Segment: People at Work

Topic 3: Motivation

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Introduction

Why do some people perform better than others? What drives people to perform at higher levels? In this topic, we will look at how performance can be driven by motivation and satisfaction, and the ways in which such behaviour can be directed.

Learning Objectives

At the end of this topic, you will be able to:

- describe the relationship between motivation, satisfaction and performance
- distinguish between intrinsic and extrinsic rewards
- discuss the consequence of rewards and how to manage them
- describe the two major theories of motivation.

1. The Relationship Between Motivation, Satisfaction and Performance

The relationship of motivation, satisfaction and performance may not be as clear as you previously expected. Satisfaction does not necessarily mean that employees will increase their level of performance. Instead, employees may increase their level of performance when they receive intrinsic or extrinsic rewards. When people expect that effort will lead to performance, and that performance will be rewarded with valued rewards, they tend to be more motivated to perform. But why are different rewards motivating to different people? This topic examines that question.

2. Intrinsic and Extrinsic Rewards

Fig.1: Intrinsic and Extrinsic Rewards

People can be motivated by both extrinsic and intrinsic rewards. Some people are more motivated by extrinsic rewards, while others are more motivated by intrinsic rewards. Extrinsic rewards are rewards that come from outside the individual, such as money, benefits, recognition and promotions. In contrast, intrinsic rewards are internal feelings of satisfaction, such as a sense of accomplishment or pride in a job.

Jobs in which employees feel they are doing meaningful work, where they are responsible for their outcomes, and use feedback to gauge their performance tend to create intrinsic motivation for performance.

2.1 Consequences of Rewards

An important role of the manager is to influence the behaviour of people to produce desired results. Providing rewards is one way to induce performance. But how is a manager to know if extrinsic or intrinsic rewards are more attractive to employees? What are the consequences of applying the wrong motivational strategy?

2.2 External Rewards

Management that focuses only on extrinsic rewards has both positive and negative consequences. On the positive side, many people value extrinsic rewards. When people who value extrinsic rewards are paid on a piece-rate system, they will work harder to produce more because more work results in greater earnings. This strategy is most effective when there is a large management hierarchy to supervise and control a relatively unskilled pool of workers who perform simple, routine tasks. This strategy can also be very effective for employees who value security and for people who are most interested in meeting their physiological needs, safety needs and some aspects of their belongingness or esteem needs (to the extent that external rewards give them love and respect from others).

Although focusing on external rewards can increase individual production, this approach can have negative consequences as well. One negative consequence is that by participating in a system focused on external rewards, workers may feel like insignificant components in the "company machinery".

Their loyalty may be based more on earnings potential rather than a feeling of pride or sense of community with the company. Also, a focus on quantity of work (as is the case in a piece-rate system of pay) often decreases the quality of work. In addition, providing rewards based on individual effort can increase competition between employees and lead to a breakdown in cooperation. Thus, the downside of focusing on externally-based rewards is that it can cause problems such as decreased cooperation and increased competition between individuals, and a decrease in quality can cause the performance of the group to suffer.

Another problem with using extrinsic rewards to motivate employees is that it can undermine the inherent intrinsic rewards of a job. For example, Jeong was an insurance sales person who loved her job; she enjoyed talking with people, identifying their needs and selling products that protected clients' health and financial well-being. It was very important to her that she was not only helping her company but providing a valuable service and peace of mind to her customers. A year and a half after Jeong started, the company changed the compensation policy so that base salary was taken away.

Instead, Jeong was paid a sizeable commission for every new insurance policy she sold. After a year of working under the new compensation policy, Jeong found herself focusing more on the size of the commission she would make than the true needs of her customers. Because Jeong received more commission for bigger policies, she began selling people more coverage than they really needed. Her love of working with and helping people disappeared. When the organisation later reduced its financial bonus for each policy, Jeong quit. What she had previously done for enjoyment, she no longer enjoyed.

Money is the most widely used incentive to motivate people. The extraordinarily high salaries and benefits given to many executives show that it is not only lower-level employees who are rewarded with money. How can money be an effective motivator if extrinsic rewards decrease intrinsic motivation?

One possible reason is that some extrinsic rewards also have a communication value. They are symbols that communicate to employees and others how highly the employees are valued and how well they are doing their work. This feeling of accomplishment and achievement can act as an intrinsic, as well as extrinsic, reward.

2.3 Internal Rewards

Fig.2: Internal Rewards

There are also positive and negative consequences of using intrinsic rewards to motivate employees. Motivational strategies that rely on extrinsic rewards like money are not as effective with workers who are motivated by internal factors. Employees who value achievement and feel motivated when they can increase their competence, knowledge and experience will be more motivated when they are provided work that allows them to adapt, create and innovate. For people whose needs focus more on self-actualisation and growth, external rewards are secondary to the rewards a particular job provides their ability to grow and learn. For example, in many countries teachers are not paid well but feel a sense of internal reward that comes from contributing to the growth and knowledge of children.

Positive consequences of intrinsic motivation include increased productivity, self-esteem, satisfaction, communication and cooperation among employees who value intrinsically-rewarding work. High achievers who rely on intrinsic motivation are more likely to be creative, innovative and flexible achieving organisational and personal goals. Also, organisations can change their tactics or strategies more easily, as long as employees are given a powerful vision of the goal and the reasons why it is important.

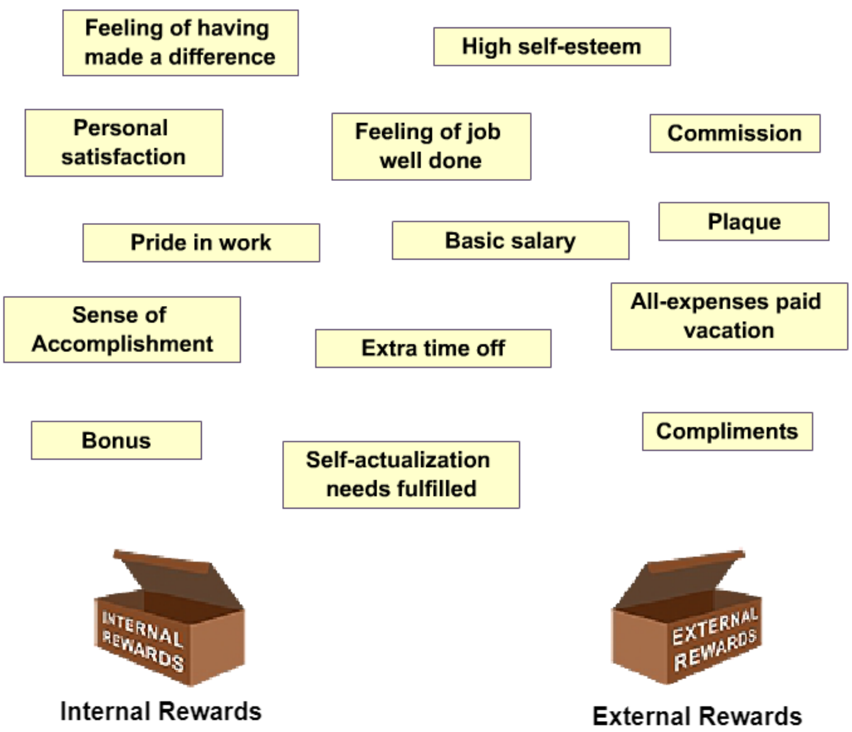
In contrast, implementing a motivational system based on intrinsic rewards does not work for all people. Some employees are more motivated by extrinsic factors such as money and do not focus on their work as a source of accomplishment, achievement or pride. Another problem with trying to use intrinsic rewards as a source of motivation is that managers often fail to use this strategy properly. For example, intrinsically-motivated employees prefer autonomy and freedom when making decisions. However, if a manager is unable to relinquish real decision-making power to subordinates, this can lead to mixed messages and a lack of genuine participation. If this occurs, employees often develop distrust and lose their motivation. Working with others can bring out other negative aspects of intrinsic motivation. Employees with different work styles and goals can come into conflict as they hold different objectives to be important. Individual goals can displace team goals, and team members may work against each other.

In order to implement organisational strategy effectively, it is important to motivate employees to work towards the strategy. Motivation is achieved by using external rewards to produce extrinsic motivation and internal rewards to produce intrinsic motivation. Whether external or internal rewards should be used, and in what combinations, depends upon the strategy the organisation is seeking to pursue.

Exercise

Read the exercise that tests your understanding of internal and external rewards.

Exercise: Internal/External Rewards



In this short exercise, you are provided a list of fourteen types of rewards. You are required to categorise each reward into internal or external reward.

Rewards are often categorised into two areas: external and internal. An external reward is something that can be created by someone else and is dependent of the person receiving it. Internal rewards, on the other hand, are the personal consequences of doing something. They are not easily controlled by someone other than the person doing the job.

3. Managing Consequences of Rewards

The most common technique for managing the negative consequences of intrinsic and extrinsic rewards is to use both. Managers should be sensitive to the needs of different employees and use a range of motivational techniques.

When relying on intrinsic rewards for employees who work in teams, managers can use team-building techniques, implement conflict-resolution procedures, set team goals, implement work process changes to reach those goals, and give feedback regarding their achievement. These tools can minimise the negative effects of conflict and goal displacement.

When using intrinsic rewards, employees at all levels should be involved with developing ideas and given responsibility to execute them. Subordinates should be socialised into the vision and culture of the organisation and must receive the knowledge, skills and information they need to make decisions. Work should be designed so that it is interesting and therefore motivates concentrated effort.

When providing extrinsic rewards, managers must set goals that allow workers to realistically obtain rewards. Rewards that are too difficult to reach because goals are set too high tend to produce far lower levels of quality as well as increased accidents, injuries and low morale. Managers must monitor workflow, seek employee feedback as needed and provide enough resources to do the work. Organisations can use a number of different strategies to manage the consequences of extrinsic reward systems by

- acknowledging that not all people need extrinsic motivation beyond salary and that some extrinsic motivators may undermine performance and satisfaction.
- adjusting management styles to deal with the needs of employees. For example, if a member of the group is motivated by praise, his or her manager may need to offer a great deal of verbal encouragement when dealing with this employee, even if it is not the manager's usual style.
- offering a variety of extrinsic rewards.
- retaining employees who are highly intrinsically-motivated. Organisations and managers should seek to enrich jobs and developmental opportunities for employees. This may also lead to more overall job satisfaction.

4. Equity Theory

In considering whether he or she is being treated equitably, a person considers how much he or she is getting out ("outcomes") relative to how much he or she is putting in ("inputs"). For it to seem equitable, his or her outcomes must be reasonable given his or her input. Further, in determining whether things are equitable, people make a social comparison. They compare the ratio of their outcomes to inputs with the ratio of other people, such as co-workers. To feel equitable, the person needs to see that the ratio of his or her outcomes to inputs is the same as that of other people. If these comparisons make it seem equitable, then the person is motivated to contribute their inputs. If it seems inequitable, such that the person's ratio is less than other peoples', the person may only go ahead if their outcomes can be increased, or he or she will reduce his or her input, or not participate at all.

Equity theory can be handily summarised in the following way:

$$\underset{\textbf{Person}}{\frac{\text{Outcomes}}{\text{Inputs}}} = \underset{\textbf{Other}}{\frac{\text{Outcomes}}{\text{Inputs}}}$$

5. Expectancy Theory

Expectancy theory says that a person will only be motivated to do something if he or she perceives that it will lead to a reward, i.e., something he or she values. The person expends effort that produces performances which cause outcomes that have a certain valence (ie, value). The person is more likely to expend great effort if he or she perceives that it will probably lead to high enough performances to create outcomes that have positive valence. The perceived links between effort and performances, and performances and outcomes must be in place, as must the connection between outcomes and valence. Each of these three links in the chain must be present to some minimum degree for the person to be motivated to do the task. These links are in the mind of the person. They are his or her "expectancies" of the link between effort and performances, and of the link between performances and outcomes. Thus, the emphasis in expectancy theory is on the expectancies as perceived by the person because it is these that drive his or her decision about whether to try to do the task and how much effort to put into it.

Expectancy theory can be handily summarised in the following way:

Motivation = Expectancy that effort leads to performances × Expectancy that performances lead to outcomes × Valence of the outcomes

This formula shows that if any of the expectancies or the valence is low, then motivation is low. This brings out that motivation is "only as strong as the weakest link in the chain". For example, in a bank if there is a monetary incentive scheme that rewards high performance, but if the workers perceive that their efforts are repeatedly frustrated by computer breakdowns, then the scheme will not motivate them because they perceive a low link between their effort and performance. Thus, managers need to ensure that all the links in the chain are present, which means that they are present in the minds of the employees. An example in another part of the chain: senior management may be trying to motivate the middle managers by offering them bonuses if the profit targets of their business units are met. However, the way the bonus is calculated may be so complicated that the middle managers do not understand it, and so they do not perceive profit outcomes as having high valence.

6. Other Motivational Techniques

One approach to motivation that is widely applicable is goal-setting. Another approach to motivation works through improving a person's self-efficacy, that is, changing the perception he or she has of his or her own ability. Self-efficacy has been revealed to be a major factor leading to successful performance, as explained by its leading exponent Albert Bandura of Stanford University (Bandura, 2000).

7. Summary

Here is a quick recap of what we have learnt so far:

- Employees can be motivated to perform by both intrinsic and extrinsic rewards.
- Extrinsic rewards refer to rewards that come from outside an individual such as money and recognition. Intrinsic rewards are internal feelings of satisfaction such as the feeling of accomplishing something meaningful.
- Managers should acknowledge that individuals differ in their preferences about different types of rewards and so should use a variety of strategies to reward employees.
- Equity theory says that people compare their outcomes relative to their inputs and also compare others' inputs and outcomes in determining how fairly they are being treated.
- Expectancy theory suggests that people will be motivated to engage in a behaviour to the degree that they believe that the behaviour will lead to an outcome and the degree to which they value that outcome.

8. Glossary

Motivation	The forces within a person that affect his or her direction, intensity and persistence of voluntary behaviour.
Piece-rate system	Providing monetary or other rewards for each unit a person produces. For example, paying someone a dollar for each piece of equipment he or she produces.

9. Answers

Exercise: Internal/External Rewards

Internal Rewards	External Rewards
Feeling of having made a difference	Plaque
High self-esteem	Compliments
Self-actualization needs fulfilled	All-expenses paid vacation
Pride in work	Extra time off
Personal satisfaction	Basic salary
Feeling of job well done	Bonus
Sense of Accomplishment	Commission

10. References

- Bandura, A. "Cultivate Self-Efficacy for Personal and Organizational Effectiveness." In the Blackwell Handbook of Organizational Behaviour, edited by Edwin A. Locke, 120-36. Oxford, UK: Blackwell Publishers Ltd, 2000.
- Latham, G.P. "Motivate Employee Performance Through Goal-Setting." In the Blackwell Handbook of Organizational Behaviour, edited by Edwin A. Locke, 107-19. Oxford, UK: Blackwell Publishers Ltd, 2000.