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# Motivation: Theory & practice

2017-18

## 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*  
→ higher *efficiency* and *profits*

# IMPORTANCE OF MOTIVATION

## MOTIVATION THEORIES

What are the motivational theories used in business?

- ▶ **Taylor:** scientific management
- ▶ **Mayo:** human relations theory
- ▶ **Maslow:** hierarchy of needs
- ▶ **Herzberg:** two-factor theory

# 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* (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  
→ *inefficiency* of this approach
- ▶ *scientific principles* in order to reduce inefficiencies
  - ▶ workers & management could agree on *objective laws*
  - ▶ reduce *conflict*
  - ▶ create *partnership*

# TAYLOR'S THEORY OF SCIENTIFIC MANAGEMENT

## TAYLOR'S APPROACH

- ▶ *see* Table 1 page 100: Illustration of Taylor's method
- ▶ Taylor's view:  
Workers motivation: *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

- ▶ No guarantee that *best way* will fit everyone  
→ individual differences are not considered
- ▶ Workers are not only driven by money!
- ▶ Survey by Robb and Myatt (2004) shows that employees care about:
  - ▶ sense of achievement
  - ▶ having achievement recognised
  - ▶ having positive working relationships

# MAYO'S THEORY OF HUMAN RELATIONS

## THE HAWTHORNE STUDIES

- ▶ Workers' productivity is *also* affected by
  - ▶ work conditions
  - ▶ skills of workers
  - ▶ financial incentives
- ▶ *Experiment*: changes were made in
  - ▶ incentive schemes
  - ▶ rest periods
  - ▶ hours of work
  - ▶ lighting and heating

and impact on workers' productivity was measured

# MAYO'S THEORY OF HUMAN RELATIONS

## THE HAWTHORNE STUDIES

- ▶ *Hawthorne effect*: whatever changes are made (even return to initial state) output rises
- ▶ Conclusions of study:  
greater *cohesion* and *communication* motivates employees  
Elton Mayo → *human relations school*

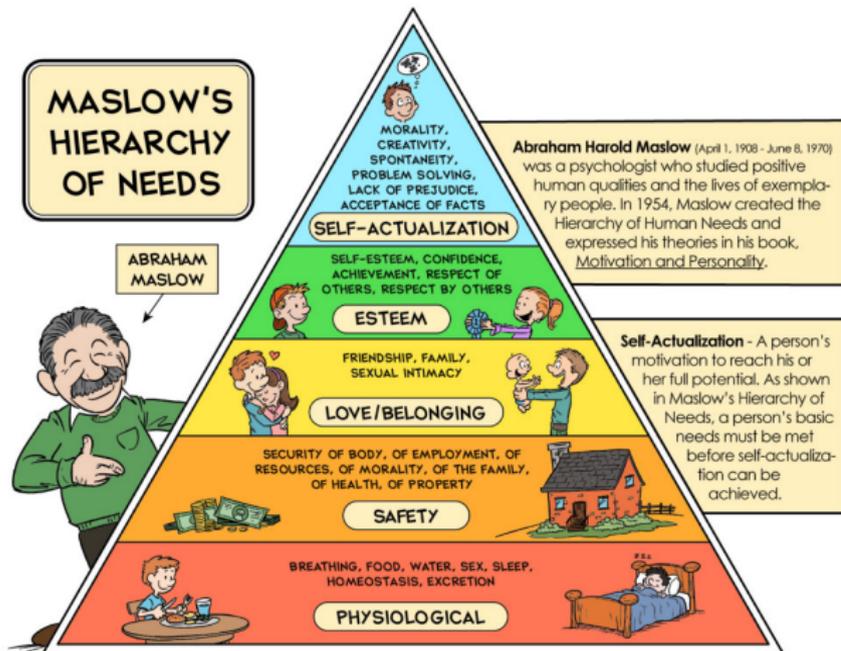
# MAYO'S THEORY OF HUMAN RELATIONS

## 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* (Maslow, 1954)
- ▶ First part of book deals with *classification of needs*
- ▶ Second part discusses how these classes *are related to each other*



# MASLOW'S HIERARCHY OF NEEDS

- ▶ few reach the top level
- ▶ each level is dependent on the levels below
- ▶ Main 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

- ▶ Herzberg (1966): 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*  
→ better experience from production process

# HERZBERG'S TWO-FACTOR THEORY

## Herzberg Two-factor Theory of Motivation



# 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

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# 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:

# IMPROVING STAFF PERFORMANCE

## FINANCIAL INCENTIVES

- ▶ *Piecework*: payment by results
- ▶ *Commission*: 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* (e.g., John Lewis)

# IMPROVING STAFF PERFORMANCE

## FINANCIAL INCENTIVES

- ▶ *Performance-related pay* (PRP):
  - ▶ introduced in 1980s and 1990s
  - ▶ today widely used in *financial services industry*
  - ▶ 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

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# 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)