MOTIVATION and REWARDS
Motivation explains why people behave in a certain way.

Motivation = direction and persistence of action. Why people choose a particular course of action rather than others?
BROAD CLASSIFICATION OF MOTIVATION AT WORK

- **ECONOMIC REWARDS** ⇔ instrumental orientation
- **INTRINSIC SATISFACTION** ⇔ personal orientation to work
- **SOCIAL RELATIONSHIPS** ⇔ relational orientation to work
A BASIC MODEL OF FRUSTRATION

NEEDS OR EXPECTATIONS → FRUSTRATION

FRUSTRATION → BARRIER OR BLOCKAGE → DESIRED GOALS

Problem solving
Restructuring (alternative goal)

aggression → regression → fixation → withdrawal
MONEY AS A MOTIVATOR

In which cases money can work as a motivator?

In which cases it is not?

Does it depend on the level of skill?

On other factors? Which factors?
You don’t motivate individuals. You provide them with an environment to be self-motivated. It is a personal decision, but it is management’s job to provide the right environment.
Content theories VS Process Theories

**CONTENT THEORIES**
- Maslow’s hierarchy of needs
- Aldelfer’s modified need hierarchy model
- Herzberg’s two factor theory
- McClelland’s achievement motivational theory

**PROCESS THEORIES**
- Expectancy-based models: Vroom, Porter
- Equity theory: Adams
- Goal theory: Locke
- Attribution theory: Heider & Kelley
MASLOW’S THEORY

Physiological

Safety

Love

Esteem

Self Actualization
Maslow’s Hierarchy of Needs

1. Physiological
2. Safety/Security
3. Social
4. Ego/Self Esteem
5. Self Actualisation
6. Self Actualisation
Herzberg’s Hygiene/Motivation factors

**HYGIENE**
- Work Conditions (policies, supervision)
  - Salary, Security
  - Peer Relations, Subordinate Relations
  - Status

**MOTIVATION FACTORS**
- Recognition
- Achievement
- Work Itself (responsibility, advancement)
- Growth
ALDERFER’S MODIFIED THEORY

- **EXISTENCE NEEDS**: human existence + survival
- **RELATEDNESS NEEDS**: love, belonging, affiliation
- **GROWTH NEEDS**: development and political self esteem + self actualization
ALDERFER’S MODIFIED THEORY

DIFFERENCES WITH MASLOW’S THEORIES

- Not a hierarchy, but a continuum
- More than one need can be activated at the same time
- Individuals may also progress down the hierarchy
- If you cannot satisfy employee’s growth needs, then at least focus on increasing satisfaction of existence and relatedness
HERZBERG’S TWO FACTORS THEORY

Methodology of research: CRITICAL INCIDENT METHOD

HYGIENE FACTORS

GROWTH FACTORS

CRITICISMS?
McCLELLAND’S ACHIEVEMENT MOTIVATION THEORY

1. ACHIEVEMENT MOTIVE (Self Actualization)
2. POWER MOTIVE (Self Esteem)
3. AFFILIATIVE MOTIVE (Love)
4. AVOIDANCE MOTIVES (Hygiene factors)
McClelland’s Achievement Motivation Theory

Methodology: projective tests

People with high achievement motive:

1. Look for moderate task difficulty
2. Want personal responsibility
3. Look for clear feedback
4. Are more innovative
McClelland’s Achievement Motivation Theory

Some people rate achievement very highly, others don’t need it that much.

For high achievers, money is not important for itself, but only as a means of recognition for achievements.

Companies and countries need achievers. Also, they need power motivated people, but as long as they are focusing on the interests of the company and not on their own exclusively.
PROCESS THEORIES OF MOTIVATION

Identify relationships among dynamic variables which make up motivation and the actions required to influence behavior and actions.
EXPECTANCY THEORIES

People are influenced by the **expected results** of their actions.

Motivation works is a function of the **effort expended** and the **perceived level of performance** as well as the **expectations** that will be related to performance.

**Example:** if I know that only men are promoted, then I will not make an effort.
VROOM’S EXPECTANCY THEORY

VALENCE – INSTRUMENTALITY - EXPECTANCY

Valence: anticipated satisfaction from an outcome. Ex: “this promotion is important to me”

Instrumentality: which tools I will use to get satisfaction. One tool could be, for example. Productivity.

1st level outcomes: I will go for productivity, I will make efforts.
2nd level outcomes: because I achieved, then I will get what I want (I will get what has VALENCE for me)

Expectancy: probability that such an outcome will be achieved. Relationship between a chosen course of action and its predicted outcome.
Effort expanded (motivational force) does not lead directly to performance. It is mediated by individual abilities and traits, and by the person’s role perceptions.

Satisfaction is an effect, rather than a cause of performance. It is performance what leads to satisfaction.
LAWLER’S REVISED EXPECTANCY MODEL

When deciding on the attractiveness of alternative behaviors, there are two types of experiences to be considered: effort-performance and performance-outcome.

**E-P**: Probability that this *effort* will lead to this *performance*.

**P-O**: Probability that if I get this *performance*, then I will obtain this *output*.
PROCESS THEORIES OF MOTIVATION
- Concerned with the antecedents that go into motivation or effort and, more importantly, with the way they relate to each other

**Motivational Force**
\[ F = V \times E \]

- **Expectancy**
  (relates efforts to first level outcomes; the probability [0 - 1] that a particular action of effort will lead to a first level outcome)

- **Valence**
  (the strength of an individual’s preference for particular outcome)

- **Instrumentalities**
  (the degree to which a first level outcome will lead to a desired second level outcome)

- **First Level Outcome**

- **Second Level Outcome**
PROCESS THEORIES OF MOTIVATION
- Concerned with the antecedents that go into motivation or effort and, more importantly, with the way they relate to each other.

1. Value of Reward
2. Perceived Effort-reward probability
3. Effort
4. Abilities & Traits
5. Role Perceptions
6. Performance (accomplishment)
7a. Intrinsic Rewards
7b. Extrinsic Rewards
8. Perceived Equitable Rewards
9. Satisfaction

Porter - Lawler
EQUITY THEORY OF MOTIVATION

Focuses on people’s feelings about how fairly they have been treated in comparison with the treatment received by others.

EXCHANGE THEORY: “I give you this (piece of work), you should give me that (promotion, etc.). Why did you give this to him if he did the same as I did?”
Equity theory of Motivation

Inequality

Person’s Outcomes
Person’s Inputs
<
Other’s Outcomes
Other’s Inputs

Person’s Outcomes
Person’s Inputs
>
Other’s Outcomes
Other’s Inputs

Equality

Person’s Outcomes
Person’s Inputs
=
Other’s Outcomes
Other’s Inputs

Equity Theory
EQUITY THEORY OF MOTIVATION

Reactions to inequity:

- **Changes in inputs**: a person may increase or decrease his/her level of inputs. Ex. Amount or quality of work, absenteeism, etc.

- **Changes in outcomes**: a person tries to change outcomes (pay, conditions, status, etc.) without changes in inputs.

- **Cognitive distortion of inputs and outcomes**: person convinces himself/herself that his input is not worth what he (she) thought it was. Or the person may realize that he cannot obtain a higher level of pay no matter what he/she does.
Reactions to inequity:

- Leaving the field: a person may try to find a new situation with a new situation with more favorable balance.

- Acting on others: make other people aware of their own situation. Make them leave the field, convince them of the value of their inputs, etc.

- Changing the object of comparison: you do not see yourself any more in comparison with others of the same kind, but with others of another kind.
GOAL THEORY

People’s goals or intentions play an important part in determining behavior.

The combination of goal difficulty and the extent of the person’s commitment to achieving the goal regulates the level of effort expended.
Goal theory has a number of practical implications for the manager:

- Specific performance goals should systematically be identified and set in order to **direct behavior**,

- Goals should be set at a **challenging**, but **realistic** level,

- Complete, accurate and timely **feedback** and knowledge of results is usually associated with high performance.

- Goals can be determined either by a **superior** or by **individuals** themselves.

**GOAL SETTING AND MBO ARE RELATED**
ATTRIBUTION THEORY

DEPENDING ON WHAT WE PERCEIVE WE CAN OR CANNOT CONTROL, WE WILL BE MOTIVATED TO REACT.
VIDEO-EXERCISE on Compensation (Part I)
The Office (USA), Season 6, disk 1, “The Promotion”

1. General Questions
Watch the “The Office” video and reflect on the following:
1. What issues relating to Power took place? How were they handled or avoided?
2. What was the compensation issue about? What were the options presented? What were the pros/cons of each option? How was the issue handled? What was the conclusion?
3. What can you guess about the Corporate Culture of this office after having observed the behaviour of the characters acting in the different scenes?

2. Types of rewards
1. How does the conflict between managers affect the overall rewards package? What sort of items does the overall rewards package include (intrinsic and extrinsic rewards).

3. The problem to be faced
1. What is the issue presented by Corporate? What do the co-managers have to solve?
2. What are the solutions available as identified by the co-managers? What are the pros and cons of each solution available? What is the solution preferred by Jim and which one is the one preferred by Michael? Why?

4. The solutions to be found
1. How does each manager imagine they would face the issues presented by the solution they prefer?

5. Communicating rewards decisions
1. Jim says to Michael: “I don’t think you are good enough at making tough decisions, at thinking out the options and then stating that decision very clearly, especially when it is an unpopular decision”. Do you agree with Jim? If you do, then what are the consequences of Michael’s alleged weakness? If you don’t, then why does Michael avoid a genuine and open communication style? How does he plan to deal with the general discomfort that would arise once the employees realise what actually goes on?
2. Michael and Jim have different opinions on how to communicate a change in rewards. Where does the difference come from? What are the agendas each character is holding? How do they reflect their views on Corporate Life?

3. What is the best way to communicate a rewards policy? Is there such a thing as a “truly universal good way”?

5. The best reward method, the best communication method

1. What would have been the best rewards methods to be picked?
2. Could two or more methods be combined to produce an even better third choice?
3. What are the dangers of a bad rewards policy?
4. Establish a relationship between rewards system, corporate culture and office climate.
VIDEO-EXERCISE on Compensation (Part II)

The Office (USA), Season 6, disk 4, "New Leads"

1. General Background

Dundler Mifflin has been purchased by a Florida-based Printers and Paper Distribution company called Sabre. In an attempt to increase sales, Sabre decided to change Dundler Mifflin’s rewards system, which now consists in having the sales force enjoy a basic fix salary, plus a very large variable component directly linked to their capacity to expand the market.

Under the new rules, if a salesperson is highly performant, he or she could earn more money than the Regional Manager. This is the reason why Jim volunteered to step down from his previous position as co-Manager to go back to sales.

The change in compensation system has produced a shift in power, and this has affected the office climate...

2. Employee rewards and employee behaviour

1. How did the change in rewards affect employee behaviour?
2. What was the tacit policy regarding hierarchy in the workplace before? How has the new rewards policy affected it?

3. Employee rewards and Management

1. How did the role of the manager change as a reaction to the change in rewards systems?
2. How did Michael’s attitude change following the change in rewards system?
3. Criticize the solutions found by Michael to the issue of conflicts in the workplace.

4. Employee rewards and Leadership

1. What was the role of Sabre in introducing the new rewards system? How did it differ from Michael’s role?
2. How was the issue of changing the rewards policy without damaging the office climate solved?
3. What were the particular interests of Sabre, Michael, the salesmen and the salespeople and how were they all satisfied in the end?
5. Communicating rewards decisions
   1. Was the decision of changing rewards system well communicated and its implementation well handled in the end.
   2. Was it a good idea to incentivise Jim to step down into the position of salesman instead of keeping him as a co-manager?
   3. In what way was Jim still acting as a co-manager even if officially he did not hold the role any longer? Was he more effective this way than when he actually had the title?

6. Rewards systems and loyalty
   1. What was Dwight’s change in attitude towards Michael following the change in rewards policy?
   2. How did things get back to normal?

7. Overall conclusion
   1. How did Sabre manage to have:
      a. Sales to increase
      b. Without damaging the office climate?
   2. What were the roles of Michael, Sabre and Jim in introducing an effective rewards system without damaging office climate?
   3. How were intrinsic and extrinsic rewards systems combined and managed by Michael, Jim and Sabre?