Research Proposal –

The Impact of Work Motivation on Performance Management

Practices in Polytron Manufacturing Company in Indonesia

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Submitted by………………………… ██████████████████████

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1. Introduction

1.1. Background

Motivation could be defined as a process that account for an individual's intensity, direction, and persistence of effort toward attaining a goal (Robbins, 2005). It is also about allocating efforts across action and tasks that is required to fulfill a job. Thus, motivation affects an individual's performance in a job because it is related to the set of behavior that an individual portray while performing his job and tasks.

Performance Management System objective is about maximizing employee's contribution toward organization, in which could also means changing employees behavior so that their behavior could relate in their maximum contribution. By that understanding, Performance Management System is directly related in employee's motivation because employee's motivation display what kind of behavior that they have toward their work environment (Varma et al, 2008).

1.2. Objectives, Research Questions and Research Hypotheses

The research objectives for the study are as follows:

1. To evaluate on the factors of employees' work motivation and performance management practiced in the company

2. To identify the relations between the factors of employees' work and the performance management and evaluation.

Thus, based on the objectives mentioned above, we can raise the following research questions:

1. What are these factors and how are these factors being practised in the company?

2. Do the work motivational factors of the employees affect the results of the performance management and evaluation?

Therefore, with the base of the above research questions, we can develop the following hypotheses:

1. Every company should practise a set of critical factors of performance management system to evaluate the work of their employees.

2. Factors of Employees' work motivation affect the results of their performance management and evaluation positively and significantly.

2. Literature Review

2.1. Motivation Theories

2.1.1. Hierarchy of Needs Theory

The Hierarchy of Needs theory was founded by Abraham Maslow in 1943. According to Maslow, motivation occurs when there are some needs to be satisfied. Maslow describe the Hierarchy of Needs in a pyramid forms, in which needs in the lower part need to be satisfied first before addressing higher needs (Abraham-Maslow.com, 2009).

1. Physiological
2. Safety and Security
3. Social (Love and Belongings)
4. Esteem
5. Self-Actualization

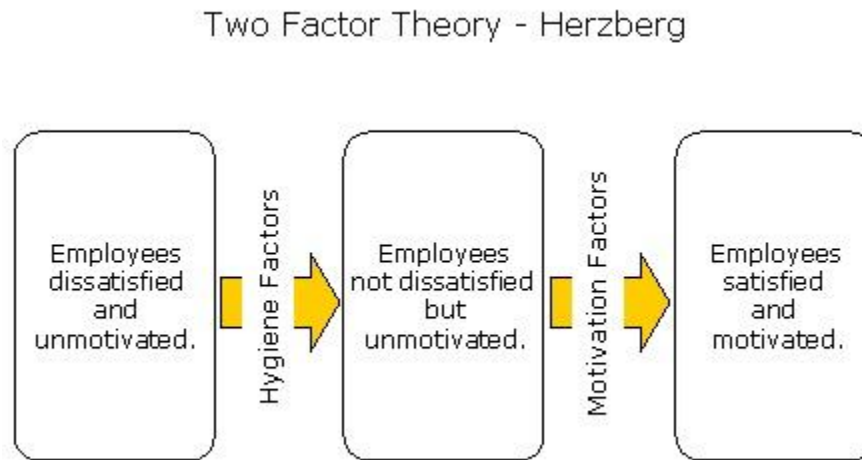*Figure 1: Maslow's Hierarchy of Needs*
Source: abraham-maslow.com

2.1.2. Two-Factor Theory

The theory is founded by Frederick Herzberg in 1959. Herzberg stated that there are two factors affecting work satisfaction, Hygiene factors and Motivator factors (Herzberg et al, 2009).

1. Hygiene factors

2. Motivator factors

Figure 2: Herzberg's Two Factor Theory

Source: valuebasedmanagement.net

2.1.3. McClelland's Theory of Needs

According to Robbins (2005), David McClelland in his 1961 book "The Achieving Society" stated that there are three types of needs.

1. Need for Achievement (n-ach)

A person with need for achievement is looking to excel and succeed in attaining such achievement. To motivate this need, a challenging but realistic goal is needed, followed by providing frequent feedbacks.

2. Need for Affiliation (n-aff)

A person with need for affiliation is looking for friendly and harmonious relationships with other people. To motivate this need, it requires a cooperative environment where an individual could interact and accepted by others.

3. Need for Power (n-pow)

There are two types of power, personal and social. A person with need of personal power is looking for authority to direct others and may be viewed as undesirable. A person with need of social power is looking to direct the efforts of team for the company's own objectives. To motivate this need, management should give this individual an authority to manage over others.

2.1.4. Goal-Setting Theory

A study toward Goal-Setting theory was conducted by Edwin Locke in 1960s. The theory stated that a goal that is specific and challenging will tend to spark more motivation rather than a vague and easy goal. In order to do that, there are five things that need to be taken into consideration when setting up a goal (Latham & Locke, 1979).

1. Clarity
2. Challenge
3. Commitment
4. Feedback
5. Task Complexity

2.1.5. Reinforcement Theory

Managers can motivate employees by applying principles of reinforcements in which desired behaviors are being encouraged and undesired behaviors are being discourages (Daft, 2008).

1. Positive Reinforcement
2. Negative Reinforcement
3. Extinction
4. Punishment

2.1.6. Equity Theory

Psychologist John Stacey Adams put together the equity theory model in 1962. He put an emphasis on motivation as relative factor, not absolute factor. The equity theory suggests that people compare their own job situation to another person's job situation. The judgment about equity between them influences their motivation (Mello, 2002). The equations between equity could be shown as follows:

Equity

(self) Output / (self) Input = (other) Output / (other) Input

Underpaid Inequity

(self) Output / (self) Input $<$ (other) Output / (other) Input

Overpaid Inequity

(self) Output / (self) Input $>$ (other) Output / (other) Input

According to Robbins (2005), the equity theory established the following propositions regarding to the inequitable pay:

1. Given payment by time, overpaid employees will produce more than equitably paid employees

2. Given payment by number of production, overpaid employees will produce fewer but higher quality units compared to equitably paid employees.

3. Given payment by time, underpaid employees will produce less or poorer quality of output

4. Given payment by number of production, underpaid employees will produce a large number of low quality units compared to equitably paid employees

2.1.7. Expectancy Theory

The theory was developed by Victor Vroom in 1960s. It says that each individual have different sets of goals and motivation occurs if they have certain expectations toward their goals. The theory focuses on the outcomes rather than the needs (Griffin & Moorhead, 2010). There are three basic elements of this theory.

1. Expectancy
2. Instrumentality
3. Valence

2.2. Performance Management System

Performance management could be defined as a systematic process to improve the performance of organization by developing the performance of individual and teams, which would lead to getting better results by understanding and managing performance within a framework of planned goals, standards, and requirements (Armstrong, 2006). Performance management system is developed to serve several purposes. According to Mello (2002), the purposes are as follows.

1. To facilitate employee development.
2. To determine appropriate rewards and compensation.
3. To enhance employee motivation
4. To facilitate legal compliance
5. To facilitate human resource planning process

2.2.1. Performance Planning

The first step of performance management system is a performance planning on how the system will be conducted. Managers and employee should discuss on what needs to be done by both parties, which would lead to the creation of a performance agreement. The starting point for the performance management plans is provided by the role profile that defines the results, knowledge, & skills required for the basis of performance measurement. According to Armstrong (2006) the followings are key points on important areas of the performance planning stage:

    a) Role Profile

    b) Objective Setting

    c) Performance Measurement and Assessment

a) Role Profile

Role profile is the basis of performance agreement. Role profile should provide clear description on what are the results expected, what role that they are expected to know and be able to do, and how they are expected to behave. To develop role profile, some areas need to be clearly defined:

1. Key Results Area
2. Technical Competencies
3. Behavior Competence Framework
4. Core Values

b) Objective Setting

Objective means something that need to be accomplished. Objectives define what organizations are expected to achieve after a period of time. Thus in the agreement it should be stated clearly what results that they are expected to achieve as it is an important

part of performance management processes of managing expectations and forms reference points for reviewing performances. A good objective is characterized by many organizations as SMART (Specific, Measurable, Achievable, Relevant, Time Framed) (Loo, 2010)

c) Performance Measurement and Assessment

Measurement is an important concept in performance management. It is the basis for providing and generating feedback, where it identifies where things are going well so foundations can be built for further success, and it indicates where things are not going so well, so that corrective action can be taken. Performance measurement could be taken simply by looking at the results of the work, which could come in the form of output or outcomes (Grote, 2002).

An output is a result that can be measured quantifiably, while an outcome is a visible effect that is the result of effort but cannot necessarily be measured in quantified terms. There are components in all jobs that are difficult to measure quantifiably as outputs. But all jobs produce outcomes even if they are not quantified. Examples of output are financial measures, sales number, units produced, etc. while examples of outcome are attainment of standards, behavior change, acquisition of skills, etc.

However, when assessing performance it is also necessary to consider inputs in the shape of the degree of knowledge and skill attained and behavior that is demonstrably in line with the standards set out in competency frameworks and statements of core values.

2.2.2. Performance Managing

Performance management should be viewed as continuous process, therefore managers have to be ready, willing and able to define and meet development and improvement needs as they arise. Encouragement should be given to all managers and members of staff to learn from the successes, challenges and problems inherent in their day-today work. According to Cokins (2004) managers' responsibilities of managing the performances are:

➢ Maintaining performance records

➢ Updating objectives as conditions change

➢ Providing feedback and coaching for success

- ➢ Providing development experiences and opportunities
- ➢ Reinforcing effective behavior
- ➢ Conducting a midterm review meeting

2.2.3. Performance Review

Performance Review is usually conducted between employees and their managers in the form of a formal review meeting. According to Armstrong (2006), the agenda of the meeting should include as follows.

- ➢ Discussing achievements in relation to objectives and what has been stated in performance agreement plans
- ➢ Assessing the competency level achieved against the headings and descriptions in the individual's role definition.
- ➢ Discussing the extent to which the individual's behavior is in accordance with the organization's core values
- ➢ Identifying any problems in achieving agreed objectives or standards of performance
- ➢ Establishing reasons for any problems, including any factors beyond the individual's control as well as those that can be attributed to the individual's behavior
- ➢ Discussing other problems related to work and the individual's relationships with manager, colleagues and, subordinates
- ➢ Agreeing on any actions required to overcome the problems;
- ➢ Agreeing on any changes to the role profile in terms of key result areas or key tasks and competence requirements that might be required
- ➢ Reviewing and revising performance measurements as necessary
- ➢ Drawing up a personal development plan that incorporates self-managed learning activities by the individual as well as coaching, mentoring or training provided by the manager or the organization;
- ➢ Agreeing on a performance agreement plan for the next review period.

In performance management, one of the characteristics of it is that it provides feedback to people on their performance, which in returns helps them to understand how well they have been doing and how effective their behavior has been. According to Greve (2003) the aim for feedback is to promote an understanding so that appropriate action can

be taken, and also to point the way to further development and improvement, not simply to just tell people where they have gone wrong. Feedback however must report on failures as well as successes, In this case however, failure should be treated as opportunities for learning so that they are less likely to be repeated in the future.

2.2.4. Performance Rewarding
a) Financial Rewards

In financial forms, the reward could follow the Performance-Related-Pay (PRP) scheme. PRP relates pay progression to the assessed performance of individuals. PRP has several advantages. It motivates people, it delivers the right message regarding performing a job well, it is deemed as fair to reward people according to performance, and it provides a tangible means of recognizing achievements (Chingos, 2002).

b) Non-Financial Rewards

According to Armstrong (2006), rewards in term of non-financial could take several forms.

1. Recognition
2. Skills development
3. Career planning
4. Job engagement
5. Commitment

2.3. Theoretical Framework

In this research, motivation serves as independent variables while performance management serves as dependent variables that rely on the factors of motivation. These factors that could affect motivation are affecting factors that build up the performance management.

a) Independent Variables

- The 'Needs' factors

  As stated by Mazlow, needs are factor that could spark motivation to some people. People are motivated because they have some needs that have to be fulfilled. The bigger the needs that they want to fulfill, the more motivated people are. Some of

the important needs that could motivate people are physiological needs, safety needs, social needs, esteem needs, and self-actualization needs

- Goals and expectation factors

    As stated by Locke and Vroom, people are motivated because they have something to achieve. This achievement is usually occurs because there are some goals that need to be reached or because of the expectation of peers.

- Equity factors

    The equity factors will work if people perceived themselves not being treated equally, usually in terms of salary or payment, thus motivated themselves in order to reach the equity.

b) **Dependent Variables**

- The results of performance managements

    The setting up of performance managements could be affected by the amount of motivation that employees have. However, whether the performance managements could achieve a successful or failure results, the outcome results could affect further motivation of the employees for their next stage of performances.

Independent Variables   *Dependent Variables*
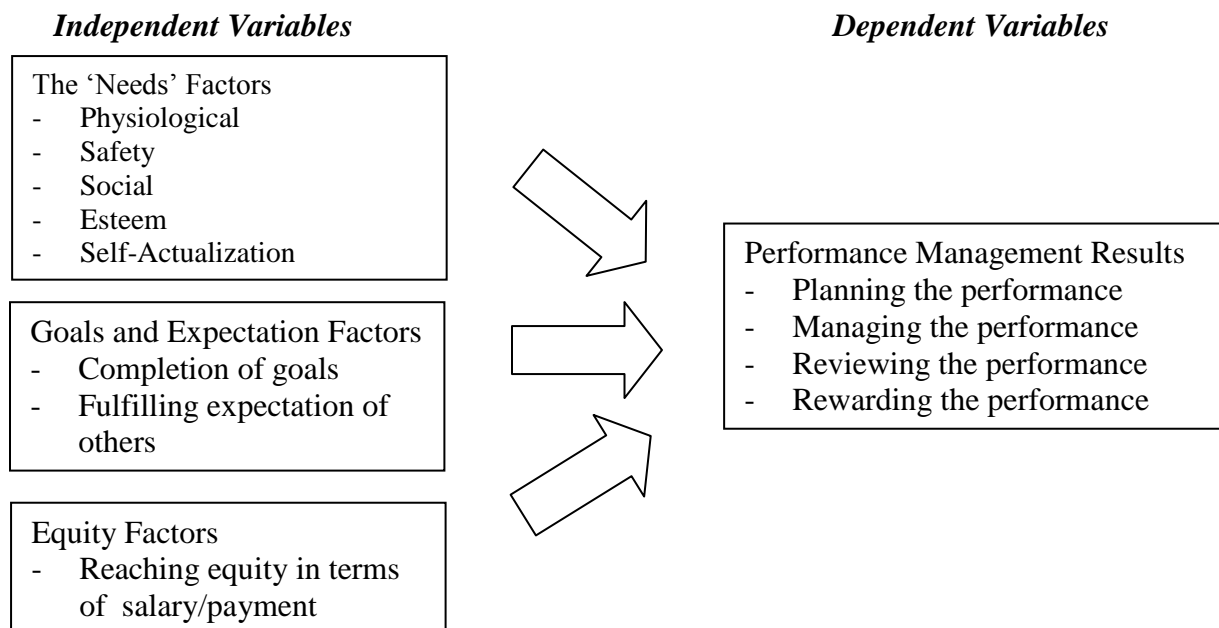
Figure 3: Theoretical Framework

Source: The Researcher

3. Research Design Framework

According to Sekaran (2003), research design involves a series of rational decision-making choices, represented in the following figure.
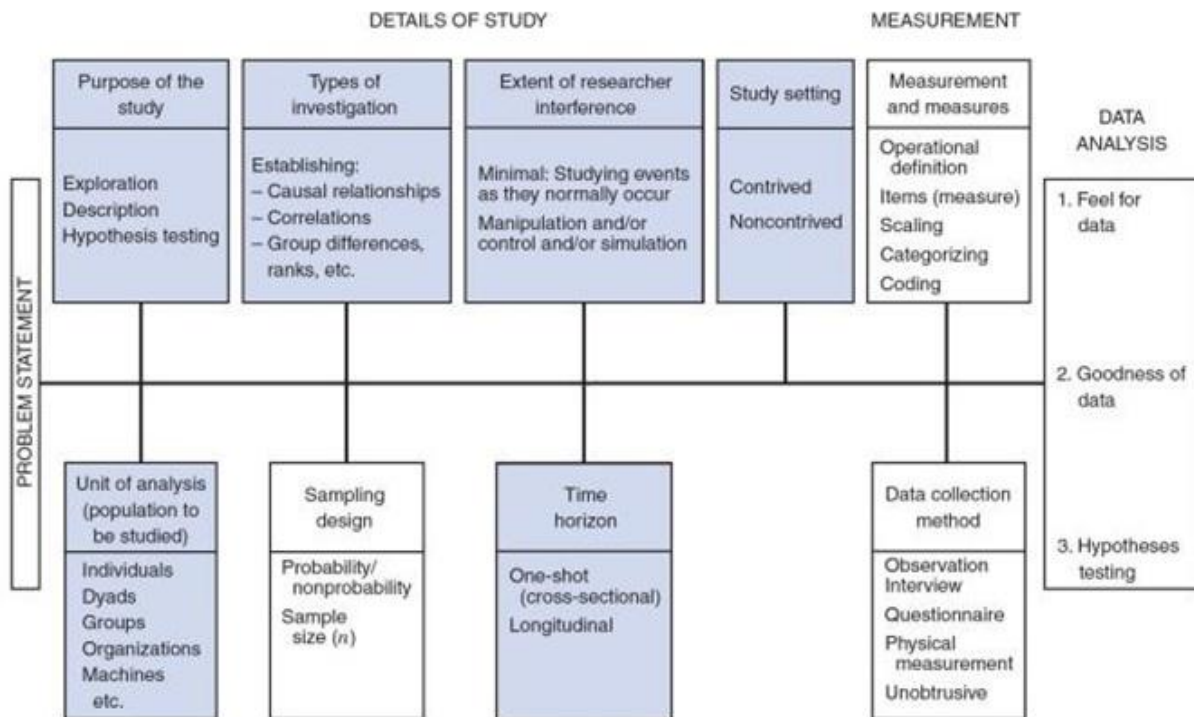

Figure 4: Research Design Framework
Source: Sekaran (2009)

Purpose of study is hypothesis testing, conducted to explain the nature of certain relationships between two or more factors in a situation, in this case the relationship between performance management and work motivation.

Type of investigation is correlational type, to identify relation between factors associated with the motivation and the effect in work performances. Setting of the study will be a non-contrived environment, in the company itself with no specific type of respondents are chosen. Researcher's interference will be minimum as data will be gathered without making any changes to the work environment.

The unit of analysis is individual. Data will be gathered from each employee as individual and each response will be treated as individual data source. Sampling size will approximately be around 300 employees that currently work in Polytron.

Main method of data collection is by conducting survey questionnaires. In addition, interviews will also be conducted to several key personnel in order to obtain more data to support the survey findings.

Data analysis will be done by using SPSS software, in which based on the results and findings conclusion will be made. Also, recommendations will be suggested to improve the current situation.

4. Outline of Dissertation

Chapter 1 will introduce and summarize about the topic of dissertation. It will contain the background history and overview of the project.

Chapter 2 is about the literature review that contains the main theory of this dissertation. It will contain theories of motivation and the performance management and how their variables are connecting with each other.

Chapter 3 is about the research methodology of the study. It will contain detailed explanation about the research design framework and the reason of why it was chosen.

Chapter 4 is about the data collection and analysis. Findings based on the survey questionnaires and interviews will be gathered and analyzed

Chapter 5 is about implying some recommendations and suggestions in order to improve certain variables related to work motivation or the system of performance management.

Chapter 6 will conclude all the findings in the dissertation.

5. Data Sources

Most data will be collected from the primary sources, which are surveys and interviews. Surveys will be conducted to a certain number of employees of Polytron company to obtain quantitative data while interview will be conducted to the head of Human Resource department of Polytron company. In addition, secondary data containing employees

performance records will be collected for supporting documents if researcher is granted permission by the company.

6. Timeline of Dissertation.

The following is the intended schedule of dissertation in which the researcher intends to follow.

- ➢ Research Proposal : 17 February 2011 – 4 March 2011
- ➢ Introduction : 4 March 2011 – 11 March 2011
- ➢ Literature Review : 11 March 2011 – 22 April 2011
- ➢ Research Methodology : 4 April 2011 – 13 May 2011
- ➢ Preparing Questionnaires : 9 May 2011 – 13 May 2011
- ➢ Conducting Survey : 16 May 2011 – 31 May 2011
- ➢ Data Collection and Analysis : 1 June 2011 – 10 June 2011
- ➢ Recommendations & Conclusions : 10 June 2011 – 17 June 2011
- ➢ Complete 1st draft : 17 June 2011 – 30 June 2011
- ➢ Editing into final draft : 1 July 2011 – 8 July 2011
- ➢ Preparing for printing and binding : 8 July 2011 – 15 July 2011
- ➢ Submission : 15 July 2011 – 16 July 2011

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