
Motivation in theory and practice

Chapter 17 – November, 2016

IMPORTANCE OF MOTIVATION

- ▶ Employees may lack motivation even if they are satisfied with
 - ▶ Salary
 - ▶ Conditions at work
- ▶ Short run: lack of motivation may lead to
 - ▶ Reduced effort
 - ▶ Lack of commitment
 - ▶ Negative motivation: fear of redundancy
- ▶ Long run: lack of motivation may result in
 - ▶ Absenteeism
 - ▶ Disputes
 - ▶ Falling productivity
- ▶ Motivated employees will be productive (leading to higher efficiency and profits)
- ▶ What are the motivational theories used in business?

THEORIES

SUMMARY (1)

- ▶ **Taylor's scientific principles:** (people are only motivated by *money*)
 - ▶ observe workers (*stop-watch*) and propose a more efficient production process
 - ▶ give workers an incentive (*money*)
 - ▶ **Problem:** (i) the *most efficient way* may not suit everyone + (ii) workers are not machines
- ▶ **Mayo's theory of human relations:** *improved interaction* between workers is more important than financial reward
 - ▶ experiment: changes were made to work conditions of workers and output was observed (*Hawthorne effect*)
 - ▶ money has little or no effect on *productivity*
 - ▶ **Problem:** (i) consensus between management and worker is not given, (ii) transparency could also lead to unrest (salary of managers), (iii) productivity is biased towards management

THEORIES

SUMMARY (2)

- ▶ **Maslow's hierarchy of needs:** (*pyramid of needs*)
 - ▶ classify needs and relation between categories of needs
 - ▶ as levels are satisfied, needs at this level become less important except the top level (*self-actualisation*)
 - ▶ **Problem:** (i) some levels inexistant for some individuals, (ii) how to decide that a level has been satisfied
- ▶ **Herzberg's two-factor theory:** (2 categories of factors for satisfaction)
 - ▶ (i) *Motivators* (give job satisfaction), and (ii) *Hygiene* (can make workers dissatisfied)
 - ▶ workers want more *responsibility* and *recognition*
 - ▶ relation between Maslow's and Herzberg's ideas
 - ▶ **Problem:** (i) improved conditions will be taken as given after a while, (ii) workers perception of satisfaction is very subjective

TAYLOR'S THEORY OF SCIENTIFIC MANAGEMENT

OVERVIEW

- ▶ Reference: *The Principles of Scientific Management* (Frederick W. Taylor, 1911)
- ▶ Period of rapid expansion in US (turn of 20th century)
- ▶ Organisation of work done by workers and foremen: brought own tools, no training programmes, *watch and learn*, decisions done by foremen
- ▶ Taylor highlighted the *inefficiencies* of this approach
- ▶ He designed scientific principles in order to reduce these inefficiencies
 - ▶ *objective laws* that workers and management could agree on
 - ▶ reduce *conflict* between the two parties
 - ▶ create *partnership* between the two parties

TAYLOR'S THEORY OF SCIENTIFIC MANAGEMENT

TAYLOR'S APPROACH

- ▶ see Table 1 page 100: Illustration of Taylor's method
- ▶ Taylor's view: Workers are motivated by a *fair pay for fair work*
 - ▶ non-productive worker → faces loss of earnings
 - ▶ productive worker → gets a bonus
- ▶ Taylor applied his theory: 1899 at the *Bethlehem Steel Works* (US) → production increased by 400% per man per day
- ▶ in the 1990s, businesses introduced *business process reengineering* (BPR) → how could *processes* be constructed in order to improve business (*clean slate*)

TAYLOR'S THEORY OF SCIENTIFIC MANAGEMENT

PROBLEMS WITH TAYLOR'S APPROACH

- ▶ Taylor's approach: businesses should find the *best way* for adding value to the business
- ▶ No guarantee that *best way* will fit everyone (individual differences are not considered)
- ▶ Taylor overlooked that workers are not only driven by money
- ▶ Survey (Robb and Myatt, 2004) show that most important factors motivating employees are:
 - ▶ sense of achievement
 - ▶ having achievement recognised
 - ▶ having positive working relationships

MAYO'S THEORY OF HUMAN RELATIONS

THE HAWTHORNE STUDIES

- ▶ There are other factors that affect workers' motivation
- ▶ Workers' productivity is affected by
 - ▶ work conditions
 - ▶ skills of workers
 - ▶ financial incentives
- ▶ Over the period 1927-1932 changes (experiments) were made in
 - ▶ incentive schemes
 - ▶ rest periods
 - ▶ hours of work
 - ▶ lighting and heatingand impact on workers' productivity was measured
- ▶ *Hawthorne effect*: whatever changes are made (even return to initial state) output rises
- ▶ Conclusions of study: greater cohesion and communication motivates employees to work together (Elton Mayo → *human relations school*)

MAYO'S THEORY OF HUMAN RELATIONS

THE HAWTHORNE STUDIES

- ▶ Allow groups of workers to be part of the *decision*
- ▶ Examples where these ideas are applied:
 - ▶ Volvo plant in Uddevalla (low absenteeism!)
 - ▶ Honda plant in Swindon (teamwork and associates instead of workers and directors)
 - ▶ ...
- ▶ **Problems** with the *human relations approach*:
 - ▶ assumes that workers and management shares *same goals*
 - ▶ assumes that communication between workers and management will break down *barriers*
 - ▶ reduces trade union power

MASLOW'S HIERARCHY OF NEEDS

- ▶ Reference: *Motivation and Personality* (Abraham Maslow, 1954)
- ▶ First part of book deals with *classification of needs*
- ▶ Second part discusses how these classes *are related to each other*
- ▶ *see* Figure 1 page 101
 - ▶ bottom of pyramid are *basic needs* (i.e., food, ...)
 - ▶ top of pyramid is *self-actualisation*: needed to fulfil your potential

MASLOW'S HIERARCHY OF NEEDS

- ▶ few reach the top level
- ▶ each level is dependent on the levels below (see example in book)
- ▶ Message of this theory: *Find out the level at which the individual is and decide on suitable rewards!*
- ▶ Problems with this theory
 - ▶ some levels don't exist for certain individuals
 - ▶ some rewards fit into more than one class
 - ▶ difficult to decide when a level has been *satisfied*

HERZBERG'S TWO-FACTOR THEORY

RESULTS

- ▶ Frederik Herzberg (1966) tries to find out what motivates people at work
- ▶ He asked employees (engineers and accountants) to describe incidents that gave them *satisfaction* or *dissatisfaction*
- ▶ Herzberg divides causes into 2 categories/factors:
 - ▶ *motivators*: factors that give job satisfaction and will make workers more *productive*
 - ▶ *hygiene* or *maintenance factors*: factors that could make workers feel dissatisfied and removing these will avoid dissatisfied workers
- ▶ His ideas are linked to *job enrichment* (expand jobs so that workers experience more from production process)

HERZBERG'S TWO-FACTOR THEORY

PROBLEM

- ▶ *Better conditions* may be taken as *granted* by workers once it has been given to them (even better conditions may be asked in the future)
- ▶ *job enrichment* may be expensive for companies
- ▶ job improvements may be difficult in periods of *recession*
- ▶ surveys have not managed to reproduce Herzberg's results
- ▶ *see* Figure 2 page 102

IMPROVING STAFF PERFORMANCE

FINANCIAL INCENTIVES

1. **Scientific approach:** Employees will be mainly motivated by *financial rewards*
2. **Human relations view:** Employees are motivated by a variety of factors:
 - ▶ Workers are motivated by:
 - ▶ *Piecework:* payment by results (i.e., pay worker by number of parcels delivered)
 - ▶ *Commission:* payment for achieving a target (basic salary + commission)
 - ▶ *Bonus:* payment only if targets are met (*if it has been earned*). Other examples: loyalty bonuses (at the end of the year) → reward workers for staying with company
 - ▶ *Profit sharing:* profit is distributed to *workers* and *shareholders*. Signal that staff is *appreciated* (see Maslow's hierarchy of needs). Example: John Lewis Partnership is owned in trust for its workers.

IMPROVING STAFF PERFORMANCE

FINANCIAL INCENTIVES

- ▶ Workers are motivated by (*contd.*):
 - ▶ *Performance-related pay* (PRP):
 - ▶ introduced in 1980s and 1990s
 - ▶ today widely used in *financial services industry*, and in *public sector*
 - ▶ PRP gives worker *extra pay* for achieving targets
 - ▶ Achievements may be in levels: *good, excellent, ...*
 - ▶ Targets are set through a *system of appraisal* (performance defined by a set of criteria: arriving on time, ...)
 - ▶ Criticism on PRP: (*i*) bonus may be too low to give incentive, (*ii*) teamwork matters - therefore it makes more sense to give bonus for productivity of team, (*iii*) if targets seem difficult to achieve, workers will not even try, (*iv*) appraisal is not an independent objective procedure

IMPROVING STAFF PERFORMANCE

FINANCIAL INCENTIVES

- ▶ low appraisal grade → may demotivate staff
- ▶ staff may give up trying to improve performance
- ▶ failure to receive PRP bonus may hurt employee's *self-esteem*

IMPROVING STAFF PERFORMANCE

NONFINANCIAL INCENTIVES

- ▶ Increasingly businesses realize:
 - ▶ money may not be an effective motivator
 - ▶ financial incentives are difficult to operate
 - ▶ production process is organised in group tasks → individual reward schemes difficult to implement

IMPROVING STAFF PERFORMANCE

NONFINANCIAL INCENTIVES - FACTORS

- ▶ Delegation: manager hands over more complex task to subordinate.
- ▶ Consultation: staff is consulted when changes are made.
- ▶ Empowerment: empower employees.
- ▶ Teamworking: production organised in small teams.
- ▶ Flexible working: benefits for business but also motivates workers.
- ▶ Job enrichment: *vertical extension* of employee's responsibility (*see Herzberg's two-factor theory*)
- ▶ Job rotation: changing tasks/departments from time to time.
- ▶ Job enlargement: giving an employee more work of the same nature (*horizontal expansion*).

see book for more details (p.104-106)