

Fundamentals of Management

Motivating Employees



- What would make you rise early to ensure you got to work on time?
- What would make you perform your best once there?

Motivation

- Motivation may be defined as the psychological processes that arouse and direct goal-directed behavior.
- Motivation is difficult to understand
 - you can't actually see it or know it in another person;
 - it must be inferred from one's behavior.

Personal factors

- Personality
- Ability
- Core self-evaluations
- Emotions
- Attitudes
- Needs



Contextual factors

- Organizational culture
- Cross-cultural values
- Physical environment
- Rewards and reinforcement
- Group norms
- Communication technology
- Leader behavior
- Organizational design



Motivation & employee engagement

A simple model of motivation

People have certain **needs** that **motivate** them to perform specific **behaviors** for which they receive **rewards** that **feed back** and satisfy the original need.



e.g., as an hourly worker you desire more money (need), which impels you (motivates you) to work more hours (behavior), which provides you with more money (reward) and informs you (feedback loop) that working more hours will fulfill your need for more money in the future.

- Rewards (as well as motivation) are of two types:
- Extrinsic rewards—satisfaction in the payoff from others.
 - such as money a person receives from others for performing a particular task.
- Intrinsic rewards—satisfaction in performing the task itself.
 - such as a feeling of accomplishment a person receives from performing the particular task itself.

- The four perspectives on motivation are
 - (1) content
 - (2) process
 - (3) job design
 - (4) reinforcement

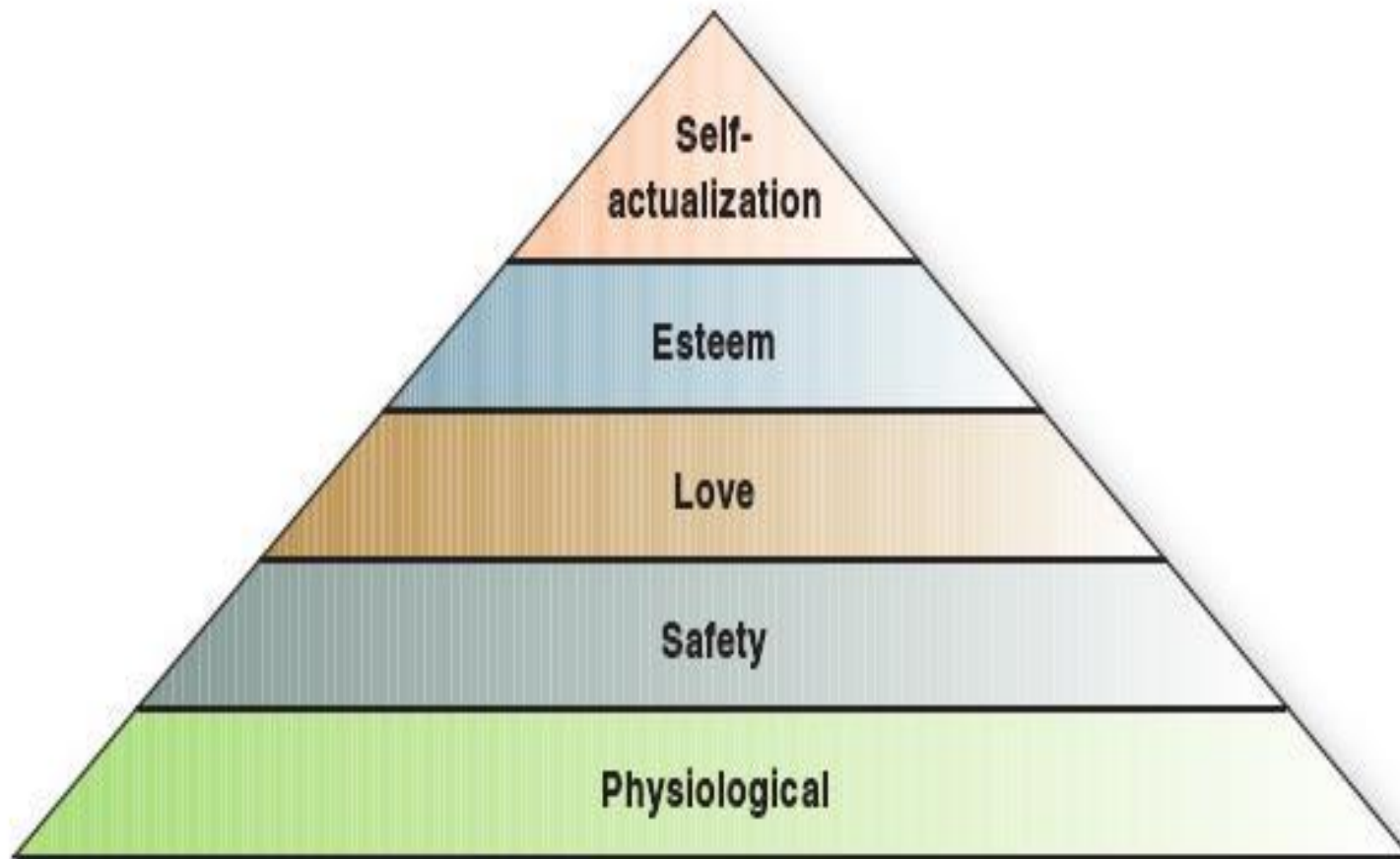
Content Perspectives

- Content perspectives (need-based perspectives) are theories that emphasize the needs that motivate people.
- **Needs** are defined as physiological or psychological *deficiencies* that arouse behavior.
- Needs can be strong or weak.
- Needs can vary over time and from place to place.

Content perspectives include four theories:

- Maslow's hierarchy of needs theory
- McClelland's acquired needs theory
- Deci and Ryan's self-determination theory
- Herzberg's two-factor theory

Hierarchy of Needs Theory



It proposes that people are motivated by five levels of needs:

1. **Physiological need**—the most basic human physical need: Need for food, clothing, shelter, comfort, self-preservation.

- Workplace example: these are covered by wages.

2. **Safety need**: Need for physical safety, emotional security, avoidance of violence.

- Workplace examples: health insurance, job security, work safety rules, pension plans satisfy this need.

3. **Love need**: Need for love, friendship, affection.

- Workplace examples: office parties, company softball teams, management retreats.

4. **Esteem need**: Need for self-respect, status, reputation, recognition, self-confidence.

- Workplace examples: bonuses, promotions, awards.

5. **Self-actualization need**—the highest level need: Need for self-fulfillment: increasing competence, using abilities to the fullest.

- Workplace example: sabbatical leave to further personal growth.

EXAMPLE

Looking for Peak Performance: A Hotel CEO Applies Maslow's Hierarchy to Employees, Customers, & Investors

Chip Conley is CEO and founder of boutique hotel company Joie de Vivre (JDV), whose mission statement is “creating opportunities to celebrate the joy of life.” In *Peak: How Great Companies Get Their Mojo from Maslow*, he describes how JDV used Maslow's theory to motivate the business's three key stakeholders—employees, customers, and investors—by tapping into the power of self-actualization to create peak performance.¹³

Motivating Employees. Applying the Maslow pyramid to employees, says Conley, “the basic need that a job satisfies is money. Toward the middle are needs like recognition for a job well done, and at the top are needs like meaning and creative expression.”¹⁴

Thus, housekeepers, who represent half of a hotel's workers, would be gathered in small groups and asked what the hotels would look like if they weren't there each day. Following their answers (unvacuumed carpets, piled-up trash, bathrooms filled with wet towels), they were then asked to come up with alternative names for housekeeping. Some responses: “serenity keepers,” “clutter busters,” “the peace-of-mind police.”

From this exercise, workers developed a sense of how the customer experience would not be the same without them.¹⁵

And that, says Conley, “gets to a sense of meaning in your work that satisfies that high-level human motivation.” Addressing the highest-level need gives employees “a sense that the job helps them become the best people they can be.”¹⁶

Motivating Customers. Many hotels offer clean, safe accommodations. JDV designs each of its 30 hotels to “flatter and vindicate a different category of customers' distinct self-image,” says Conley. Thus, in San Francisco, the Hotel Rex's tweedy décor and Jack London touches appeal to urbane literary types. The Vitale's fitness-conscious services and minimalist design target “the kind of bourgeois bohemian who might like *Dwell Magazine*.”¹⁷

Motivating Investors. Although most investors focus on a “returns-driven relationship” (bottom of the pyramid), some have higher motivations. They are driven not by the deal “but rather [by] an interesting, worthwhile deal,” which JDV attempts to provide.¹⁸

YOUR CALL

To what extent can Chip Conley's ideas be used in larger organizations?

Acquired Needs Theory

Acquired needs theory states that three needs are major motives determining people's behavior in the workplace.

■ Need for **achievement**—"I need to excel at tasks."

- This is the desire to excel, to do something better or more efficiently, to solve problems, to achieve excellence in challenging tasks.

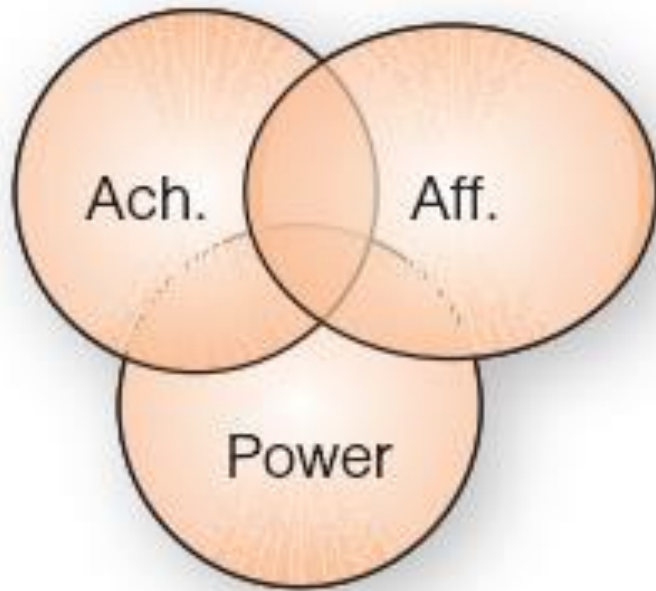
■ Need for **affiliation**—"I need close relationships."

- This is the desire for friendly and warm relations with other people.

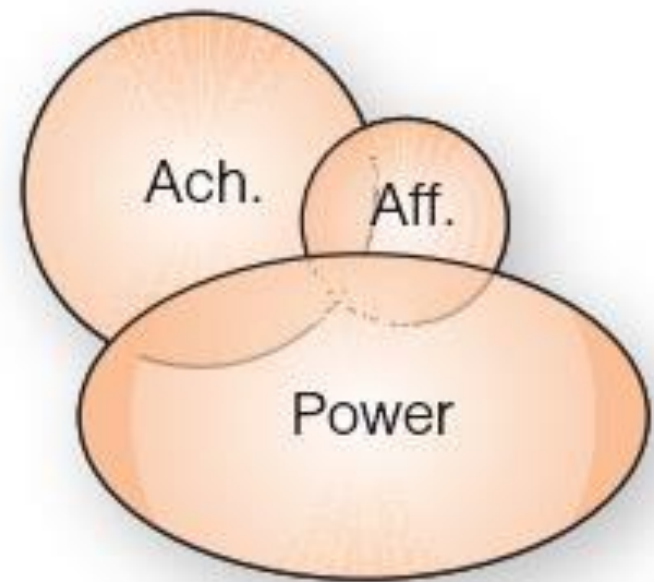
■ Need for **power**—"I need to control others."

- This is the desire to be responsible for other people, to influence their behavior or to control them.

- McClelland identifies two forms of the need for power—personal and institutional.
- The negative kind is **personal power**, as expressed in the desire to dominate others, and involves manipulating people for one's own gratification.
- The positive kind, characteristic of top managers and leaders, is **institutional power**, as expressed in the need to solve problems that further organizational goals.



A “well-balanced” individual: achievement, affiliation, and power are of equal size.



A “control freak” individual: achievement is normal, but affiliation is small and power is large.

Self-Determination Theory

Self-determination theory assumes that people are driven to try to grow and attain fulfillment, with their behavior and well-being influenced by three innate needs.

1. **Competence**—“I want to feel a sense of mastery.” People need to feel qualified, knowledgeable, and capable of completing a goal or task and to learn different skills.
2. **Autonomy**—“I want to feel independent and able to influence my environment.” People need to feel they have freedom and the discretion to determine what they want to do and how they want to do it.
3. **Relatedness**—“I want to feel connected to other people.” People need to feel a sense of belonging, of attachment to others.

- Self-determination theory focuses primarily on intrinsic motivation and rewards (such as feeling independent) rather than on extrinsic motivation and rewards (such as money or fame).
 - Intrinsic motivation is longer lasting than extrinsic motivation and has a more positive impact on task performance.

Two-Factor Theory

- Two-factor theory proposed that work satisfaction and dissatisfaction arise from two different factors
- work **satisfaction** from **motivating factors**
- work **dissatisfaction** from **hygiene factors**

- Hygiene factors are factors associated with job dissatisfaction
 - such as salary, working conditions, interpersonal relationships, and company policy
 - They affect the job context in which people work.
- Motivating factors are factors associated with job satisfaction
 - such as achievement, recognition, responsibility, and advancement
 - They affect the job content or the rewards of work performance.
- The hygiene factors are the lower-level needs, and the motivating factors are the higher-level needs.

Motivating factors:

“What will make my people *satisfied*?”

Achievement

Recognition

The work itself

Responsibility

Advancement & growth



No satisfaction

Satisfaction

Neutral area: neither satisfied nor dissatisfied

Dissatisfaction

No dissatisfaction



Hygiene factors:

“What will make my people *dissatisfied*?”

Pay & security

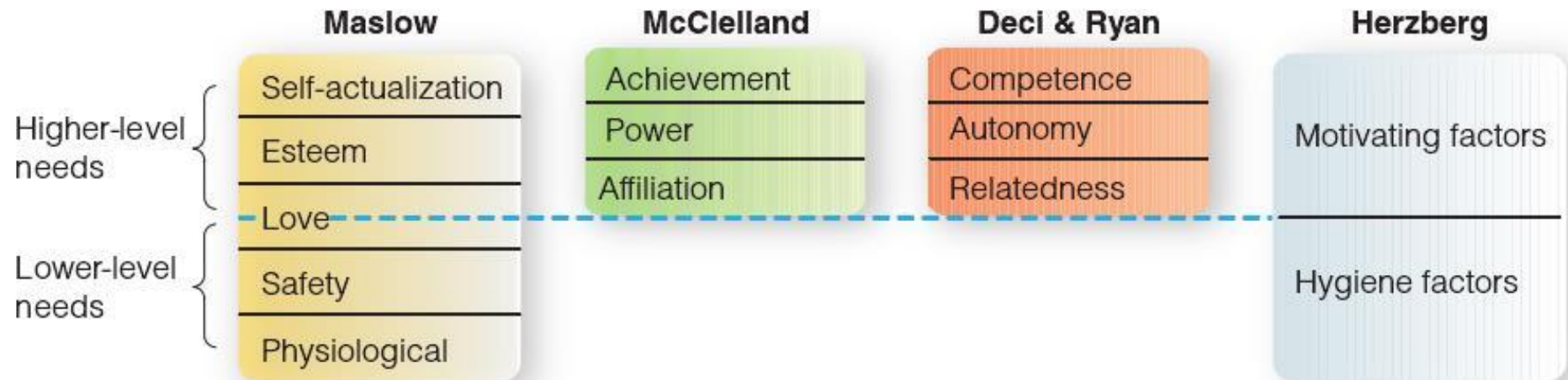
Working conditions

Interpersonal relationships

Company policy

Supervisors

A comparison of content perspective theories



Process Perspectives

- Process perspectives are concerned with the thought processes by which people decide how to act.
 - Equity theory
 - Expectancy theory
 - Goal-setting theory

Equity Theory

- Equity theory focuses on employee perceptions as to *how fairly they think they are being treated compared with others*.
- The key elements in equity theory are inputs, outputs, and comparisons.

■ **Inputs**—“What do you think you’re putting into the job?”

- Time, effort, training, experience, intelligence, creativity, seniority, status, and so on.

■ **Outputs** or rewards—“What do you think you’re getting out of the job?”

- Pay, benefits, praise, recognition, bonuses, promotions, status perquisites, and so on.

■ **Comparison**—“How do you think your ratio of inputs and rewards compares with those of others?”

- People compare the ratio of their own outcomes to inputs against the ratio of someone else’s outcomes to inputs.
- When employees compare the ratio, they then make a judgment about fairness.
- Either they perceive there is equity, and so are satisfied with the ratio and so they don’t change their behavior.
- Or they perceive there is inequity, and so they feel resentful and act to change the inequity.

How employees reduce inequity

They will reduce their inputs: They will do less work, take long breaks, call in “sick” on Mondays, leave early on Fridays, and so on.

They will try to change the outputs or rewards they receive: They will lobby the boss for a raise, or they will pilfer company equipment.

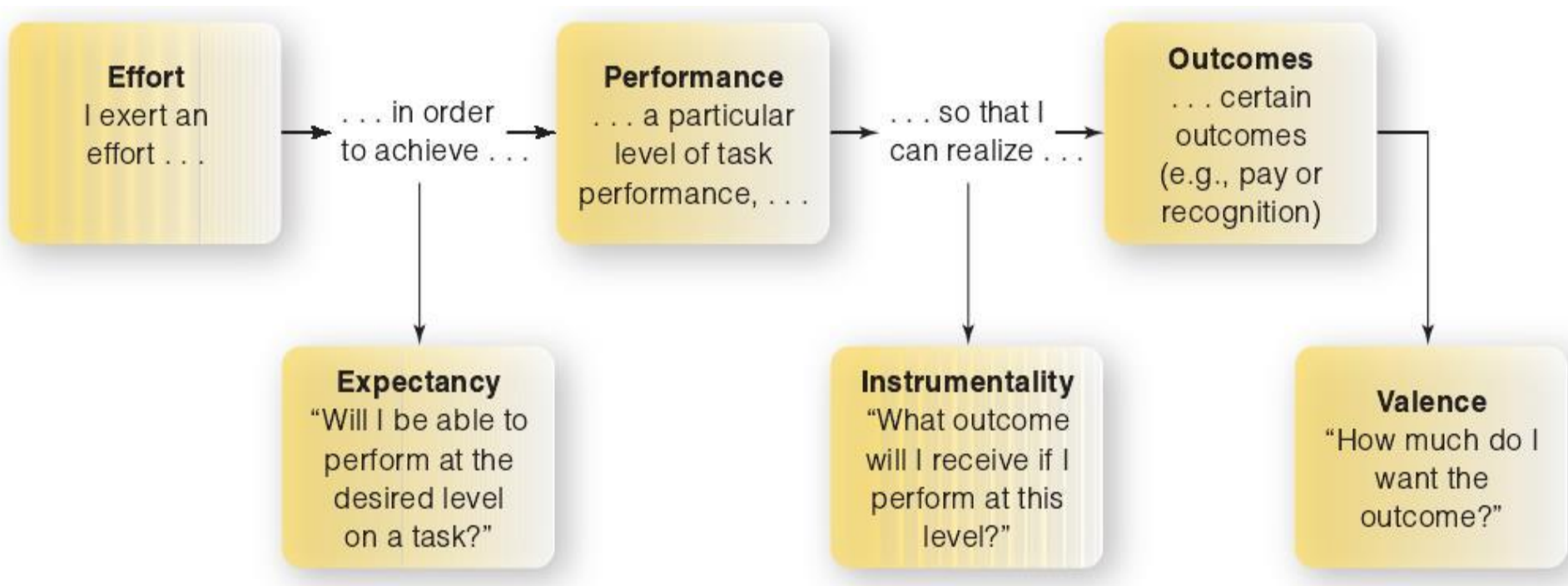
They will distort the inequity: They will exaggerate how hard they work so they can complain they’re not paid what they’re worth.

They will change the object of comparison: They may compare themselves with another person instead of the original one.

They will leave the situation: They will quit, transfer, or shift to another reference group.

Expectancy Theory

- expectancy theory suggests that people are motivated by two things: (1) how much they want something and (2) how likely they think they are to get it.
- According to expectancy theory, motivation involves the relationship between your **effort**, your **performance**, and the desirability of the **outcomes** of your performance.
- These relationships are affected by the three elements of **expectancy**, **instrumentality**, and **valence**.



1. Expectancy—“Will I Be Able to Perform at the Desired Level on a Task?”

- Expectancy is the belief that a particular level of effort will lead to a particular level of performance.
- This is called the **effort-to-performance expectancy**.
- Example: If you believe that putting in more hours working at Target selling clothes will result in higher sales, then you have high effort-to-performance expectancy.

2. Instrumentality—“What Outcome Will I Receive If I Perform at This Level?”

- Instrumentality is the expectation that successful performance of the task will lead to the outcome desired.
- This is called the **performance-to-reward expectancy**.
- Example: If you believe that making higher sales will cause Target to give you a bonus, then you have high performance-to-reward expectancy.

3. Valence—“How Much Do I Want the Outcome?”

- Valence is value, the importance a worker assigns to the possible outcome or reward.
- Example: If you assign a lot of importance or a high value to Target’s prospective bonus or pay raise, then your valence is said to be high.

- For your motivation to be high, you must **be high on all three elements**—expectancy, instrumentality, and valence.
- If any element is low, you will not be motivated.
 - Your effort-to-performance expectancy might be low, because you doubt making an effort will make a difference (because retail clothing selling has too much competition).
 - Or your performance-to-reward expectancy might be low because you don't think Target is going to give you a bonus for being a star at selling.
 - Or your valence might be low because you don't think the bonus or raise is going to be high enough to justify working evenings and weekends.

Goal-Setting Theory

- Goal-setting theory suggests that employees can be motivated by goals that are specific and challenging but achievable.
- Goal setting helps motivate you by:
 1. Directing Your Attention
 - toward goal-relevant tasks and away from irrelevant ones.
 2. Regulating the Effort Expended
 - the effort you expend is generally proportional to the goal's difficulty.
 3. It Increases Your Persistence
 - makes obstacles become challenges to be overcome, not reasons to fail.
 4. Fostering Use of Strategies & Action Plans
 - which makes it more likely you will realize success.

Job Design Perspectives

- Job design is the division of an organization's work among its employees and the application of motivational theories to jobs to increase satisfaction and performance.
- There are two different approaches,
 - The traditional way is fitting people to jobs;
 - the modern way is fitting jobs to people.

Fitting People to Jobs

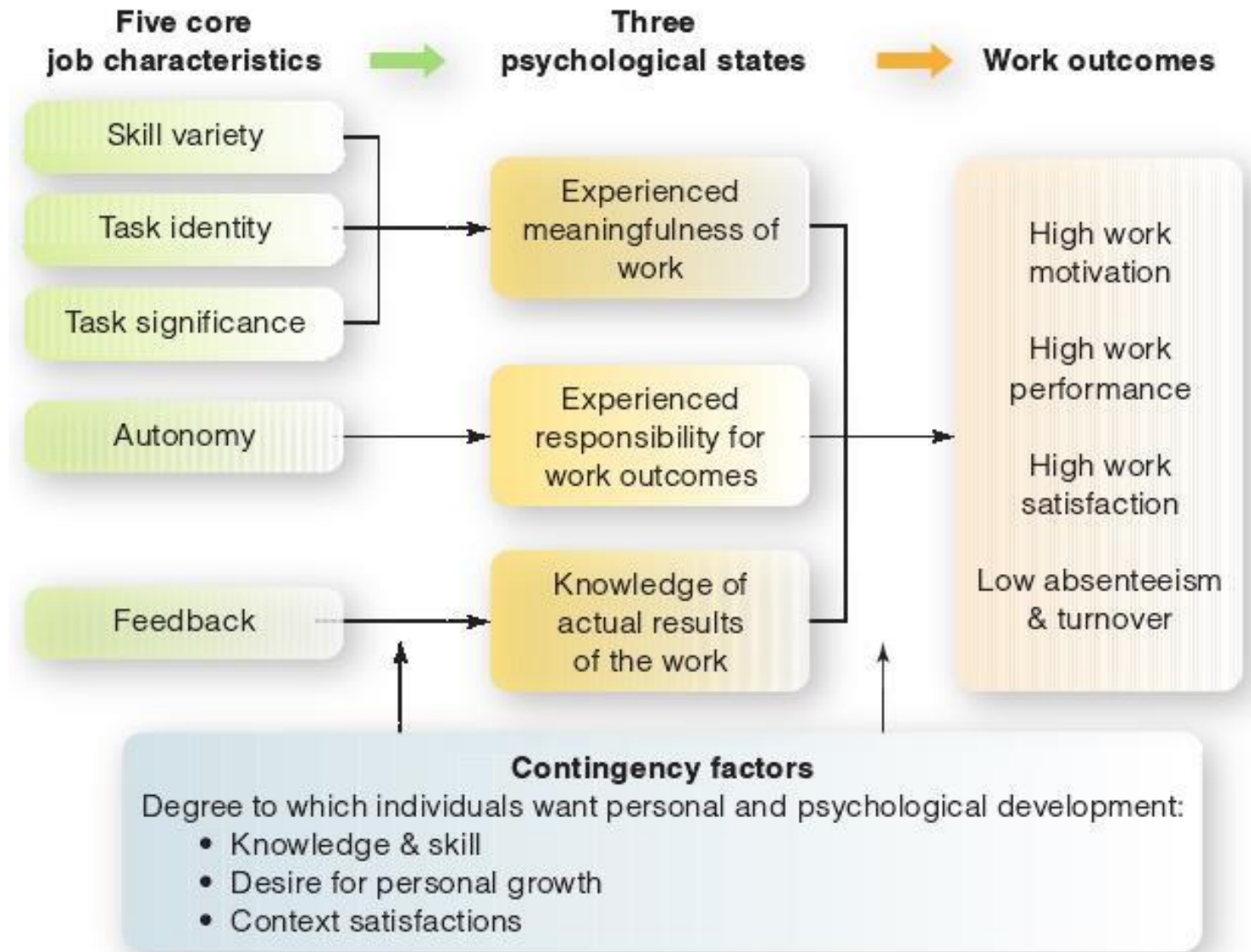
- Fitting people to jobs is based on the assumption that *people will gradually adapt to any work situation*.
- One technique is **job simplification**, the process of reducing the number of tasks a worker performs.

Fitting Jobs to People

- Fitting jobs to people is based on the assumption that *people are underutilized at work and that they want more variety, challenges, and responsibility.*
- Two techniques for this type of job design
- **Job enlargement** consists of increasing the number of tasks in a job to increase variety and motivation.
- **Job enrichment** consists of building into a job such motivating factors as responsibility, achievement, recognition, stimulating work, and advancement.

The Job Characteristics Model

The job characteristics model of design is an outgrowth of job enrichment.



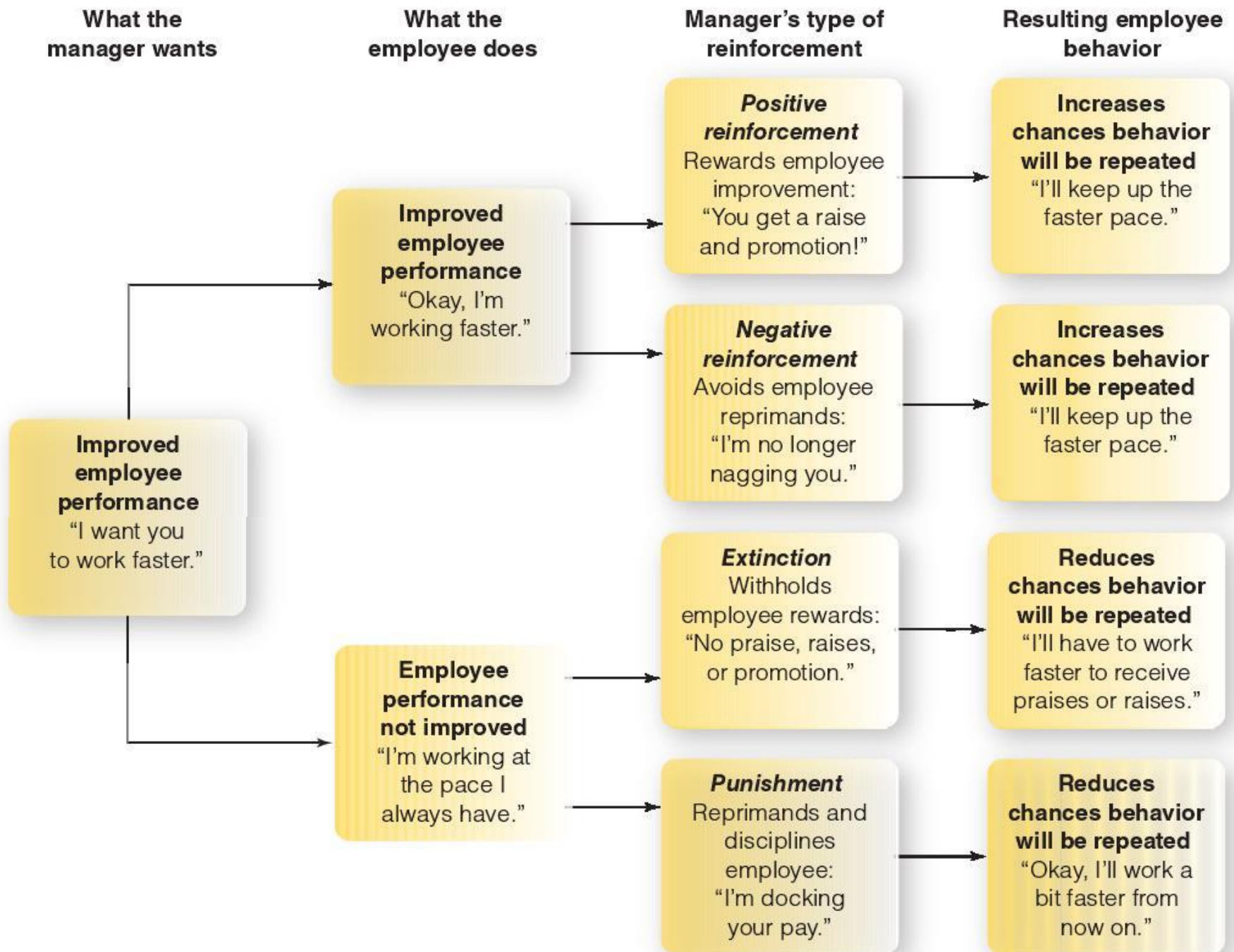
Five Job Characteristics

- 1. Skill Variety—“How Many Different Skills Does Your Job Require?”
- 2. Task Identity—“How Many Different Tasks Are Required to Complete the Work?”
- 3. Task Significance—“How Many Other People Are Affected by Your Job?”
- 4. Autonomy—“How Much Discretion Does Your Job Give You?”
- 5. Feedback—“How Much Do You Find Out How Well You’re Doing?”

Reinforcement Perspectives

- Reinforcement theory explains behavior change by suggesting that behavior with positive consequences tends to be repeated, whereas behavior with negative consequences tends not to be repeated.
- **Reinforcement** is anything that causes a given behavior to be repeated or inhibited.
- There are four types of reinforcement: (1) positive reinforcement, (2) negative reinforcement, (3) extinction, and (4) punishment.

- Positive Reinforcement: the use of positive consequences to strengthen a particular behavior.
- Negative reinforcement: the process of strengthening a behavior by withdrawing something negative.
- Extinction: the weakening of behavior by ignoring it or making sure it is not reinforced.
- Punishment: the process of weakening behavior by presenting something negative or withdrawing something positive.



Monetary and Nonmonetary Motivation

Popular Incentive Compensation Plans

- **Pay for performance**, or merit pay, bases pay on one's results.
 - *Piece rate*, in which employees are paid according to how much output they produce.
 - *Sales commission*, in which sales representatives are paid a percentage of the earnings the company made from their sales.
- **Bonuses** are cash awards given to employees who achieve specific performance objectives.
- **Profit sharing** is the distribution to employees of a percentage of the company's profits.
- **Gainsharing** is the distribution of savings or "gains" to groups of employees who reduced costs and increased measurable productivity.
- **Stock options** means employees are given the right to buy stock at a future date for a discounted price.
- **Pay for knowledge**, or skill-based pay, ties employee pay to the number of job-relevant skills or academic degrees they earn.

Nonmonetary motivation:

- The need for work–life balance.
- The need to expand skills.
- The need to matter.

The Flexible Workplace⁸¹

At Maynard Webb's investment fund, Webb Investment Network, employees are encouraged to work remotely and set their own schedules, and are assessed by their performance. That's because, says Webb, the author of *Reinventing Work*, traditional 9-to-5 jobs are becoming a thing of the past, and top talent are looking for more options in their lives.⁸²

But it's not just the cream of the crop who can benefit. With so many two-paycheck families, single parents, and other diverse kinds of employees in the workforce, many employers now recognize the idea of a *flexible workplace* as a way of recruiting, retaining, and motivating staff. Several studies have found that employees with flexible work arrangements are healthier, happier, more productive, more positive about their work, and less likely to change jobs.⁸³ Among the types of alternative work schedules available are the following.

Part-Time Work—Less Than 40 hours

Part-time work is any work done on a schedule less than the standard 40-hour workweek. Some part-time workers—so-called temporary workers or contingency workers—actually want to work 40 hours or more, but can't find full-time jobs.⁸⁴ Others, however, work part time by choice. Today an organization can hire not only part-time clerical help, for instance, but also part-time programmers, market researchers, lawyers, even part-time top executives.

Flextime—Flexible Working Hours

Flextime, or flexible time, consists of flexible working hours, or any schedule that gives one some choices in working hours. If, for example, an organization's normal working hours are 9 a.m. to 5 p.m., a flextime worker might be allowed to start and finish an hour earlier or an hour later—for instance, to work from 8 a.m. to 4 p.m. The main requirement is that the employee be at work during certain core hours, to be available for meetings, consultations, and so on. By offering flextime hours, organizations can attract and keep employees with special requirements such as the need to take care of children or elderly parents. It also benefits employees who wish to avoid commuting during rush hour. (Unfortunately, one study found that it was *men*—particularly men seeking career advancement opportunities—who are more likely to be granted a flexible schedule.⁸⁵)

Compressed Workweek—40 Hours in Four Days

In a compressed workweek, employees perform a full-time job in less than 5 days of standard 8- (or 9-) hour shifts. The most common variation is a 40-hour week performed in 4 days of 10 hours each, which gives employees three (instead of two) consecutive days off. The benefits are that organizations can offer employees more leisure time and reduced wear and tear and expense from commuting. The disadvantages are possible

scheduling problems, unavailability of an employee to coworkers and customers, and fatigue from long workdays.

Job Sharing—Two People Split the Same Job

In job sharing, two people divide one full-time job. Usually, each person works a half day, although there can be other arrangements—working alternate days or alternate weeks, for example. As with a compressed workweek, job sharing provides employees with more personal or leisure time. The disadvantage is that it can result in communication problems with coworkers or customers. (Recently only 18% of employers in one survey allowed two workers to divide responsibilities between them, down from 29% in 2008.⁸⁶)

Telecommuting & Other Work-at-Home Schedules

There have always been some employees who have had special full-time or part-time arrangements whereby they are

allowed to work at home—an activity known as *telecommuting*—keeping in touch with their employers and coworkers by e-mail and phone. By one estimate, 2.6% of the American workforce are telecommuting.⁸⁷ Today two-thirds of employers in one study allow at least some employees to work from home occasionally (up from 50% in 2008), and 38% allow some to do so occasionally (up from 23%).⁸⁸

Working at home with telecommunications between office and home is called telecommuting. The advantages to employers are increased productivity because telecommuters experience less distraction at home and can work flexible hours.⁸⁹

YOUR CALL

For what you're doing right now at this point in your life, which of these possibilities would suit you best, and why? Would it be workable for your employer if all your coworkers did it as well?

Review case - Caterpillar Puts Employee Pay at Risk, but Is It Done Fairly?

Read the case and complete the following question **individually**:

1. To what extent is Caterpillar's compensation plan consistent with recommendations derived from need theories? Discuss.
2. To what extent is Caterpillar's pay plan consistent with equity theory? Explain.
3. To what extent is Caterpillar's pay plan consistent with expectancy theory? Explain.
4. What are the key lessons learned from this case? Discuss.