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Eighth Edition

PART 4
Leading

CHAPTER 10

Managing Employee Motivation and Performance

Fundamentals of

MANAGEMENT

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Learning Outcomes

After studying this chapter you should be able to:



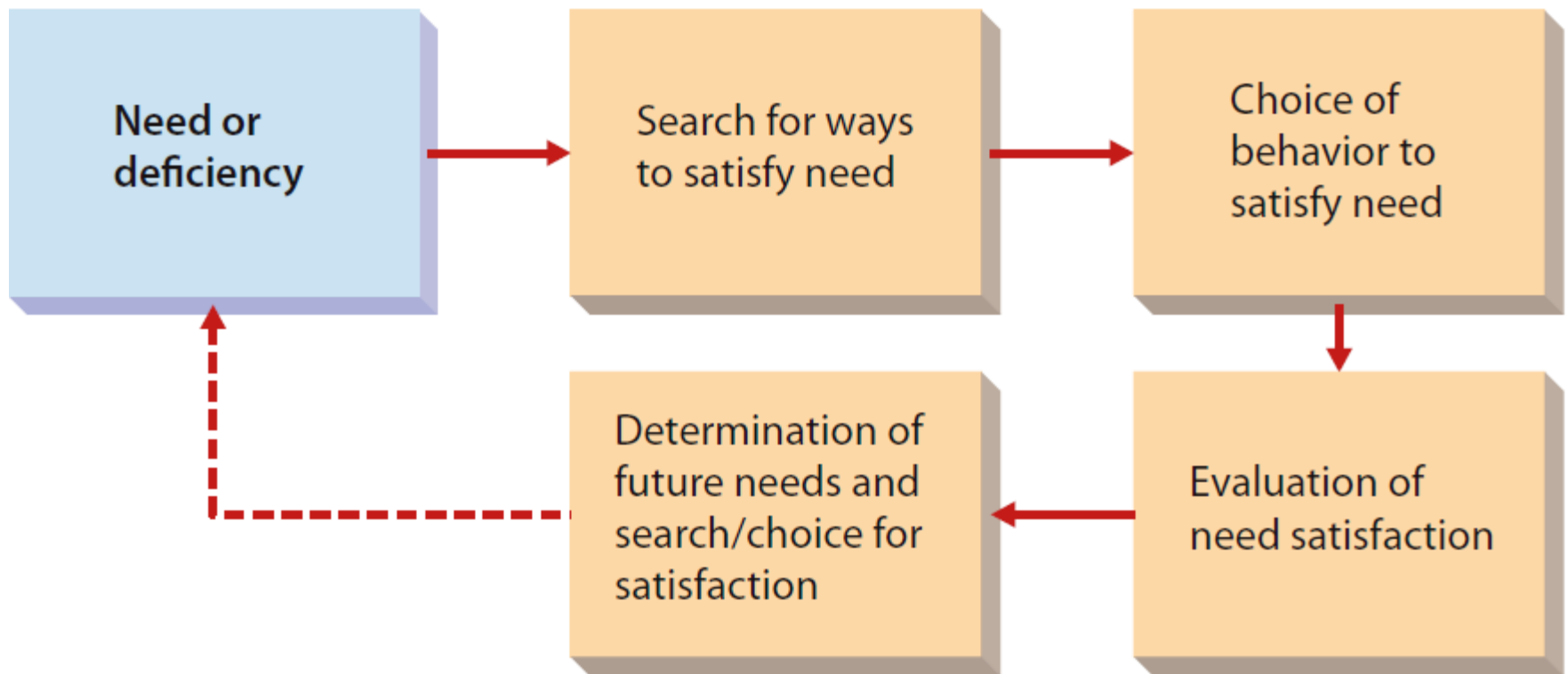
1. Characterize the nature of motivation, including its importance and basic historical perspectives.
2. Identify and describe the major content perspectives on motivation.
3. Identify and describe the major process perspectives on motivation.
4. Describe reinforcement perspectives on motivation.
5. Identify and describe popular motivational strategies.
6. Describe the role of organizational reward systems in motivation.

The Nature of Motivation

- Motivation
 - The set of forces that cause people to behave in certain ways.
- Determinants of Individual Performance
 - Motivation
 - Ability
 - Work environment



FIGURE 10.1 The Motivation Framework



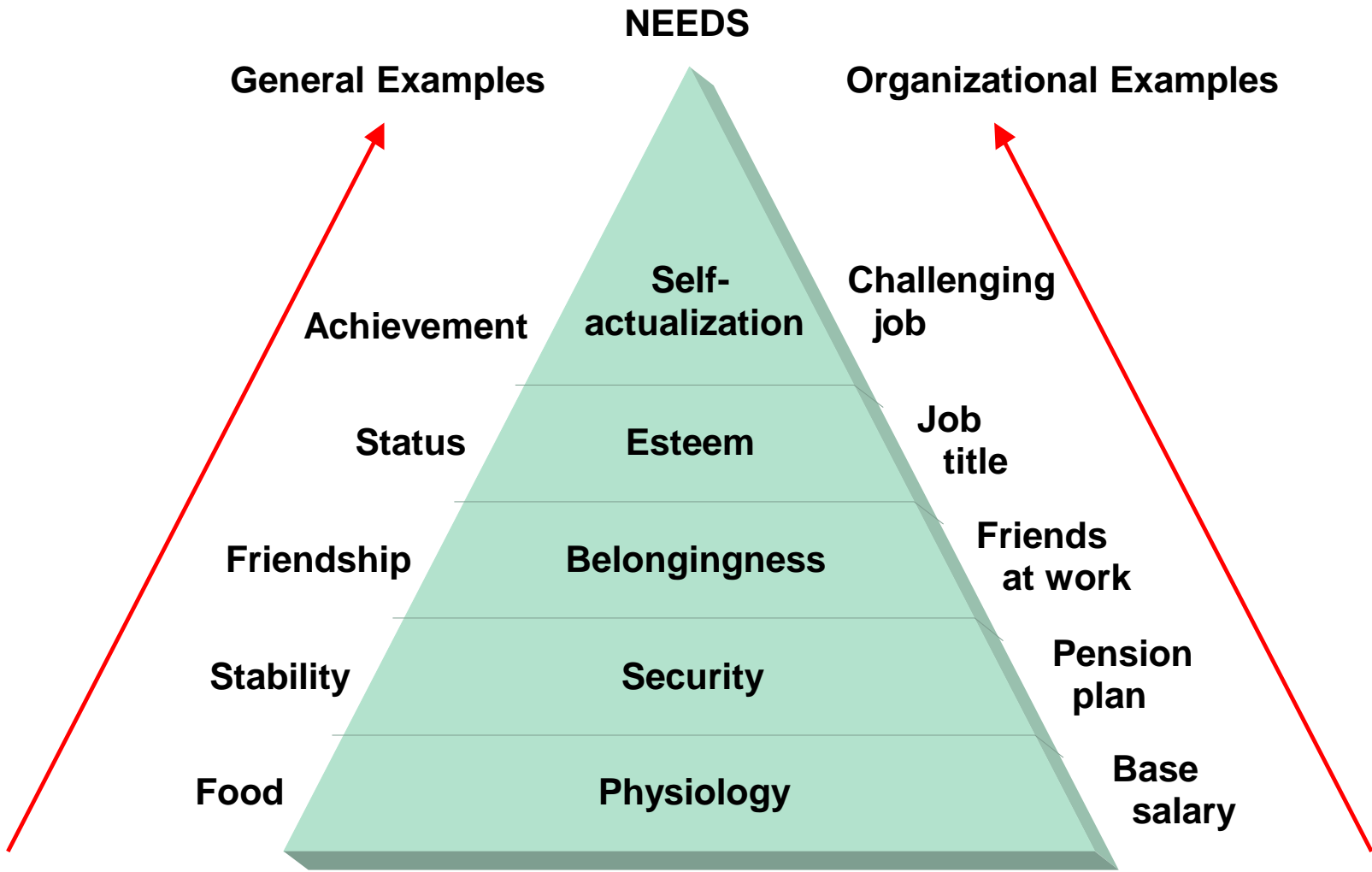
Content Perspectives on Motivation

- Content Perspectives
 - Focus on needs and deficiencies of individuals
 - Try to answer the question, “What factors in the workplace motivate people?”
- Content Perspectives of Motivation
 - Maslow’s Hierarchy of Needs
 - Herzberg’s Two-Factor Theory
 - McClelland’s Achievement, Power, and Affiliation Needs

Maslow's Hierarchy of Needs

Physiological	Attending to basic survival and biological functions.
Security	Seeking a safe physical and emotional environment.
Belongingness	Experiencing love and affection.
Esteem	Having a positive self-image/self-respect and recognition and respect from others.
Self-actualization	Realizing one's potential for personal growth and development.

FIGURE 10.2 Maslow's Hierarchy of Needs



The Needs Hierarchy Approach

- Contributions of Maslow's Theory
 - Identified and categorized individual needs.
 - Emphasized importance of needs to motivation.
- Weaknesses of Maslow's Theory
 - All levels of need are not always present.
 - Ordering or importance of needs is not always the same.
 - Cultural differences can impact the ordering and salience of needs.

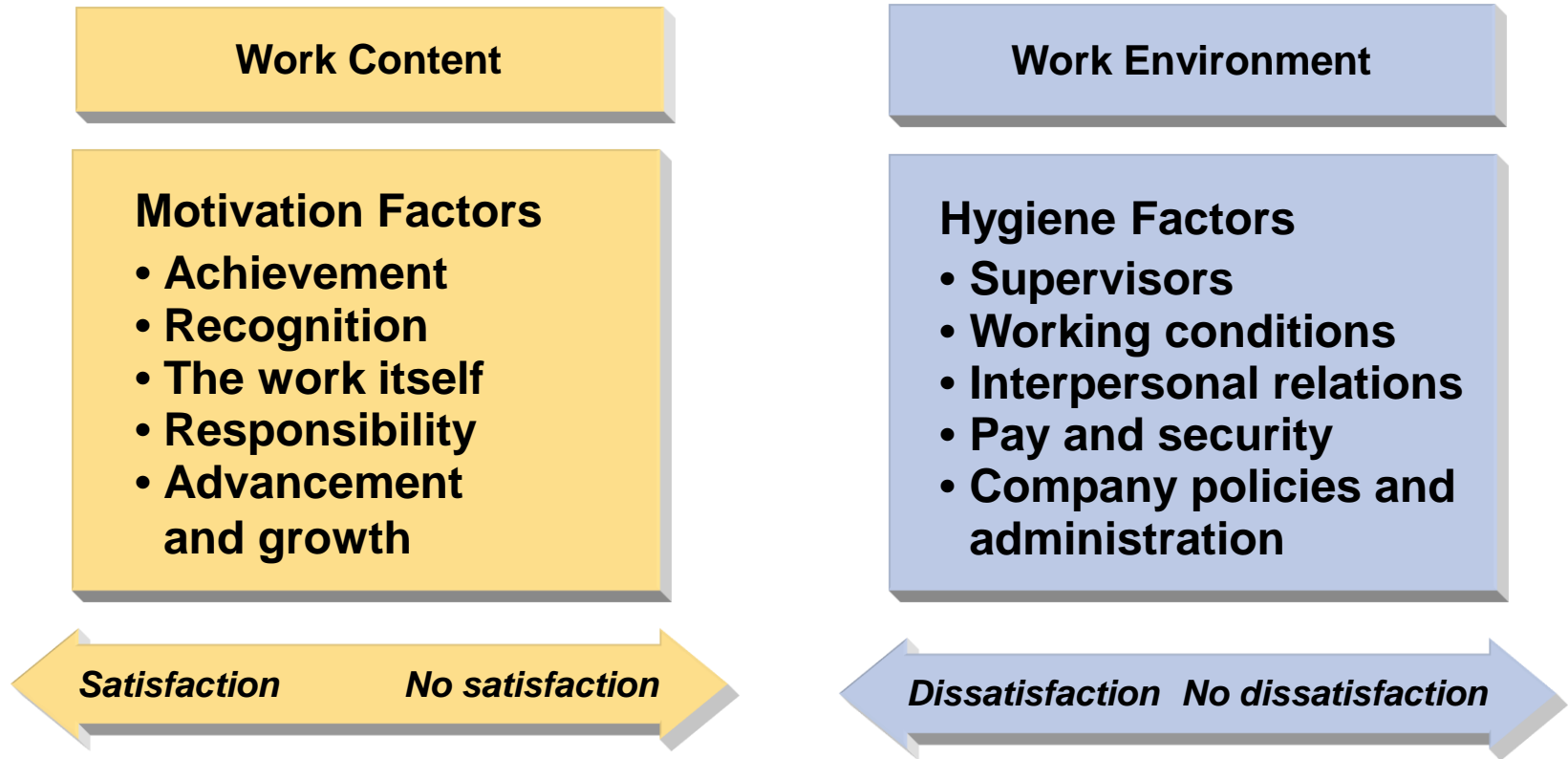
The Two-Factor Theory (Herzberg)

- Theory Assumptions:

- Satisfaction and dissatisfaction are influenced by two independent sets of factors on two distinct continuums:

- Motivational factors (work content) range from satisfaction to no satisfaction.
 - Hygiene factors (work environment) range from dissatisfaction to no dissatisfaction.

FIGURE 10.3 The Two-Factor Theory of Motivation



The Two-Factor Theory (cont'd)

- Motivation becomes a two-stage process:
 - Ensuring that deficient hygiene factors are not blocking motivation.
 - Using job enrichment and redesign of jobs to increase motivational factors for employees.
- Criticisms of the Two-Factor Theory
 - Interview findings are subject to different explanations.
 - Sample population was not representative.
 - Subsequent research has not upheld theory.

Management Challenge

- Despite considerable criticism, Herzberg's Two-Factor theory continues to be studied in management classes. Why?

Individual Human Needs (McClelland)

Need for Achievement

The desire to accomplish a goal or task more effectively than in the past.

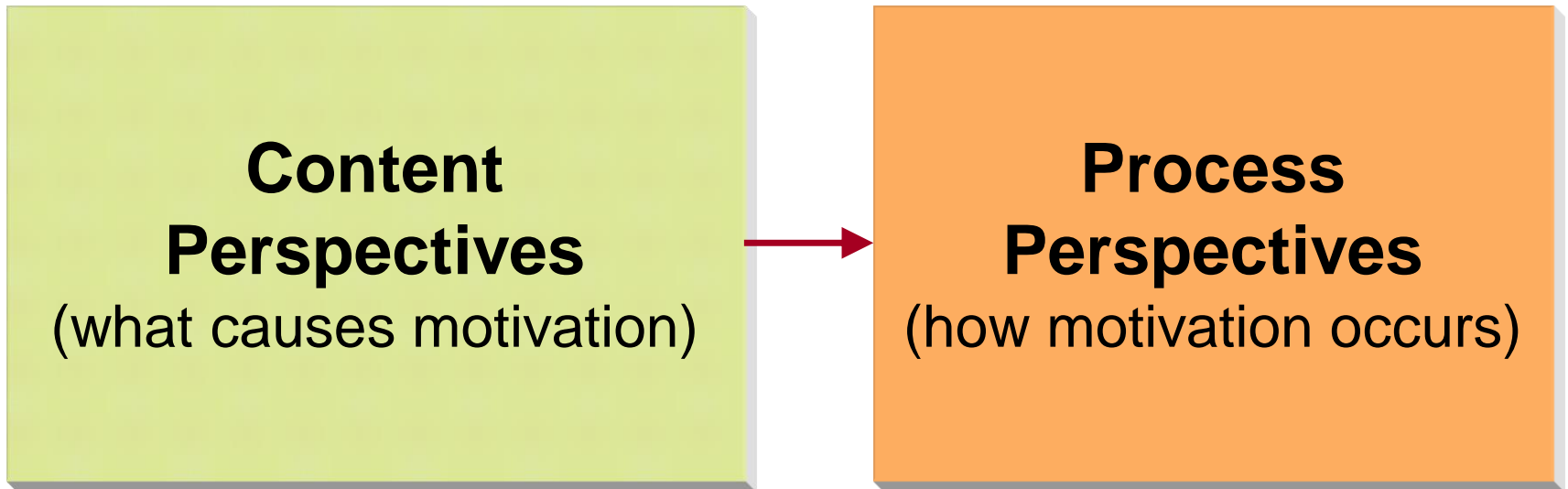
Need for Affiliation

The desire for human companionship and acceptance.

Need for Power

The desire to be influential in a group and to be in control of one's environment.

Shifting Perspectives: From Content to Process



Process Perspectives on Motivation

- Process Perspectives
 - Focus on why people choose certain behaviors to satisfy needs and how they evaluate satisfaction after they have attained goals.
- Process Perspectives of Motivation
 - Expectancy Theory
 - Porter-Lawler Extension of Expectancy Theory
 - Equity Theory
 - Goal-Setting Theory

Expectancy Theory

- Motivation depends on how much we want something and how likely we are to get it.
- Theory assumes that:
 - Behavior is determined by personal and environmental forces.
 - People make decisions about their own behavior.
 - Different people have different types of needs, desires, and goals.
 - People choose among alternatives of behaviors in selecting one that leads to a desired outcome.

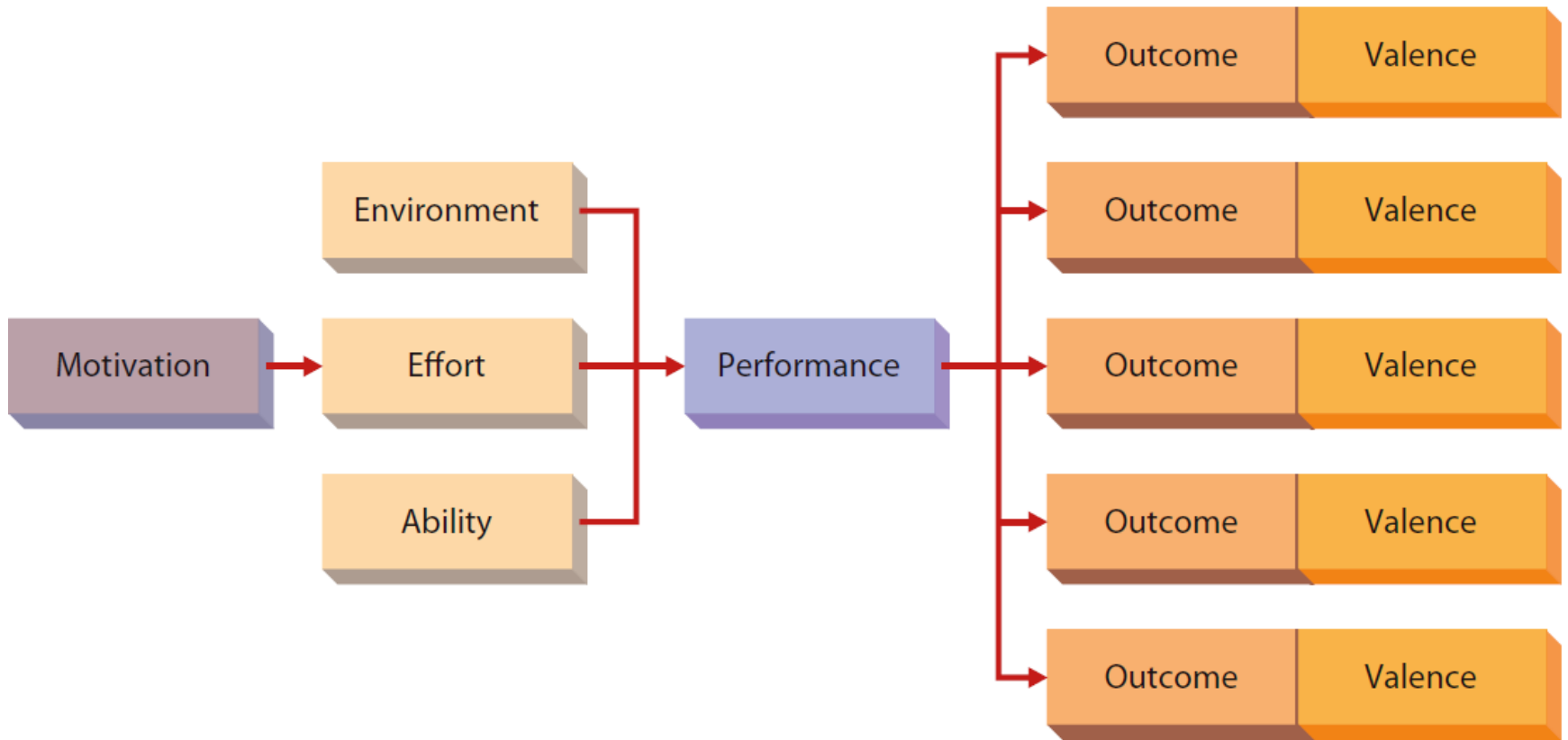
Expectancy Theory (cont'd)

- Model of Motivation

–Suggests that motivation leads to effort, when combined with ability and environmental factors, that results in performance which, in turn, leads to various outcomes that have value (valence) to employees.



FIGURE 10.4 The Expectancy Model of Motivation



Elements of Expectancy Theory

- **Effort-to-Performance Expectancy**
 - The individual's perception of the probability that effort will lead to a high level of performance.
- **Performance-to-Outcome Expectancy**
 - The individual's perception of the probability that performance will lead to a specific outcome, or consequence or reward in an organizational setting.

Elements of Expectancy Theory (cont'd)

- Valences

- An index of how much an individual values a particular outcome. It is also the attractiveness of the outcome to the individual.

- Outcomes (Consequences)

- Attractive outcomes have positive valences and unattractive outcomes have negative valences.
 - Outcomes to which an individual is indifferent have zero valences.

Expectancy Theory: The Porter-Lawler Extension

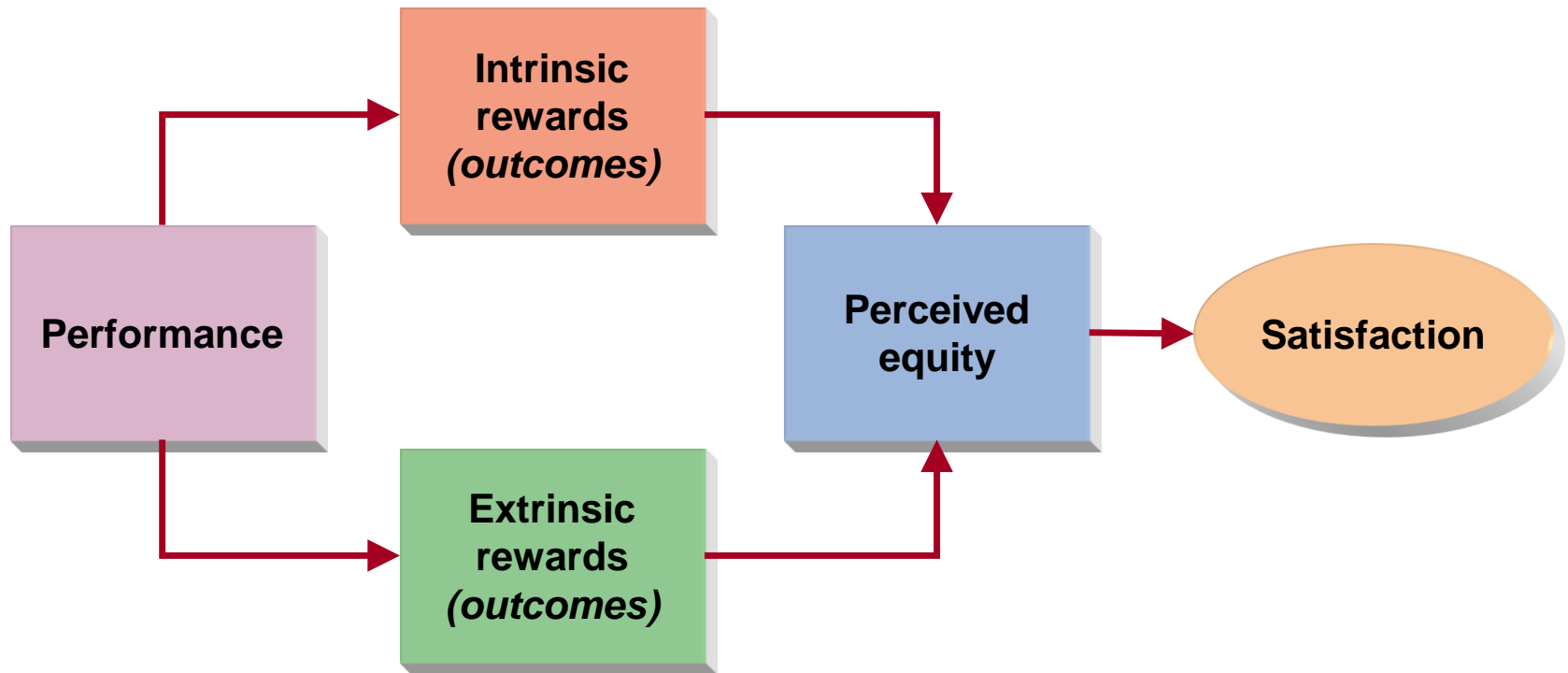
- Assumptions:

- If performance results in equitable and fair rewards, people will be more satisfied.
- High performance can lead to rewards and high satisfaction.

- Types of Rewards:

- Extrinsic rewards are outcomes set and awarded by external parties
- Intrinsic rewards are outcomes that are internal to the individual

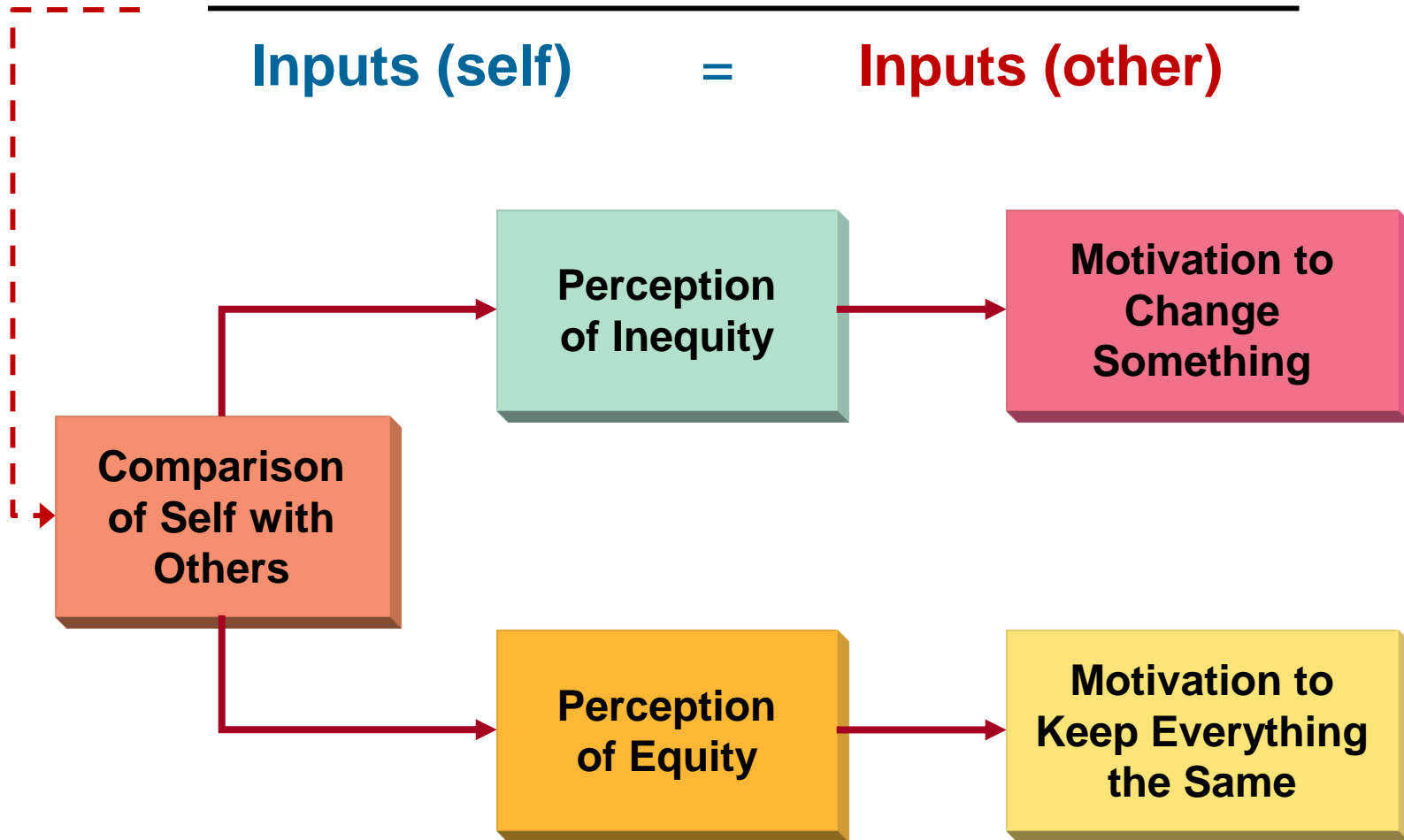
FIGURE 10.5 The Porter-Lawler Extension of Expectancy Theory



The Equity Theory Process

Outcomes (self) = **Outcomes (other)**

Inputs (self) = **Inputs (other)**



Equity Comparisons and Behavior

- Feeling equitably rewarded:
 - Maintain performance and accept comparison as fair estimate.
- Feeling under-rewarded—reduce inequity by:
 - Changing inputs by trying harder or slacking off.
 - Changing outcomes by demanding a raise.
 - Distorting ratios by altering perceptions of self or of others.
 - Leaving situation by quitting the job.
 - Choosing another object person.

Equity Comparisons and Behavior (cont'd)

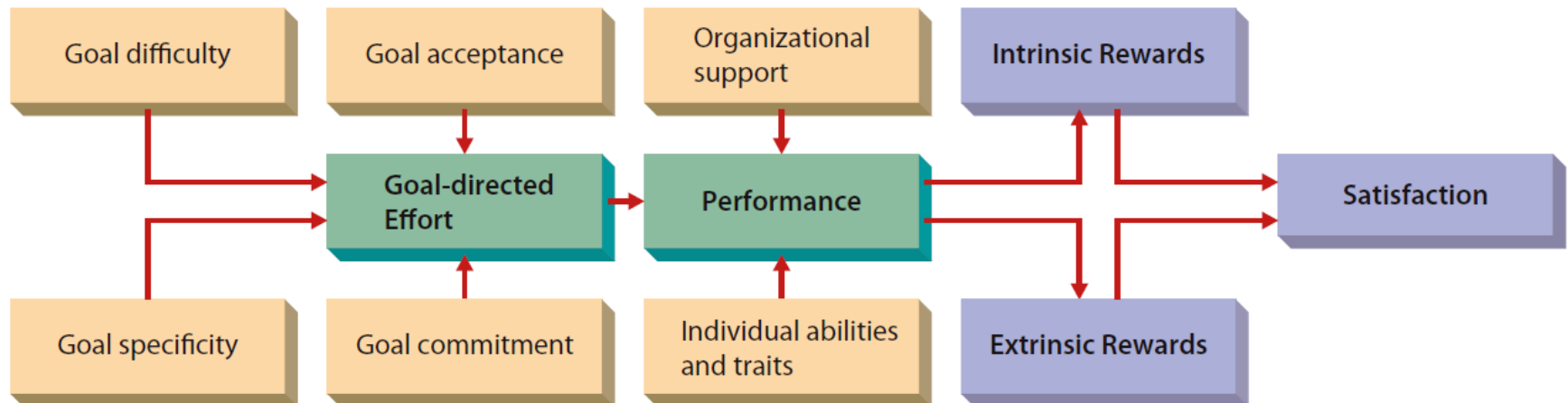
- Feeling over-rewarded:
 - Increase or decrease inputs.
 - Distort ratios by rationalizing.
 - Help the object person gain more outcomes.

Goal-Setting Theory

- Theory's Assumptions
 - Behavior is a result of conscious goals and intentions.
 - Setting goals influences behavior in organizations.
- Characteristics of Goals
 - Goal difficulty
 - Goal specificity
 - Goal acceptance
 - Goal commitment



FIGURE 10.6 The Expanded Goal-Setting Theory of Motivation



Reinforcement Perspectives on Motivation

- Reinforcement Theory

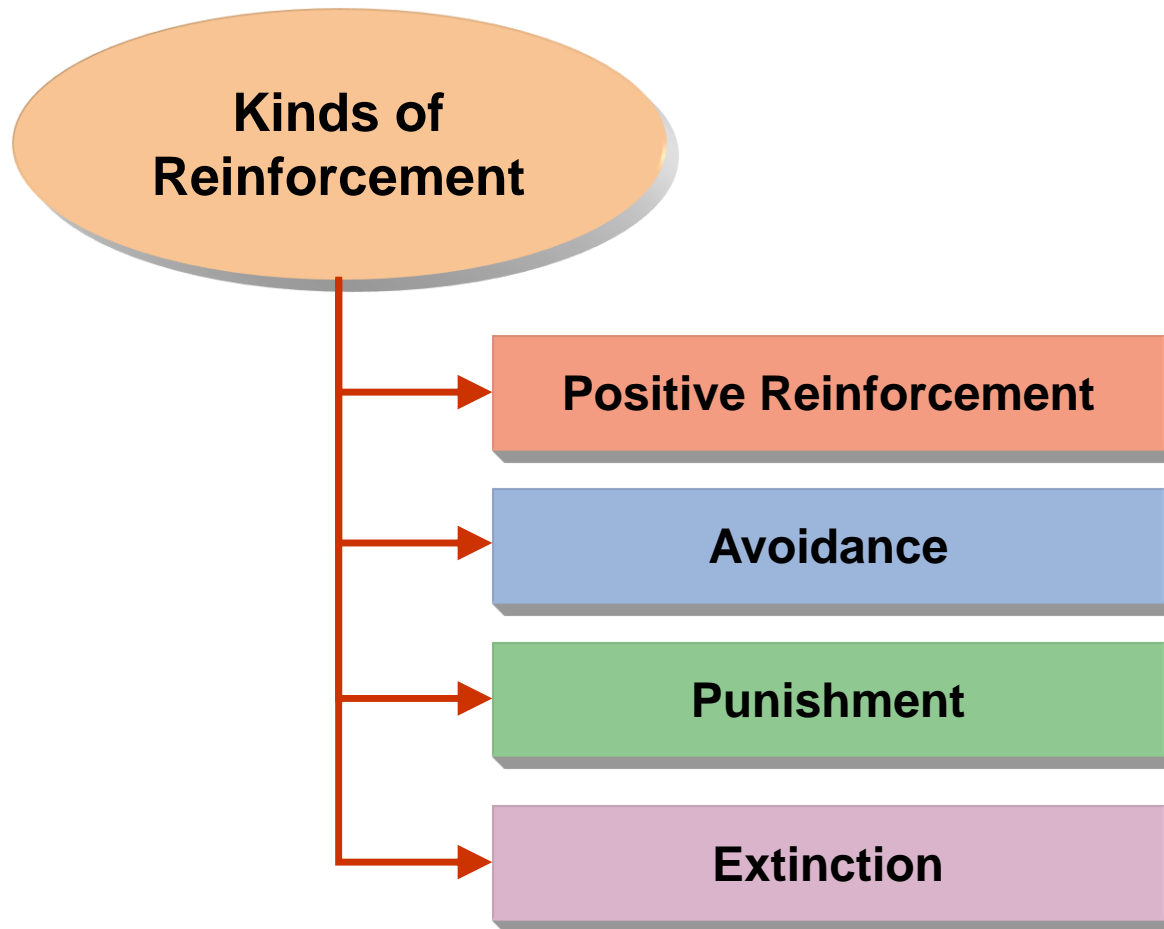
- Focuses on the role of rewards as they cause behavior to change or remain the same over time.

- Assumes that:

- Behavior that is rewarded is likely to be repeated.
 - Behavior that is punished is less likely to be repeated.



Providing Reinforcement in Organizations



Kinds of Reinforcement

- Positive Reinforcement

- Strengthens behavior with rewards or positive outcomes after a desired behavior is performed.

- Avoidance

- Strengthens behavior by avoiding unpleasant consequences that would result if the behavior is not performed.

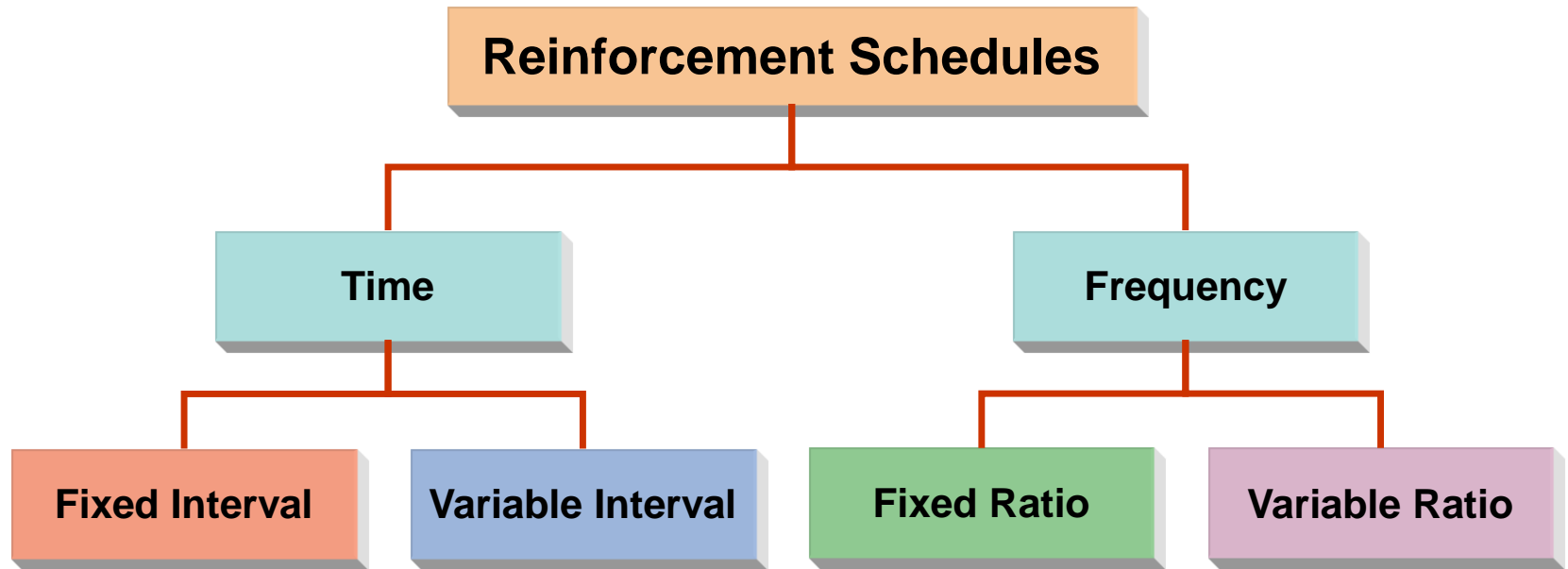
- Punishment

- Weakens undesired behavior by using negative outcomes or unpleasant consequences when the behavior is performed.

- Extinction

- Weakens undesired behavior by simply ignoring or not reinforcing that behavior.

Applying Reinforcement Theory



Providing Reinforcement

Schedules for Applying Reinforcement

Fixed interval

Reinforcement applied at fixed time intervals, regardless of behavior.

Variable interval

Reinforcement applied at variable time intervals.

Fixed ratio

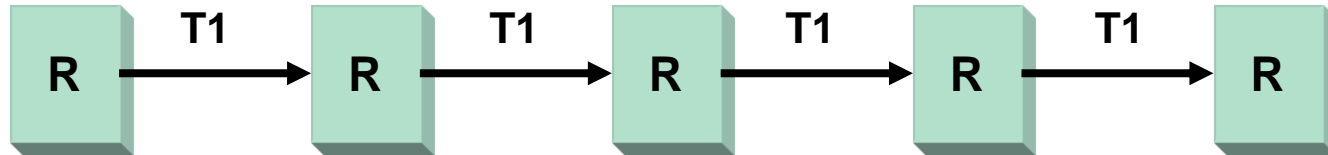
Reinforcement applied after a fixed number of behaviors, regardless of time

Variable ratio

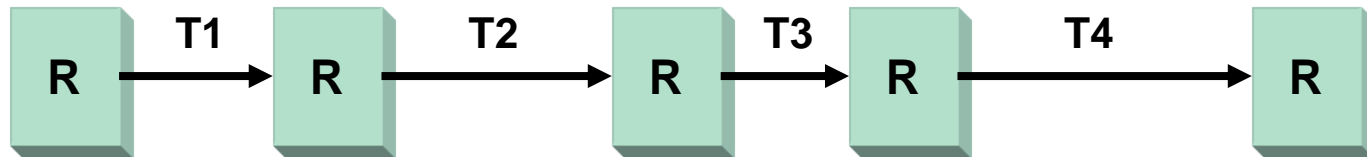
Reinforcement applied after varying numbers of behaviors, regardless of time.

Schedules of Reinforcement

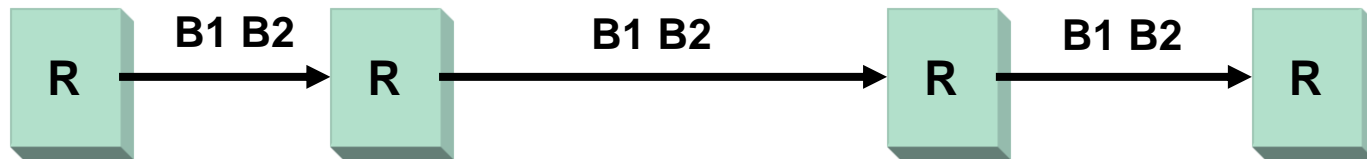
Fixed Interval



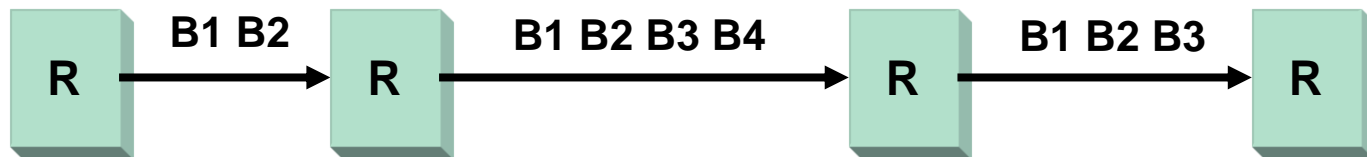
Variable Interval



Fixed Ratio

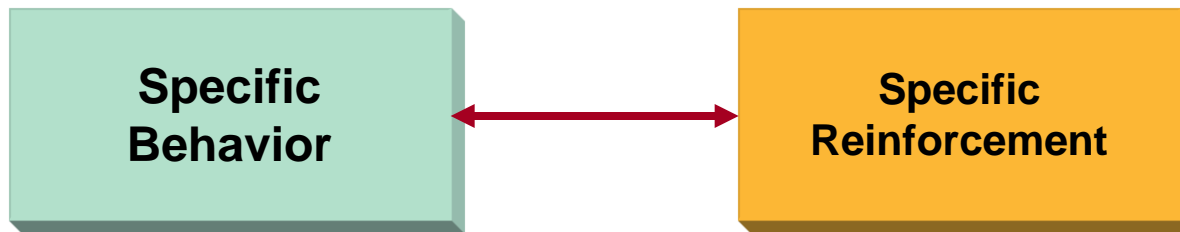


Variable Ratio



Using Reinforcement in Organizations

- **Organizational Behavior Modification (OB Mod)**
 - A method for applying the basic elements of reinforcement theory in an organizational setting.
 - Specific behaviors are tied to specific forms of reinforcement.



Popular Motivational Strategies

- Empowerment and Participation

- Empowerment

- Enabling workers to set own work goals, make decisions, and solve problems within their sphere of influence.

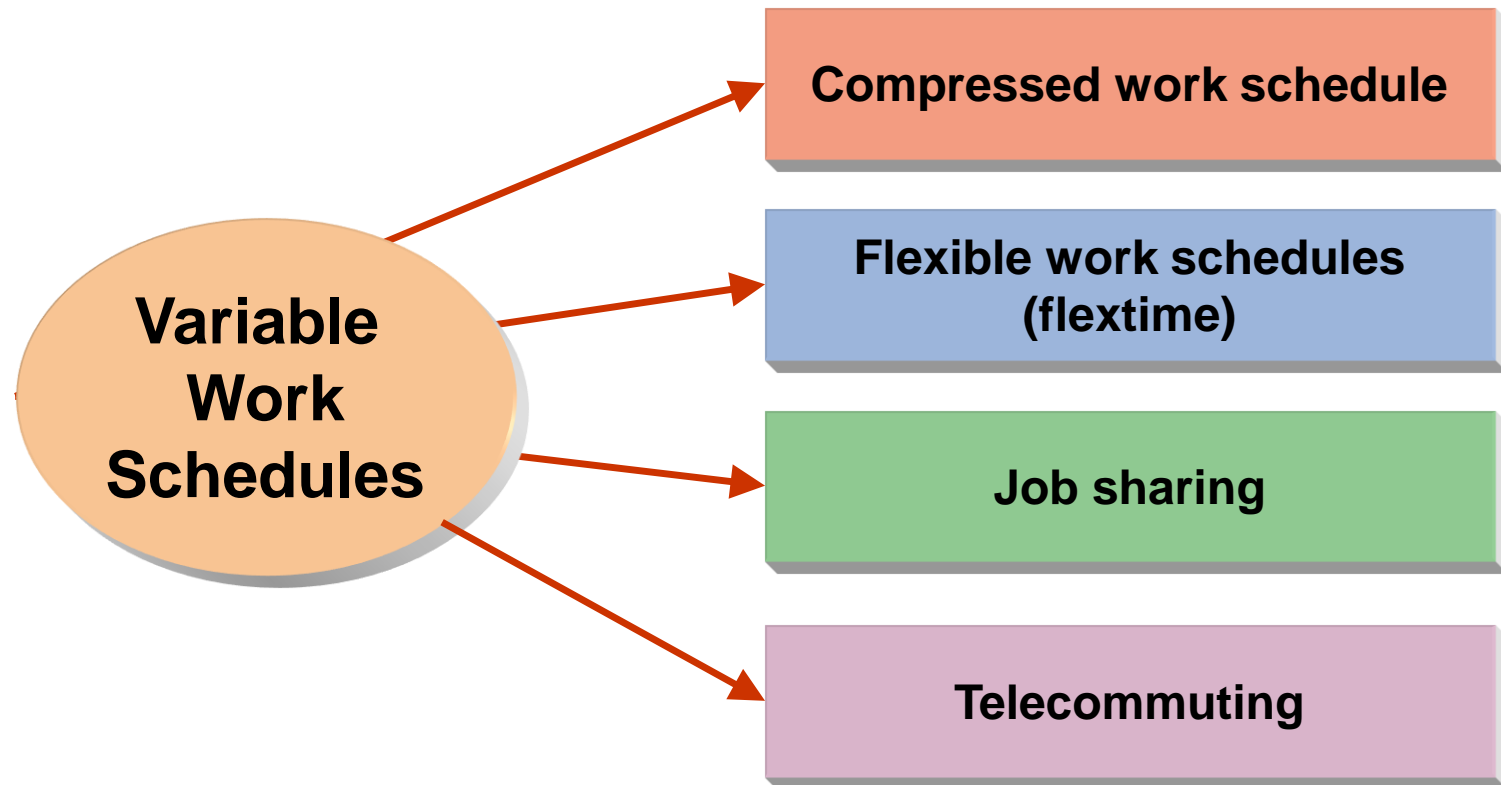
- Participation

- Giving employees a voice in making decisions about work.

- Areas of Participation for Employees

- Making decisions about their jobs.
 - Making decisions about administrative matters.
 - Participating in decision making about broader issues of product quality.

Alternative Forms of Working Arrangements



Alternative Work Arrangements

Variable Work Schedules

Compressed work schedule

Working a full forty-hour week in less than the traditional five days.

“Nine-eighty” schedule

Working one full week (five days) and one compressed week (four days), yielding one off-work day every other week.

Flexible work schedules (flextime)

Allowing employees to select, within broad parameters, hours they will work.

Job sharing

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

Telecommuting

Allowing employees to spend part of their time working off-site, usually at home, by using e-mail, the Internet, and other forms of information technology

Using Reward Systems to Motivate Performance

- Reward Systems

- Formal and informal mechanisms by which employee performance is defined, evaluated, and rewarded.

- Effects of Organizational Rewards

- Higher-level performance-based rewards motivate employees to work harder.

- Rewards help align employee self-interest with organizational goals.

- Rewards foster increased retention and citizenship.

Effects of Organizational Rewards on Employees

Attitudes

- Satisfaction is influenced by how much is received and how much the person thinks should have been received.
- Satisfaction is affected by comparison with others.
- The rewards of others are often misperceived.
- Overall job satisfaction is affected by employee satisfaction with intrinsic and extrinsic rewards.

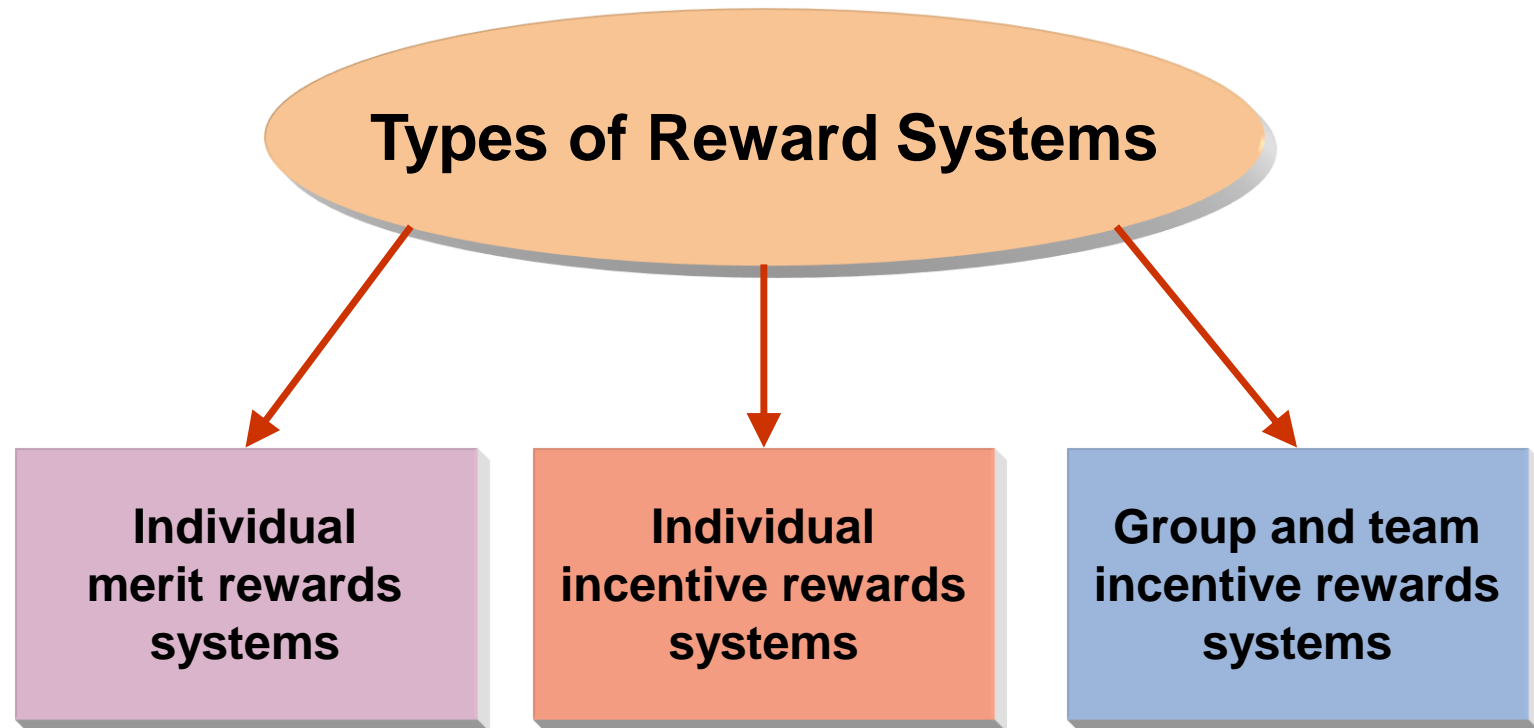
Behaviors

- Extrinsic rewards affect employee satisfaction and reduce turnover.
- Rewards influence patterns of attendance and absenteeism.
- Employees tend to work harder for rewards based on performance.

Motivation

- Employees will work harder when performance will be measured.
- Employees will work harder if performance is closely followed by rewards.

Reward Systems and Performance



Incentive Reward Systems

- Monetary Incentives

- Piece-rate incentive plan

- Employee is paid a certain amount of money for every unit the employee produces.

- Sales commissions plan

- Employee is paid a percentage of the employee's sales to customers for selling the firm's products or services.

- Nonmonetary Incentives

- Immediate, and one-time rewards

- Days off, additional paid vacation time, and special perks

Common Team and Group Reward Systems

- Gainsharing
 - Sharing cost savings that result from productivity improvements.
- Scanlon Plan
 - Distribution of gains is tilted toward the employees and is spread across the organization.
- Profit Sharing Plans
 - Provide an annual bonus to all employees based on corporate profits.

Executive Compensation

- Standard Forms of Executive Compensation
 - Base salary
 - Incentive pay (bonuses)
- Special Forms of Executive Compensation
 - Stock option plans
 - Executive perks
- Criticism of Executive Compensation
 - Excessively large compensation amounts
 - Compensation not tied to overall and long-term performance of the organization
 - Earnings gap between executive pay and typical employee pay

New Approaches to Performance-Based Rewards

- Employee Participation
 - Allowing employee participation in the deciding the distribution of rewards.
- Innovation in Incentive Programs
 - Offering stock options to all employees.
 - Individualizing reward systems such that different employees can be offered different incentives.
- More Effective Communication
 - Sharing information about how awards are earned and distributed.

Management Challenge Question

- How are expectancy theory, performance appraisal systems, and reward systems linked?