MANAGEMENT IN ACTION Are You Happily Productive or Productively Happy?

Sara Caputo is the founder and owner of Radiant Organizing, a training and coaching firm located in Santa Barbara, California. As a productivity consultant, her work includes both one-on-one sessions with clients and speaking engagements on how to get things done in the workplace. One day, she recalls, as she was in the middle of a presentation at a professional conference, "I just felt myself really loving what I do. . . . This got me thinking," she says. "What comes first—happiness in your work or productivity in your work? Are we *more productive* in our jobs and at work because we enjoy what we do and [because] that in itself is a motivator? Or are we *happier* in our jobs and at work because we're productive?"

At first, Caputo admits, she was willing to accept the likelihood that her question came down to "sort of a chicken/egg dilemma." Upon further reflection, however, she decided that happiness probably comes first. "At one point in your life," she reasons,

> *you had a calling to do what you're doing right now. Then time goes by, and what gets in the way? All the "other stuff." At the end of the day, if you're not happy doing what you do on a daily basis, you'll have a hard time sustaining your productivity because you'll just be getting things done for the sake of getting things done.*

"If you're not happy doing what you do on a daily basis, you'll just be getting things done for the sake of getting things done."

—PRODUCTIVITY CONSULTANT SARA CAPUTO

One rather suspects that Caputo's workplace experience has been somewhat happier than average, but her bottom-line perspective on the cause-and-effect relationship between happiness and productivity is pretty much in line with most thinking on the subject. Another productivity consultant, for example, advises that "if you want to get more done at work . . . you should start by liking what you do. . . . [T]he productivity gurus out there," warns Alexander Kjerulf, founder

Alexander Kjerulf leads a Danish consulting company that specializes in improving employee morale. Not everyone, though, agrees that making employees more satisfied will make them more productive.

Alexander Kjerulf

and CHO ("Chief Happiness Officer") of Spoing!, a Danish consulting firm,

> *will tell you that it's all about having the right system. You need to prioritize your tasks. You must keep detailed logs of how you spend your time, [and] to-do lists are of course essential. You must learn to structure your calendar, and much, much more. . . . [But] no system, no tool or methodology in the world can beat the productivity boost you get from really, really enjoying your work.*

Happiness at work, says Kjerulf, "is the #1 productivity booster," and he cites a number of reasons why: Happy people work better with others, fix problems rather than complain about them, and make better decisions; they're optimistic and "way more motivated," and they have more energy and get sick less often.

Kjerulf admits that there's still a "question of causation"—the chicken-or-the-egg issue of which came first, happiness or productivity. "The link," he concludes, "goes both ways," but "the link is strongest from happiness to productivity—which means that if you want to be more productive, the very best thing you can do is focus on being happy with what you do."

Not everyone, however, sees the happiness–productivity link from the same perspective. For Paul Larson, a veteran of operations management in a variety of industries, the "legend that happy workers are productive employees has been a part of our organizational thinking for so long that many just take for granted that it has to be true." Larson, founder and president of The Myrddin Group, a Texas-based consultancy specializing in organizational design and development, agrees that "productive workers do seem to be happier." But that, he suggests, is "where the confusion is coming from. . . . [P]roductivity leads to satisfaction and happiness," he argues, "not the other way around. People who do a good job tend to feel intrinsically good about it." To boost productivity, Larson advises, companies should train and support managers "in their efforts to keep the troops fully engaged. It's that engagement that provides the venues for achievement and recognition."

Charles Kerns, a behavioral psychologist at Pepperdine University's Graziado School of Business and Management, agrees with Larson that engagement is the best goal for a manager who wants "to influence the happiness level of his or her employees." He's not quite so sure, however, that enhancing either personal or organizational productivity hinges on solving the chicken-or-egg dilemma. "Job satisfaction researchers," he points out, "have had a long-standing debate as to whether employees are happy first and performers second, or performers first and happy second," and he doesn't think that the matter is going to be resolved any time soon. For practical purposes, he suggests, "both happiness and job performance need to be addressed."

This is where *engagement* comes in. On the one hand, according to Kerns, managers should probably resign themselves to the fact that improving engagement is about the best they can hope for. On the other hand, improving an employee's engagement with his or her work is no small achievement. Engagement can be measured by the extent to which an individual has *more happy or positive experiences than negative ones*, and the key to increasing positive experiences, says Kerns, is engaging an employee's strengths: "An employee's level of engagement . . . and subsequent happiness," he contends, "is likely boosted when he or she has the opportunity to do what he or she does best at work: Utilizing one's strengths is a positive experience." With engagement as a starting point, Kerns thinks that the happiness–productivity equation can be formulated in more practical terms: Happiness, he explains, "comes from work experiences that yield positive emotions [and] positive thoughts," and "people who approach tasks with positivity [are] more productive."[1]

Obviously, managers can't do much about what makes people either happier or more productive. The job, however, involves encouraging productivity, and it's always worthwhile trying to figure out what makes employees more (or less) productive. Whether happiness is or isn't a key factor, the issue almost invariably comes down to motivation, which is the subject of this chapter. We first examine the nature of employee motivation and then explore the major perspectives on motivation. Newly emerging approaches are then discussed. We conclude with a description of rewards and their role in motivation.

The Nature of Motivation

Motivation is the set of forces that cause people to behave in certain ways.[2] On any given day, an employee may choose to work as hard as possible at a job, work just hard enough to avoid a reprimand, or do as little as possible. The goal for the manager is to maximize the likelihood of the first behavior and minimize the likelihood of the last. This goal becomes all the more important when we understand how important motivation is in the workplace.

The Importance of Employee Motivation in the Workplace

Individual performance is generally determined by three things: motivation (the desire to do the job), ability (the capability to do the job), and the work environment (the resources needed to do the job). If an employee lacks ability, the manager can provide training or replace the worker. If there is a resource problem, the manager can correct it. But if motivation is the problem, the task for the manager is more challenging.[3] Individual behavior is a complex phenomenon, and the manager may be hard pressed to figure out the precise nature of the problem and how to solve it. Thus motivation is important because of its significance as a determinant of performance and because of its intangible character.[4]

The motivation framework in Figure 16.1 is a good starting point for understanding how motivated behavior occurs. The motivation process begins with a need deficiency. For example, when a worker feels that she is underpaid, she experiences a need for more income. In response, the worker searches for ways to satisfy the need, such as working harder to try to earn a raise or seeking a new job. Next she chooses an option to pursue. After carrying out the chosen option—working harder and putting in more hours for a reasonable period of time, for example—she then evaluates her success. If her hard work resulted in a pay raise, she probably feels good about things and will continue to work hard. But if no raise has been provided, she is likely to try another option.

Historical Perspectives on Motivation

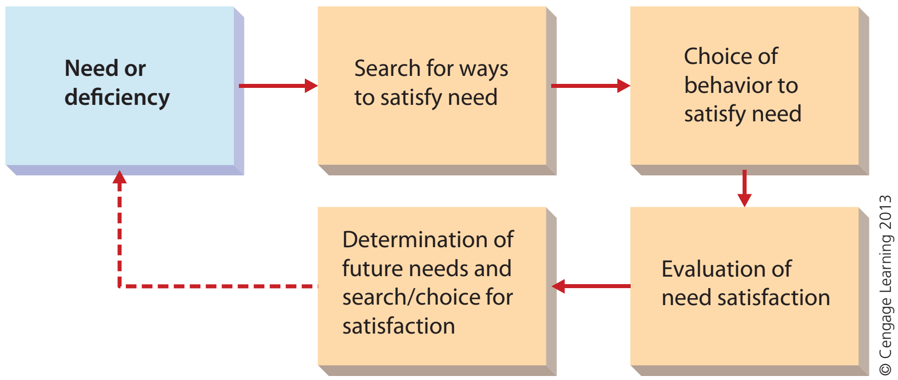
To appreciate what we know about employee motivation, it is helpful to review earlier approaches. The traditional, human relations, and human resource approaches have each shed partial light on motivation.[5]

motivation
The set of forces that cause people to behave in certain ways

The Traditional Approach The traditional approach is best represented by the work of Frederick W. Taylor.[6] As noted in Chapter 2, Taylor advocated an incentive pay system. He believed that managers knew more about the jobs being performed than did workers, and he assumed that economic gain was the primary thing that motivated everyone. Other

FIGURE 16.1
THE MOTIVATION FRAMEWORK

The motivation process progresses through a series of discrete steps. Content, process, and reinforcement perspectives on motivation address different parts of this process.



assumptions of the traditional approach were that work is inherently unpleasant for most people and that the money they earn is more important to employees than the nature of the job they are performing. Hence, people could be expected to perform any kind of job if they were paid enough. Although the role of money as a motivating factor cannot be dismissed, proponents of the traditional approach took too narrow a view of the role of monetary compensation and failed to consider other motivational factors.

The Human Relations Approach The human relations approach was also summarized in Chapter 2.[7] The human relationists emphasized the role of social processes in the workplace. Their basic assumptions were that employees want to feel useful and important, that employees have strong social needs, and that these needs are more important than money in motivating them. Advocates of the human relations approach advised managers to make workers feel important and allow them a modicum of self-direction and self-control in carrying out routine activities. The illusion of involvement and importance was expected to satisfy workers' basic social needs and result in higher motivation to perform. For example, a manager might allow a work group to participate in making a decision even though he or she had already determined what the decision would be. The symbolic gesture of seeming to allow participation was expected to enhance motivation, even though no real participation took place.

The Human Resource Approach The human resource approach to motivation carries the concepts of needs and motivation one step further. Whereas the human relationists believed that the illusion of contribution and participation would enhance motivation, the human resource view assumes that the contributions themselves are valuable to both individuals and organizations. It assumes that people want to contribute and are able to make genuine contributions. Management's task, then, is to encourage participation and to create a work environment that makes full use of the human resources available. This philosophy guides most contemporary thinking about employee motivation. At Ford, Westinghouse, Texas Instruments, and Hewlett-Packard, for example, work teams are being called on to solve a variety of problems and to make substantive contributions to the organization.

Concept Check

Summarize historical perspectives on employee motivation.

Use Figure 16.1 to trace through a motivational cycle you have recently experienced.

Content Perspectives on Motivation

Content perspectives on motivation deal with the first part of the motivation process—needs and need deficiencies. More specifically, **content perspectives** address the question, What factor or factors in the workplace motivate people? Labor leaders often argue that workers can be motivated by more pay, shorter working hours, and improved working conditions. Meanwhile, some experts suggest that motivation can be more effectively enhanced by providing employees with more autonomy and greater responsibility.[8] Both of these views represent content views of motivation. The former asserts that motivation is a function of pay, working hours, and working conditions; the latter suggests that autonomy and responsibility are the causes of motivation. Two widely known content perspectives on motivation are the needs hierarchy and the two-factor theory.

content perspectives
Approach to motivation that tries to answer the question, What factor or factors motivate people?

The Needs Hierarchy Approach

The needs hierarchy approach has been advanced by many theorists. Needs hierarchies assume that people have different needs that can be arranged in a hierarchy of importance. The two best known are Maslow's hierarchy of needs and the ERG theory.

Maslow's Hierarchy of Needs Abraham Maslow, a human relationist, argued that people are motivated to satisfy five need levels.[9] **Maslow's hierarchy of needs** is shown in Figure 16.2. At the bottom of the hierarchy are the *physiological needs*—things like food, sex, and air, which represent basic issues of survival and biological function. In organizations, these needs are generally satisfied by adequate wages and the work environment itself, which provides restrooms, adequate lighting, comfortable temperatures, and ventilation.

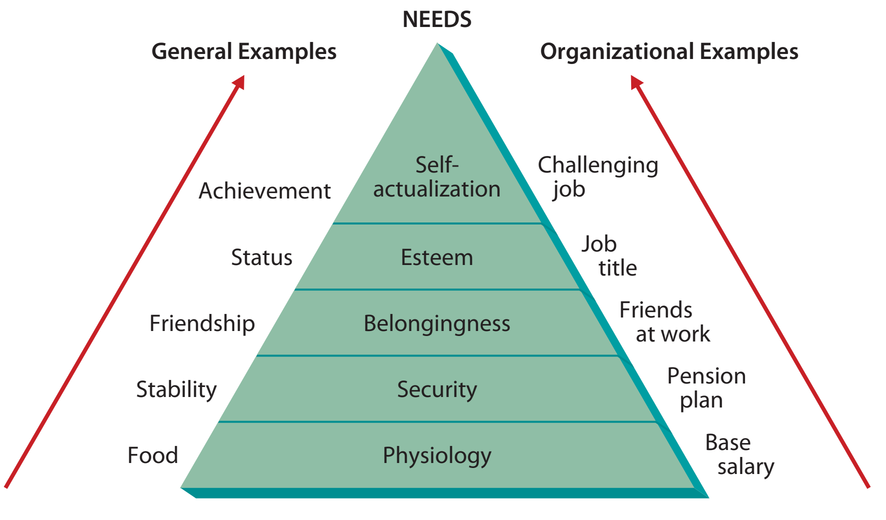
Next are the *security needs* for a secure physical and emotional environment. Examples include the desire for housing and clothing and the need to be free from worry about money and job security. These needs can be satisfied in the workplace by job continuity (no layoffs), a grievance system (to protect against arbitrary supervisory actions), and an adequate insurance and retirement benefit package (for security against illness and provision of income in later life). Even today, however, depressed industries and economic decline can put people out of work and restore the primacy of security needs.

Belongingness needs relate to social processes. They include the need for love and affection and the need to be accepted by one's peers. These needs are satisfied for most people by family and community relationships outside of work and by friendships on the job. A manager can help satisfy these needs by allowing social interaction and by making employees feel like part of a team or work group.

Esteem needs actually comprise two different sets of needs: the need for a positive self-image and self-respect, and the need for recognition and respect from others. A manager can help address these needs by providing a variety of extrinsic symbols of accomplishment, such as job titles, nice offices, and similar rewards, as appropriate. At a more intrinsic level, the manager can provide challenging job assignments and opportunities for the employee to feel a sense of accomplishment.

FIGURE 16.2 MASLOW'S HIERARCHY OF NEEDS

Maslow's hierarchy suggests that human needs can be classified into five categories and that these categories can be arranged in a hierarchy of importance. A manager should understand that an employee may not be satisfied with only a salary and benefits; he or she may also need challenging job opportunities to experience self-growth and satisfaction.



Source: Adapted from Abraham H. Maslow, "A Theory of Human Motivation," *Psychology Review*, 1943, Vol. 50, pp. 370–396.

Maslow's hierarchy of needs
Suggests that people must satisfy five groups of needs in order—physiological, security, belongingness, esteem, and self-actualization

At the top of the hierarchy are the *self-actualization needs*. These involve realizing one's potential for continued growth and individual development. The self-actualization needs are perhaps the most difficult for a manager to address. In fact, it can be argued that these needs must be met entirely from within the individual. But a manager can help by promoting a culture wherein self-actualization is possible. For instance, a manager could give employees a chance to participate in making decisions about their work and the opportunity to learn new things.

Maslow suggests that the five need categories constitute a hierarchy. An individual is motivated first and foremost to satisfy physiological needs. As long as these remain unsatisfied, the individual is motivated to fulfill only them. When satisfaction of physiological needs is achieved, they cease to act as primary motivational factors, and the individual moves "up" the hierarchy and becomes concerned with security needs. This process continues until the individual reaches the self-actualization level. Maslow's concept of the needs hierarchy has a certain intuitive logic and has been accepted by many managers. But research has revealed certain shortcomings and defects in the theory. Some research has found that five levels of need are not always present and that the order of the levels is not always the same as postulated by Maslow.[11] In addition, people from different cultures are likely to have different need categories and hierarchies.

"I wanted to do something with my life where I felt I was contributing. Somehow, selling more tacos and margaritas than the week before wasn't."

—CATHEY GARDNER, FORMER RESTAURANT MANAGER, ON HER DECISION TO BECOME A NURSE[10]

The ERG Theory In response to these and similar criticisms, an alternative hierarchy of needs, called the **ERG theory of motivation**, was developed.[12] This theory collapses the needs hierarchy developed by Maslow into three levels. *Existence needs* correspond to the physiological and security needs. *Relatedness needs* focus on how people relate to their social environment. In Maslow's hierarchy, these would encompass both the need to belong and the need to earn the esteem of others. *Growth needs*, the highest level in this schema, include the needs for self-esteem and self-actualization.

Although the ERG theory assumes that motivated behavior follows a hierarchy in somewhat the same fashion as suggested by Maslow, there are two important differences. First, the ERG theory suggests that more than one level of need can cause motivation at the same time. For example, it suggests that people can be motivated by a desire for money (existence), friendship (relatedness), and the opportunity to learn new skills (growth) all at once. Second, the ERG theory has what has been called a *frustration-regression* element. Thus, if needs remain unsatisfied, the individual will become frustrated, regress to a lower level, and begin to pursue those things again. For example, a worker previously motivated by money (existence needs) may have just been awarded a pay raise sufficient to satisfy those needs. Suppose that he then attempts to establish more friendships to satisfy relatedness needs. If for some reason he finds that it is impossible to become better friends with others in the workplace, he eventually gets frustrated and regresses to being motivated to earn even more money.

The Two-Factor Theory

Another popular content perspective is the **two-factor theory of motivation**.[13] Frederick Herzberg developed his theory after interviewing 200 accountants and engineers. He asked them to recall occasions when they had been satisfied and motivated and occasions when they had been dissatisfied and unmotivated. Surprisingly, he found that different sets of factors were associated with satisfaction and with dissatisfaction—that is, a person might identify "low pay" as causing dissatisfaction but would not necessarily mention "high pay" as a cause of satisfaction. Instead, different factors—such as recognition or accomplishment—were cited as causing satisfaction and motivation.

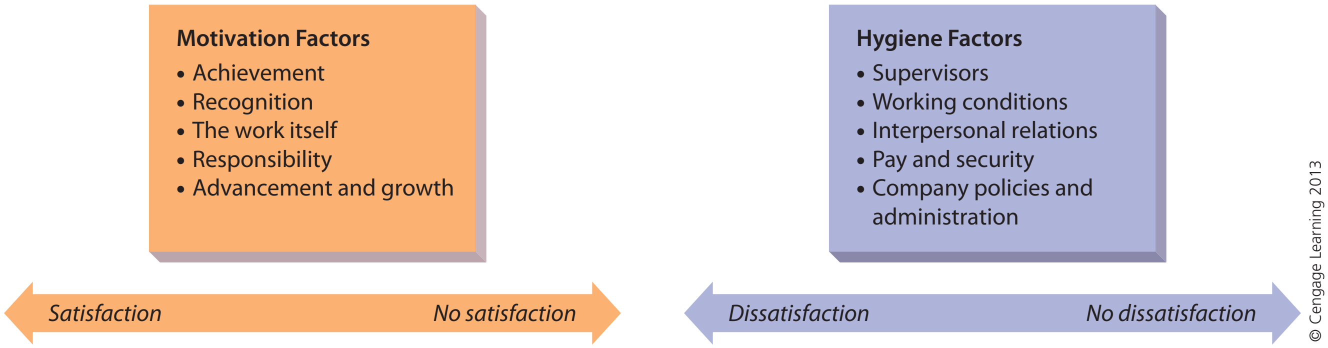
This finding led Herzberg to conclude that the traditional view of job satisfaction was incomplete. That view assumed that satisfaction and dissatisfaction are at opposite ends of a single continuum. People might be satisfied, dissatisfied, or somewhere in between.

ERG theory of motivation
Suggests that people's needs are grouped into three possibly overlapping categories—existence, relatedness, and growth

two-factor theory of motivation
Suggests that people's satisfaction and dissatisfaction are influenced by two independent sets of factors—motivation factors and hygiene factors

FIGURE 16.3 THE TWO-FACTOR THEORY OF MOTIVATION

The two-factor theory suggests that job satisfaction has two dimensions. A manager who tries to motivate an employee using only hygiene factors, such as pay and good working conditions, will likely not succeed. To motivate employees and produce a high level of satisfaction, managers must also offer factors such as responsibility and the opportunity for advancement (motivation factors).



But Herzberg's interviews had identified two different dimensions altogether: one ranging from satisfaction to no satisfaction and the other ranging from dissatisfaction to no dissatisfaction. This perspective, along with several examples of factors that affect each continuum, is shown in Figure 16.3. Note that the factors influencing the satisfaction continuum—called *motivation factors*—are related specifically to the work content. The factors presumed to cause dissatisfaction—called *hygiene factors*—are related to the work environment.

Based on these findings, Herzberg argued that there are two stages in the process of motivating employees. First, managers must ensure that the hygiene factors are not deficient. Pay and security must be appropriate, working conditions must be safe, technical supervision must be acceptable, and so on. By providing hygiene factors at an appropriate level, managers do not stimulate motivation but merely ensure that employees are "not dissatisfied." Employees whom managers attempt to "satisfy" through hygiene factors alone will usually do just enough to get by. Thus managers should proceed to stage two—giving employees the opportunity to experience motivation factors such as achievement and recognition. The result is predicted to be a high level of satisfaction and motivation. Herzberg also went a step further than most other theorists and described exactly how to use the two-factor theory in the workplace. Specifically, he recommended job enrichment, as discussed in Chapter 11. He argued that jobs should be redesigned to provide higher levels of the motivation factors.

Although widely accepted by many managers, Herzberg's two-factor theory is not without its critics. One criticism is that the findings in Herzberg's initial interviews are subject to different explanations. Another charge is that his sample was not representative of the general population and that subsequent research often failed to uphold the theory.[14] At the present time, Herzberg's theory is not held in high esteem by researchers in the field. The theory has had a major impact on managers, however, and has played a key role in increasing their awareness of motivation and its importance in the workplace.

Individual Human Needs

In addition to these theories, research has focused on specific individual human needs that are important in organizations. The three most important individual needs are achievement, affiliation, and power.[15]

need for achievement
The desire to accomplish a goal or task more effectively than in the past

The **need for achievement**, the best known of the three, is the desire to accomplish a goal or task more effectively than in the past. People with a high need for achievement have a desire to assume personal responsibility, a tendency to set moderately difficult goals, a desire for specific and immediate feedback, and a preoccupation with their task. David C. McClelland, the psychologist who first identified this need, argues that only about 10 percent of the

U.S. population has a high need for achievement. In contrast, almost one-quarter of the workers in Japan have a high need for achievement.

The **need for affiliation** is less well understood. Like Maslow's belongingness need, the need for affiliation is a desire for human companionship and acceptance. People with a strong need for affiliation are likely to prefer (and perform better in) a job that entails a lot of social interaction and offers opportunities to make friends. One recent survey found that workers with one or more good friends at work are much more likely to be committed to their work. Continental Airlines, for instance, allows flight attendants to form their own teams; those who participate tend to form teams with their friends.[16]

Monica Davey/Reuters/Landov

Mark Hurd was the highly respected CEO of Hewlett-Packard before a sexual harassment scandal forced him to step down. Part of the motivation underlying his behavior may have been a strong need for power. Indeed, most experts agree that most behaviors associated with sexual harassment are more likely to be motivated by the need for power than by physical needs.

The need for power has also received considerable attention as an important ingredient in managerial success. The **need for power** is the desire to be influential in a group and to control one's environment. Research has shown that people with a strong need for power are likely to be superior performers, have good attendance records, and occupy supervisory positions. One study found that managers as a group tend to have a stronger power motive than the general population and that successful managers tend to have stronger power motives than less successful managers.[17] Dennis Kozlowski, disgraced former CEO of Tyco International, clearly had a strong need for power. This was reflected in the way he routinely took control over resources and used them for his own personal gain. Indeed, the things he bought with company money—gold shower curtains, for example—were probably intended to convey to the world the extent of his power.[18] The need for power might also explain why Mark Hurd, the former CEO of Hewlett-Packard, took advantage of his power and role as head of the company in 2010. Hurd was forced to resign after a sexual harassment claim by a female contractor alleging that Hurd had used corporate funds for personal gains in attempts to woo her. The former CEO had submitted personal receipts ranging from $1,000 to $20,000 over a two-year period.[19]

Implications of the Content Perspectives

Managers should remember that Maslow's needs hierarchy, the ERG theory, the two-factor theory, and the needs for achievement, affiliation, and power all provide useful insights into factors that cause motivation. What they do not do is shed much light on the process of motivation. They do not explain why people might be motivated by one factor rather than by another at a given level or how people might go about trying to satisfy their different needs. These questions involve behaviors or actions, goals, and feelings of satisfaction—concepts that are addressed by various process perspectives on motivation.

need for affiliation
The desire for human companionship and acceptance

need for power
The desire to be influential in a group and to control one's environment

CONCEPT CHECK

Summarize the needs hierarchy approaches to employee motivation.

How would you assess yourself regarding the needs for achievement, affiliation, and power?

Process Perspectives on Motivation

Process perspectives are concerned with how motivation occurs. Rather than attempting to identify motivational stimuli, **process perspectives** focus on why people choose certain behavioral options to satisfy their needs and how they evaluate their satisfaction after they have attained these goals. Three useful process perspectives on motivation are the expectancy, equity, and goal-setting theories.

Expectancy Theory

Expectancy theory suggests that motivation depends on two things—how much we want something and how likely we think we are to get it.[20] Assume that you are approaching graduation and looking for a job. You see in the want ads that General Motors is seeking a new vice president with a starting salary of $500,000 per year. Even though you might want the job, you will not apply because you realize that you have little chance of getting it. The next ad you see is for someone to scrape bubble gum from underneath theater seats for a starting salary of $6 an hour. Even though you could probably get this job, you do not apply because you do not want it. Then you see an ad for a management trainee at a big company, with a starting salary of $45,000. You will probably apply for this job because you want it and because you think you have a reasonable chance of getting it.

Expectancy theory rests on four basic assumptions. First, it assumes that behavior is determined by a combination of forces in the individual and in the environment. Second, it assumes that people make decisions about their own behavior in organizations. Third, it assumes that different people have different types of needs, desires, and goals. Fourth, it assumes that people make choices from among alternative plans of behavior, based on their perceptions of the extent to which a given behavior will lead to desired outcomes.

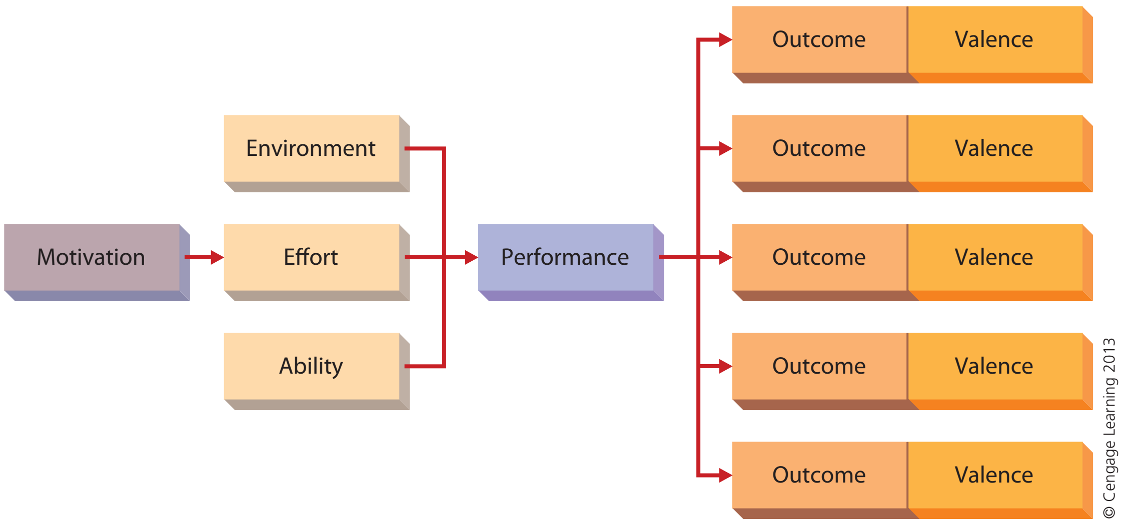
Figure 16.4 summarizes the basic expectancy model. The model suggests that motivation leads to effort and that effort, combined with employee ability and environmental factors, results in performance. Performance, in turn, leads to various outcomes, each of which has an associated value, called its *valence*. The most important parts of the expectancy model cannot be shown in the figure, however. These are the individual's expectation that

process perspectives
Approaches to motivation that focus on why people choose certain behavioral options to fulfill their needs and how they evaluate their satisfaction after they have attained these goals

expectancy theory
Suggests that motivation depends on two things—how much we want something and how likely we think we are to get it

FIGURE 16.4 THE EXPECTANCY MODEL OF MOTIVATION

The expectancy model of motivation is a complex but relatively accurate portrayal of how motivation occurs. According to this model, a manager must understand what employees want (such as pay, promotions, or status) to begin to motivate them.



effort will lead to high performance, that performance will lead to outcomes, and that each outcome will have some kind of value.

Effort-to-Performance Expectancy The effort-to-performance expectancy is the individual's perception of the probability that effort will lead to high performance. When the individual believes that effort will lead directly to high performance, expectancy will be quite strong (close to 1.00). When the individual believes that effort and performance are unrelated, the effort-to-performance expectancy is very weak (close to 0). The belief that effort is somewhat but not strongly related to performance carries with it a moderate expectancy (somewhere between 0 and 1.00).

Performance-to-Outcome Expectancy The performance-to-outcome expectancy is the individual's perception that performance will lead to a specific outcome. For example, if the individual believes that high performance *will* result in a pay raise, the performance-to-outcome expectancy is high (approaching 1.00). The individual who believes that high performance *may* lead to a pay raise has a moderate expectancy (between 1.00 and 0). The individual who believes that performance has no relationship to rewards has a low performance-to-outcome expectancy (close to 0).

Outcomes and Valences Expectancy theory recognizes that an individual's behavior results in a variety of outcomes, or consequences, in an organizational setting. A high performer, for example, may get bigger pay raises, faster promotions, and more praise from the boss. On the other hand, she may also be subject to more stress and incur resentment from coworkers. Each of these outcomes also has an associated value, or valence—an index of how much an individual values a particular outcome. If the individual wants the outcome, its valence is positive; if the individual does not want the outcome, its valence is negative; and if the individual is indifferent to the outcome, its valence is zero.

It is this part of expectancy theory that goes beyond the content perspectives on motivation. Different people have different needs, and they will try to satisfy these needs in different ways. For an employee who has a high need for achievement and a low need for affiliation, the pay raise and promotions cited above as outcomes of high performance might have positive valences, the praise and resentment zero valences, and the stress a negative valence. For a different employee, with a low need for achievement and a high need for affiliation, the pay raise, promotions, and praise might all have positive valences, whereas both resentment and stress could have negative valences.

For motivated behavior to occur, three conditions must be met. First, the effort-to-performance expectancy must be greater than 0 (the individual must believe that if effort is expended, high performance will result). The performance-to-outcome expectancy must also be greater than 0 (the individual must believe that if high performance is achieved, certain outcomes will follow). And the sum of the valences for the outcomes must be greater than 0. (One or more outcomes may have negative valences if they are more than offset by the positive valences of other outcomes. For example, the attractiveness of a pay raise, a promotion, and praise from the boss may outweigh the unattractiveness of more stress and resentment from coworkers.) Expectancy theory suggests that when these conditions are met, the individual is motivated to expend effort.

Starbucks credits its unique stock ownership program with maintaining a dedicated and motivated workforce. Based on the fundamental concepts of expectancy theory, Starbucks employees earn stock as a function of their seniority and performance. Thus their hard work helps them earn shares of ownership in the company.[21]

The Porter-Lawler Extension An interesting extension of expectancy theory has been proposed by Porter and Lawler.[23] Recall from Chapter 2 that the human relationists assumed that employee satisfaction causes good performance. We also noted that research has not supported such a relationship. Porter and Lawler suggested that there may indeed be a relationship between

effort-to-performance expectancy
The individual's perception of the probability that effort will lead to high performance

performance-to-outcome expectancy
The individual's perception that performance will lead to a specific outcome

outcomes
Consequences of behaviors in an organizational setting, usually rewards

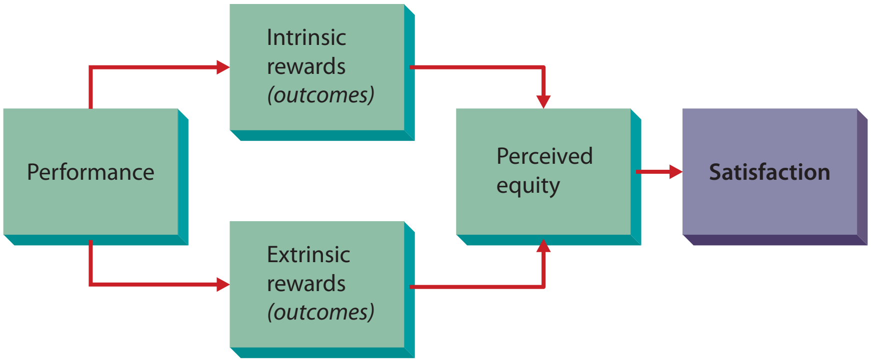
valence
An index of how much an individual desires a particular outcome; the attractiveness of the outcome to the individual

"When we're productive and we've done something good together (and we are recognized for it), we feel satisfied, not the other way around."

—J. RICHARD HACKMAN, LEADING ORGANIZATIONAL PSYCHOLOGIST[22]

FIGURE 16.5 THE PORTER–LAWLER EXTENSION OF EXPECTANCY THEORY

The Porter–Lawler extension of expectancy theory suggests that if performance results in equitable rewards, people will be more satisfied. Thus performance can lead to satisfaction. Managers must therefore be sure that any system of motivation includes rewards that are fair, or equitable, for all.



Source: Edward E. Lawler III and Lyman W. Porter, "The Effect of Performance on Job Satisfaction," *Industrial Relations*, October 1967, p. 23. Used with permission of the Wiley-Blackwell.

satisfaction and performance but that it goes in the opposite direction—that is, high performance may lead to high satisfaction. Figure 16.5 summarizes Porter and Lawler's logic. Performance results in rewards for an individual. Some of these are extrinsic (such as pay and promotions); others are intrinsic (such as self-esteem and accomplishment). The individual evaluates the equity, or fairness, of the rewards relative to the effort expended and the level of performance attained. If the rewards are perceived to be equitable, the individual is satisfied.

Equity Theory

After needs have stimulated the motivation process and the individual has chosen an action that is expected to satisfy those needs, the individual assesses the fairness, or equity, of the resultant outcome. **Equity theory** contends that people are motivated to seek social equity in the rewards they receive for performance.[24] Equity is an individual's belief that the treatment he or she is receiving is fair relative to the treatment received by others. According to equity theory, outcomes from a job include pay, recognition, promotions, social relationships, and intrinsic rewards. To get these rewards, the individual makes inputs to the job, such as time, experience, effort, education, and loyalty. The theory suggests that people view their outcomes and inputs as a ratio and then compare it to someone else's ratio. This other "person" may be someone in the work group or some sort of group average or composite. The process of comparison looks like this:

Both the formulation of the ratios and comparisons between them are very subjective and based on individual perceptions. As a result of comparisons, three conditions may result: The individual may feel equitably rewarded, underrewarded, or overrewarded. A feeling of equity will result when the two ratios are equal. This may occur even though the other person's outcomes are greater than the individual's own outcomes—provided that the other's inputs are also proportionately greater. Suppose that Mark has a high school education and earns $30,000. He may still feel equitably treated relative to Susan, who earns $35,000, because she has a college degree.

People who feel underrewarded try to reduce the inequity. Such an individual might decrease her inputs by exerting less effort, increase her outcomes by asking for a raise, distort the original ratios by rationalizing, try to get the other person to change her or his outcomes or inputs, leave the situation, or change the object of comparison. An individual may also feel overrewarded relative to another person. This is not likely to be terribly disturbing to most people, but research suggests that some people who experience inequity under these conditions are somewhat motivated to reduce it. Under such a circumstance, the person might increase

equity theory
Suggests that people are motivated to seek social equity in the rewards they receive for performance

his inputs by exerting more effort, reduce his outcomes by producing fewer units (if paid on a per-unit basis), distort the original ratios by rationalizing, or try to reduce the inputs or increase the outcomes of the other person.

Managers today may need to pay even greater attention to equity theory and its implications. Many firms, for example, are moving toward performance-based reward systems (discussed later in this chapter) as opposed to standard or across-the-board salary increases. Hence, they must ensure that the bases for rewarding some people more than others are clear and objective. Beyond legal issues such as discrimination, managers need to be sure that they are providing fair rewards and incentives to those who do the best work.[25] Moreover, they must be sensitive to cultural differences that affect how people may perceive and react to equity and inequity.[26]

"People have long memories. They'll remember whether they think they were dealt with equitably."

—WILLIAM CONATY, FORMER DIRECTOR OF HR FOR GENERAL ELECTRIC[27]

Goal-Setting Theory

The goal-setting theory of motivation assumes that behavior is a result of conscious goals and intentions.[28] Therefore, by setting goals for people in the organization, a manager should be able to influence their behavior. Given this premise, the challenge is to develop a thorough understanding of the processes by which people set goals and then work to reach them. In the original version of goal-setting theory, two specific goal characteristics—goal difficulty and goal specificity—were expected to shape performance.

Goal Difficulty *Goal difficulty* is the extent to which a goal is challenging and requires effort. If people work to achieve goals, it is reasonable to assume that they will work harder to achieve more difficult goals. But a goal must not be so difficult that it is unattainable. If a new manager asks her sales force to increase sales by 300 percent, the group may become disillusioned. A more realistic but still difficult goal—perhaps a 30 percent increase—would be a better incentive. A substantial body of research supports the importance of goal difficulty. In one study, for example, managers at Weyerhaeuser set difficult goals for truck drivers hauling loads of timber from cutting sites to wood yards. Over a nine-month period, the drivers increased the quantity of wood they delivered by an amount that would have required $250,000 worth of new trucks at the previous per-truck average load.[29]

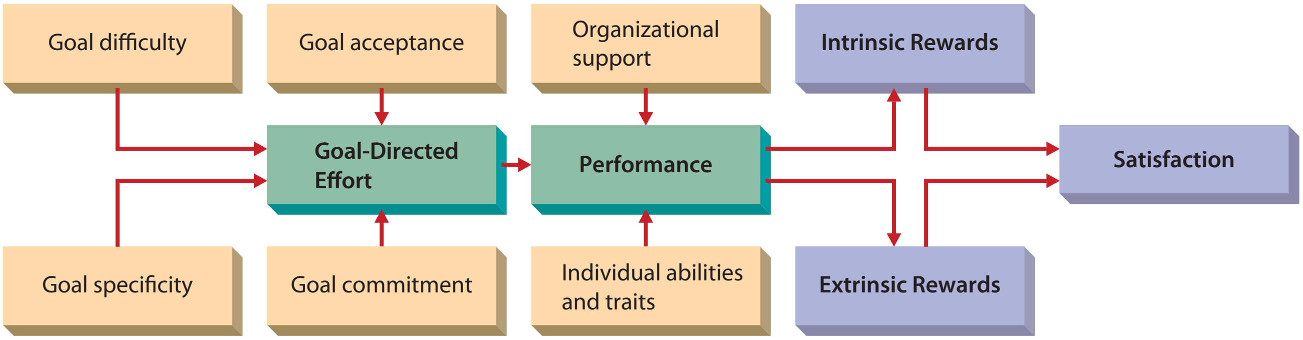
Goal Specificity *Goal specificity* is the clarity and precision of the goal. A goal of "increasing productivity" is not very specific; a goal of "increasing productivity by 3 percent in the next six months" is quite specific. Some goals, such as those involving costs, output, profitability, and growth, are readily amenable to specificity. Other goals, however, such as improving employee job satisfaction, morale, company image and reputation, ethics, and socially responsible behavior, may be much harder to state in specific terms. Like difficulty, specificity has been shown to be consistently related to performance. The study of timber truck drivers mentioned above, for example, also examined goal specificity. The initial loads the truck drivers were carrying were found to be 60 percent of the maximum weight each truck could haul. The managers set a new goal for drivers of 94 percent, which the drivers were soon able to reach. Thus the goal was both specific and difficult.

Because the theory attracted so much widespread interest and research support from researchers and managers alike, an expanded model of the goal-setting process was eventually proposed. The expanded model, shown in Figure 16.6, attempts to capture more fully the complexities of goal setting in organizations.

The expanded theory argues that goal-directed effort is a function of four goal attributes: difficulty and specificity, as already discussed, and acceptance and commitment. *Goal acceptance* is the extent to which a person accepts a goal as his or her own. *Goal commitment* is the extent to which she or he is personally interested in reaching the goal. The manager who vows to take whatever steps are necessary to cut costs by 10 percent has made a commitment to achieve the goal. Factors that can foster goal acceptance and commitment include participating in the

FIGURE 16.6 THE EXPANDED GOAL-SETTING THEORY OF MOTIVATION

One of the most important emerging theories of motivation is goal-setting theory. This theory suggests that goal difficulty, specificity, acceptance, and commitment combine to determine an individual's goal-directed effort. This effort, when complemented by appropriate organizational support and individual abilities and traits, results in performance. Finally, performance is seen as leading to intrinsic and extrinsic rewards that, in turn, result in employee satisfaction.



Source: Reprinted from Gary P. Latham and Edwin A. Locke, "A Motivational Technique That Works," *Organizational Dynamics*, Autumn 1979, p. 79, copyright © 1979 with permission from Elsevier Science.

goal-setting process, making goals challenging but realistic, and believing that goal achievement will lead to valued rewards.

The interaction of goal-directed effort, organizational support, and individual abilities and traits determines actual performance. Organizational support is whatever the organization does to help or hinder performance. Positive support might mean making available adequate personnel and a sufficient supply of raw materials; negative support might mean failing to fix damaged equipment. Individual abilities and traits are the skills and other personal characteristics necessary for doing a job. As a result of performance, a person receives various intrinsic and extrinsic rewards, which in turn influence satisfaction. Note that the latter stages of this model are quite similar to the Porter and Lawler expectancy model discussed earlier.[30]

Implications of the Process Perspectives

Expectancy theory can be useful for managers who are trying to improve the motivation of their subordinates. A series of steps can be followed to implement the basic ideas of the theory. First, figure out the outcomes each employee is likely to want. Second, decide what kinds and levels of performance are needed to meet organizational goals. Then make sure that the desired levels of performance are attainable. Also, make sure that desired outcomes and desired performance are linked. Next, analyze the complete situation for conflicting expectancies and ensure that the rewards are large enough. Finally, make sure the total system is equitable (fair to all). The single most important idea for managers to remember from equity theory is that if rewards are to motivate employees, they must be perceived as being equitable and fair. A second implication is that managers need to consider the nature of the "other" to whom the employee is comparing her- or himself. Goal-setting theory can be used to implement both expectancy and equity theory concepts.

CONCEPT CHECK

Describe the basic motivational process that employees go through as reflected in expectancy theory.

Recall a situation in which you experienced inequity. Analyze the situation in terms of equity theory. Was your feeling of inequity justified?

Reinforcement Perspectives on Motivation

A third element of the motivational process addresses why some behaviors are maintained over time and why other behaviors change. As we have seen, content perspectives deal with needs, whereas process perspectives explain why people choose various behaviors to satisfy needs and how they evaluate the equity of the rewards they get for those behaviors. Reinforcement perspectives explain the role of those rewards as they cause behavior to change or remain the same over time. Specifically, **reinforcement theory** argues that behavior that results in rewarding consequences is likely to be repeated, whereas behavior that results in punishing consequences is less likely to be repeated.[31]

Punching a time clock to register when an employee starts and stops working each day is a practice that has been around for decades. But this method of determining employee pay—hours worked times an hourly wage rate—often has little to do with motivation. While this approach is presumably necessary in some settings, it nevertheless pays people for simply showing up rather than for what they actually accomplish in a day.

Glen Jones/Shutterstock.com

Kinds of Reinforcement in Organizations

There are four basic kinds of reinforcement that can result from behavior—positive reinforcement, avoidance, punishment, and extinction.[32] These are summarized in Table 16.1. Two kinds of reinforcement strengthen or maintain behavior, whereas the other two weaken or decrease behavior.

Positive reinforcement, a method of strengthening behavior, is a reward or a positive outcome after a desired behavior is performed. When a manager observes an employee doing an especially good job and offers praise, the praise serves to positively reinforce the behavior of good work. Other positive reinforcers in organizations include pay raises, promotions, and awards. Employees who work at General Electric's customer service center receive clothing, sporting goods, and even trips to Disney World as rewards for outstanding performance. The other method of strengthening desired behavior is through **avoidance**. An

TABLE 16.1 ELEMENTS OF REINFORCEMENT THEORY

A manager who wants the best chance of reinforcing a behavior would likely offer the employee a positive reinforcement after a variable number of behaviors (variable-ratio reinforcement). For example, the manager could praise the employee after the third credit card application was received. Additional praise might be offered after the next five applications, then again after the next three, the next seven, the next four, and so on.

Arrangement of the Reinforcement Contingencies	
1. *Positive Reinforcement.* Strengthens behavior by providing a desirable consequence. 2. *Avoidance.* Strengthens behavior by allowing escape from an undesirable consequence.	3. *Punishment.* Weakens behavior by providing an undesirable consequence. 4. *Extinction.* Weakens behavior by ignoring it.
Schedules for Applying Reinforcement	
1. *Fixed-Interval.* Reinforcement is applied at fixed time intervals, regardless of behavior. 2. *Variable-Interval.* Reinforcement is applied at variable time intervals.	1. *Fixed-Ratio.* Reinforcement is applied after a fixed number of behaviors, regardless of time. 2. *Variable-Ratio.* Reinforcement is applied after a variable number of behaviors.

© Cengage Learning 2013

reinforcement theory
Approach to motivation that argues that behavior that results in rewarding consequences is likely to be repeated, whereas behavior that results in punishing consequences is less likely to be repeated

positive reinforcement
A method of strengthening behavior with rewards or positive outcomes after a desired behavior is performed

avoidance
Used to strengthen behavior by avoiding unpleasant consequences that would result if the behavior were not performed

employee may come to work on time to avoid a reprimand. In this instance, the employee is motivated to perform the behavior of punctuality to avoid an unpleasant consequence that is likely to follow tardiness.

Punishment is used by some managers to weaken undesired behaviors. When an employee is loafing, coming to work late, doing poor work, or interfering with the work of others, the manager might resort to reprimands, discipline, or fines. The logic is that the unpleasant consequence will reduce the likelihood that the employee will choose that particular behavior again. Given the counterproductive side effects of punishment (such as resentment and hostility), it is often advisable to use the other kinds of reinforcement if at all possible. **Extinction** can also be used to weaken behavior, especially behavior that has previously been rewarded. When an employee tells an off-color joke and the boss laughs, the laughter reinforces the behavior and the employee may continue to tell off-color jokes. By simply ignoring this behavior and not reinforcing it, the boss can cause the behavior to subside and eventually become "extinct."

Providing Reinforcement in Organizations

Not only is the kind of reinforcement important, but so is when or how often it occurs. Various strategies are possible for providing reinforcement. These are also listed in Table 16.1. The **fixed-interval schedule** provides reinforcement at fixed intervals of time, regardless of behavior. A good example of this schedule is the weekly or monthly paycheck. This method provides the least incentive for good work because employees know they will be paid regularly regardless of their efforts. A **variable-interval schedule** also uses time as the basis for reinforcement, but the time interval varies from one reinforcement to the next. This schedule is appropriate for praise or other rewards based on visits or inspections. When employees do not know when the boss is going to drop by, they tend to maintain a reasonably high level of effort all the time.

A **fixed-ratio schedule** gives reinforcement after a fixed number of behaviors, regardless of the time that elapses between behaviors. This results in an even higher level of effort. For example, when Sears is recruiting new credit card customers, salespersons get a small bonus for every fifth application returned from their department. Under this arrangement, motivation will be high because each application gets the person closer to the next bonus. The **variable-ratio schedule**, the most powerful schedule in terms of maintaining desired behaviors, varies the number of behaviors needed for each reinforcement. A supervisor who praises an employee for her second order, the seventh order after that, the ninth after that, then the fifth, and then the third is using a variable-ratio schedule. The employee is motivated to increase the frequency of the desired behavior because each performance increases the probability of receiving a reward. Of course, a variable-ratio schedule is difficult (if not impossible) to use for formal rewards such as pay because it would be too complicated to keep track of who was rewarded when.

Managers wanting to explicitly use reinforcement theory to motivate their employees generally do so with a technique called **behavior modification**, or **OB Mod**.[33] An OB Mod program starts by specifying behaviors that are to be increased (such as producing more units) or decreased (such as coming to work late). These target behaviors are then tied to specific forms or kinds of reinforcement. Although many organizations (such as Procter & Gamble and Ford) have used OB Mod, the best-known application was at Emery Air Freight. Management felt that the containers used to consolidate small shipments into fewer, larger shipments were not being packed efficiently. Through a system of self-monitored feedback and rewards, Emery increased container usage from 45 percent to 95 percent and saved over $3 million during the first three years of the program.[34]

punishment
Used to weaken undesired behaviors by using negative outcomes or unpleasant consequences when the behavior is performed

extinction
Used to weaken undesired behaviors by simply ignoring or not reinforcing them

fixed-interval schedule
Provides reinforcement at fixed intervals of time, such as regular weekly paychecks

variable-interval schedule
Provides reinforcement at varying intervals of time, such as occasional visits by the supervisor

fixed-ratio schedule
Provides reinforcement after a fixed number of behaviors regardless of the time interval involved, such as a bonus for every fifth sale

variable-ratio schedule
Provide reinforcement after varying numbers of behaviors are performed, such as the use of complements by a supervisor on an irregular basis

behavior modification (OB Mod)
Method for applying the basic elements of reinforcement theory in an organizational setting

Implications of the Reinforcement Perspectives

Reinforcement in organizations can be a powerful force for maintaining employee motivation. Of course, for reinforcement to be truly effective, managers need to use it in a manner consistent with the various types and schedules of reinforcement discussed above. In addition, managers must understand that they may be inadvertently motivating undesired or dysfunctional behaviors. For instance, if an employee routinely comes to work late but experiences no consequences, both that worker and others will see that it is all right to be late for work.

CONCEPT CHECK

What are the basic kinds and schedules of reinforcement available to managers in organizations?

Describe a time when each of the different kinds of reinforcement affected your behavior.

Popular Motivational Strategies

Although the various theories discussed thus far provide a solid explanation for motivation, managers must use various techniques and strategies to actually apply them. Among the most popular motivational strategies today are empowerment and participation and alternative forms of work arrangements. Various forms of performance-based reward systems, discussed in the next section, also reflect efforts to boost motivation and performance.

Empowerment and Participation

Empowerment and participation represent important methods that managers can use to enhance employee motivation. **Empowerment** is the process of enabling workers to set their own work goals, make decisions, and solve problems within their sphere of responsibility and authority. **Participation** is the process of giving employees a voice in making decisions about their own work. Thus empowerment is a somewhat broader concept that promotes participation in a wide variety of areas, including but not limited to work itself, work context, and work environment.[35]

The role of participation and empowerment in motivation can be expressed in terms of both content perspectives and expectancy theory. Employees who participate in decision making may be more committed to executing decisions properly. Furthermore, the successful process of making a decision, executing it, and then seeing the positive consequences can help satisfy one's need for achievement, provide recognition and responsibility, and enhance self-esteem. Simply being asked to participate in organizational decision making also may enhance an employee's self-esteem. In addition, participation should help clarify expectancies; that is, by participating in decision making, employees may better understand the linkage between their performance and the rewards they want most.

Areas of Participation At one level, employees can participate in addressing questions and making decisions about their own job. Instead of just telling them how to do their job, for example, managers can ask employees to make their own decisions about how to do it. Based on their own expertise and experience with their tasks, workers might be able to improve their own productivity. In many situations, they might also be well qualified to make decisions about what materials to use, what tools to use, and so forth.

It might also be helpful to let workers make decisions about administrative matters, such as work schedules. If jobs are relatively independent of one another, employees might decide when to change shifts, take breaks, go to lunch, and so forth. A work group or team might

empowerment
The process of enabling workers to set their own work goals, make decisions, and solve problems within their sphere of responsibility and authority

participation
The process of giving employees a voice in making decisions about their own work

also be able to schedule vacations and days off for all of its members. Furthermore, employees are getting increasing opportunities to participate in broader issues of product quality. Such participation has become a hallmark of successful Japanese and other international firms, and many U.S. companies have followed suit.

Techniques and Issues in Empowerment In recent years, many organizations have actively sought ways to extend participation beyond the traditional areas. Simple techniques, such as suggestion boxes and question-and-answer meetings, allow a certain degree of participation, for example. The basic motive has been to better capitalize on the assets and capabilities inherent in all employees. Thus many managers today prefer the term *empowerment* to *participation* because of its more comprehensive character.

One method used to empower workers is the use of work teams. Such teams are collections of employees empowered to plan, organize, direct, and control their own work. Their supervisor, rather than being a traditional "boss," plays more the role of a coach. The other method for empowerment is to change the team's overall method of organizing. The basic pattern is for an organization to eliminate layers from its hierarchy, thereby becoming much more decentralized. Power, responsibility, and authority are delegated as far down the organization as possible, placing control over work squarely in the hands of those who actually do it.[36]

Regardless of the specific technique or method used, however, empowerment will enhance organizational effectiveness only if certain conditions exist. First of all, the organization must be sincere in its efforts to spread power and autonomy to lower levels of the organization. Token efforts to promote participation in only a few areas are not likely to succeed. Second, the organization must be committed to maintaining participation and empowerment. Workers will be resentful if they are given more control, only to later have it reduced or taken away altogether. Third, workers must truly believe that they and their managers are working together in their joint best interests. In some factory settings, for instance, high-performing workers routinely conceal the secrets of their high output. They fear that if management learns those secrets, it will use them to ratchet up performance expectations.[37]

In addition, the organization must be systematic and patient in its efforts to empower workers. Turning over too much control too quickly can spell disaster. And finally, the organization must be prepared to increase its commitment to training. Employees given more freedom in how they work will quite likely need additional training to help them exercise that freedom most effectively.[38]

Alternative Forms of Work Arrangements

Many organizations today are also experimenting with a variety of alternative work arrangements. These alternative arrangements are generally intended to enhance employee motivation and performance by providing employees with greater flexibility in how and when they work. Among the more popular alternative work arrangements are variable work schedules, flexible work schedules, job sharing, and telecommuting.[39]

Variable Work Schedules Although there are many exceptions, of course, the traditional work schedule starts at 8:00 or 9:00 in the morning and ends at 5:00 in the evening, five days a week (and, of course, many managers work additional hours outside of these times). Unfortunately, this schedule makes it difficult to attend to routine personal business—going to the bank, seeing a doctor or dentist for a routine checkup, having a parent–teacher conference, getting an automobile serviced, and so forth. At a surface level, then, employees locked into this sort of arrangement may find it necessary to take a sick day or a vacation day to handle these activities. At a more unconscious level, some people may also feel so powerless and constrained by their job schedule as to feel increased resentment and frustration.

compressed work schedule
Working a full 40-hour week in fewer than the traditional five days

To help counter these problems, some businesses have adopted a **compressed work schedule**, working a full 40-hour week in fewer than the traditional five days.[40] One approach involves working ten hours a day for four days, leaving an extra day off. Another alternative is for employees to work slightly less than ten hours a day, but to complete the 40 hours by lunchtime on Friday. And a few firms have tried having employees work 12 hours a day for three days, followed by four days off. Organizations that have used these forms of compressed workweeks include John Hancock, BP Amoco, and Philip Morris. One problem with this schedule is that when employees put in too much time in a single day, they tend to get tired and perform at a lower level later in the day.

A schedule that some organizations today are beginning to use is what they call a "nine-eighty" schedule. Under this arrangement, an employee works a traditional schedule one week and a compressed schedule the next, getting every other Friday off. In other words, they work 80 hours (the equivalent of two weeks of full-time work) in nine days. By alternating the regular and compressed schedules across half of its workforce, the organization can be fully staffed at all times, while still giving employees two full days off each month. Shell Oil and BP Amoco Chemicals are two of the firms that currently use this schedule.

Flexible Work Schedules Another promising alternative work arrangement is **flexible work schedules**, sometimes called *flextime*. Flextime gives employees more personal control over the times they work. The workday is broken down into two categories: flexible time and core time. All employees must be at their workstations during core time, but they can choose their own schedules during flexible time. Thus one employee may choose to start work early in the morning and leave in midafternoon, another to start in the late morning and work until late afternoon, and still another to start early in the morning, take a long lunch break, and work until late afternoon.

Organizations that have used the flexible work schedule method for arranging work include Hewlett-Packard, Microsoft, and Texas Instruments. The *World of Difference* box on page 464, entitled "The Balance of Trade-Offs," looks at the flexible-scheduling policies of a company whose program is also designed to attract and keep valuable female employees.

"I get to sit here and look out my window while I talk to customers [by telecommuting]—and watch the leaves changing, squirrels running around, and kids going off to school."

—WALT SWANSON, AGILENT TECHNOLOGIES CUSTOMER SERVICE REPRESENTATIVE[41]

Job Sharing Yet another potentially useful alternative work arrangement is job sharing. In **job sharing**, two part-time employees share one full-time job. One person may perform the job from 8:00 A.M. to noon and the other from 1:00 P.M. to 5:00 P.M. Job sharing may be desirable for people who want to work only part time or when job markets are tight. For its part, the organization can accommodate the preferences of a broader range of employees and may benefit from the talents of more people.

flexible work schedule
Work schedule in which employees have some control over the hours they choose to work; also called flextime

job sharing
When two part-time employees share one full-time job

telecommuting
Allowing employees to spend part of their time working offsite, usually at home

Telecommuting An increasingly popular approach to alternative work arrangements is **telecommuting**—allowing employees to spend part of their time working offsite, usually at home. By using e-mail, the Internet, and other forms of information technology, many employees can maintain close contact with their organization and still get just as much (or even more) work done at home as if they were in their office. The increased power and sophistication of modern communication technology is making telecommuting easier and easier. One recent study found that nearly 40 percent of the U.S. workforce (33 million workers) are in jobs that allow for partial or complete telecommuting. Nearly half of AT&T's employees have received mobile and remote access technologies that provide them with the flexibility to work from various locations. And 40 percent of IBM's employees currently telecommute. (In the case of IBM, not only are employees more satisfied with the arrangement but the firm has saved close to $2.9 billion in office space needs.)[42]

CONCEPT CHECK

Summarize the basic concepts underlying employee empowerment and participation.

What work schedule would be most attractive to you? Least attractive?

A WORLD OF DIFFERENCE

The Balance of Trade-Offs

Andresr/iStockphoto.com

The good news is that 60 percent of HR executives are satisfied with the work-life services that their companies offer employees. The bad news is that only 16 percent of their employees agree with them.

According to a study conducted in 2009 by the Corporate Executive Board (CEB), a global network of business professionals, the disconnect results from the fact that HR managers tend to value different services than employees do. They tend to assume, for example, that such expensive, high-profile services as onsite gyms and healthcare options are the kinds of things that employees want in a workplace that claims to promote good work-life balance. In reality, only about 20 percent of employees place any value on such services.

So, what *do* employees—managers and subordinates alike—really want? The answer seems to be *time*—or, more precisely, more control over it. More than 60 percent of the 50,000 workers polled in the CEB study specified *flexible schedules* as the single most important work-life benefit that an employer can offer. Flexible scheduling—or "flextime"—allows employees to adjust the time and/or place for completing their work.

One company that's happy with its experiments in flexible-work programs is KPMG, an Atlanta-based tax and audit consultancy. KPMG is in an industry in which turnover is traditionally higher for women than for men, but the numbers in the financial industry also reflect broader trends in the U.S. workforce. According to a survey reported by the *Harvard Business Review*, for instance, 24 percent of male executives take a career "off-ramp" at some point—that is, they voluntarily leave their careers for a period of time. When it comes to women, the figure is 37 percent; for women with children, it's 43 percent. Among the men, 12 percent have interrupted their careers to take care of children or elders; among the women, it's the reason cited by 44 percent.

Because of data like these, KPMG launched a campaign in 2002 to transform itself into an "employer of choice" by offering employees a range of options for balancing work and home life. Family-friendly policies fall into such categories as *flexibility* (flextime, telecommuting, job sharing) and *family resources* (backup child- and eldercare, discounts at childcare centers), and according to Barbara Wankoff, director of Workplace Solutions, 70 percent of company employees now work flexible hours. "Our employees," she says, "tend to be ambitious and career oriented. They want to develop professionally and build a career, but they also have lives as parents, sons or daughters, and spouses. So at KPMG we're promoting a culture of flexibility to help them manage the complexities of work and life."

In one recent year, KPMG managed to improve retention of female employees by 10 percent and to increase the total number of women in its workforce by 15 percent. KPMG also says that if it hadn't offered flexible scheduling to female employees with young children, it would have lost about two-thirds of them. "In order to retain the best and the brightest," says Kristen Piersol-Stockton, one of Barbara Wankoff's regional directors, "we have to be flexible in how, when, and where the work gets done."

References: Corporate Executive Board, "The Increasing Call for Work-Life Balance," *BusinessWeek*, March 27, 2009, www.businessweek.com on April 21, 2011; Georgetown University Law Center, "Flexible Work Arrangements: Selected Case Studies," *Workplace Flexibility 2010*, www.law.georgetown.edu on April 21, 2011; Network of Executive Women, "Balancing Acts: People-Friendly Policies That Build Productivity," 2007, www.newnewsletter.org on April 21, 2011; Emily Schmitt, "How a Flexible Work Schedule Can Help You Strike the Balance," *Forbes*, March 16, 2009, www.forbes.com on April 21, 2011.

Using Reward Systems to Motivate Performance

Aside from these types of motivational strategies, an organization's reward system is its most basic tool for managing employee motivation. An organizational **reward system** is the formal and informal mechanisms by which employee performance is defined, evaluated, and rewarded. Rewards that are tied specifically to performance, of course, have the greatest impact on enhancing both motivation and actual performance.

Performance-based rewards play a number of roles and address a variety of purposes in organizations. The major purposes involve the relationship of rewards to motivation and to performance. Specifically, organizations want employees to perform at relatively high levels and need to make it worth their effort to do so. When rewards are associated with higher levels of performance, employees will presumably be motivated to work harder to achieve those awards. At that point, their own self-interests coincide with the organization's interests. Performance-based rewards are also relevant regarding other employee behaviors, such as retention and citizenship.

Merit Reward Systems

Merit reward systems are one of the most fundamental forms of performance-based rewards.[43] **Merit pay** generally refers to pay awarded to employees on the basis of the relative value of their contributions to the organization. Employees who make greater contributions are given higher pay than those who make lesser contributions. **Merit pay plans**, then, are compensation plans that formally base at least some meaningful portion of compensation on merit.

The most general form of merit pay plan is to provide annual salary increases to individuals in the organization based on their relative merit. Merit, in turn, is usually determined or defined based on the individual's performance and overall contributions to the organization. For example, an organization using such a traditional merit pay plan might instruct its supervisors to give all their employees an average pay raise of, say, 4 percent. But the individual supervisor is further instructed to differentiate among high, average, and low performers. Under a simple system, for example, a manager might give the top 25 percent of her employees a 6 percent pay raise, the middle 50 percent a 4 percent or average pay raise, and the bottom 25 percent a 2 percent pay raise.

Incentive Reward Systems

Incentive reward systems are among the oldest forms of performance-based rewards. For example, some companies were using individual piece-rate incentive plans over 100 years ago.[44] Under a **piece-rate incentive plan**, the organization pays an employee a certain amount of money for every unit she or he produces. For example, an employee might be paid $1 for every dozen units of product that are successfully completed. But such simplistic systems fail to account for such facts as minimum wage levels and rely very heavily on the assumptions that performance is totally under an individual's control and that the individual employee does a single task continuously throughout his or her work time. Thus most organizations today that try to use incentive compensation systems use more sophisticated methodologies.

Incentive Pay Plans Generally speaking, *individual incentive plans* reward individual performance on a real-time basis. In other words, rather than increasing a person's base salary at the end of the year, an individual instead receives some level of salary increase or financial reward in conjunction with demonstrated outstanding performance in close proximity to when that performance occurred. Individual incentive systems are most likely to be used in cases in which performance can be objectively assessed in terms of number of units of

reward system
The formal and informal mechanisms by which employee performance is defined, evaluated, and rewarded

merit pay
Pay awarded to employees on the basis of the relative value of their contributions to the organization

merit pay plan
Compensation plan that formally bases at least some meaningful portion of compensation on merit

piece-rate incentive plan
Reward system wherein the organization pays an employee a certain amount of money for every unit she or he produces

output or similar measures, rather than on a subjective assessment of performance by a superior. WD-40 Company uses an individual incentive plan that covers almost its entire workforce. The firm's managers credit the incentive plan with motivating its employees to perform at high levels during the 2008–2010 recession in ways that enabled the firm to achieve record profits.[45]

Some variations on a piece-rate system are still fairly popular. Although many of these still resemble the early plans in most ways, a well-known piece-rate system at Lincoln Electric illustrates how an organization can adapt the traditional model to achieve better results. For years, Lincoln's employees were paid individual incentive payments based on their performance. However, the amount of money shared (the incentive pool) was based on the company's profitability. There was also a well-organized system whereby employees could make suggestions for increasing productivity. There was motivation to do this because the employees received one-third of the profits (another third went to the stockholders, and the last share was retained for improvements and seed money). Thus the pool for incentive payments was determined by profitability, and an employee's share of this pool was a function of his or her base pay and rated performance based on the piece-rate system. Lincoln Electric was most famous, however, because of the stories (which were apparently typical) of production workers' receiving a year-end bonus payment that equaled their yearly base pay.[46] In recent years, Lincoln has partially abandoned its famous system for business reasons, but it still serves as a benchmark for other companies seeking innovative piece-rate pay systems.

Perhaps the most common form of individual incentive is *sales commissions* that are paid to people engaged in sales work. For example, sales representatives for consumer products firms and retail sales agents may be compensated under this type of commission system. In general, the person might receive a percentage of the total volume of attained sales as her or his commission for a period of time. Some sales jobs are based entirely on commission, whereas others use a combination of base minimum salary with additional commission as an incentive. Notice that these plans put a considerable amount of the salespersons' earnings "at risk." In other words, although organizations often have drawing accounts to allow the salesperson to live during lean periods (the person then "owes" this money back to the organization), if he or she does not perform well, he or she will not be paid much. The portion of salary based on commission is simply not guaranteed and is paid only if sales reach some target level.

Other Forms of Incentive Occasionally organizations may also use other forms of incentives to motivate people. For example, a nonmonetary incentive, such as additional time off or a special perk, might be a useful incentive. For example, a company might establish a sales contest in which the sales group that attains the highest level of sales increase over a specified period of time will receive an extra week of paid vacation, perhaps even at an arranged place, such as a tropical resort or a ski lodge.[47]

A major advantage of incentives relative to merit systems is that incentives are typically a one-shot reward and do not accumulate by becoming part of the individual's base salary. Stated differently, an individual whose outstanding performance entitles him or her to a financial incentive gets the incentive only one time, based on that level of performance. If the individual's performance begins to erode in the future, then the individual may receive a lesser incentive or perhaps no incentive in the future. As a consequence, his or her base salary remains the same or is perhaps increased at a relatively moderate pace; he or she receives one-time incentive rewards as recognition for exemplary performance. Furthermore, because these plans, by their very nature, focus on one-time events, it is much easier for the organization to change the focus of the incentive plan. At a simple level, for example, an organization can set up an incentive plan for selling one product during one quarter, but then shift the incentive to a different product the next quarter, as the situation requires. Automobile companies like Ford and GM routinely do this by reducing sales incentives for models that are selling very well and increasing sales incentives for models that are selling below expectations or are about to be discontinued.

Team and Group Incentive Reward Systems

The merit compensation and incentive compensation systems described in the preceding sections deal primarily with performance-based reward arrangements for individuals. There also exists a different set of performance-based reward programs that are targeted for teams and groups. These programs are particularly important for managers to understand today, given the widespread trends toward team- and group-based methods of work and organization.[48]

Avava,2010/Used under license from Shutterstock.com

As more and more businesses start using teams to get work done, they must also consider the implications for reward systems. When people work as individuals, it is often relatively easy to assess their contributions and decide on the most appropriate rewards. But when it's the team that makes contributions to the organization, it's not always easy to know how to reward its members.

Common Team and Group Reward Systems

There are two commonly used types of team and group reward systems. One type used in many organizations is an approach called gainsharing. **Gainsharing programs** are designed to share the cost savings from productivity improvements with employees. The underlying assumption of gainsharing is that employees and the employer have the same goals and thus should appropriately share in incremental economic gains.[49]

In general, organizations that use gainsharing start by measuring team- or group-level productivity. It is important that this measure be valid and reliable and that it truly reflect current levels of performance by the team or group. The team or work group itself is then given the task of attempting to lower costs and otherwise improve productivity through any measures that its members develop and its manager approves. Resulting cost savings or productivity gains that the team or group is able to achieve are then quantified and translated into dollar values. A predetermined formula is then used to allocate these dollar savings between the employer and the employees themselves. A typical formula for distributing gainsharing savings is to provide 25 percent to the employees and 75 percent to the company.

One specific type of gainsharing plan is an approach called the Scanlon plan. This approach was developed by Joseph Scanlon in 1927. The **Scanlon plan** has the same basic strategy as gainsharing plans, in that teams or groups of employees are encouraged to suggest strategies for reducing costs. However, the distribution of these gains is usually tilted much more heavily toward employees, with employees usually receiving between two-thirds and three-fourths of the total cost savings that the plan achieves. Furthermore, the distribution of cost savings resulting from the plan is given not just to the team or group that suggested and developed the ideas, but across the entire organization.

Other Types of Team and Group Rewards Although gainsharing and Scanlon-type plans are among the most popular group incentive reward systems, there are other systems that are also used by some organizations. Some companies, for example, have begun to use true incentives at the team or group level. Just as with individual incentives, team or group incentives tie rewards directly to performance increases. And, like individual incentives, team or group incentives are paid as they are earned rather than being added to employees' base salary. The incentives are distributed at the team or group level, however, rather than at the individual level. In some cases, the distribution may be based on the existing salary of each employee, with incentive bonuses being given on a proportionate basis. In other settings, each member of the team or group receives the same incentive pay.

gainsharing programs
Designed to share the cost savings from productivity improvements with employees

Scanlon plan
Similar to gainsharing, but the distribution of gains is tilted much more heavily toward employees

Some companies also use nonmonetary rewards at the team or group level—most commonly in the form of prizes and awards. For example, a company might designate the particular team in a plant or subunit of the company that achieves the highest level of productivity increase, the highest level of reported customer satisfaction, or a similar index of performance. The reward itself might take the form of additional time off, as described earlier in this chapter, or a tangible award, such as a trophy or plaque. In any event, the idea is that the reward is at the team level and serves as recognition of exemplary performance by the entire team.

There are also other kinds of team- or group-level incentives that go beyond the contributions of a specific work group. These are generally organization-wide kinds of incentives. One longstanding method for this approach is *profit sharing*. In a profit-sharing approach, at the end of the year some portion of the company's profits is paid into a profit-sharing pool that is then distributed to all employees. Either this amount is distributed at that time, or it is put into an escrow account and payment is deferred until the employee retires.

The basic rationale behind profit-sharing systems is that everyone in the organization can expect to benefit when the company does well. But, on the other side of the coin, during bad economic times, when the company is perhaps achieving low or perhaps no profits, then no profit sharing is paid out. This sometimes results in negative reactions from employees, who have perhaps come to feel that profit sharing is really a part of their annual compensation.

Employee stock ownership plans (ESOPs) also represent a group-level reward system that some companies use. Under the employee stock ownership plan, employees are gradually given a major stake in ownership of a corporation. The typical form of this plan involves the company's taking out a loan, which is then used to buy a portion of its own stock in the open market. Over time, company profits are then used to pay off this loan. Employees, in turn, receive a claim on ownership of some portion of the stock held by the company, based on their seniority and perhaps on their performance. Eventually, each individual becomes an owner of the company. One recent study found that 20 percent of employees in the private sector (25 million Americans) reported owning stock in their companies, with 10 percent holding stock options.[50]

We'll end this section by pointing out that, under certain adverse circumstances, even successful approaches to employee satisfaction have limitations. For an example, see the *Change* box entitled "The NetApp Approach to Net Jobs" on page 469.

Executive Compensation

The top-level executives of most companies have separate compensation programs and plans. These are intended to reward these executives for their performance and for the performance of the organization.

Standard Forms of Executive Compensation Most senior executives receive their compensation in two forms. One form is a *base salary*. As with the base salary of any staff member or professional member of an organization, the base salary of an executive is a guaranteed amount of money that the individual will be paid. For example, in 2010 Lockheed Martin paid its CEO, Robert Stevens, $1,800,000 in base salary.[51]

Above and beyond this base salary, however, most executives also receive one or more forms of incentive pay. The traditional method of incentive pay for executives is in the form of bonuses. Bonuses, in turn, are usually determined by the performance of the organization. Thus, at the end of the year, some portion of a corporation's profits may be diverted into a bonus pool. Senior executives then receive a bonus expressed as a percentage of this bonus pool. The chief executive officer and president are obviously likely to get a larger percentage bonus than a vice president. The exact distribution of the bonus pool is usually specified ahead of time in the individual's employment contract. Some organizations intentionally leave the distribution unspecified, so that the board of directors has the flexibility to give

THE MORE THINGS CHANGE

The NetApp Approach to Net Jobs

AP Photo/Paul Sakuma

In January 2009, when they placed NetApp* at the top of their list of the "100 Best Companies to Work For," the editors at *Fortune* magazine noted that the storage and data-management company "has gained market share during the slump, hasn't had layoffs, and has more than $2 billion in cash on hand to help it ride out the global financial crisis." A month later, NetApp announced that it was taking "a number of steps to better align our resources with the business outlook. This restructuring includes a reduction of about 6 percent of the global workforce, as well as the reallocation of other resources to initiatives designed to increase operating efficiency and build a foundation for additional market-share gains."

In fact, about 530 of the firm's more than 8,000 global employees were laid off, either as a result of the lingering recession or "restructuring." In any case, blogged one employee, "for 6 percent of the staff, it's no longer the best place to work."

In characterizing the firm as the number-one U.S. company to work for, the Great Place to Work Institute had attributed "the quality of the workplace at NetApp" to its "high trust culture." NetApp leaders, said Amy Lyman, the Institute's director of corporate research, "reach out to employees, sharing information, support, and time in a variety of ways." She reported that, as the recession deepened, the company took steps to ensure that all employees were "kept well informed of changes in projections with frequent communications from senior leaders." A Vice Presidents' Forum, for example, convened every two weeks to share economic information and find out what was on employees' minds. To help managers respond to questions, recognize signs of stress, and involve employees in discussions of issues facing the company, NetApp distributed a kit entitled "Communicating with Employees During Tough Times."

The goal of such programs was twofold: to let NetApp employees know that the company would provide support and to help them understand the effect of the economic downturn on the decisions being made by its leadership. At the time, however, former executive chairman Dan Warmenhoven said that "we can't predict our future. We don't know if it's going up or down." He also admitted that he wasn't optimistic about immediate prospects for growth. He wouldn't rule out modest growth per quarter, but he also warned that it would take years for NetApp to get back to the levels that it had enjoyed as recently as the fall of 2008.

"Not surprising," replied one worker whose response indicates how difficult it is for any company to juggle messages that employees often (and sometimes rightly) perceive as motivated less by the desire to reveal information than to conceal it. "Over the previous quarter," continued the anonymous employee, "Warmenhoven and [CEO Tom] Georgens slowly changed their tune from 'belt-tightening, no layoffs,' to 'we'll only do layoffs if we absolutely to have to,' to 'gee, things are looking really bad, we don't know what will happen.'"

What *did* happen turned out to be good news for both the company and its workforce. Revenue for fiscal 2010 was up 51 percent over fiscal 2009, and NetApp immediately launched efforts to fill 800 job openings worldwide.

References: "100 Best Companies to Work For," *Fortune*, February 2, 2009, http://money.cnn.com on April 21, 2011; Amy Lyman, "NetApp: Culture—Values—Leadership," Great Place to Work Institute, 2009, http://resources.greatplacetowork.com on April 21, 2011; Peter Burrows, "NetApp Rethinks the Future," *BusinessWeek*, February 11, 2009, www.businessweek.com on April 21, 2011; Sathya Mithra Ashok, "External Storage Is Back from Recession: Gartner," *Computer News Middle East*, March 9, 2011, www.computernewsme.com on April 21, 2011; John Murawski, "NetApp Trumpets Its Hiring Binge," *News Observer*, May 14, 2010, www.newsobserver.com on April 21, 2011.

*Recall that NetApp is also the subject of our *Management in Action* story in Chapter 3.

larger rewards to those individuals deemed to be most deserving. Lockheed Martin's Robert Stevens received a cash bonus of about $8.6 million in 2010.[52]

Special Forms of Executive Compensation Beyond base salary and bonuses, many executives receive other kinds of compensation as well. A form of executive compensation that has received a lot of attention in recent years has been various kinds of stock options. A **stock option plan** is established to give senior managers the option to buy company stock in the future at a predetermined fixed price. The basic idea underlying stock option plans is that if the executives contribute to higher levels of organizational performance, then the company stock should increase in value. Then the executive will be able to purchase the stock at the predetermined price, which theoretically should be lower than its future market price. The difference then becomes profit for the individual. Lockheed Martin awarded Robert Stevens stock options with a potential value of $7 million.[53]

Stock options continue to grow in popularity as a means of compensating top managers. Options are seen as a means of aligning the interests of the manager with those of the stockholders, and given that they do not cost the organization much (other than some possible dilution of stock values), they will probably be even more popular in the future. In fact, a recent study by KPMG Peat Marwick indicates that for senior management whose salary exceeds $250,000, stock options represent the largest share of the salary mix (relative to salary and other incentives). Furthermore, when we consider all of top management (annual salary over $750,000), stock options comprise a full 60 percent of their total compensation. And the Peat Marwick report indicates that even among exempt employees at the $35,000-a-year level, stock options represent 13 percent of total compensation.

But events in recent years have raised serious questions about the use of stock options as incentives for executives. For example, several executives at Enron allegedly withheld critical financial information from the markets, cashed in their stock options (while Enron stock was trading at $80 a share), and then watched as the financial information was made public and the stock fell to less than $1 a share. Of course, these actions (if proven) are illegal, but they raise questions in the public's mind about the role of stock options and about the way organizations treat stock options from an accounting perspective. Most organizations have *not* treated stock options as liabilities, even though, when exercised, they are exactly that. There is concern that by not carrying stock options as liabilities, the managers are overstating the value of the company, which, of course, can help raise the stock price. Finally, when stock prices fall below the option price they become essentially worthless.

Aside from stock option plans, other kinds of executive compensation are also used by some companies. Among the more popular are such perquisites as memberships in private clubs, access to company recreational facilities, and similar considerations. Some organizations also make available to senior executives low- or no-interest loans. These are often given to new executives whom the company is hiring from other companies and serve as an incentive for the individual to leave his or her current job to join a new organization. Lockheed Martin's Robert Stevens received $1.6 million in other compensation during 2010 for things such as perks, tax reimbursement, and payments for life insurance.[54]

Criticisms of Executive Compensation In recent years, executive compensation has come under fire for a variety of reasons. One major reason is that the levels of executive compensation attained by some managers seem simply too large for the average shareholder to understand. It is not uncommon, for instance, for a senior executive of a major corporation to earn total income from his or her job in a given year of well in excess of $1 million. Sometimes the income of chief executive officers can be substantially more than this. Thus, just as the typical person has difficulty comprehending the astronomical salaries paid to some movie stars and sports stars, so, too, would the average person be aghast at the astronomical salaries paid to some senior executives.

stock option plan
Established to give senior managers the option to buy company stock in the future at a predetermined fixed price

Compounding the problem created by perceptions of executive compensation is the fact that there often seems to be little or no relationship between the performance of the organization and the compensation paid to its senior executives.[55] Certainly, if an organization is performing at an especially high level and its stock price is increasing consistently, then most observers would agree that the senior executives responsible for this growth should be entitled to attractive rewards.[56] However, it is more difficult to understand a case in which executives are paid huge salaries and other forms of rewards when their company is performing at only a marginal level, yet this is fairly common today. For example, in 2010, General Electric CEO Jeffrey Immelt received stock options increasing his total compensation to $28.5 million from $9.8 million in 2009, a jump of 188 percent. However, shareholder returns have continued to fall behind that of similar companies over the past three years (24.33 percent compared to 32.21 percent in 2010).[57] Similarly, Johnson & Johnson CEO William Weldon received a substantial pay raise in 2011 despite numerous product recalls throughout the previous two years that cost the company $900 million.[58]

Finally, we should note that the gap between the earnings of the CEO and the earnings of a typical employee is enormous. First of all, the size of the gap has been increasing in the United States. In 1980 the typical CEO earned 42 times the earnings of an ordinary worker; by 1990 this ratio had increased to 85 times the earnings of an ordinary worker; in 2009 the ratio was 263 times the earnings of a typical worker. In Japan, on the other hand, the CEO-to-worker pay ratio is 16 times; in Germany the ratio is 13 times.[59]

New Approaches to Performance-Based Rewards

Some organizations have started to recognize that they can leverage the value of the incentives they offer to their employees and to groups in their organization by allowing those individuals and groups to have a say in how rewards are distributed. For example, at the extreme, a company could go so far as to grant salary increase budgets to work groups and then allow the members of those groups themselves to determine how the rewards are going to be allocated among the various members of the group. This strategy would appear to hold considerable promise if everyone understands the performance arrangements that exist in the work group and everyone is committed to being fair and equitable. Unfortunately, it can also create problems if people in a group feel that rewards are not being distributed fairly.[60]

Organizations are also getting increasingly innovative in their incentive programs. For example, some now offer stock options to all their employees, rather than just to top executives. In addition, some firms are looking into ways to purely individualize reward systems. For instance, a firm might offer one employee a paid three-month sabbatical every two years in exchange for a 20 percent reduction in salary. Another employee in the same firm might be offered a 10 percent salary increase in exchange for a 5 percent reduction in company contributions to the person's retirement account. Corning, General Electric, and Microsoft are among the firms closely studying this option.[61]

Regardless of the method used, however, it is also important that managers in an organization effectively communicate what rewards are being distributed and the basis for that distribution. In other words, if incentives are being distributed on the basis of perceived individual contributions to the organization, then members of the organization should be informed of that fact. This will presumably better enable them to understand the basis on which pay increases and other incentives and performance-based rewards have been distributed.

Summarize the essential elements of merit and incentive reward systems.

What are your personal opinions regarding executive compensation?

Concept Check

Summary of Learning Objectives and Key Points

1. Characterize the nature of motivation, including its importance and basic historical perspectives.
   - Motivation is the set of forces that cause people to behave in certain ways.
   - Motivation is an important consideration for managers because, along with ability and environmental factors, it determines individual performance.
   - Thinking about motivation has evolved from the traditional view through the human relations approach to the human resource view.
2. Identify and describe the major content perspectives on motivation.
   - Content perspectives on motivation are concerned with what factor or factors cause motivation.
   - Popular content theories include Maslow's needs hierarchy, the ERG theory, and Herzberg's two-factor theory.
   - Other important needs are the needs for achievement, affiliation, and power.
3. Identify and describe the major process perspectives on motivation.
   - Process perspectives on motivation deal with how motivation occurs.
   - Expectancy theory suggests that people are motivated to perform if they believe that their effort will result in high performance, that this performance will lead to rewards, and that the positive aspects of the outcomes outweigh the negative aspects.
   - Equity theory is based on the premise that people are motivated to achieve and maintain social equity.
   - Attribution theory is a new process theory.
4. Describe reinforcement perspectives on motivation.
   - The reinforcement perspective focuses on how motivation is maintained.
   - Its basic assumption is that behavior that results in rewarding consequences is likely to be repeated, whereas behavior resulting in negative consequences is less likely to be repeated.
   - Reinforcement contingencies can be arranged in the form of positive reinforcement, avoidance, punishment, and extinction, and they can be provided on fixed-interval, variable-interval, fixed-ratio, or variable-ratio schedules.
5. Identify and describe popular motivational strategies.
   - Managers use a variety of motivational strategies derived from the various theories of motivation.
   - Common strategies include empowerment and participation and alternative forms of work arrangements, such as variable work schedules, flexible work schedules, and telecommuting.
6. Describe the role of organizational reward systems in motivation.
   - Reward systems also play a key role in motivating employee performance.
   - Popular methods include merit reward systems, incentive reward systems, and team and group incentive reward systems.
   - Executive compensation is also intended to serve as motivation for senior managers but has currently come under close scrutiny and criticism.

Discussion Questions

Questions for Review

1. Each historical perspective on motivation built on the earlier perspectives and differed from them in some ways. Describe the similarities and differences between the traditional approach and the human relations approach. Then describe the similarities and differences between the human relations approach and the human resource approach.
2. Compare and contrast content, process, and reinforcement perspectives on motivation.
3. Explain how goal-setting theory works. How is goal setting different from merely asking a worker to "do your best"?
4. Describe some new forms of working arrangements. How do these alternative arrangements increase motivation?

Questions for Analysis

5. Choose one theory from the content perspectives and one from the process perspectives. Describe actions that a manager might take to increase worker motivation under each of the theories. What differences do you see between the theories in terms of their implications for managers?

6. Can factors from both the content and the process perspectives be acting on a worker at the same time? Explain why or why not. Whether you answered yes or no to the previous question, explain the implications for managers.
7. How do rewards increase motivation? What would happen if an organization gave too few rewards? What would happen if it gave too many?

Questions for Application

8. Think about the worst job you have held. What approach to motivation was used in that organization? Now think about the best job you have held. What approach to motivation was used there? Can you base any conclusions on this limited information? If so, what are they?
9. Interview both a manager and a worker (or administrator and faculty member) from a local organization. What views of or approaches to motivation seem to be in use in that organization? Do the manager's views differ from the worker's? If so, how do you explain the differing perceptions?
10. Consider a class you have taken. Using just that one class, offer examples of times when the professor used positive reinforcement, avoidance, punishment, and extinction to manage students' behavior.

Building Effective Interpersonal Skills

Exercise Overview

Interpersonal skills refer to your ability to communicate with, understand, and motivate both individuals and groups. This exercise gives you a chance to see whether the factors that motivate you come primarily from you and your work itself or from factors that are external to you and the nature of your work.

Exercise Task

Below is a list of 12 factors that contribute to job satisfaction. To find out how important each factor is to you, select a number from 1 to 5 according to the following scale:

5	4	3	2	1
Very Important		*Somewhat Important*		*Not Important*

1. ___ An interesting job that I enjoy doing
2. ___ A boss who treats everyone the same regardless of the circumstances
3. ___ Getting praise and other recognition and appreciation for my work
4. ___ A job that's routine without much change from day to day
5. ___ Opportunity for advancement
6. ___ A nice title regardless of pay
7. ___ Job responsibility that gives me the freedom to do things my way
8. ___ Good working conditions (e.g., safe environment, convenient cafeteria, etc.)
9. ___ Opportunity to learn new things
10. ___ Emphasis on following rules, regulations, procedures, and policies
11. ___ A job that I can do well and succeed at
12. ___ Job security; a job with one company

Scoring

Below, the 12 factors are divided into 2 lists. For each factor, record the number (from 1 to 5) that you put in the blank before it. Then add up each column (each column score should be from 6 to 30 points):

Motivating factor	Maintenance factor
1. ___	2. ___
3. ___	4. ___
5. ___	6. ___
7. ___	8. ___
9. ___	10. ___
11. ___	12. ___
Totals ___	___

Which factors tend to be more important to you—internal (motivating) or external (maintenance)? *The closer your column score to a total of 30, the more important that factor is to you.*

Adapted from Robert N. Lussier and Christopher F. Achua, *Leadership: Theory, Application, and Skill Development*, 4th ed. (Mason, OH: South-Western Cengage Learning, 2010), pp. 82–84.

Building Effective Decision-Making Skills

Exercise Overview

Decision-making skills refer to the ability to recognize and define problems and opportunities correctly and then to select an appropriate course of action for solving problems or capitalizing on opportunities. This exercise allows you to build your decision-making skills while applying goal-setting theory to the task of planning your career.

Exercise Background

Lee Iacocca started his career at Ford in 1946 in an entry-level engineering job. By 1960 he was a vice president and in charge of the group that designed the Mustang, and ten years later he was a president of the firm. After being fired from Ford in 1978, he then became president at Chrysler and eventually rose to the CEO spot, a job he held until he retired in 1992. What's really remarkable about Iacocca's career arc—at least the upward trajectory—is the fact that he apparently had it all planned out, even before he finished college.

The story goes that, while he was still an undergraduate, Iacocca wrote out a list of all the positions that he'd like to hold during his career. Number one was "engineer at an auto maker," followed by all the career steps that he planned to take until he was a CEO. He also included a timetable for his climb up the corporate ladder. Then he put his list on a three-by-five-inch card that he folded and stowed in his wallet, and we're told that every time he took out that card and looked at it, he gained fresh confidence and drive. He apparently reached the top several years ahead of schedule, but otherwise he followed his career path and timetable faithfully.

As you can see, Iacocca used goal-setting theory to motivate himself, and there's no reason why you can't do the same.

Exercise Task

1. Consider the position that you'd like to hold at the peak of your career. It may be CEO, owner of a chain of clothing stores, partner in a law or accounting firm, or president of a university. Then again, it may be something less lofty. Whatever it is, write it down.
2. Now describe a career path that will lead you toward that goal. It may help to work "backwards"—that is, starting with your final position and working backwards in time to some entry-level job. If you aren't sure about the career path that will lead to your ultimate goal, do some research. Talk to someone in your selected career field, ask an instructor who teaches in it, or go online. The website of the American Institute of Certified Public Accountants, for example, has a section on "Career Resources," which includes information about career paths and position descriptions for accounting.
3. Write down each step in your path on a card or a sheet of paper.
4. If, like Lee Iacocca, you were to carry this piece of paper with you and refer to it often as you pursued your career goals, do you think it would help you achieve them? Why or why not?

Management at Work

The Law of Diminishing Motivation

The enrollment of women in U.S. law schools took off after 1970, and women have been graduating at the same rate as men for more than 25 years. Today, however, the census of American law firms still counts relatively few women *partners*—typically, the veteran lawyers who are joint owners and directors. Currently, for example, 32.4 percent of all lawyers are women, yet only 19.2 percent of law-firm partners are women. Most female lawyers are *associates*—paid employees with the prospect of becoming partners. Moreover, the further up the law-firm ladder you look, the greater the disparity. According to the National Association of Women Lawyers, 92 percent of all managing partners (partners who run the business end of a firm) are men; men occupy 85 percent of the seats on the governing committees that control a firm's policies, and they hold 84 percent of all equity partnerships (which come with ownership and profit sharing). At this rate, women will achieve parity with their male colleagues in approximately 2088.

So what happens between the time women get job offers and the time firms hand out partnerships and promotions? Bettina B. Plevan, an employment-law specialist and partner in the Manhattan firm of Proskauer Rose, believes that, somewhere along the way, female lawyers lose the kind of motivation necessary to get ahead in a law office. "You have a given population of people," she observes, "who were significantly motivated to go through law school with a certain career goal in mind. What de-motivates them," she asks, "to want to continue working in the law?"

The problem, says Karen M. Lockwood, a partner in the Washington, D.C., firm Howrey, is neither discrimination nor lack of opportunity. "Law firms," she says, "are way beyond discrimination. Problems with advancement and retention are grounded in biases, not discrimination." In part, these biases issue from institutional inertia. Lauren Stiller Rikleen, a partner in the Worcester, Massachusetts, firm of Bowditch & Dewey, points out that most law firms are "running on an institutional model that's about 200 years old." And most of them, she adds, "do a horrible job of managing their personnel, in terms of training them and communicating with them." Such problems, of course, affect men as well as women, but because of lingering preconceptions about women's attitudes, values, and goals, women bear the brunt of the workplace burden. In practical terms, they face less adequate mentoring, poorer networking opportunities, lower-grade case assignments, and unequal access to positions of committee control.

To all of these barriers to success Lockwood adds the effect of what she calls the "maternal wall": Male partners, she says, assume that women who return to the firm after having children will be less willing to work hard and less capable of dedicating themselves to their jobs. As a result, men get the choice assignments and senior positions. Jane DiRenzo Pigott, a onetime law-firm partner who now owns a consultancy firm, agrees but thinks the issues run deeper than maternity leave. "People explain it simply as the fact that women have children," she explains,

> *but so many other factors play into it. Women self-promote in a different way than men, and because women don't get their success acknowledged in the same way as men who more aggressively self-promote, it creates a high level of professional dissatisfaction for women. Saying these two words "I want" is not something women are used to doing. They're not saying, "I want the top bonus" or "I want that position.". . . [W]omen need to learn how to be comfortable saying "I want" and how to say it effectively.*

The fact remains that, according to a study of "Women in Law" conducted by Catalyst, a New York research firm, 1 in 8 female lawyers work only part time, compared to just 1 in 50 males. Why? According to Plevan, most female attorneys would prefer to work and raise children at the same time but find that they can't do both effectively. "I organized my personal life so I was able to move toward my goals," she says, but admits that it helped to have a gainfully employed spouse (also a lawyer), dual incomes sufficient to hire household help, and nearby relatives to pick up the slack in home-life responsibilities. In most cases, of course, although dual incomes are an advantage to a household, it's difficult for either spouse to devote time to child rearing when they're both working. The Catalyst study shows that 44 percent of male lawyers have spouses who are employed full time—and are thus unavailable for such household duties as attending to children. Among women, nearly twice as many—84 percent—have spouses with full-time jobs.

Like firms in many other industries, law firms have experimented with such options as flexible scheduling and parental leave. More and more, however, they report that such measures have not been as effective as they'd hoped. Says Edith R. Matthai, founder with her husband of the Los Angeles firm Robie & Matthai: "We're very accommodating with leaves and flexible schedules, and even with that we still lose women. . . . [The] pressures on women from spouses, family, peers, schools, and others is huge," she adds. The situation has improved over the last 30 years, but "we have a long way to go. . . . I think the real solution is a reassessment of the role that women play in the family. One thing we need is a sense of shared responsibilities for the household and, most importantly, shared responsibilities for taking care of the kids."

Case Questions

1. Among the various approaches to enhancing workplace satisfaction and productivity discussed in the chapter, which ones might you take under the circumstances described in the case? Why are some of the other approaches less likely to be effective (or even relevant)?
2. You're the managing partner in a law firm with 55 male associates and 45 female associates, and you agree with the argument that women lawyers need to "self-promote" more effectively. Which approach to motivation would you apply in order to encourage female associates in your firm to "self-promote" more actively? Explain your choice of approach.
3. What about your own values when it comes to balancing your home and work life? Assume that you're about to graduate from law school and about to get married to a fiancé(e) who's also about to graduate from law school. When you sit down with your future husband/wife to discuss your plans for married life ever after, what do you want to do about raising a family? What kind of adjustments will you propose if it turns out that your fiancé(e)'s ideas on the matter are more or less the opposite of your own? Be sure to consider such factors as the debt you've racked up while in law school and the standard of living that you'd like to achieve.

Case References

Patricia Gillette, "Lack of Self-Promotion Hurts Women in Large Firms," *Law.com*, July 9, 2009, http://amlawdaily.typepad.com on April 18, 2011; Lizz O'Donnell, "Women in Law Firms: Stuck in the Middle," *The Glass Hammer*, July 23, 2009, www.theglasshammer.com on April 18, 2011; Timothy L. O'Brien, "Why Do So Few Women Reach the Top of Big Law Firms?" *New York Times*, March 19, 2006, www.nytimes.com on April 18, 2011; Catalyst, "Women in Law," May 3, 2010, www.catalyst.org on April 18, 2011; Lynne Marek, "Women Lawyers Find Their Own Paths as Law Firms Struggle to Keep Them," *Law.com*, June 25, 2007, www.law.com on April 18, 2011.

YOU MAKE THE CALL Are You Happily Productive or Productively Happy?

1. How might the relationship between happiness and productivity be approached by each of the following motivational theories—*ERG*, *two-factor*, *expectancy*, *equity*, and *goal-setting theory*?
2. What factors help to engage you in a task? What factors tend to contribute to "positivity" when you're working on a task? What factors tend to make your attitude negative?
3. Paul Larson says that "people tend to join a company but leave their supervisor." Do you agree or disagree? Explain your answer.
4. According to Alexander Kjerulf, there are two things that you can do to enhance happiness in your work life: (1) get happy in the job you have or (2) get another job. In your opinion, which of these options is most likely to be successful? Personally, which option appeals to you more? If you must accept option number 1, what steps would you take to make yourself happier in a job?

CengageNow™ Highlights

Now use your CengageNow™ homework to help you:

- Apply management theories in your life
- Assess your management skills
- Master management terms and concepts
- Apply your knowledge to real-world situations
- Analyze and solve challenging management problems

In order to take advantage of these elements, your instructor will need to have set up a course for your class within CengageNow™. Ask your instructor to contact his/her Cengage sales representative and Digital Solutions Manager to explore testing CengageNow™ in your course this term.

Notes

1 Sara Caputo, "Which Comes First: Happiness or Productivity?" *Toolbox for HR*, April 15, 2009, http://hr.toolbox.com on April 18, 2011; Alexander Kjerulf, "Top 10 Reasons Why Happiness at Work Is the Ultimate Productivity Booster," *PositiveSharing.com*, March 27, 2007, http://positivesharing.com on April 18, 2011; Paul Larson, "Do Happy Employees Make Productive Employees?" *Suite101.com*, May 4, 2009, www.suite101.com on April 18, 2011; Charles Kerns, "Putting Performance and Happiness Together in the Workplace," *Graziado Business Report*, Vol. 11 (2008), http://gbr.pepperdine.edu on April 18, 2011.

2 Richard M. Steers, Gregory A. Bigley, and Lyman W. Porter, *Motivation and Leadership at Work*, 6th ed. (New York: McGraw-Hill, 1996). See also Maureen L. Ambrose and Carol T. Kulik, "Old Friends, New Faces: Motivation Research in the 1990s," *Journal of Management*, 1999, Vol. 25, No. 3, pp. 231–292; and Edwin Locke and Gary Lartham, "What Should We Do about Motivation Theory? Six Recommendations for the Twenty-First Century," *Academy of Management Review*, 2004, Vol. 29, No. 3, pp. 388–403.

3 See Nigel Nicholson, "How to Motivate Your Problem People," *Harvard Business Review*, January 2003, pp. 57–67. See also Hugo Kehr, "Integrating Implicit Motives, Explicit Motives, and Perceived Abilities: The Compensatory Model of Work Motivation and Volition," *Academy of Management Review*, 2004, Vol. 29, No. 3, pp. 479–499; and James M. Diefendorff and Megan M. Chandler, "Motivating Employees," in Sheldon Zedeck (ed.), *Handbook of Industrial and Organizational Psychology*, Vol. 3: *Maintaining, Expanding, and Contracting the Organization* (Washington, DC: American Psychological Association, 2010), pp. 635–135.

4 See Jeffrey Pfeffer, *The Human Equation* (Cambridge, MA: Harvard Business School Press, 1998); see also Nitin Nohria, Boris Groysberg, and Linda-Eling Lee, "Employee Motivation—A Powerful New Model," *Harvard Business Review*, July–August 2008, pp. 78–89.

5 See Craig Pinder, *Work Motivation in Organizational Behavior* (Upper Saddle River, NJ: Prentice-Hall, 1998).

6 Frederick W. Taylor, *Principles of Scientific Management* (New York: Harper & Brothers, 1911).

7 Elton Mayo, *The Social Problems of an Industrial Civilization* (Cambridge, MA: Harvard University Press, 1945); Fritz J. Rothlisberger and W. J. Dickson, *Management and the Worker* (Cambridge, MA: Harvard University Press, 1939).