enhanced collective performance. Both studies suggest that employee motivation is not only an individual concern but also an organizational factor that strengthens teamwork and operational effectiveness. Collectively, these studies indicate that motivation significantly contributes to the achievement of organizational goals and the sustainability of SMEs.

Motivation is generally classified into intrinsic and extrinsic dimensions. Intrinsic motivation refers to internal drivers such as recognition, personal growth, achievement, and meaningful work, while extrinsic motivation involves external rewards such as salary, incentives, benefits, and favorable working conditions. Houston (2022) explained that performance management systems, including appraisal mechanisms and constructive feedback, enhance both intrinsic and extrinsic motivation by creating a sense of

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accountability and purpose among employees. In support of this, Munandar et al. (2026) found that organizations implementing balanced motivational strategies tend to achieve higher levels of employee engagement and productivity. While extrinsic rewards are effective in encouraging short-term performance, intrinsic motivation is more closely associated with long-term commitment and job satisfaction. Collectively, these findings imply that organizations must integrate both motivational dimensions to sustain employee engagement and improve work performance over time.

The relationship between employee motivation and productivity has been consistently supported by empirical research. Rizvan et al. (2025) found that employee motivation has a significant positive impact on job performance, particularly when factors such as job satisfaction, leadership quality, and work-life balance are present. Their findings suggest that motivated employees are more efficient, produce higher-quality outputs, and are more willing to take initiative in their roles. Similarly, Hansen, Usanova, and Géraudel (2025), through a meta-analysis of high-performance work practices, concluded that training, recognition, and incentive systems positively influence employee productivity and organizational efficiency. These studies collectively demonstrate that motivated employees tend to exhibit stronger engagement, lower absenteeism, and greater accountability in the workplace. Therefore, motivation serves as a critical mechanism for improving employee productivity and operational effectiveness in SMEs.

In addition to improving individual productivity, employee motivation also plays a crucial role in enhancing overall organizational performance. Organizational performance is commonly measured through profitability, employee retention, operational efficiency, and customer satisfaction. Hansen et al. (2025) emphasized that organizations with strong motivational practices experience better organizational outcomes and lower turnover intentions among employees. Likewise, Hasibuan et al. (2026) revealed that effective human resource management practices significantly improve employee performance and organizational sustainability in MSMEs. Their systematic review highlighted that organizations prioritizing employee development, recognition, and supportive workplace policies are more likely to achieve long-term growth and competitiveness. Collectively, these studies indicate that employee motivation strengthens organizational performance by fostering a productive and committed workforce.

Strategic human resource management also contributes significantly to employee motivation and organizational success. Era (2024) identified strategic HRM practices as important drivers of innovation, competitive advantage, and organizational growth. The study emphasized that aligning motivation strategies with organizational goals and culture enhances employee engagement and encourages proactive work behavior. Similarly, Hasibuan et al. (2026) stressed that structured HR practices such as employee development programs, recognition systems, and fair compensation improve employee morale and work outcomes. These findings suggest that motivation becomes more effective when integrated into broader organizational and managerial strategies. Collectively, the literature highlights that HR practices serve as essential mechanisms in maintaining motivated employees and improving organizational performance.

In the context of SMEs, employee motivation becomes even more important because these organizations rely heavily on employee performance to maintain competitiveness and sustainability. Tawingan (2024) emphasized that motivation, together with a supportive work environment, significantly influences business efficiency and long-term sustainability among small enterprises. SMEs often operate with limited resources; therefore, motivated employees become valuable assets in maintaining productivity and adaptability. Rizvan et al. (2025) further noted that employees who experience recognition and supportive leadership are more likely to contribute innovative ideas and demonstrate organizational commitment. Collectively, these studies indicate that employee motivation is essential for SMEs to remain resilient, competitive, and sustainable in changing business environments.

Despite the extensive literature on employee motivation, productivity, and organizational performance, there remains a limited number of localized studies focusing specifically on SMEs in Laguna. Most existing studies were conducted in foreign or broader organizational contexts, which may not accurately reflect the operational realities and workforce conditions of SMEs within Laguna. Furthermore, although previous studies established a positive relationship between motivation and organizational outcomes, limited research has explicitly identified whether intrinsic or extrinsic motivation has a greater influence on productivity and organizational performance in local SMEs. Existing studies also focus primarily on general organizational settings rather than SMEs operating in developing local economies. Hence, there is a clear research gap regarding the specific motivational factors that significantly affect employee productivity and organizational performance among SMEs in Laguna. Therefore, this study aims to address this gap by examining the relationship between employee motivation, productivity, and organizational performance in Laguna SMEs, providing localized evidence that may contribute to both academic literature and practical human resource management strategies.

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VI. RESEARCH DESIGN

This study will employ a descriptive-correlational research design to examine the relationship between employee motivation, productivity, and organizational performance among small and medium enterprises (SMEs) in Laguna. The descriptive method is appropriate for determining and describing the level of employee motivation, productivity, and organizational performance, while the correlational design is suitable for identifying whether significant relationships exist among the variables and the strength and direction of these relationships.

This design is appropriate because it allows the researchers to measure naturally occurring variables without manipulation. The expected statistical outputs of this study include descriptive statistics (mean and standard deviation) to determine levels of each variable, and inferential statistics such as Pearson correlation coefficient to test the relationships among employee motivation, productivity, and organizational performance.

VII. RESEARCH LOCALE

This study will be conducted among selected Small and Medium Enterprises (SMEs) in Laguna, Philippines. The research will include organizations from key sectors such as retail, manufacturing, and services to ensure diverse organizational contexts. Laguna is considered an appropriate research locale due to its strong concentration of SMEs, which significantly contribute to regional economic development. This setting provides a relevant environment for examining employee motivation, productivity, and organizational performance.

VIII. POPULATION AND SAMPLING TECHNIQUE

The target population of the study consists of employees working in selected Small and Medium Enterprises (SMEs) in Laguna. The SMEs included will be those with 10–199 employees, operating for at least three (3) years, and registered with the Department of Trade and Industry (DTI) or Securities and Exchange Commission (SEC).

A stratified random sampling technique will be used to ensure proper representation. Respondents will be grouped into strata based on department and position level (rank-and-file, supervisory, and managerial), and participants will be randomly selected from each group.

The total population is estimated at $N = 150$ employees. Using Slovin's Formula with a 5% margin of error, the computed sample size is:

$n = 92$ respondents

This sample size is sufficient to ensure reliable data collection and analysis.

IX. RESEARCH INSTRUMENT

The study will utilize a structured questionnaire using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) to measure employee motivation, productivity, and organizational performance.

The questionnaire will be adapted from established and validated instruments from previous related studies, with modifications to suit the local context of SMEs in Laguna.

X. FINDINGS/RESULT

Table II. Profile of the Respondents in Terms of Age

Age	Frequency	Percentage
18-24	33	35.9
25-34	23	25.0
35-44	12	13.0
45-54	11	12.0
55 and above	13	14.1
TOTAL	92	100.0

Table II presents the age distribution of the 92 respondents. The largest group belonged to the 18–24 age bracket, with 33 respondents or 35.9%, followed by those aged 25–34, with 23 respondents or 25.0%. This means that the respondents were

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mostly young employees, with more than half of the sample coming from the 18–34 age range. It implies that the findings may strongly reflect the motivation and performance patterns of a relatively young workforce, who may value growth opportunities, recognition, career advancement, and a positive work environment. It is suggested that SME managers design motivational strategies that appeal to younger employees, such as learning opportunities, mentoring, clear promotion pathways, and recognition systems, while still considering the needs of older and more experienced workers.

Table III. Profile of the Respondents in Terms of Sex

Sex	Frequency	Percentage
Female	42	45.7
Male	50	54.3
TOTAL	92	100.0

Table III describes the respondents according to sex. Out of 92 respondents, 50 were male, representing 54.3%, while 42 were female, representing 45.7%. The result shows that the sample was fairly balanced, although there were slightly more male respondents than female respondents. This means that the data were not heavily dominated by one sex, which gives a more balanced view of employee motivation and performance. It implies that the motivation and performance results may reasonably represent both male and female employees in the participating SMEs. It is suggested that future workplace interventions remain gender-sensitive and inclusive, especially when designing incentives, recognition programs, promotion systems, and professional development opportunities.

Table IV. Profile of the Respondents in Terms of Department

Department	Frequency	Percentage
Marketing/Sales	14	15.2
Operations	27	29.3
Finance/Accounting	25	27.2
Human Resource	11	12.0
Admin	2	2.2
Customer Service	2	2.2
Legal	1	1.1
BPO	2	2.2
IT	3	3.3
Product Management	1	1.1
Maintenance	2	2.2
Quality Assurance	1	1.1
CEO	1	1.1
TOTAL	92	100.0

Table IV presents the distribution of respondents by department. The largest groups came from Operations with 27 respondents or 29.3%, followed by Finance/Accounting with 25 respondents or 27.2%, and Marketing/Sales with 14 respondents or 15.2%. Several departments, such as Legal, Product Management, Quality Assurance, and CEO, had only one respondent each. This means that the findings are mostly influenced by employees from operations, finance/accounting, and marketing/sales. It implies that the study captures the perspectives of key functional units in SMEs, particularly departments directly involved in daily operations, financial control, and customer-related activities. However, departments with very small representation should not be interpreted independently. It is suggested that future studies either increase the number of respondents per department or group small departments into broader categories for clearer analysis.

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Table V. Profile of the Respondents in Terms of Department

Position	Frequency	Percentage
Rank-and-file	50	54.3
Supervisor	16	17.4
Manager	21	22.8
Executive	5	5.4
TOTAL	92	100.0

Table V shows the respondents' position levels. Most respondents were rank-and-file employees, with 50 respondents or 54.3%, followed by managers with 21 respondents or 22.8%, supervisors with 16 respondents or 17.4%, and executives with 5 respondents or 5.4%. This means that the study mainly reflects the experiences of rank-and-file employees, although supervisory and managerial perspectives are also represented. The implication is that the results are especially useful for understanding how motivation affects employees who are directly involved in day-to-day work performance. It is suggested that management use the findings to strengthen employee-level motivation programs, while future research may include more executives to compare leadership and employee perspectives.

Table VI. Profile of the Respondents in Terms of Length in Service

Length in Service	Frequency	Percentage
Less than 1 year	31	33.7%
1-3 years	23	25.0%
4-6 years	7	7.6%
7-10 years	13	14.1%
More than 10 years	18	19.6%
TOTAL	92	100.00

Table VI presents the respondents' length of service. The largest group had been employed for less than 1 year, with 31 respondents or 33.7%, followed by those with 1–3 years of service, with 23 respondents or 25.0%. This means that 58.7% of the respondents had worked for the organization for three years or less. The result suggests that the participating SMEs may have a relatively new or early-tenure workforce. It implies that motivation programs should not only focus on performance improvement but also on employee retention, adjustment, and organizational commitment. It is suggested that SMEs strengthen onboarding, mentoring, career development, and recognition practices to help newer employees become more engaged and committed to the organization.

Table VII. Respondents' Level of Intrinsic Motivation

Intrinsic Motivation	N	Mean	SD	Level
1. I feel a sense of accomplishment when I complete my tasks.	92	4.5	0.565	Very High
2. My work gives me personal satisfaction.	92	4.22	0.66	Very High
3. I am motivated by opportunities to learn and grow.	92	4.46	0.702	Very High
4. I enjoy the responsibilities given to me in my job.	92	4.11	0.763	High
5. I feel valued when I contribute ideas at work.	92	4.29	0.688	Very High
6. I am motivated when I am given independence in my work.	92	4.35	0.582	Very High
7. I take pride in the quality of my work.	92	4.46	0.653	Very High
OVERALL	92	4.34	0.453	Very High

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Table VII describes the respondents' level of intrinsic motivation. The overall mean was $M = 4.34$, $SD = 0.453$, interpreted as very high. The highest-rated indicator was feeling a sense of accomplishment when completing tasks, $M = 4.50$, followed by opportunities to learn and grow and taking pride in work quality, both with $M = 4.46$. This means that employees are strongly motivated by internal factors such as accomplishment, personal growth, independence, satisfaction, and pride in work. The implication is that intrinsic motivation is a strong motivational force among the respondents and may be an important driver of performance. It is suggested that SME managers strengthen job enrichment practices, provide meaningful responsibilities, recognize employee contributions, and create opportunities for learning and professional growth.

Table VIII. Respondents' Level of Extrinsic Motivation

Level of Extrinsic Motivation	N	Mean	SD	Level
1. My salary motivates me to perform well.	92	4.11	0.718	High
2. Bonuses and incentives increase my motivation.	92	4.4	0.696	Very High
3. Recognition from supervisors motivates me.	92	4.33	0.713	Very High
4. Job security increases my motivation to work.	92	4.3	0.642	Very High
5. Promotion opportunities motivate me to perform better.	92	4.39	0.662	Very High
6. A positive work environment motivates me.	92	4.46	0.563	Very High
7. Benefits (e.g., allowances, perks) increase my motivation.	92	4.4	0.575	Very High
OVERALL	92	4.34	0.424	Very High

Table VIII presents the respondents' level of extrinsic motivation. The overall mean was $M = 4.34$, $SD = 0.424$, also interpreted as very high. The highest-rated item was a positive work environment, $M = 4.46$, followed by bonuses and incentives and benefits, both with $M = 4.40$. Salary motivation received the lowest mean, $M = 4.11$, but was still interpreted as high. This indicates that employees are also strongly motivated by external factors, particularly workplace environment, incentives, benefits, job security, recognition, and promotion opportunities. It implies that extrinsic rewards remain important in maintaining employee motivation, although salary alone may not be the strongest external motivator. It is suggested that SMEs maintain fair compensation systems but also invest in non-salary motivators such as supportive supervision, incentives, benefits, recognition, and a healthy workplace climate.

Table IX. Employees' Level of Performance in Terms of Efficiency and Quality of Work Output

Level of Efficiency and Quality of Work Output	N	Mean	SD	Level
1. I complete my tasks efficiently.	92	4.42	0.559	Very High
2. I consistently produce high-quality work.	92	4.38	0.59	Very High
3. I meet deadlines effectively.	92	4.25	0.527	Very High
4. I consistently meet or exceed performance targets.	92	4.14	0.622	High
OVERALL	92	4.3	0.456	Very High

Table IX presents the efficiency and quality of work output on which employees assessed their task completion, work quality, deadline compliance, and achievement of performance targets. The overall mean was $M = 4.30$, $SD = 0.456$, interpreted as very high. The highest indicator was completing tasks efficiently, $M = 4.42$, while the lowest was consistently meeting or exceeding performance targets, $M = 4.14$, although it was still interpreted as high. This indicates that employees generally perceive themselves as efficient and capable of producing quality work. It implies that the participating SMEs have employees who are confident in their ability to accomplish work demands. However, the relatively lower rating for meeting or exceeding targets suggests that performance targets may still need clearer monitoring or support. It is suggested that managers provide clearer performance standards, regular feedback, and coaching to help employees consistently meet or exceed targets.

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Table X. Employees' Level of Performance in Terms of Attendance and Punctuality

Level of Attendance and Punctuality	N	Mean	SD	Level
1. I report to work on time.	92	4.37	0.691	Very High
2. I maintain good attendance.	92	4.47	0.67	Very High
OVERALL	92	4.33	0.453	Very High

Table X presents employees' performance in terms of attendance and punctuality. The overall mean was $M = 4.33$, $SD = 0.453$, interpreted as very high. Maintaining good attendance received $M = 4.47$, while reporting to work on time received $M = 4.37$. This means that employees generally demonstrate strong attendance behavior and punctuality. The implication is that attendance-related performance appears to be one of the stronger dimensions of employee performance in the participating SMEs. It is suggested that organizations sustain this positive behavior through consistent attendance policies, recognition of reliable employees, and continued monitoring of work schedules and attendance practices.

Table XI. Employees' Level of Performance in Terms of Willingness to Take Responsibilities

Level of Willingness to Take Responsibilities	N	Mean	SD	Level
1. I am willing to take on additional responsibilities.	92	3.88	0.959	High
2. I actively participate in organizational activities.	92	3.9	0.826	High
OVERALL	92	3.89	0.811	High

Table 11 presents employees' willingness to take additional responsibilities and participate in organizational activities. The overall mean was $M = 3.89$, $SD = 0.811$, interpreted as high. The two indicators were close in value: active participation in organizational activities, $M = 3.90$, and willingness to take on additional responsibilities, $M = 3.88$. Although the level is high, it is lower than the other performance dimensions. The relatively larger standard deviation also suggests more variation in employee responses. It implies that not all employees are equally willing to go beyond their regular duties or participate actively in organizational initiatives. It is suggested that SMEs improve employee involvement by giving fair workloads, recognizing extra effort, providing incentives for additional responsibilities, and creating a work culture where participation is encouraged rather than forced.

Table XII. Employees' Level of Performance in Terms of Organizational Performance

Level of Organizational Performance	N	Mean	SD	Level
1. Our organization operates efficiently.	92	4.15	0.61	High
2. Our organization effectively manages costs.	92	4.12	0.59	High
3. Customers are satisfied with our products/services.	92	4.24	0.581	Very High
4. Our organization remains profitable.	92	4.18	0.61	High
5. Our organization retains its existing customers.	92	4.24	0.618	Very High
6. Employees tend to stay with this organization.	92	4.12	0.724	High
OVERALL	92	4.18	0.494	High

Table XII presents the employees' perception of organizational performance. The overall mean was $M = 4.18$, $SD = 0.494$, interpreted as high. The highest-rated indicators were customer satisfaction and customer retention, both with $M = 4.24$, interpreted as very high. The lowest-rated indicators were cost management and employee retention, both with $M = 4.12$, interpreted as high. This means that employees generally perceive their organizations as performing well, especially in satisfying and retaining customers. However, cost management and employee retention appear to be areas that may still require attention. It implies that SMEs may already have strengths in customer-related outcomes, but internal management practices must be strengthened to support long-term sustainability. It is suggested that organizations improve cost-control systems, employee retention programs, and workplace policies that support both financial stability and employee commitment.

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Table XIII. Employees' Level of Performance

Employee Performance	N	Mean	SD	Level
Efficiency and Quality of Work Output	92	4.3	0.456	Very High
Attendance and Punctuality	92	4.33	0.453	Very High
Willingness to Take Responsibilities	92	3.89	0.811	High
Organizational Performance	92	4.18	0.494	High
OVERALL	92	4.18	0.473	High

Table XIII summarizes employees' overall performance across four dimensions: efficiency and quality of work output, attendance and punctuality, willingness to take responsibilities, and organizational performance. The overall employee performance mean was $M = 4.18$, $SD = 0.473$, interpreted as high. Attendance and punctuality had the highest mean, $M = 4.33$, followed by efficiency and quality of work output, $M = 4.30$. The lowest dimension was willingness to take responsibilities, $M = 3.89$. This means that employees generally demonstrate high performance, particularly in attendance, punctuality, efficiency, and quality of work. The implication is that the participating SMEs have a generally productive workforce, but employees may need more encouragement to accept additional responsibilities and become more involved in organizational activities. It is suggested that managers focus on empowerment, recognition, participative decision-making, and role enrichment to strengthen employees' willingness to contribute beyond routine tasks.

Table XIV: Relationships Between Employees' Level of Performance and Their Intrinsic and Extrinsic Motivations

Variables		N	df	r- value	Degree of Relationship	p- value	Decision on Ho	Interpretation
Intrinsic Motivation	Efficiency and Quality of Work Output	92	90	0.658	Strong	<.001	Reject	Significant
	Attendance and Punctuality	92	90	0.697	Very Strong	<.001	Reject	Significant
	Willingness to Take Responsibilities	92	90	0.518	Strong	<.001	Reject	Significant
	Organizational Performance	92	90	0.675	Strong	<.001	Reject	Significant
	Employee Performance	92	90	0.720	Very Strong	<.001	Reject	Significant
Extrinsic Motivation	Efficiency and Quality of Work Output	92	90	0.461	Strong	<.001	Reject	Significant
	Attendance and Punctuality	92	90	0.509	Strong	<.001	Reject	Significant
	Willingness to Take Responsibilities	92	90	0.438	Strong	<.001	Reject	Significant
	Organizational Performance	92	90	0.368	Moderate	<.001	Reject	Significant
	Employee Performance	92	90	0.525	Strong	<.001	Reject	Significant
	Performance							

Legend. >.70 = Very Strong; .40-.69=Strong; .30-.39=Moderate; .20-.29=Weak; .01-.19=No or Negligible

Table XIV shows the relationship between employees' level of performance and their intrinsic and extrinsic motivations. Results revealed that intrinsic motivation had significant positive relationships with all performance indicators, including efficiency and quality of work output, $r(90) = .658$, $p < .001$; attendance and punctuality, $r(90) = .697$, $p < .001$; willingness to take

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responsibilities, $r(90) = .518, p < .001$; organizational performance, $r(90) = .675, p < .001$; and overall employee performance, $r(90) = .720, p < .001$. Similarly, extrinsic motivation was significantly related to efficiency and quality of work output, $r(90) = .461, p < .001$; attendance and punctuality, $r(90) = .509, p < .001$; willingness to take responsibilities, $r(90) = .438, p < .001$; organizational performance, $r(90) = .368, p < .001$; and overall employee performance, $r(90) = .525, p < .001$. Since all relationships were statistically significant, the null hypotheses were rejected. These findings indicate that higher levels of motivation are associated with higher levels of employee performance, with intrinsic motivation showing stronger relationships than extrinsic motivation.

The findings suggest that SMEs should not rely only on salary, incentives, and benefits to improve performance. These factors are helpful, but employees appear to perform better when they also feel personally satisfied, valued, trusted, and proud of their work. Therefore, management should strengthen both intrinsic and extrinsic motivational practices, but greater emphasis may be placed on intrinsic motivators such as meaningful work, autonomy, recognition of contributions, opportunities for growth, and responsibility.

The SME owners and managers may develop motivation programs that combine fair compensation and benefits with job enrichment strategies. They may provide regular recognition, growth opportunities, supportive supervision, participative decision-making, and clear career pathways. Since intrinsic motivation had the strongest relationship with overall performance, managers should create a workplace where employees do not only work for rewards but also feel that their work is meaningful and valued.

Table XV: Multiple Linear Regression Predicting Employees' Performance from Intrinsic and Extrinsic Motivation

Predictor	B	SE	95% CI for B	β	t-value	p-value
Intercept	0.652	0.380	[-0.103, 1.408]	—	1.72	.090
Intrinsic Motivation	0.700	0.094	[0.514, 0.887]	.670	7.47	< .001
Extrinsic Motivation	0.111	0.100	[-0.088, 0.310]	.100	1.11	.270

B=Unstandardized coefficient; SE=Standard error; 95% CI for B=95% confidence interval for B; β =Standardized beta coefficient; t=t-statistic; p-value=significance value

Table XV presents the regression coefficients for the effect of intrinsic and extrinsic motivation on employees' performance. Intrinsic motivation was a significant positive predictor of employee performance, $B = 0.700, SE = 0.094, 95\% \text{ CI } [0.514, 0.887], \beta = .670, t(89) = 7.47, p < .001$. This means that, when extrinsic motivation is controlled, a one-unit increase in intrinsic motivation is associated with a 0.700 increase in employee performance. Extrinsic motivation, however, was not a significant unique predictor, $B = 0.111, SE = 0.100, 95\% \text{ CI } [-0.088, 0.310], \beta = .100, t(89) = 1.11, p = .270$. Since the confidence interval includes zero and the p -value is greater than .05, extrinsic motivation did not explain a significant additional amount of performance after intrinsic motivation was considered. The implication is that intrinsic motivation is the stronger predictor of employee performance in this model. It is suggested that management should focus more strongly on internal motivational drivers, such as meaningful work, growth, accomplishment, responsibility, and autonomy, while treating extrinsic motivation as a supportive condition rather than the primary driver of performance.

Table XVI: Model Fit Indices for the Multiple Linear Regression Model

Model	R	R ²	Adjusted R ²	F	df1	df2	p-value
Intrinsic and Extrinsic Motivation Predicting Employees' Performance	.734	.539	.529	52.10	2	89	< .001

R=Multiple correlation coefficient; R²=Coefficient of determination; Adjusted R²=Adjusted coefficient of determination; F=F-statistic; df1=Regression degrees of freedom; df=Residual degrees of freedom=p-value=significance value

The model fit table shows the overall predictive strength of intrinsic and extrinsic motivation on employees' performance. The regression model was statistically significant, $F(2, 89) = 52.10, p < .001$. The multiple correlation was strong, $R = .734$, and the coefficient of determination was $R^2 = .539$, with an adjusted $R^2 = .529$. This means that intrinsic and extrinsic motivation jointly explained 53.9% of the variance in employees' performance, while the adjusted value suggests that about 52.9% of the variance

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would still be explained after adjusting for the number of predictors. The implication is that motivation is a substantial predictor of employee performance among the respondents. However, since the regression coefficients showed that only intrinsic motivation was a significant unique predictor, the combined model is mainly driven by intrinsic motivation. It is suggested that future studies include other possible predictors of employee performance, such as leadership style, organizational culture, workload, job satisfaction, training, and length of service, to explain the remaining variance not captured by motivation alone.

Motivational Strategies

The motivational strategies that can be adopted to improve employee performance and organizational outcomes in SMEs should focus first on strengthening employees' sense of accomplishment, opportunities for learning and growth, pride in work quality, independence, recognition of ideas, and personal satisfaction. These strategies are supported by the very high levels of intrinsic motivation reported by the respondents, especially sense of accomplishment, $M = 4.50$, opportunities to learn and grow, $M = 4.46$, and pride in the quality of work, $M = 4.46$. Since intrinsic motivation was also the strongest significant predictor of employee performance, these strategies should be treated as the main priority.

At the same time, SMEs should continue using selected extrinsic motivational strategies, especially maintaining a positive work environment, providing bonuses and incentives, offering benefits, ensuring promotion opportunities, and giving supervisor recognition. These were also rated highly by employees, with the positive work environment receiving one of the highest means, $M = 4.46$. However, because extrinsic motivation was not a significant unique predictor in the regression model, these strategies should be considered supportive rather than the primary basis for improving performance.

XI. RESULTS AND DISCUSSIONS

Employee motivation is an important factor in improving productivity and organizational performance among Small and Medium Enterprises in Laguna. The findings revealed that both intrinsic and extrinsic motivation were at a very high level, with both categories obtaining an overall mean of 4.34. This shows that employees are motivated not only by external rewards such as salary, bonuses, incentives, benefits, promotion opportunities, and a positive work environment, but also by internal factors such as accomplishment, personal growth, independence, pride in work, and feeling valued.

It is noticeable that intrinsic motivation had a stronger influence on employee performance. Among the intrinsic motivation indicators, the highest mean was obtained by the statement, "I feel a sense of accomplishment when I complete my tasks," with a mean of 4.50. This was followed by opportunities to learn and grow and taking pride in the quality of work, both with a mean of 4.46. This means that employees perform better when they feel that their work is meaningful, when they experience personal achievement, and when they are given opportunities to improve themselves.

The results also showed that extrinsic motivation remains important in encouraging employees to perform well. The highest rated extrinsic motivation indicator was a positive work environment, with a mean of 4.46, followed by bonuses, incentives, and benefits. This indicates that employees are motivated when the workplace is supportive, fair, respectful, and rewarding. However, salary received the lowest mean among the extrinsic indicators, although it was still interpreted as high. This implies that salary alone is not enough to sustain high employee motivation and performance.

In terms of employee performance, the respondents obtained an overall mean of 4.18, interpreted as high. Attendance and punctuality received the highest mean of 4.33, followed by efficiency and quality of work output with a mean of 4.30. This means that employees generally demonstrate good attendance, punctuality, efficiency, and quality in performing their tasks. However, willingness to take additional responsibilities received the lowest mean of 3.89, although it was still interpreted as high. This suggests that employees may need more encouragement, recognition, and support to become more willing to accept additional duties and actively participate in organizational activities.

The relationship analysis revealed that both intrinsic and extrinsic motivation had significant positive relationships with employee performance. Intrinsic motivation had a very strong relationship with overall employee performance, $r = .720$, $p < .001$, while extrinsic motivation had a strong relationship, $r = .525$, $p < .001$. This means that as employee motivation increases, employee performance also increases. However, intrinsic motivation showed a stronger relationship with performance than extrinsic motivation.

Furthermore, the regression analysis showed that intrinsic motivation was a significant positive predictor of employee performance, $\beta = .670$, $p < .001$, while extrinsic motivation was not a significant unique predictor when intrinsic motivation was already considered. The regression model was also statistically significant, explaining 53.9% of the variance in employee performance. This indicates that motivation, especially intrinsic motivation, plays a substantial role in improving employee performance among SMEs in Laguna.

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Generally, the findings suggest that employees do not perform better only because of salary, incentives, or benefits. These factors help support motivation, but the stronger finding is that employees perform well when they feel accomplished, valued, trusted, and proud of their work. Therefore, SMEs should strengthen both intrinsic and extrinsic motivational practices, with greater emphasis on meaningful work, recognition, career growth, independence, and employee involvement.

XII. CONCLUSIONS

Employee motivation has a significant impact on productivity and organizational performance among Small and Medium Enterprises in Laguna. The findings showed that employees had very high levels of both intrinsic and extrinsic motivation, indicating that they are motivated by personal achievement, growth, recognition, independence, salary, incentives, benefits, and a positive work environment.

The study also revealed that employee performance was generally high, particularly in attendance and punctuality, efficiency, and quality of work output. However, willingness to take additional responsibilities received the lowest rating, which suggests that employees may still need more encouragement, support, and recognition to become more active in accepting extra duties and participating in organizational activities.

Based on the relationship and regression results, intrinsic motivation was found to have the strongest influence on employee performance. This means that employees perform better when they feel a sense of accomplishment, take pride in their work, experience personal growth, and feel that their contributions are valued. Although extrinsic motivation remains important, it serves more as a supportive factor rather than the main driver of performance.

Therefore, SMEs should not depend only on salary, incentives, or benefits to improve employee performance. Instead, they should create a workplace that promotes meaningful work, recognition, career development, autonomy, supportive supervision, and employee involvement. By strengthening both intrinsic and extrinsic motivation, especially intrinsic motivation, SMEs in Laguna can improve employee productivity, organizational performance, and long-term business sustainability.

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