Instituto Superior de Ciências do Trabalho e da Empresa

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MANAGING MOTIVATION IN ORGANIZATIONS
-
WHY EMPLOYEE RELATIONSHIP MANAGEMENT MATTERS

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Abstract

Work motivation is a hot topic within the science of organizational behavior. Low degrees of motivation amongst employees in work organizations contribute in various ways to high costs. Salary is a powerful motivator, but few managers today know that employees may hold back 30 to 80 percent[1], [2] of their energy at work because organizations fail to understand what motivates people on an individual level. The large majority of motivation theories developed to date are of the type one size fits all; they do not take individual human differences into account. Employee Relationship Management (ERM) is a strategic tool and a Human Resource Management process which focuses on the continuous perfection of the relationships between organizations and employees through increased communication and knowledge of individual and shared interests. This study suggests that well managed relationships in organizations lead to higher levels of motivation. Twelve managers who participated in this study of the concept of ERM all claimed to be in favor of it as a tool to manage and raise motivational levels in their different companies.

It was discovered that companies experience various employee motivation-related problems and that managers actively seek remedies to better manage and understand low motivation levels of their staff. The conclusion of this study suggests that ERM can be part of a global future solution in the 21st century when it comes to management of motivation in organizations.

Keywords: Work Motivation, Employee Relationship Management (ERM), Human Resource Management, Organizational Behavior

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[1] Landale, A. (2006), Lead Through Your Relationships, *The British Journal of Administrative Management,* June/July, p. 19

[2] Spitzer, D. (1996), Power Rewards: Rewards that Really Motivate*, Management Review*, May, pp. 45-50

Resumo

Actualmente, a motivação no trabalho é um tema importante no campo de estudo do comportamento organizacional. Investigações demonstraram que reduzidos níveis de motivação contribuem de diversas formas para o aumento de custos nas organizações. Pese embora os salários sejam umas das mais poderosas ferramentas de motivação, são poucos os gestores de hoje que sabem que os seus trabalhadores podem reduzir entre 30 a 80 por cento da sua energia no trabalho porque as organizações não conseguem compreender quais os factores que motivam as pessoas a um nível individual. A maioria das teorias de motivação desenvolvidas até hoje baseia-se numa abordagem genérica, em que um modelo global pode ser aplicado a todos os trabalhadores, não tomando em consideração as diferenças intrínsecas a cada ser humano. O *Employee Relationship Management* (ERM) é uma ferramenta estratégica e um processo de Gestão de Recursos Humanos que se foca no contínuo aperfeiçoamento das relações entre as organizações e os trabalhadores através do aumento da comunicação entre as partes e através do aumento do conhecimento existente sobre cada indivíduo e sobre os interesses partilhados entre este e a organização. Esta tese de mestrado sugere que a melhoria na gestão das relações entre organização e trabalhadores conduz a maiores níveis de motivação.

Os doze gestores que participaram neste estudo de conceito de ERM, consideram o ERM como uma ferramenta pertinente para incrementar os níveis de motivação nas suas empresas.

No decorrer deste estudo foi descoberto que as empresas tinham diversos problemas de motivação e que os gestores procuravam identificar as causas e soluções para solucionarem este problema. A conclusão deste estudo sugere que o ERM poderá fazer parte de uma futura solução adaptada as necessidades do século XXI no que respeita à gestão da motivação nas organizações.

Palavras-chave: Motivação, *Employee Relationship Management* (ERM), Gestão de Recursos Humanos, Comportamento Organizacional

JEL Classifications: M12 (Personnel Management)

M54 (Labor Management)

Acknowledgements

Choosing a Master Thesis topic is never easy, clearly and successfully proving one's point may be even harder. This is especially true when dealing with such a popular and diverse topic as the study of motivation in work organizations. The amount of scientific and academic work that has already been carried out within this field is simply enormous, and results and recommendations related to the subject vary greatly depending on the research conducted.

Without the help and guidance I received, this thesis would not have been accomplished as it is today. I would like to express my deepest gratitude to my supervisor and mentor Professor Alexandra Fernandes at the department of Management Sciences at the ISCTE school of Management, Lisbon, Portugal, for her constant support and input in this work. In times when even I had difficulty in finding my own motivation to formulate clear conclusions of my work, she never lost hers.

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Lisbon, March 7th, 2008
Carmen Wargborn

Preface

Are there any general theories Managers can apply across organizations and across cultures to manage and increase motivation in work organizations?

Why is it so hard to motivate oneself to perform certain tasks at work?
Isn't there a general way to entrust on people elevated levels of inner motivation to perform certain tasks for which they lack motivation to perform?
Maybe money is the most powerful motivator in the workplace after all?

In the workplace, the place where many people find it the most difficult to motivate themselves to perform the tasks in their work-descriptions, are there any theories or methods which could be applied to increase the motivation-levels of the people?
If no such theories exist, or fail to be applicable on a general level (i.e. across different industries, different cultures etc.), could they be developed?

As we shall see, the subject of motivation has proved to be very popular in scientific research over the past 100 years, mainly in the field of psychology. Understanding and influencing employee motivation has also long been one of managements' most difficult and important duties. Success in this endeavor is becoming more and more challenging in the light of organizational trends such as downsizing, outsourcing, a less loyal workforce and an increasingly competitive labor market.

This thesis looks at the following issues:

- What is motivation, and what creates motivated, contributing people?
- How do Managers enable and maintain high employee motivation in work organizations?
- How do Managers' reward and recognition systems contribute to, or deflate, employee motivation in work organizations?
- What is ERM – Employee Relationship Management, and why is it important for the future of any modern, motivated organization?

Table of Contents

1. Executive Summary

Every Manager in every organization wishes for employees who perform their tasks with excellence. Motivation at the workplace is one of the key variables determining employee performance and employee satisfaction. Employee performance directly influences the quality of organizations, and still, managers of every corner of the world often complain about their staff not being motivated enough.

At the same time, research has showed that employees may hold back 30 to 80 percent of their energy at work because organizations fail to understand what motivates people on an individual level (Spitzer, 1996; Landale, 2006).

We live in a society that is so dominated by organizations that we always need to learn more about the determinants of organizational effectiveness. We must not forget that a complex independent society must have effective organizations, is it to provide high quality of life for its members. Effective organizations are not to be left up to coincidence or luck. Their existence (and success) almost always depends on the human factor. They depend on the Management of them, and the mindsets of the people inside them.

Those individual behaviors that are crucial in determining the effectiveness of organizations are, almost without exception, voluntary, motivated behavior. Because of this, it is highly important that we understand how organizations influence the motivation levels of their individual members. If we are ever to have effective organizations we must first understand how to encourage effective individual performance.

This Master thesis was written for modern-day managers in any organization, who are interested in how motivation works in the workplace. The goal of this thesis is to provide any interested Manager with easy to understand, straightforward research on how thought about motivation in work organizations have formed since the early 20th century. The thesis consists of an explanatory first part about what motivation means and how researchers have treated the issue in the past. After this the issue of motivation in work organizations is treated.

The second part of the thesis presents the results of interviews with 12 Managers working in national and international companies in Portugal and Scandinavia, and their thoughts about motivation in the workplace and Employee Relationship Management (ERM). The final part of this thesis suggests, based on the results of the research and opinions of the interviewed Managers, that Employee Relationship Management is a universal and functional process and a strategy when it comes to manage motivation in the work organization, now and in the future. Evidence of ERM was found in the organizations of the managers interviewed, but often going by different names.

This thesis holds that the Equity Theory (Adams, 1963) was in many ways the first theory to explain the importance and management of human relationships as the underlying generator of human motivation. The Equity Theory should not be overlooked as perhaps the starting point of the development of the concept Employee Relationship Management. It will be argued in this thesis that productive and well-managed relationships between individuals in the workplace are intrinsic to manage motivation. Employee Relationship Management is a possible and functional process and a strategic tool to manage and increase motivation in work organizations, which offers full flexibility while at the same time possessing the powers of being applicable across different cultures and in different industries. Summarizing the conclusion of this thesis in a single, powerful phrase, and in the words of Organizational Behavioral theorist Frederick Schuster (1998):

- Do you want your employees to be more motivated, more productive?

Pay more attention to them!

2.   Motivation and its Theories – Historic Overview

2.1.   How Society defines Motivation

Behavioral psychologists including Beck (2004) agree that one of the most important tasks for a motivation theorist is to be able to define motivation. This is complicated by the fact that theorists approach motivation differently and disagree in their definitions because they may have fundamentally different views of what motivation is really all about (Beck, 2004). What motivation is to one person is clearly not the same as it is to another. Psychologists have used the term "motivation" in a variety of ways. Because of this, they have also not always agreed on exactly which types of behavior should be classified as motivated behavior. Nowadays, there seems to be some agreement that, at the very least, the distinguishing characteristic of motivated behavior is that it is goal-directed (Lawler, 1994).

It can be concluded that the word motivation is in fact so commonly used in most languages in everyday speech, that many people develop their own personal meaning of what motivation really means. Not even the Concise Oxford Dictionary defines "Motivation" in a clear way, just simply referring the word to other words such as "motive" and "enthusiasm".

Though hard to define, most psychologists agree that motivation is forces acting either on or within a person to initiate behavior. The word is derived from the Latin term *motivus* ("a moving cause"), which suggests the activating properties of the processes involved in psychological motivation.[3]

Other popular definitions of what motivation really encompass are commonly more elaborate, like the collection of simply-generated web searches presented below:

"*Motivation refers to the initiation, direction, intensity and persistence of behavior. Motivation is a temporal and dynamic state that should not be confused with personality or emotion. Motivation is having the desire and willingness to do something. A motivated person can be reaching for a long-term goal such as becoming a professional writer or a*

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[3] Source: http://www.britannica.com/eb/article-9108744/motivation

more short-term goal like learning how to spell a particular word."
(http://en.wikipedia.org/wiki/Motivation_theories)

"Motivation is the wants, needs and beliefs that drive a character."
(johnaugust.com/site/glossary)

"*Motivation is the push of the mental forces to accomplish an action. Unsatisfied needs motivate. On the biological level basic human needs of food, shelter and survival are powerful motivators. On the psychological level people need to be understood, affirmed, validated and appreciated. On the business level motivation occurs when people perceive a clear business reason for pursuing a transfer of knowledge or practices.*"
(home.earthlink.net/~ddstuhlman/defin1.htm)

As we can see from these different definitions of motivation, there is only a diffuse relationship between the stated comparisons. Subsequently the first task for any person who wants to do research the subject of motivation, is to choose one definition which best serves the purpose of the research at hand.

Even before carrying out the qualitative research for this thesis (interviews), it could be concluded that the general opinion in society of what motivation really means seems to differ widely, or, many different interpretations of what motivation is, exist. For this thesis, a choice was made to adopt the definition of motivation by Jones (1955).
Jones held that: "*Motivation is concerned with how behavior gets started, is energized, is sustained, is directed, is stopped, and what kind of subjective reaction is present in the organism while all this is going on*".

Throughout the last 30 years, conclusions of research on motivation in the academic field show the resurgence of the emphasis on needs as underlying explanation of motivation. Especially a resurgence of interest in Maslow's hierarchical needs theory as a basis to understand what motivation is and how it is generated, is noted (Latham & Pinder, 2005).

2.2. The Meaning of Motivation in Work Organizations

Before we can start a discussion of motivation in the work organization, we must pay attention to the context surrounding it, namely the management of firms.

Although the process of management is as old as history, scientific management as we know it today is basically a twentieth century phenomenon. In fact the field of management has been so devoid of real fundamental work, that it took until 1978 for Herbert A. Simon to win the Nobel Price in economics, being the first management theoretician to do to so. His contribution itself gives a clue to the difficulty, bordering on impossibility, of real fundamental, academic work in this field. Management is in essence concerned with people. In order to arrive at perfect decisions, managers must have all the information necessary relevant to the various factors and all the time in the world to analyze the same. This is hardly ever possible in the real world. Both the information available and the time at the manager's disposal are limited, but he or she must make a decision. And the decision is, therefore, not the perfect one, but a "satisfying" one - in effect, a satisfactory compromise under the real conditions prevailing in the management arena.

Motivation and its applications and implications in the work organization is considered by many managers as one of the management issues which is still one of the hardest to truly define and tackle. On the positive side, at least it could not be concluded in this study that the very word itself would mean different things depending on the language spoken (i.e. English "motivation", Swedish "motivation", Norwegian "motivasion", Finish "Motivaatio", or Portuguese "motivação").[4]

Pinder (1998) reasoned that work motivation (here thus more specific to this thesis) is a set of energetic forces that originate within as well as beyond an individual's being, to initiate work-related behavior and to determine its form, direction, intensity and duration. Thus, we can conclude that motivation is a psychological process resulting from the interaction between the individual and the environment (here: the work place).

As we shall see, the research on motivation in work organizations has, in fact, touched all the issues raised by the definition by Jones presented earlier, and suggests that they must all be considered if we are to understand motivation in work organizations. In this thesis

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[4] Based on the Authors' interviews with managers in Scandinavia and Portugal

Jones' definition of what motivation means in the work organization shall be applied, since it also will produce the most comprehensive and valid definition and the most valid coverage of the literature on motivation in organizations (Lawler, 1994).

Studying motivation in work organizations is challenging because of the enormity and complexity of the subject. Part of the complexity is that work organizations come in many different sizes, shapes and forms. They vary in the kinds of products or services they produce, the kinds of customers they serve, and the kinds of financial structures they have. And this is mostly only the beginning of a very list of elements that made them differ from each other.

However, organizations do have some common elements, and by understanding these elements we can go quite a long way towards understanding how organizations can influence motivation. What are these common elements? As is often observed, organizations are made up of two or more people, are goal oriented, and are designed to exist over some length of time. These factors lead to the following characteristics that work organizations normally have in common, adopted by Lawler (1994):

1. *Money plays an important role.* Money plays a role because to attract and retain people, work organizations have to pay them. Furthermore, to survive work organizations have to be financially viable. Thus, in all work organizations the obtaining, allocating, and spending of money is a crucial issue. Since it is important to many people, money obviously can influence motivation. This leads us to believe that any discussion of motivation in work organizations must consider how the way the organization handles its money influences the motivation of its employees.

2. *Some type of hierarchy exists.* The structures of most work organizations are characterized by superior/subordinate relationships. The reason for this is simple: as organizations grow they develop coordination problems, and someone or something is needed to see that the activities of the employees represent a coordinated effort towards whatever the goals of the organization are. Organizations try to solve this problem by making some people responsible for coordinating the work of others and by creating information and control systems to monitor the work of employees. We often call this the Management. Admittedly, at times it is hard to believe that the

extensive hierarchies that are developed (some organizations have as many as 20 levels) actually contribute to coordination. There is no doubt that in our society the superior/subordinate relationship – the hierarchy itself – is crucial in terms of motivation. The essence of supervision is in influencing the behavior of those being supervised, for example by influencing motivation. The hierarchical structure of organizations also means that some people have more status and power than others. Because of this, the possibility of promotion within the structure is often important to people and thus exerts a significant influence on motivation.

3. *People are given assigned tasks to perform.* Taken together, all the tasks a person performs are called his job. Large organizations have literally thousands of different jobs. The reason for this division of labor is simple: no one person can perform all the functions that are necessary to do such a thing as for example manufacture and sell a car. People are given responsibility for different parts of the manufacturing and sales process. Recent research has shown that how tasks are grouped to form jobs has a crucial influence on motivation. This connection should not be surprising. The person who works on an assembly line and does the same task over and over again every 15 seconds is obviously in a different environment from that of the person who does a less repetitious task, just as a salesman is in a different position from that of a corporation president. Probably as many approaches to motivating employees have been tried as there are kinds of work organizations. Some organizations successfully motivate their employees by giving them interesting jobs, others use the principles of democratic management, while yet others use pay-incentive plans. This variety of approaches is not surprising, since – due to basic differences – some organizations are better equipped to motivate people in certain ways than are other organizations. For example, the type of product or service produced influences the way in which the organization can design jobs; thus the product or service itself influences how much the organization can use job design to motivate behavior. Just as organizations differ in what they can do to influence motivation, people differ in what motivates them to work. Some people work primarily because of the companionship it offers, others work for money. Some work hard because there is a pay-incentive plan. Although in some ways these differences make it more difficult to understand motivation, they are comprehensible. Motivational differences among employees stem from many different

factors, including how people were raised, their culture, and how they are treated at work. In some ways motivation would be even more difficult to understand if someone from the ghetto, without a high school education, could walk into the executive office of a large corporation and respond to organizational policies in the same manner as the college-educated son of the corporation's president. Because this possibility is very unlikely, we will continue to focus on the ways individuals differ in their motivation. Summarizing all of this leads us to believe that adequate understanding of motivation in the workplace requires that we are able to predict how specific individuals will react to specific organizational practices. We need to be able to predict how specific employees will react to pay-incentive plans, to democratic leadership, to routine jobs, and so on. This can be done with some accuracy if we understand how organizational practices affect people's goals and their views of how these goals can be obtained.

Now that we have defined the characteristics which work organizations should have in common, and under which the individual is challenged to carry out his professional services or labor, we must also not forget that job behavior is influenced by many other factors, not only by motivation. One of the most important of these is ability. No matter how motivated a person is to perform well, good performance is not possible if the person lacks the necessary ability. Many theorists, including Lawler (1994), have suggested that the following equation expresses the relationship of ability and motivation to performance:

$$\textbf{Performance} = f\,(\textbf{Ability x Motivation})$$

For the ease of use of this equation, both ability and motivation are thought of as ranging from 0 to 1. Because the equation calls for a multiplicative combination of ability and motivation, if either is low, then performance must be low. In other words, high motivation can make up for low ability only to a limited extent, which also applies to high ability and low motivation.

Much evidence supports the fact that ability and motivation do combine multiplicatively to determine performance (Lawler, 1971). It is clear that people are limited in their response capabilities and this limitation does influence performance. Some people simply don't have the ability to be professional tennis players or opera singers. Therefore, no matter how motivated some people are, they will never be successful in these occupations.

One very important further point needs to be made about the (Ability x Motivation) formulation. The most commonly used definition of the term "ability" includes all of the training, experience, talent and aptitude that are necessary to perform well in a given situation. In other words, ability refers to how well the person can perform at the present time. The concept of ability is differentiated from the concept of aptitude, which refers to whether an individual can be brought through training and experience to a specified level of ability. Therefore, aptitude refers to how much the person's response capabilities can be developed. In line with this distinction between ability and aptitude, the equation presented earlier is best broken down like this (Lawler, 1994):

$$\textbf{Performance} = \textit{f} \textbf{ (Ability x Motivation),}$$

where

$$\textbf{Ability} = \textit{f} \textbf{ [Aptitude x (Training + Experience)].}$$

An important conclusion at this point is therefore that not all performance problems that occur in work organizations are caused by low motivation. Often, especially in higher-level jobs, performance problems are caused by low ability.

Thus, in trying to diagnose the performance problems of individuals in organizations, it is crucial to try to find out how much of the problem is due to poor ability and how much is due to poor motivation. Poor performance caused by low motivation clearly requires different kinds of corrective actions, from situations of poor performance cause by low ability. Problems that are caused by low motivation can for example be solved by change in job design, the manner of leadership, or the type of reward system. Problems that are caused by low ability levels may be more difficult to solve. First, it is necessary to determine whether the problem can be overcome by training. Often the problem is not that the person lacks the aptitude or talent to perform well, but he or she lacks the training and experience needed to perform well. If this deficiency is the case, then training can solve the problem. But if aptitude is low, then there is no way to improve performance.

2.3. Motivation Theories shaped in the 20th Century

Because so many different motivation theories exist, the following 2 sub-chapters attempt to summarize conclusions made about motivation by some of the most important thinkers of the 20th century. These ideas have all served to form and shape the way we understand the concept of motivation today.

At this stage it is important to distinguish between theories of motivation and theories that concern themselves with specifying the nature of human needs or drives. Acceptable theories of human needs or drives have to deal only with why outcomes such as pay, promotion, and job security are sought while other outcomes are avoided. This kind of theory should not be confused with a theory of motivation that tries to fully explain and predict behavior. To explain and predict behavior, a theory must state not only why some outcomes are sought while others are avoided, but also the factors that influence how they are sought. Many psychologists and managers do, however, confuse the two. They assume that because they have theories that make statements about the attractiveness of objects or outcomes, they somehow have theories of motivation that can explain and predict all kinds of behavior. This is a misleading assumption. Because of the nature of their theories, they are limited to saying why something is a goal and to predicting what kind of objects or outcomes will the sought. But they cannot predict how a person will behave in order to obtain or avoid a particular outcome (Lawler, 1994).

The work on motivation in the field of psychology has been dominated by two different views of the nature of man. One represents man as being motivated by inherited, conflicting, unconscious drives that cause him to behave in instinctual and at times self-destructive ways. The second view represents man as rational and aware of his goals and as behaving in those ways that he feels will help him achieve his goals. The first view had its origin in the writings of Freud and the neo-Freudians and has continued to develop during the last fifty years. The second view can be traced to the work of Plato and Aristotle and more recently to the work of Descartes, Hobbes, and Spinoza. A number of learning theories in psychology stem from the views of these philosophers (Lawler, 1994). The distinction between man as a rational, goal-oriented being and man as a being governed by unconscious drives is a very important one. If we accept a view of man as a rational being, then the very design of organizations needs to be different from what it would be if we accept the instinctual model of man. The instinctual model calls for an

organization dominated by controls by which the organization tries to monitor and direct the behavior of people. The rational model suggests that motivation can be influenced by the use of goals and that self-control is possible.

These models also suggest very different ways of approaching the study of motivation. One argues for trying to understand how people's goals develop and how people learn to obtain their goals. The other suggests trying to understand instincts and the analysis of an individuals fantasies, thoughts, and actions in order to understand what unconscious motives may be in operation.

At this point in the history of research on human motivation there is no doubt that the work of Freud and his successors has proved its value. People sometimes behave in irrational ways, and sometimes human behavior is influenced by goals that are not conscious. On the other hand, it also seems clear that the vast majority of human behavior is in fact goal directed and is at least rational in the eyes of the acting individual. The conclusion must be that none of these theories is necessarily wrong, or less applicable than the other, as supported by Lawler (1994).

Apparently, most people in Western societies today seem aware of their goals and try to achieve them in what they think is the best way. Objectively, their way may not be the best, but at least in their own eyes it appears to be the best. Research also shows that people have strong reactions to the results of their behavior. They have different feelings when they achieve their goals and when they don't. People's reactions are both predictable and important in understanding human behavior. Thus, onwards in this thesis we are going to assume that:

1. People have many conscious, often complex and competing goals.
2. Most behavior is consciously goal directed.
3. People have affective reactions to the outcomes they obtain as a result of their own behavior.

Let's now look back at some important ideas and their creators from the 20th century which have all come to form the way we understand motivation today.

2.4. Popular Motivation Theories

2.4.1 Content Theories

Freud's Instinct Theory of Motivation

Sigmund Freud (1856-1939), was an Austrian neurologist and psychiatrist who founded the psychoanalytic school of psychology. Freud is best known for his theories of the unconscious mind, especially involving the mechanism of repression; his redefinition of sexual desire as mobile and directed towards a wide variety of objects; and his therapeutic techniques, especially his theory of transference in the therapeutic relationship and the presumed value of dreams as sources of insight into unconscious desires.[5]

Freud, together with other prominent researchers of his time, such as James and McDougall, proposed the instinct theory as an explanation to what drives human motivation. Instead of viewing behavior as something rational, instinct theory argued that much behavior resulted from instinct alone (Steers *et al.,* 2004).

It has been said that Freud was no lover of people, and that he was far from being optimistic when it came to what motivates people in either life or in the workplace.

Freud's theories on motivation assume that people are lazy; they hate work to the extent that they avoid it; they have no ambition, take no initiative and avoid taking any responsibility; all they want is security, and to get people to do any work, they must be rewarded, coerced, intimidated and punished (Schuster, 1998). This is the so-called "stick and carrot" philosophy, or "theory X" of management. If this theory was valid, managers would have to constantly police their staff, which they cannot trust and who will refuse to cooperate. In such an oppressive and frustrating atmosphere, both for the manager and the managed, there is *no possibility of any achievement or any creative work*. But fortunately, as we know, this is not the case in real life today.

Douglas McGregor's Theory X and Theory Y

In sharp contrast to Freud's ideas, **Douglas McGregor** (1906-1964) believed that people want to learn and that work is their natural activity to the extent that they develop self-discipline and self-development. They see their reward not so much in cash payments as in the freedom to do difficult and challenging work by themselves. The manager's job is to

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[5] Source: http://www.accel-team.com/motivation/theory_01.html

"dovetail" the human wish for self-development into the organizations need for maximum productive efficiency. The basic objectives of both are therefore met and with imagination and sincerity, an enormous potential can be tapped (Schuster, 1998).

McGregor's book *The Human Side of Enterprise* (1960) has had a profound influence on management practices; some even argue it became the new philosophical base for the modern view of people at work in the 20th century.[6] In the book McGregor identified an approach of comparing environments within which employees are motivated via authoritative, direction and control or integration and self-control, which he called theory X and theory Y, respectively. Theory Y is the practical application Maslow's Humanistic School of Psychology, or Third Force psychology, applied to scientific management. Theory X is labeling the assumptions about people at work stated by Freud as outdated (McGregor, 1960).

Table 1: McGregor's Theory X and Theory Y

Theory X: Outdated Assumptions about People at Work	Theory Y: Modern Assumptions about People at Work
1. Most people dislike work; they avoid it when they can.	1. Work is a natural activity; like play or rest
2. Most people must be coerced and threatened with punishment before they will work. People require close direction when they are working.	2. People are capable of self-direction and self-control if they are committed to objectives.
3. Most people actually prefer to be directed. They tend to avoid responsibility and exhibit little ambition. They are interested only in security.	3. People generally become committed to organizational objectives if they are rewarded for doing so.
	4. The typical employee can learn to accept and seek responsibility
	5. The typical member of the general population has imagination, ingenuity, and creativity.

Source: Adapted from McGregor, D. (1960), *The Human Side of Enterprise,* Ch. 4

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[6] Jacobs, D. (2004) Book Review Essay: Douglas McGregor – The Human Side of Enterprise in Peril, *Academy of Management Review,* April 2004, pp. 293-96

To obtain the best results in the work place, the employees must be carefully selected to form a homogeneous group. A good leader of such a group may conveniently "absent" from group meetings so that the group can discuss matters freely and help select and "groom" a new leader. The leader does no longer hanker after power, (s)he lets people develop freely, and may even (it is hoped) enjoy watching the development and actualization of people, as if, by themselves. This should lead to that everyone, and most of all the organization, gains as a result. McGregor's ideas have, however, been subjected to some criticism by other behavioral scientists for being too soft and slack (Schuster, 1998).

Abraham Maslow and the Hierarchy of Human Needs

Abraham Maslow (1908-1970) was an American psychologist. He is mostly noted today for his proposal of a Hierarchy of Human Needs and is considered the father of humanistic psychology. The hierarchy of needs theory identifies five levels of needs, which are best seen as a hierarchy with the most basic needs emerging first and the most sophisticated needs emerging last. People move up the hierarchy one level at a time. Gratified needs lose their strength and the next level of needs is activated. As basic, or lower-level, needs are satisfied, higher-level needs become operative. A satisfied need is not a motivator. The most powerful employee need is the one that has not been satisfied (Maslow, 1943).

Maslow first presented the five-tier hierarchy in 1942 to a psychoanalytic society and published it definitely in the 1943 paper *A Theory of Human Motivation*,[7] and in 1954 in the book *Motivation and Personality*. The paper was later extended to include his observations of humans' innate curiosity.

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[7] Maslow, A.H. (1943), A Theory of Human Motivation, *Psychological Review*, Vol. 50, pp. 370-96

Figure 1:
Maslow's Hierarchy of Needs, represented as a pyramid with more primitive needs at the bottom.

Self - actualization

morality,
creativity,
spontaneity,
problem solving,
lack of prejudice,
acceptance of facts

Esteem

self-esteem,
confidence, achievement,
respect of others, respect by others

Love / Belonging

friendship, family, sexual intimacy

Safety

security of body, of employment, of resources,
of morality, of the family, of health, of property

Physiological

breathing, food, water, sex, sleep, homeostasis, excretion

Level I - Physiological needs are the most basic human needs. They include food, water, and comfort. The organization helps to satisfy employees' physiological needs by a paycheck.

Level II - Safety needs are the desires for security and stability, to feel safe from harm. The organization helps to satisfy employees' safety needs by benefits, such as providing a work environment in which the employee feels comfortable.

Level III - Social needs are the desires for affiliation. They include friendship and belonging. The organization helps to satisfy employees' social needs through sports teams, parties, and celebrations. The supervisor can help fulfill social needs by showing direct care and concern for employees.

Level IV - Esteem needs are the desires for self-respect and respect or recognition from others. The organization helps to satisfy employees' esteem needs by matching the skills and abilities of the employee to the job. The manager can help fulfill esteem needs by showing workers that their work is appreciated.

Level V - Self-actualization needs are the desires for self-fulfillment and the realization of the individual's full potential. The organization can help fulfill self-actualization needs by assigning tasks that challenge employees' minds while drawing on their aptitude and

training, or by allowing the employee by making career advancements inside the company.

The higher needs in this hierarchy only come into focus when the lower needs in the pyramid are satisfied. Once an individual has moved upwards to the next level, needs in the lower level will no longer be prioritized. However, if a lower set of needs is no longer being met, the individual will temporarily re-prioritize those needs by focusing attention on the unfulfilled needs. The individual never regresses from a higher level to a lower one, however. An example of this fact may be a businessman at the esteem level who is diagnosed with cancer. He will spend a great deal of time concentrating on his health (physiological needs) but would still value his work performance (esteem needs) and is likely to return to work and thoughts about his future career at times when he feels better (Maslow, 1954).

The first four layers of the pyramid are what Maslow called "deficiency needs" or "D-needs": the individual does not feel anything special if they are met, but she feels anxious if they are not met. Though the deficiency needs may be seen as "basic", and can be met and neutralized (i.e. they stop being motivators in one's life), self-actualization and transcendence are "being" or "growth needs" (also termed "B-needs"), i.e. they are enduring motivations or drivers of behavior. Maslow believed that humans have the need to increase their intelligence and thereby chase knowledge. Cognitive needs is the expression of the natural human need to learn, explore, discover and create to get a better understanding of the world around them. Based on Maslow's beliefs, it is stated in the hierarchy that humans need beautiful imagery or something new and aesthetically pleasing to continue up towards self-actualization. Maslow (1954) referred that humans need to refresh themselves in the presence and beauty of nature while carefully absorbing and observing their surroundings to extract the beauty that the world has to offer.

Self-actualization, a concept which Maslow attributed to Kurt Goldstein - a mentor of his - is the instinctual need of humans to make the most of their abilities and to strive to be the best they can.

Maslow (1954) wrote the following of self-actualizing people:

- They embrace the facts and realities of the world (including themselves) rather than denying or avoiding them.
- They are spontaneous in their ideas and actions.
- They are creative.
- They are interested in solving problems; this often includes the problems of others. Solving these problems is often a key focus in their lives.
- They feel closeness to other people, and generally appreciate life.
- They have a system of morality that is fully internalized and independent of external authority.
- They have discernment and are able to view all things in an objective manner.

In short, self-actualization is reaching one's fullest potential. According to Maslow (1954), the tendencies of self-actualizing people are as follows:

1. Awareness

- Efficient perception of reality;
- Freshness of appreciation;
- Peak experiences;
- Ethical awareness.

2. Honesty

- Philosophical sense of humour;
- Social interest;
- Deep interpersonal relationships;
- Democratic character structure.

3. Freedom

- Need for solitude;
- Autonomous, independent;
- Creativity, originality;
- Spontaneous.

4. Trust

- Problem centered;
- Acceptance of self, others, nature;
- Resistance to enculturation - identity with humanity.

It is interesting to reflect when studying Maslow's list of characteristics for self-actualizing people, that the world would probably be a good place if all our leaders had reached the highest tier in his pyramid and displayed these tendencies.

Maslow later divided the top of the triangle (the self-actualization need) to fit in self-transcendence which is also sometimes referred to as spiritual needs. Spiritual Needs are a little different from other needs, accessible from many levels of the hierarchy.[8]

Maslow believed that we should study and cultivate peak experiences as a way of providing a route to achieve personal growth, integration, and fulfillment. Peak experiences are unifying, and ego-transcending, bringing a sense of purpose to the individual and a sense of integration. Individuals most likely to have peak experiences are self-actualizing, mature, healthy, and self-fulfilled. All individuals are capable of peak experiences. Those who do not have them somehow suppress or deny them.

Alderfer's ERG Theory

Clayton Paul Alderfer (1940 –) is an American psychologist who further expanded Maslow's hierarchy of needs by categorizing it into his **ERG Theory** (Existence, Relatedness and Growth). The ERG theory first appeared in 1969 in a Psychological Review article entitled "An Empirical Test of a New Theory of Human Need". Alderfer categorized the lower order needs (Physiological and Safety) into the Existence category. He fit Maslow's interpersonal love and esteem needs into the Relatedness category. The third, Growth category, contained the self actualization and self esteem needs.

Alderfer (1980) also proposed a regression theory to go along with the ERG theory. This regression theory is sometimes labeled the frustration-regression hypothesis. He said that when needs in a higher category are not met then individuals redouble the efforts invested in a lower category need. For example if self actualization or self esteem (the growth

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[8] Source: http://www.deepermind.com/20maslow.htm

category) is not met then individuals will invest more effort in the relatedness category in the hopes of achieving the higher need.

Existence needs are the desires for material and physical well being. These needs are satisfied with food, water, air, shelter, working conditions, a pay-check, and fringe benefits. Relatedness needs are the desires to establish and maintain interpersonal relationships. These needs are satisfied with relationships with family, friends, supervisors, subordinates, and co-workers. Growth needs are the desires to be creative, to make useful and productive contributions and to have opportunities for personal development (Alderfer, 1980).

McClelland's Learned Needs Model

David C. McClelland (1917 – 1998) was an American personality psychologist, social psychologist, and an advocate of quantitative history. McClelland describes motivating for performance through the **Learned Needs Model** - a content theory that focuses fully on the needs that motivate people. McClelland's model states that all people are subject to three important needs or motives - *achievement*, *affiliation*, and *power* - which we acquire through interaction with our surrounding environments. Individuals can be differentiated into distinct personality types depending on which need of these three that predominate one's personality (McClelland, 1965).

McClelland content theory of motivation is based on Henry Murray's (1938) theory of personality, which set out a comprehensive model of human needs and motivational processes.

In McClelland's book *The Achieving Society* (1961) he asserts that human motivation comprises the three dominant human needs: the need for achievement (N-Ach), the need for power (N-Pow) and the need for affiliation (N-Aff). The subjective importance of each need varies from individual to individual and depends also on an individual's cultural background. McClelland also claimed that this motivational theory and its implications is an important factor in the social change and evolution of societies. His legacy includes the scoring system which he co-developed for the Thematic Apperception Test (TAT) that was developed by Murray and Morgan in 1935. The TAT is used for personality assessment and in achievement motivation research, and described in the book *The*

Achievement Motive by McClelland, Atkinson, Clark, and Lowell (1953). Many organizations today still use the TAT test when screening candidates in selection and recruitment processes.

People with different needs are motivated differently. While all people have all three motives, they have them to different degrees. In practice, the majority of people have one motive to significantly higher degree, though a few have all three high at close levels.

- *High need for achievement* - Highly achievement-motivated people should be given challenging projects with reachable but challenging goals. They should be provided frequent feedback. While money is not an important motivator, it is an effective form of feedback if it is linked to clear measures of success.

- *High need for affiliation* - Employees with a high affiliation need perform best in a cooperative environment, where they can belong to something larger than themselves.

- *High need for power* - Management should provide people with a strong need to influence with the opportunity to manage others.

McClelland's theory allows for the shaping of a person's needs; training programs can be used to modify one's need profile. Studies have indicated that motives cannot be decreased, but may be increased over significant time (Kinicki and Kreitner, 2006).

McClelland (1965) focuses much of his research on *achievers*, people who perform tasks because of a compelling need for personal achievement. McClelland describes the *self-motivated achiever* as a person with a tendency to think about ways to accomplish something difficult and significant when he or she is not being required to think about anything in particular - that is, when he or she is free to relax and let his or her mind become idle. The self-motivated achiever tends to set goals, avoids the extremes of difficulty in selecting goals, and prefers tasks that provide feedback. Achievers strive to reach goals and measure success in terms of what his efforts have accomplished. He learns to set challenging but achievable goals for himself and for his jobs and, when he achieves them, to set new goals. Goals that are too high and goals that are too low don't work. Goals that are too high to achieve only lead to frustration, and goals that are too low lead to complacency.

Managers can identify achievers and provide ways for them to satisfy their drive to do excellent work. Achievement characteristics, such as personal responsibility, individual participation in the selection of productivity targets, and moderate goals, can be built into the job. Achievers should be provided with immediate, concrete feedback on the results they are attaining. Effective managerial tasks include some general guidance, occasional follow-up, and detailed appraisals.

McClelland's last paper in 1998 was a study demonstrating that rigorous competency-based selection could predict performance in top executives in a multinational organization: his study found that it is possible to predict job performance (against business goals) two years in advance with 75-85% accuracy - a validity coefficient estimated to be 0.81, and unmatched by any other tool. Since the technique is both labor-intensive and requires skilled assessors to execute at that level, it is a technique not often used at entry-level to supervisory levels of organizations, though it is still claimed to be effective.[9]

Herzberg's Motivation-Hygiene Theory

Frederick Irving Herzberg (1923 - 2000) was a noted psychologist who became one of the most influential names in business management. He is most known for introducing **Job Enrichment** and **the Motivation-Hygiene theory**. His 1968 publication "One More Time, How Do You Motivate Employees?" had sold over one million reprints by 1987 and was the most requested article from the Harvard Business Review.[10] [11]

Maybe this suggests not only the excellency of the article, but also demonstrates how very important the subject of motivation in the workplace continues to be for managers and others.

The **Two-Factor Theory** (also known as **Herzberg's Motivation-Hygiene Theory**) holds that job satisfaction and job dissatisfaction act independently of each other. The theory states that there are certain factors in the workplace that cause job satisfaction, while a separate set of factors cause dissatisfaction (Herzberg, Mausner and Snyderman, 1959).

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[9] McClelland, D. C. (1998), Identifying competencies with behavioral-event interviews, *Psychological Science*, Vol. 9, No. 5
[10] Herzberg, F.I. (1987), One more time: How do you motivate employees*?, Harvard Business Review*, Vol. 65, Issue 5, Sep/Oct., pp. 109-120
[11] Source: http://en.wikipedia.org/wiki/Two_factor_theory

The theory was based on interviews with 203 American accountants & engineers in Pittsburgh, chosen because of their professions' growing importance in the business world at the time. The subjects were asked to relate times when they felt exceptionally good or bad about their present job or any previous job, and to provide reasons and a description of the sequence of events giving rise to that positive or negative feeling.

The Two Factor Theory distinguishes between (Hackman and Oldham, 1976):

- **Motivators**; (e.g. challenging work, recognition, responsibility) which give positive satisfaction, arising from intrinsic conditions of the job itself, such as recognition, achievement, or personal growth, *and*

- **Hygiene factors**; (e.g. status, job security, salary and fringe benefits) which do not give positive satisfaction, although dissatisfaction results from their absence. These are extrinsic to the work itself, and include aspects such as company policies, supervisory practices, or wages/salary.

Essentially, hygiene factors are needed to ensure that an employee is not dissatisfied. Motivation factors are needed in order to motivate an employee to higher performance. Herzberg also further classified our actions and how and why we chose them, for example, if you perform a work related action because you *have to* then that is classified as a **movement**, but if you perform a work related action because you *want to* then that is classified as **motivation** (Herzberg, 1987).

Herzberg uses the term **motivators** for job satisfiers since they involve job content and the satisfaction that results from them. Motivators are considered job turn-ons. They are necessary for substantial improvements in work performance and move the employee beyond satisfaction to superior performance. Motivators correspond to Maslow's higher-level needs of esteem and self-actualization.

Motivators encourage an employee to strive to do his or her best. **Job enrichment** can be used to meet higher-level needs. Job enrichment in organizational development, human resources management, and organizational behavior, is the process of giving the employee a wider and higher level scope of responsibility with increased decision making authority.

Job enrichment is different from of job enlargement, which would not involve greater authority, only an increased number of duties. Modern day practice of job enrichment stems from the early work of Frederick Herzberg in the 1950's and 1960's on job satisfaction.

Dissatisfaction at work occurs when the following hygiene factors, extrinsic or job contextual, are not present on the job: pay, status, job security, working conditions, company policy, peer relations, and supervision. Herzberg uses the term **hygiene** for these factors because they are preventive in nature. They will not produce motivation, but they can prevent motivation from occurring. Hygiene factors can be considered job stay-ons because they encourage an employee to stay on a job. Once these factors are provided, they do not necessarily promote motivation; but their absence can create employee dissatisfaction. Hygiene factors correspond to Maslow's physiological, safety, and social needs in that they are extrinsic, or peripheral, to the job. They are present in the work environment of job context.

While the Motivation-Hygiene theory is still well regarded, satisfaction and dissatisfaction are generally no longer considered to exist on separate scales (Hackman and Oldham, 1976). Furthermore, it has been noted that the theory does not allow for individual differences, such as a particular personality traits, which would affect individuals' unique responses to motivating or hygiene factors (Hackman and Oldham, 1976).

2.4.2 Process Theories

Vroom's Expectancy Theory of Motivation and Motivational Hedonism

Victor Vroom (1932 -) is a Professor at Yale School of Management who developed the so called **Expectancy Theory of Motivation**.

Expectancy theory in general holds that people are motivated to behave in ways that produce desired combinations of expected outcomes. Perception plays a central role in expectancy theory because it emphasizes cognitive ability to anticipate likely consequences of behavior. The principle of hedonism is embedded in expectancy theory. Hedonistic people strive to maximize their pleasure and minimize their pain; they also try to choose the outcome that they believe will bring them the greatest pleasure. This is also refereed to as the hedonic axiom (Beck, 2005). Hedonistic theory holds that at any given moment, there is an ordering of events along a continuum ranging from very aversive,

through neutral, thorough very desirable. This is called the hedonic continuum. The details of the hedonic continuum may vary from one individual to another or for the same individual at different times. However, at any given time the continuum is assumed to be fixed for a given person (Beck, 2005). Generally, expectancy theory can be used to predict behavior in any situation in which a choice between two or more alternatives must be made. Understanding the cognitive processes which employees make between desired and less desired outcomes can help managers develop organizational policies that enhance employee motivation.

Beck (2005) suggested the following list, which illustrates some motivational concepts that fit under the umbrellas of desire and aversion (psychological hedonism):

DESIRE	AVERSION
Need for achievement	Fear of failure
Positive incentives	Negative incentives
Rewards	Punishers
Cognitive consistency	Cognitive dissonance
Love	Fear
Hope for power	Fear of power
Relaxation	Stress

Vroom's expectancy model suggests that people choose among alternative behaviors because they anticipate that particular behaviors will lead to one or more desired outcome(s) and that other behaviors will lead to undesirable outcomes. Expectancy is the belief that effort will lead to first-order outcomes, any work-related behavior that is the direct result of the effort an employee expends on a job.

Vroom created a mathematical model of expectancy theory in his 1964 book *Work and Motivation,* which is still regarded as a landmark in the field of motivational studies. In this book he summarizes the theory as follows (Kinicki and Kreitner, 2006: 182):

"The strength of a tendency to act in a certain way depends of the strength of expectancy that the act will be followed by a given consequence (or outcome) and on the value or attractiveness of that consequence (or outcome) to the actor."

Motivation according to Vroom boils down to the decision of how much effort to exert in a specific task situation. Three key concepts are central in Vroom's theory; expectancy, instrumentality and valence.

Expectancy according to Vroom's terminology, represents an individual's belief that a particular degree if effort will be followed by a particular level of performance. It is an effort → performance expectation. Expectancies are subjective probabilities in the individuals mind and range from 0 (effort has no anticipated impact on performance) to 1 (effort has total anticipated impact on performance).

Instrumentality is a performance → outcome perception. It represents an individual's belief that a particular outcome is dependent on first accomplishing a specific level of performance. Performance is instrumental when it leads to something else. For example writing a thesis is instrumental to obtaining a Master's degree in management.

Instrumentalities range from -1.0 to 1.0. An instrumentality of 1.0 indicates obtaining a particular outcome is totally dependent on prior task performance. An instrumentality of zero indicates that there is no relationship between performance and receiving a specific outcome. An instrumentality of -1.0 would mean that high performance would *reduce* the chances of obtaining the desired outcome.

Valence according to Vroom refers to the positive or negative value people place on outcomes. Valence mirrors our personal preferences. For example most employees have a positive valence for receiving additional money or recognition at work. Contrastingly, stress and being fired would likely be negatively valent for most people.

Vroom states that an outcome's valence depends on an individual's needs and can be measured for research purposes with scales ranging from a negative to a positive value. For example, an employee's valence towards getting recognition in the workplace could be assessed on a scale ranging from -2 (very undesirable) to 0 (neutral) to +2 (very desirable) (Kinicki and Kreitner, 2006).

Many researchers have tested Vroom's expectancy theory since it saw the light of day in the 1960's. In support of this theory, a meta-analysis of 77 studies indicated that expectancy theory significantly predicted performance, effort, intentions, preferences and choice (van Eerde and Thierry, 1996). Nonetheless the theory has also been criticized for a variety of reasons, such as that it is difficult to test it, and for the fact that the measurements used to assess expectancy, instrumentality and valence have a questionable

validity (Mitchell, 1982). However, the expectancy theory can have important practical implications for managers and for the work organization as a whole (see table 2, below).

Managers could enhance effort → performance expectancies by helping employees to accomplish their performance goal. This could be done with increased support and coaching. It is equally important for managers to influence employees' instrumentalities and monitor valences for various rewards. This could give raise to the question whether organizations should use monetary rewards as the primary method to reinforce performance or not.[12]

Table 2: Managerial and Organizational Implications of Vroom's Expectancy Theory

Implications for Managers	Implications for Organizations
Determine the outcomes which employees value	Reward people for desired performance, and do not keep pay decisions secret
Identify good performance so that appropriate behaviors can be rewarded	Design challenging jobs
Make sure employees can achieve targeted performance levels	Tie some rewards to group accomplishments to build teamwork and encourage cooperation
Link desired outcomes to targeted levels of performance	Reward managers for creating, monitoring and maintaining expectancies, instrumentalities and outcomes that lead to high effort and goal attainment
Make sure changes in outcomes are large enough to motivate high effort	Monitor employee motivation through interviews or anonymous questionnaires
Monitor the reward system for inequities	Accommodate individual differences by building flexibility into the motivation program

Adopted from Kinicki & Kreitner (2006), *Organizational Behavior*, Ch. 7 p. 186

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[12] See section 3.5 for the discussion of money as the most powerful motivator in the workplace

The Equity Theory

John Stacy Adams (1925 –), who was a behavioral psychologist, is known for being the first to apply the Equity Theory, or **Adams' Equity Theory**, to the workplace in 1963. This theory attempts to explain relational satisfaction in terms of perceptions of fair/unfair distributions of resources within interpersonal relationships, notably in organizations (Kinicki and Kreitner, 2006).

Adams (1965) asserted that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others. While the equity theory was originally concerned with differences in pay, it may also be applied to other forms of tangible and intangible rewards in the workplace. That is, if for a given individual any input that she brings to the job is not balanced with some perceived-to-be fair output, the individual will not be motivated. The discrepancy may be between the person's internal standard for what is an equitable return for a certain amount of effort, or it may be in comparison with some external reference (Beck, 2005). Supervisors must manage the perception of fairness in the mind of each employee. If employees think that they are not being treated fairly, it is difficult or even impossible to motivate them, and job-performance will suffer.

Equity theory proposes that individuals who perceive themselves as either under-rewarded or over-rewarded will experience distress, and that this distress leads to efforts to restore equity within the relationship between themselves and, in this case, their employer. The theory focuses on determining whether the distribution of resources is fair to both relational partners. Equity is measured by comparing the ratios of contributions and benefits of each person within the relationship. Partners do not have to receive equal benefits (such as receiving the same amount of holidays, benefits, or financial security) or make equal contributions (such as investing the same amount of effort, time, and financial resources), as long as the ratio between these benefits and contributions is similar. Much like other prevalent theories of motivation, for example Maslow's hierarchy of needs, the equity theory acknowledges that subtle and variable individual factors affect each person's assessment and perception of their relationship with their relational partners (Kinicki and Kreitner, 2006).

A person will consider that he is treated fairly if he perceives the ratio of his inputs to his outcomes to be equivalent to those around him.

Thus, all else being equal, it would be acceptable for a more senior colleague to receive higher compensation, since the value of his experience (an input) is higher.

This can be illustrated by the following equation (Adams, 1965):

$$\frac{Individual's\ outcomes}{Individual's\ own\ inputs} = \frac{Relational\ partner's\ outcomes}{Relational\ partner's\ inputs}$$

Inputs are defined as each participant's contributions to the relational exchange and are viewed as entitling her to rewards or costs. The inputs that a participant contributes to a relationship can be either assets – entitling her to rewards – or liabilities - entitling her to costs. The entitlement to rewards or costs ascribed to each input varies depending on the relational setting. In industrial settings, assets such as capital and manual labor are seen as "relevant inputs" – inputs that legitimately entitle the contributor to rewards. In social settings, assets such as physical beauty and kindness are generally seen as assets entitling the possessor to social rewards. Individual traits such as bad manners and cruelty are seen as liabilities entitling the possessor to costs (Beck, 2005).

Inputs typically include any of the following components; they are in random order and depend on the situation at hand (Walster and Walster, 1978):

- Time
- Effort
- Loyalty
- Hard Work
- Commitment
- Ability
- Adaptablility
- Flexibility
- Tolerance
- Determination

- Enthusiasm
- Personal sacrifice

Outputs are defined as the positive and negative consequences that an individual perceives a participant has incurred as a consequence of his relationship with another. Outputs can be both tangible and intangible.

Outputs typically include any of the following components; they are in random order and depend on the situation at hand (Walster and Walster, 1978):

- Salary
- Security
- Love
- Esteem
- Intimacy
- Benefits
- Expenses
- Recognition
- Reputation
- Responsibility
- Sense of achievement
- Praise
- Thanks

Equity Theory is fairly parsimonious. It consists of four basic propositions (Walster and Walster, 1978):

1. Individuals seek to maximize their outputs (where outcomes are defined as rewards minus costs).
2. Groups can maximize collective rewards by developing accepted systems for equitably apportioning rewards and costs among members. Systems of equity will evolve within groups, and members will attempt to induce other members to accept and adhere to these systems. The only way groups can induce members to equitably behavior is by making it more profitable to behave equitably than inequitably. Thus, groups will generally reward members who treat others

equitably and generally punish (increase the cost for) members who treat others inequitably.

3. When individuals find themselves participating in inequitable relationships, they become distressed. The more inequitable the relationship, the more distress individuals feel. According to equity theory, both the person who gets "too much" and the person who gets "too little" feel distressed. The person who gets too much may feel guilt or shame. The person who gets too little may feel angry or humiliated.

4. Individuals who perceive that they are in an inequitable relationship attempt to eliminate their distress by restoring equity. The greater the inequity, the more distress people feel and the more they try to restore equity.

Equity Theory in Business

Equity Theory has been widely applied to business settings to describe the relationship between an employee's motivation and his perception of equitable or inequitable treatment. In a business setting, the relevant 2-part relationship is that between employee and employer. As in a marriage or other contractual 2-part relationships, the equity theory assumes that employees seek to maintain an equitable ratio between the inputs they bring to the relationship and the outcomes they receive from it (Adams, 1965). Equity Theory in business, however, introduces the concept of social comparison, whereby employees evaluate their own input/output ratios based on comparisons with the input/outcome ratios of other employees, for example their colleagues (Carrell and Dittrich, 1978). Inputs in this context include the employee's time, expertise, qualifications, experience, intangible personal qualities such as drive and ambition, and interpersonal skills. Outcomes include monetary compensation, perquisites ("perks"), benefits, and flexible work arrangements. Employees who perceive inequity in the relationship with their employer will seek to reduce it, either by distorting inputs and/or outcomes in their own minds ("cognitive distortion"), or by directly altering inputs and/or outcomes, or by simply leaving the organization (Carrell and Dittrich, 1978). Thus, the theory has wide-reaching implications for employee morale, efficiency, productivity, and turnover.

Assumptions of Equity Theory Applied to Business

The three primary assumptions of the equity theory when applied to work organizations can be summarized as follows (Carrell and Dittrich, 1978):

1. Employees expect a fair return for what they contribute to their jobs, a concept referred to as the "equity norm".
2. Employees determine what their equitable return should be after comparing their inputs and outcomes with those of their coworkers. This concept is referred to as "social comparison".
3. Employees who perceive themselves as being in an inequitable situation will seek to reduce the inequity either by distorting inputs and/or outcomes in their own minds, by directly altering inputs and/or outputs, or by leaving the organization.

Implications for Managers

Equity theory has several implications for business managers (Carrell and Dittrich, 1978):

- People measure the totals of their inputs and outcomes depending on their unique life situations. This means a working mother may accept a lower monetary compensation in return for more flexible working hours, and feel very happy with it.
- Employees ascribe personal values to inputs and outcomes. Thus, two employees of equal experience and qualification performing the same work for the same pay may have quite different perceptions of the fairness of the deal.
- Employees are able to adjust for purchasing power and local market conditions. Thus a teacher from New York may accept lower compensation than his colleague in Los Angeles if his cost of living is different, while a teacher in a remote African village may accept a totally different pay structure.
- Although it may be acceptable for more senior staff to receive higher compensation, there are limits to the balance of the scales of equity and employees can find excessive executive pay de-motivating.
- The employees' perception of their inputs and outcomes, both of themselves and of others may be incorrect. Therefore perceptions need to be managed effectively.
- An employee who believes he is under-compensated may withdraw goodwill and reduce his efforts.

- An employee who believes he is over-compensated may increase his effort. However he may also adjust the values that he ascribes to his own personal inputs. It may also happen that he or she internalizes a sense of superiority in this situation, and actually decrease his or her efforts.

Criticisms and Related Theories

Criticism has been directed towards both the assumptions and practical applications of the equity theory. Scholars have questioned the simplicity of the model, arguing that a number of demographic and psychological variables affect people's perceptions of fairness and interactions with others. Furthermore, much of the research supporting the basic propositions of equity theory has been conducted in laboratory settings, and thus has questionable applicability to real-world business situations (Huseman, Hatfield and Miles, 1987). Critics have also argued that people might perceive equity/inequity not only in terms of the specific inputs and outcomes of a relationship, but also in terms of the overarching system that determines those inputs and outputs. Thus, in a business setting, one might feel that his or her compensation is equitable to other employees, but one might view the entire compensation *system* as unfair (Carrell and Dittrich, 1978).

Researchers, including Huseman, Hatfield and Miles (1987) have offered numerous magnifying and competing perspectives to the equity theory:

Equity Sensitivity Construct

The Equity Sensitivity Construct proposes that individuals have different preferences for equity and thus react differently to perceived equity and inequity. Preferences can be expressed on a continuum from preferences for extreme under-benefit to preferences for extreme over-benefit. Three archetypal classes are as follows:

- Benevolents - those who prefer their own input/outcome ratios to be less than those of their relational partner. In other words, the benevolent prefers to be under-benefited.
- Equity Sensitives - those who prefer their own input/outcome ratios to be as close to equal as possible to those of their relational partner.

- Entitleds - those who prefer their own input/outcome ratios to exceed those of their relational partner. In other words, the entitled prefers to be over-benefited.

Fairness Model

The Fairness Model (Carrell and Dittrich, 1978) proposes an alternative measure of equity/inequity to the relational partner or "comparison person" of standard equity theory. According to the fairness model, an individual judges the overall "fairness" of a relationship by comparing their inputs and outcomes with an internally derived standard. The fairness model thus allows for the perceived equity/inequity of the overarching system to be incorporated into individuals' evaluations of their relationships).

2.4.3 Behavioral Theories

Skinner's Behaviorism and Reinforcement Theories

Burrhus Frederic Skinner (1904 – 1990) was a highly influential American psychologist, author, inventor, advocate for social reform and a poet. He was a Professor of Psychology at Harvard University from 1958 until retirement in 1974.

Skinner was an innovator and an inventor, in his lifetime he innovated his own philosophy of science called **Radical Behaviorism**, and founded his own school of experimental research psychology - the experimental analysis of behavior.[13]

Skinner's analysis of human behavior culminated in the work *Verbal Behavior* (1957). He invented the *cumulative recorder* to measure the rate of responding as part of his highly influential work on schedules of reinforcement (1957). In a recent survey, Skinner was listed as the most influential psychologist of the 20th century.[14]

He was an incredibly productive author, publishing 21 books and 180 articles in his lifetime.

Skinner argued that behavior is controlled by its consequences. His work became known as (radical) behaviorism because he dealt strictly with observable behavior (Ruiz, 1995). As a behaviorist, Skinner believed it was pointless to explain behavior in terms of unobservable inner states such as needs, drives, attitudes, or thoughts processes (Donahoe,

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[13] Source: http://en.wikipedia.org/wiki/B._F._Skinner
[14] Source: *Review of General Psychology*, July 2002

1993). In his 1938 classic book *The Behavior of Organisms*, Skinner introduced an important distinction between two types of behavior: respondent and operant behavior (Skinner, 1938). Respondent behavior, also referred to as stimulus-response (S-R) behavior, is said to describe a very small proportion of adult behavior. An example of respondent behavior is shedding tears while pealing an onion. Operant behavior, also referred to as response-stimulus (R-S) behavior, is behavior that is learned when one "operates on" the environment to produce desired consequences. Years of controlled experiments with pigeons in so-called "Skinner boxes" aided Skinner in his development of a sophisticated technology of behavior control, or operant conditioning.

Skinners work has had significant implications for the science of Organizational Behavior, because the great majority of organizational behavior falls into the operant category (Gilbert and Gilbert, 1991).

Contingent Consequences

Contingent consequences, according to Skinners operant theory, control behavior in four ways: positive reinforcement, negative reinforcement, punishment, and extinction. Contingent means that there is a systematic if-then linkage between the target behavior and the consequence: "If you don't finish your dinner, you will not get dessert" (Kinicki and Kreitner, 2006). Kinicki and Kreitner (2006: 216) attempt a simplified definition of the formal categories of Skinner's contingent consequences:

- Positive Reinforcement: Making behavior occur more often by contingently presenting something positive.
- Negative Reinforcement: Making behavior occur more often by contingently withdrawing something negative.
- Punishment: Making behavior occur less often by contingently presenting something negative or withdrawing something positive.
- Extinction: Making behavior occur less often by ignoring or not reinforcing it.

Contingent consequences are an important determinant of future behavior. The timing of behavioral consequences can be even more important (Kinicki and Kreitner, 2006). Based on years of tedious laboratory studies with his pigeons on highly controlled environments, Skinner discovered distinct patterns of responding to various schemes of reinforcement (Ferster and Skinner, 1957). Continuous reinforcement (CRF) means reinforcing every

instance of a behavior, and intermittent reinforcement means reinforcing some but not all instances of behavior. Skinner (1957) argued that the schedule of reinforcement can be more powerful to actually influence behavior than the magnitude of the reinforcement itself. One way of reinforcing closer and closer approximations to a target behavior is called *shaping*. Shaping works especially well in training and quality programs involving continuous improvement. Praise, recognition, and instructive feedback cost managers little more than moments of their time, yet have proved incredibly effective when managing employee behavior, job performance and motivation (Case, 2003).

2.4.4 New Approaches

Csikszentmihalyi's Theory of Flow

Mihaly Csikszentmihalyi (1934 –) is an Hungarian-born writer of the bestseller book *Flow: The Psychology of the Optimal Experience* (1990). He is a professor of Psychology and Education at the University of Chicago and has been studying the concept of flow for many years and has written several books related to the subject. Flow is so named because of the output of more than 1000 interviews which Csikszentmihalyi (1990) conducted. Several people described their "flow" experiences using the metaphor of a current carrying them along. The psychological concept of *flow* as becoming totally absorbed in an activity is thus unrelated to the older phrase "to go with the flow" which means "to conform". Flow can be considered closely related to motivation, since in the state of flow, one is naturally motivated and happy (Csikszentmihalyi, 1990).

Csikszentmihalyi (1990) describes flow, very simply put, to be an optimal psychological state of total involvement in the task at hand. This state corresponds closely to one of total devotion. When we compare David McClelland's (1965) description of the *self-motivated achiever* who tends to set goals, avoid the extremes of difficulty in selecting goals, and prefers tasks that provide feedback, we recognize a behavior similar to the one Csikszentmihalyi labels as flow-generating. McClelland's achievers strive to reach goals and measure success in terms of what their efforts have accomplished (McClelland, 1965). They learn to set challenging but achievable goals for themselves and for their jobs and, when they achieve them, to set new goals. Goals that are too high and those that are too low don't work. Goals that are too high to achieve lead to frustration according to McClelland; Csikszentmihalyi label this anxiety. Goals that are too low lead to

complacency; Csikszentmihalyi label this boredom. We can thus draw some parallels between Csikszentmihalyi's individual in a balancing act to find and maintain the state of flow and the behavior of McClelland's self-motivated achiever. Possibly Csikszentmihalyi was partly inspired by McClelland, and kept building on some of his existing ideas and the Learned Needs Model.

In 2003, Csikszentmihalyi released the book *Good Business: Leadership, Flow, and the Making of Meaning,* in which he applies the concept of flow to the workplace.

Csikszentmihalyi (2003) refers that in today's corporate upheaval, a new business paradigm seems to be evolving. While many CEO's are being exposed for their greed in recent years, truly visionary leaders appears to believe in a goal that benefits themselves as well as others. These leaders realize that it is their vision and "soul" that attract loyal employees willing to go above and beyond the call of corporate duty. And employees are realizing the same thing: while 80 percent of adults in the United States claim they would work even if they didn't have to, the majority of them can hardly wait to leave their jobs and get home at the end of the day (Csikszentmihalyi, 2003).

According to Csikszentmihalyi (2003), good business practices starts with the hypothesis that this is an age in which business and working life have largely replaced religion and politics as central forces in contemporary life in the Western world. Csikszentmihalyi elaborates on how business leaders, managers, and employees can find their flow and contribute not only to their own happiness, but also to a fair and positively evolving society. Crucial factors to the operation of a good business according to Csikszentmihalyi are trust, the commitment to fostering the personal growth of employees, and the dedication to creating products or services that helps mankind. Critics have hailed Csikszentmihalyi's philosophies to have become mandatory schooling for anyone who values the positive contributions of individuals in the changing world of business.[15]

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[15] Source: http://www.leadershipnow.com/leadershop/3196-8.html

As Csikszentmihalyi sees it, components of an experience of flow can be described in the following way (Csikszentmihalyi, 1975: 72):

1. *Clear goals* (expectations and rules are discernible and goals are attainable and align appropriately with one's skill set and abilities).
2. *Concentrating and focusing*, a high degree of concentration on a limited field of attention (a person engaged in the activity will have the opportunity to focus and to probe deeply into it).
3. A *loss of the feeling of self-consciousness*, the merging of action and awareness.
4. *Distorted sense of time* - one's subjective experience of time is altered.
5. Direct and immediate *feedback* (successes and failures in the course of the activity are apparent, so that behavior can be adjusted as needed).
6. *Balance between ability level and challenge* (the activity is neither too easy nor too difficult).
7. A sense of personal *control* over the situation or activity.
8. The activity is *intrinsically rewarding*, so there is an effortlessness of action.
9. When in the flow state, people become absorbed in their activity, and focus of awareness is narrowed down to the activity itself; *action awareness merging*.

Not all of the stages above are needed for flow to be experienced.

Flow tends to occur when a person's skills are fully involved in overcoming a challenge that is just about manageable. Put simply, flow occurs when goals are clear, feedback relevant, challenges and skills in balance, and attention becomes ordered and fully invested. Because of the total demand on psychic energy, a person in flow is completely focused (Csikszentmihalyi, 1990).

According to Csikszentmihalyi (1990), feeling flow involves the following sensations:

1. Completely involved, focused and concentrating - either due to innate curiosity or as the result of training.
2. Sense of ecstasy - being outside everyday reality.
3. Great inner clarity - knowing what needs to be done and how well it is going.
4. Knowing that the activity is doable - that the personal skills are adequate.
5. Feeling neither anxious nor bored.

6. Sense of serenity - no worries about the self, a feeling of growing beyond the boundaries of the ego – afterwards there is a feeling of transcending the ego in ways not thought possible before.

7. Timeliness - thoroughly focused on the present, not noticing time passing.

8. **Intrinsic motivation** - whatever produces flow becomes its own reward.
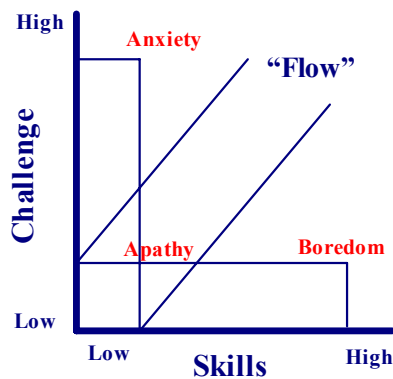

Figure 2: Csikszentmihalyi saw optimal activities in the "flow" channel moving outward as skills are gained, and certainly before apathy sets in.

Adopted from Csikszentmihalyi, M. (1990), *Flow: The Psychology of the Optimal Experience*

Goal-Setting Theory

Goal setting theory is generally accepted as among the most valid and useful motivation theories in industrial and organizational psychology, human resource management, and organizational behavior.[16] Despite abundant goal-setting research and practice in organizations all over the world for the past 50 years, goal-setting theories are surprisingly scarce. Edwin Locke, a leading authority on goal setting, is said to have pioneered research on goal setting and motivation in the late 1960s. In his 1968 article "Toward a Theory of Task Motivation and Incentives," he stated that employees were motivated by clear goals and appropriate feedback. Locke went on to say that working toward a goal provided a major source of motivation to actually reach the goal – which, in turn, improved performance. Locke and his associates (1981) also defined the term *goal* as what an individual is trying to accomplish; it is the object or aim of an action.

The motivational effect of performance goals and goal-based reward plans has been recognized for a long time, but it is only more recently that goal setting has been fully

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[16] Source: http://www.mindtools.com/pages/article/newHTE_87.htm

promoted in business as a management technique called **management by objectives (MBO)**.

Management by objectives is a management system that incorporates participation in decision making, goal setting, and objective feedback (Kinicki and Kreitner, 2006).

According to a model by Locke (2002), goal setting has four motivational mechanisms:

1. *Goals Direct Attention.* Goals direct one's attention and effort toward goal-relevant activities and away from goal-irrelevant activities.
2. *Goal Regulate Effort.* Goals motivate us to act. Generally, the level of effort expended is proportionate to the difficulty of the goal.
3. *Goals Increase Persistence.* Within the context of goal setting, persistence represents the effort expended on a task over an extended period of time. Persistent people tend to see obstacles as challenges to be overcome rather than as reasons to fail.
4. *Goals Foster the Development and Application of Task Strategies and Action Plans.* Goals encourage people to develop strategies and action plans that enable them to achieve their goals.

Kinicki and Kreitner (2006: 189) refer that research consistently has supported goal setting as a motivational technique in work organizations. Setting performance goals increases individual, group, and organizational performance (*ibid.*). Another positive aspect of goal setting is that as a strategy, it works equally well in different cultures. Kinicki and Kreitner (2006) state that reviews of the many goal-setting studies conducted over the past few decades have given managers at least five practical insights related to its application:

1. *Difficult goals lead to higher performance.*
2. *Specific, difficult goals lead to higher performance for simple rather than complex tasks.*
3. *Feedback enhances the effect of specific, difficult goals.*
4. *Participative goals, assigned goals, and self-set goals are equally effective.*
5. *Goal commitment and monetary incentives affect goal-setting outcomes.*

Locke's (1996, 2002) research shows that there is a relationship between how difficult and specific a goal is and people's performance of the task. He found that specific and difficult goals led to better task performance than vague or easy goals.

Telling someone to "try hard" or "do your best" is less effective than to instruct them "try to get more than 80% correct" or "concentrate on beating your best time."
Likewise, having a goal that's too easy is not a motivating force. Hard goals are more motivating than easy goals, because it's much more of an accomplishment to achieve something that you have to work for.

In accordance with available research evidence (Locke *et al.,* 1996, 2002), goals should also be "SMART". SMART is an acronym that stands for Specific, Measurable, Attainable, Results oriented and Time bound. Lastly, there are two more additional recommendations to consider when setting goals (Kinicki and Kreitner, 2006). First, for complex tasks, managers should train employees in problem-solving techniques and encourage them to develop a performance action plan. Action plans specify the strategies or tactics to be used in order to accomplish a goal. Secondly, because of individual differences, it may be necessary to establish different goals for employees performing the same job.

Intrinsic and Extrinsic Motivation

Hackman and Oldham (1976) played an important role within the field of Organizational Behavior when they aided the development of the job characteristics approach in the 1970's. These researchers tried to determine how work can be structured so that employees are internally, or intrinsically, motivated. Intrinsic motivation occurs when an individual is turned on to one's work because of the positive internal feelings that are generated by doing well, rather than being dependent on external factors (such as incentive pay or compliments from the boss) for the motivation to work effectively (Hackman, Oldham, Janson and Purdy, 1975).
According to Hackman and Oldham (1976), these positive feelings power a self-perpetuating cycle of motivation. The objective of the job characteristics model developed by these researchers is to promote high intrinsic motivation in individuals.

It is important to understand how managers can influence employees' intrinsic motivation. Intrinsically motivated people are driven to act for the fun or challenge associated with the task rather than because of external rewards, pressures or requests. Motivation comes from the psychological rewards associated with doing well on a task that one enjoys. It is important to note that individual differences exist when it comes to intrinsic motivation. People are intrinsically motivated for some activities and not for others, and everyone is not intrinsically motivated by the same tasks (Ryan and Deci, 2000).

In contrast to completing tasks for the pure joy of it, extrinsic motivation drives people's behavior when they do things in order to attain a specific outcome. Extrinsic motivation is fuelled by a person's desire to achieve or avoid some type of consequence for his or her behavior (Ryan and Deci, 2000). Extrinsic motivation is related to extrinsic rewards. Extrinsic rewards do not come from the work itself; they are given by others (for example teachers, managers, partners, friends or customers). In the workplace, extrinsic rewards may include salaries, bonuses, promotions, benefits, awards or titles.

There has been an extensive amount of research on the topic of intrinsic motivation, but unfortunately the overall pattern of results has created controversy and debate among researchers (Kinicki and Kreitner, 2006). Nonetheless, managers must not detract from the value of focusing on the positive application of intrinsic motivation at work.

Thomas (2000) proposed the most recent model of intrinsic motivation, illustrating four key intrinsic rewards underlying an individual's level of intrinsic motivation. Thomas argues that intrinsic motivation is a direct result of the extent to which an individual experiences these four intrinsic rewards while working. According to Thomas (2000), intrinsic feelings of reward are:

- A sense of Meaningfulness
- A sense of Choice
- A sense of Competence
- A sense of Progress

Thomas' model of intrinsic motivation has not yet been subjected to much research, partly because of its newness in the field of organizational behavior and party due to the fact that

it is based on integrating theories – the job characteristics model and the cognitive evolution theory – both of which have been supported by past research ((Kinicki and Kreitner, 2006). This can suggest that the basic formulation of the model appears to be correct, and that future research is needed to study the specific recommendations for leading others towards intrinsic motivation (van Yperen and Hagedoorn, 2003).

In the meantime, managers can use different sets of managerial behaviors to increase each of the four intrinsic rewards. Some simple examples include fostering a sense of meaningfulness by inspiring employees and modeling desired behaviors. This can be done by helping employees identify their passions at work and creating an exciting organizational vision that employees are motivated to pursue. Managers can lead for choice by empowering employees and delegating meaningful assignments. Managers can enhance competence by supporting and coaching the employees. Positive and immediate feedback or recognition related to a challenging assignment can also be used to fuel the intrinsic reward of competence (Fisher, 2004). Finally, managers can increase employees' sense of progress by monitoring and rewarding them immediately after exceptional performance. Exceptional performance can include actions such as filling in for a sick colleague, working overtime, working weekends or cutting costs for the company (Taylor, 2004).

Workplace Relationships and the Psychological Contract

If we are trying to view the relationship employer – employee from the employee's part of view instead of that of management, this could lead us to the concept of the Psychological Contract. The psychological contract is a fairly new concept; it was first documented by the book *Psychological Contracts in Organizations: Understanding Written and Unwritten Agreements* (1995) by Denise M. Rousseau, a psychologist and Professor of Organizational Behavior at the Carnegie Mellon University. Rousseau claims in interviews[17] to "…*always had a strong interest in the dynamics of the employment relationship from the worker's vantage point, and struck by the biased nature of the academic literature and its focus on a management's perspective, rather than that of the employee*."

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[17] Source: interview with Rousseau: http://www.unfortu.net/~rafe/links/rousseau.htm

During the period of substantial organizational downsizing in 1980's Rousseau, after more than 12 years in the field, began to associate the mistreatment of employees with a violation of an agreement.

The psychological contract represents the mutual beliefs, perceptions, and informal obligations between an employer and an employee. It sets the dynamics for the relationship and defines the detailed practicality of the work to be done.
It is distinguishable from the formal written contract of employment which, for the most part, only identifies mutual duties and responsibilities in a generalized form (Rousseau, 1995).

Rousseau (1995) argues that as commercial organizations grew in size and complexity in the 20th century, there was a tendency to standardize rather than individualize the treatment of labor. Trade unions emerged to offer protection to ever larger groups of employees. The result was collective bargaining to define pay and conditions by reference to grades across industries and trades, and in public service. More recently, unions have lost some of their significance, leaving management in more direct control of work organizations. At the same time, societies have developed expectations of a better work/life balance, reinforced by legislation, and employers have found it in their own best interests to develop practices that respect equal opportunities and employment rights through professionalized human resource services. According to Rousseau, workforce developments in the Western world in the 20th century and beyond include:[18]

- The workforce has become more feminized.
- The workforce is better educated, less deferential of authority and less likely to remain loyal.
- The workforce is required to be more flexible to meet new challenges quickly and effectively; but this need to change can be a source of insecurity.
- The use of temporary workers as well as outsourcing of projects and whole business functions also changes workers' expectations as to what they want to get out of their psychological contracts (e.g., transferable skills now vs. life-time employment before).

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[18] Adopted from: http://www.unfortu.net/~rafe/links/rousseau.htm

- Automation has both empowered a greater percentage of the workforce and allowed the emergence of teleworking which fragments the old social orders of a single location workplace and generates greater freedom and flexibility in an ever increasing global workforce.

During the recruitment process, the employer and candidate will discuss what they each can offer in the prospective relationship. If an agreement is reached, most employers will impose a standard form contract, leaving the details of the employee's duties to be clarified "on the job". But some of the initial statements made by the employer during the recruitment process, no matter how informal and imprecise, may later be remembered by the employee as promises and give rise to expectations. Whether they are incorporated into the parallel psychological contract will depend on whether both parties believe that they should be treated as part of the relationship. According to Rousseau (1995), the better organized employers are careful to document these verbal offers to reduce the risk of raising false expectations followed by disappointment, which ultimately undermines work motivation.

In the Common Law states, the law actually implies duties requiring employees to be loyal and trustworthy. These are imprecise in their definition and uncertain in much of their operation. But, in psychological terms, issues as to whether promises and expectations have been kept and met, and whether the resulting arrangements are felt to be fair, are fundamental to the trust between the employee and the employer. Rousseau (1995) found that the first year of employment is critical, as actual performance by the employee can be measured against claims and promises made during the interview, and the management must establish a track record of its relationship with the employee at supervisor and manager level. Feldheim (1999) reflects these two strands by dividing the psychological contract into two fields:

- *Transactional*. This is the economic or monetary base with clear expectations that the organization will fairly compensate the performance delivered and punish inadequate or inappropriate acts; and
- *Relational*. This is a socio-emotional base that underlies expectations of shared ideals and values, and respect and support in the interpersonal relationships.

Rousseau (1995) refers that the reality of employment rights and duties emerges through the interpersonal relationships formed in the workplace. How employers, supervisors and managers behave on a day-to-day basis is not determined by some legal contract. Employees slowly negotiate what they must do to satisfy their side of the bargain, and what they can expect in return. This negotiation is sometimes explicit, e.g. in appraisal or performance review sessions, but it more often takes the form of behavioral action and reaction through which the parties explore and draw the boundaries of mutual expectation. Hence, the psychological contract determines what the parties will, or will not do and how it will be done. When the parties' expectations match each other, performance is likely to be good and satisfaction and motivation levels will be high. So long as the values and loyalty persist, trust and commitment will be maintained. The map followed by the parties is the development of an individualized career path that should only make reasonable demands on the employee, with adequate support from managers and co-workers, for a level of remuneration that is perceived as fair for a person of that age, educational background, and experience. Motivation and commitment will be enhanced if transfers and promotions follow the agreed path in a timely fashion (Rousseau, 1995).

If managed effectively, the employer – employee relationship will foster mutual trust between the parties, matching the objectives and commitments of the organization to those of its employees. But a negative psychological contract can result in employees becoming disenchanted, demotivated and resentful towards the organization. This will result in an increasingly inefficient workforce whose objectives no longer correspond to the organization they work for. Research by Rousseau (1995) reveals that the main cause of employee disappointment tends to be that middle managers are protective of their status and security in the eyes of their superiors, and that this can introduce conflicts of interest when they are required to fulfill obligations to their subordinates.[19]

The psychological contract is still a fairly new concept within organizational behavior; more research is needed by the academic community to prove its application and consequences in organizations.

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[19] Adopted from: http://en.wikipedia.org/wiki/Psychological_contract

3. HRM and the Task of Managing Employee Motivation

Since the motivation of the workforce strongly influences the company's overall productivity, managers need to understand what motivates employees, and help them to reach peak performance. As most of us have heard, it costs less to retain an employee than to replace an existing one. It is not an easy task to increase employee motivation because all employees respond in different ways to their jobs and their organization's practices. We have seen so far that motivation is the set of processes that moves a person toward a goal. Thus, motivated behaviors are voluntary choices controlled by the individual employee. Organizations and their manager must be ready to influence the factors that motivate individual employees to higher levels of productivity. To be able to do this, the manager must know what factors influence individual behavior (Kinicki and Kreitner, 2006).

Factors that affect work motivation include individual differences, job characteristics, and organizational practices. Individual differences are the personal needs, values, and attitudes, interests and abilities that people bring to their jobs. Job characteristics are the aspects of the position that determine its limitations and challenges. Organizational practices are the rules, human resources policies, managerial practices, and rewards systems of an organization. Managers must consider how these factors interact to affect employee job performance.[20] The challenge of managing motivation in work organizations can even attain added levels of complexity, given the results of recent research which show that over the past 30 years, people are motivated to primarily attain goals that are compatible with their self-identity (Latham and Pinder, 2005), and as we all know, self-identities differ greatly amongst people. This finding was also confirmed by Mitchell and Daniels (2003), who concluded that research on personality differences is the fastest growing area in the motivation literature. Schmitt *et al*. (2003) also concluded that personality is the primary predictor of elements of motivation. The question thus remains: how is it possible for the managers in work organization to handle so many different wills and desires, and to manage each and every one of these for maximum individual performance and motivation?

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[20] Adopted from: http://telecollege.dcccd.edu/mgmt1374/book_contents/4directing/motivatg/motivate.htm

3.1. The Role of HRM in the Work Organization

Human Resource Management as we know it today is not a very old practice. It was a set of unique factors during the 1930s in the United Stated who gave birth to the, then called, Human Relations Movement. Following legislation of union-management collective bargaining in 1935, management began to look for new ways of handling employees. Secondly, at the same time behavioral scientists in the US started calling for more attention to the so-called "Human Factor". Managers who had lost the battle to keep the unions out of their factories heeded the call for better human relations in the workplace, most notably improved working conditions (Armstrong, 2006).

The interest for human relations kept growing; in the 1950's it had gained real momentum. As we have seen in the previous section, academics and managers alike made stirring claims and came up with a vast quantity of theories about the powerful effect that individual needs, supportive supervision and group dynamics apparently had on job performance.

Human Resource Management today is the strategic and coherent approach to the management of an organization's most valued assets - the people working there.

Human resource management belongs to the interdisciplinary field of better understanding and managing people at work: Organizational Behavior (OB), but they do not mean the same thing (Kinicki and Kreitner, 2006).

The company's employees individually and collectively contribute to the achievement of the objectives of the business. The terms "human resource management" (HRM) and "human resources" (HR) have today largely replaced the term "personnel management" as a description of the processes involved in managing people in organizations (Armstrong, 2006). Human resource management is a field within business which is evolving rapidly. It is both an academic theory and a business practice that addresses the theoretical and practical techniques of managing a workforce (Armstrong, 2006).

The goal of human resource management is to help an organization to meet strategic goals by attracting and maintaining employees, and also to manage them effectively. The basic premise of the academic theory of HRM is that humans are not machines; therefore we need to have an interdisciplinary examination of people in the workplace (Armstrong, 2006).

One widely used scheme to describe the role of HRM, developed by Ulrich (1996), defines 4 fields for the HRM function:

- Strategic business partner
- Change agent
- Employee champion
- Administration

However, many HRM functions these days struggle to get beyond the roles of administration, and are seen as reactive rather than strategically proactive partners for the top management (Armstrong, 2006). In addition, historically HR organizations sometimes had difficulties in proving how their activities and processes added value to companies. Only in recent years have HR scholars and HR professionals succeeded in developing models that can measure the kind of value HRM adds to the organization (Armstrong, 2006).

In short we can state that HRM comprises several processes. Together they are supposed to achieve the above mentioned goal; to help an organization to meet its strategic goals by attracting and maintaining employees, and also to manage them effectively. The HRM processes involved in this can be performed in an HR department, but some tasks can also be outsourced or performed by line-managers or other departments within the organization. Typical HRM tasks of a modern SME may include:[21]

- Workforce planning
- Recruitment (sometimes separated into attraction and selection)
- Induction and orientation
- Skills management
- Training and development
- Personnel administration
- Compensation in wage or salary
- Time management
- Travel management
- Payroll

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[21] Source: http://www.humanresources.about.com

- Employee benefits administration
- Personnel cost planning
- Performance appraisals

As we can conclude from this non-exhaustive list, the functions and focus of the HR Department of any organization is vast, spans over many different areas of the business, and is highly important for the day-to-day running of the organization.

3.2. Responsibility for Managing Employee Motivation

During an interview in 2004 with William Clay Ford Jr., who has been the CEO of Ford Motor Company since 2001, Ford was asked, "What keeps you up at night?"

Ford replied, "People issues. Motivating and focusing people."[22]

With more than 300,000 employees in 2004, William Ford must have lost some sleep. This example clearly shows that managing employee motivation in organizations should be a management top-priority.

We will assume at this point, that between each employee in each enterprise or firm, a kind of relationship is, and should always be, formed between the employee and the firm. As with all relationships between people (friends, marriages, parent-children), the relationship between the employee and the employer needs a certain amount of care not to fall apart or end in on party feeling unfairly treated.

Managing employee motivation is a task that should not be limited exclusively to the organization's HR department, but the entire company must be convinced of the importance of this continuous, strategic process. As proved by academic research many times by various authors (Kase and Zupan *et al.,* 2007), for HRM to contribute positively to firm performance, it has to be effectively carried out by different HR actors such as managers at all levels of the organization, first-line supervisors and HR managers/specialists.

 In essence, managing motivation in the workplace is a crucially and increasingly important HRM task aimed at building trust-based, excellent relationships between the

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[22] Adopted from Healey, J.R., Kinsey, and Eldridge (2004), Auto Excess Shed Game Faces to Answer 3 Tough Questions, *USA Today*, January 19, 2004, p. 4B

organization and the workforce which should involve the entire company and its many different managers, it can not be a task limited only to the HR department. Both sides, employer – employee, must fully understand the others' needs and expectations. This conclusion ties back into the very foundations of Adam's Equity Model (1963).

3.3. Measuring Motivation in the Workplace

"Motivation" in itself, previously explained to be a highly individually triggered concept or state of being, can not be measured. This is due to the fact that humans are complex beings reacting differently to different things. What raises enormous feelings of motivation in one person leaves another cold. There are no universally used scales on which various levels of motivation can be compared (Kinicki and Kreitner, 2006).

Yet other things related to people's feelings about their individual levels of motivation and overall job satisfaction can be researched. A 1996 study by Dean Spitzer, an American Professor and business consultant, revealed some striking facts about motivation-related issues in US companies. Spitzer found that:

- 80% of employees in US firms said they could perform significantly better if they only wanted to.
- 70% of employees in US firms said were less motivated today than they used to be.
- 50% of employees in US firms said they only put enough effort into their work to keep their job.

Though not a measurement of motivation per se, we can deduct from Spitzer's research that motivation is a problem in US firms. But low levels of motivation in work forces have not only been studied in the US. Landale (2006), found in a comprehensive UK study that in the UK, employees hold back 30-70% of their energy at work, because the feel unmotivated.

Spitzer's individualized method of research let employees simply assess their own job performance. While doing so anonymously, the employees targeted for his research seemed to have no problems with revealing that they were not as motivated "as the used to be" or could perform better "if they only wanted to", etc. It is important to note here that both the findings in the US and in the UK were based on these kinds of self-assessments.

Other research in the field of work motivation has aimed to compare job satisfaction across different countries. A study of 9,300 adults in 39 countries in 2001 by Boyle identified the percentage of workers who said they were "very satisfied with their jobs." The top five countries were Denmark (61%), India (urban middle- and upper-class only, 55%), Norway (54%), United States (50%) and Ireland (49%).

Boyle concluded that job satisfaction was highest in Denmark because labor and management have a great working relationship (Boyle, 2001).

The bottom five countries were Estonia (11%), China (11%), Czech Republic (10%), Ukraine (10%) and Hungary (9%). Why did Hungarian employees indicate the lowest job satisfaction? An average monthly salary of about € 350 in 2001 and poor labor management relations are two possible causes (Boyle, 2001).

Finally, the Gallup Organization has been studying employee engagement around the world for many years. In 2004, it completed a study of employee engagement in the United States and 10 other countries. The results of this study reveal that:[23]

- 27% of the US workforce said it was actively engaged at work (engaged here meaning loyal, productive and satisfied).

- 56% of the US workforce said that it was not engaged at work (i.e. psychologically not committed to their work role).

- 17% of the US workforce said that is was actively disengaged at work (i.e. dissatisfied with their workplace).

If the researcher thinks these findings are alarming, the rest of this Gallup study then goes on to reveal that employee engagement is even lower in the other 10 countries investigated. These countries were Canada, Germany, Japan, Great Britain, Chile, France, Israel, Australia, New Zealand and Singapore. Singapore, for instance, ranks among the lowest in the world in employee engagement, costing the country between $ 4.9 and $ 6.7 billion annually in lost productivity.[24]

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[23] Adopted from Welch, D. (2004), Mutual of Omaha's Healthy Preoccupation with Talent, *Gallup Management Journal,* May 13, 2004, http://gmj.gallup.com/content/default.asp?ci=11608
[24] Adopted from Gopal A. (2003), Disengaged Employees Cost Singapore $ 4.9 Billion *Gallup Management Journal,* October 9, 2003, http://gmj.gallup.com/content/default.asp?ci=1207

Managers play a major role in the extent to which employees are engaged at work. Quite simply, employees tend to engage at work when they are (intrinsically) motivated (Kinicki and Kreitner, 2006). It is thus very important to have an understanding of how managers can influence employees' (intrinsic) motivation.

Concluding this section we can state that event though motivation, being a highly personal emotional state, can not be measured or compared between people or nations, self-assessment tests around the world reveal that millions of people are not engaged, deliberately underperforming, lacking job satisfaction and feeling demotivated at work.

3.4. Rewards that Motivate

In 1985 Michael Leboeuf, an American business author and former management professor at the University of New Orleans, wrote the book *The Greatest Management Principle in the World*. The simple conclusion of Leboeuf's work is that *the things that get rewarded get done.*

All organizations work from out of the principle that its employees will "get things done". Employees simply must be motivated enough to perform the tasks in their work descriptions, hopefully even performing them well. So far everyone seems to agree. The tricky part seems to be how exactly, employees should get rewarded for "getting things done". We take it for granted here that it is considered normal that all employees receive a salary or remuneration for their work. But motivating the work force is both a challenge and an opportunity for the company, and the ways of rewarding the employees for maximum involvement and motivation must go beyond just paying a salary (Leboeuf, 1985).

According to many contemporary researchers, dating back to the breakthrough ideas of Skinner (1957), behavior can be controlled by reinforcement techniques, including rewards. We have seen how a more modern approach of reinforcing desired behavior called shaping has been developed in organizations in recent years (Case, 2003).The foundations of shaping hold that because people are motivated by so many different things, companies should try to "customize" rewards towards individual employees whenever possible. This means offering rewards that each employee wants to receive and

establish consequences that each employee wants to avoid. Merely making assumptions about what would be desirable or undesirable to employees should not be done (Case, 2003).

By being in tune with its employees, companies will be more able to select the motivators that will work for each individual employee. Firms may gather this information either by asking employees directly or by using indirect methods, or a combination of the two.

The following list offers some ideas to HR Departments, managers and supervisors on how reward systems could be set up:[25]

- *Ask yourself*. How would you like to be thanked or rewarded?
- *Ask them*. How would employees like to be recognized or rewarded?
- *Keep it personal*. What is meaningful to one employee might not be to another. If possible, allow a choice of rewards.
- *It might be cultural*. What is an honor in your culture might not be in another.
- *It should be timely*. Reinforce cause and effect by rewarding the desired performance as soon as possible and delivering consequences promptly.
- *It could be fun*. Some companies have stuffed animals or banners that move around to the next person or place of honor.
- *It might even pay*. Cash or gift certificates, small or large rewards, a contribution to the employee's charity of choice - the investment you make can earn the company a significant return in worker morale and performance.
- *It might not cost anything at all*. A simple thank you goes a long way. Respecting employees' knowledge and abilities, and showing recognition is important. More freedom, more trust, more responsibility, or a new work challenge can all be real and valued rewards for doing a great job.

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[25] Source: http://www.sasknetwork.ca

Kinicki and Kreitner (2006) states four prerequisites to linking employee performance and rewards together:

1. Managers need to develop and communicate performance standards to employees.
2. Managers need valid and accurate performance ratings with which to compare employees. Inaccurate ratings create perceptions of inequity and thereby erode motivation.
3. Managers need to determine the relative mix of individual versus team contribution to performance and then reward accordingly.
4. Managers should use the performance ratings to differentially allocate rewards among employees. That is, it is critical that managers allocate significantly different amounts of rewards for various levels of performance.

Bates (2003) stated that it is common that managers do not be following the 4th suggestion made by Kinicki and Kreitner above. A study by Bates (2003) revealed that fewer than 40% of top-performing American employees perceived that they received moderately or significantly better pay raises, annual bonuses or total pay than did employees with average performance.

3.5. Money as the Most Powerful Motivator in the Workplace

A common argument of motivation in work organizations is that human beings are rational beings motivated by money and/or other material rewards. This view has been labeled in philosophy as the theory of man as a Rational-Economic Person (Beck, 2005). This theory assumes that people are motivated solely by economic considerations and make rational economic decisions. Workers are considered to be inherently lazy and will not work unless paid. Manipulation of wages and incentives should be sufficient to make people work. We can draw parallels between the theory of man as a rational-economic person and Freudian psychology. Freud's theories on motivation assume that people are lazy; they hate work to the extent that they avoid it; they have no ambition, take no initiative and avoid taking any responsibility; all they want is security, and to get people to do any work, they must be rewarded, coerced, intimidated and punished (Schuster, 1998). According to this view of man as a rational-economic person, people are considered relatively interchangeable since they can be controlled by money (Beck, 2005).

Beck (2005: 399-400) also states that *"…it is still true that many employers believe that simply paying a person is sufficient to get the most there is to be gotten from a worker"*.

For many people in many situations, money is important. But some people place greater value on social approval, prestige, and status than on money (Dolgoff, 1976). Yet others value interesting work and recognition more (Spitzer, 1996). In the last thirty years, behavioral scientists have found that high employee morale does not necessarily result in greater productivity and that man's motivations are vastly more complex than can be explained in economic or social terms alone (Dolgoff, 1976; Morris, 1996).

External or extrinsic rewards can lose their motivating properties over time and may undermine intrinsic motivation (Kohn, 1993). This finding, however, must be balanced by the fact that performance is related to the receipt of financial incentives; a study by Jenkins *et al.* (1998) involving 2,773 employees in the USA showed that financial incentives were positively related to performance quantity but not to performance quality. This would mean that money could coax people into producing more, but not necessarily doing a better job.

Additionally, research by Bates (2003) confirms that monetary rewards must be large enough to generate motivation. Estimates have been made that monetary rewards must be at least 7% above employees' base pay to truly motivate increased performance (Bates, 2003). Although this percentage is well above the typical salary increase received by most employees, some organizations have designed their incentive systems with this recommendation in mind (Bates, 2003).

Individual differences of man and his motivations for life and work may be summed up by the well-known anecdote about the man who asked three stonecutters what they were doing:[26]

One said, **"***I am making a living***,"** the second said, **"***I am trying to be the best stonecutter in the world***,"** and the third said, *"I am building a cathedral!"*

The first stonecutter is the "economic man," the second is the "social man," and the cathedral builder is the "self-actualizing man", who finds his satisfactions in the work

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[26] Adopted from Dolgoff, T. (1976), Psychology of Work , Condensed from the *Menninger Perspective*, The Menninger Foundation, Topeka, Kansas, Summer 1976, http://home.earthlink.net/~denmartin/psy.html

itself and its larger meaning rather than in any external or accidental rewards. None of these views is better than the other two, nor is any of them entirely wrong. Different people want and need different things in different situations at different times. In a job situation, an employee may be seeking satisfactions for his material needs, his social needs, his needs for self-esteem, respect from others, self-fulfillment, or something else, or all of these at once. It all depends on the individual and the work context unique to him or her (Dolgoff, 1976)

Leadership professor and expert on employee retention Gregory Smith (2001) states that money may attract employees to the front door, but something else has to keep them from going out the back. Nowadays organizations must place equal importance on employee development as they do on guests and customers. Today's workers don't just expect a paycheck; many of them also want personal fulfillment and a sense of accomplishment (Smith, 2001).

Spitzer (1995) presented a different view; that employees in work organizations are in fact *naturally motivated*. All companies need to do is to utilize their natural ability, which they should be able to do without spending any money at all in salary raises or rewards. According to Spitzer, money can actually even decrease an employee's motivation and performance. Instead, the first step in utilizing peoples' natural abilities is to eliminate the organization's "negative practices" which "zap away" the employees' natural motivation. The second step in Spitzer's theory to develop "true motivators" which will apply to as many employees as possible, and which according to Spitzer, spark as many employees as possible into being motivated.

Yet most organizations seem to still be under the impression that if they provide competitive pay, give unmotivated employees a raise, better health care, or other benefits, motivation will return and the individual will not leave his or her job or keep performing below his/her abilities. However, Woodard-Chavez (2003) argues that the common misperception with most incentive/motivation/recognition programs in work organizations is that they are always about money. Woodard-Chavez (2003:1) stresses that *"…every one of our staff has economic requirements, but when it comes to motivation and retention, you cannot buy their love so to speak."*

The money is only one component of the package." Another point made by Woodard-Chavez is that employees might leave the organization for better pay, if the are unhappy. But they will probably stay with the organization even for slightly less pay if they are motivated and happy with their work.

Forte (2003) argues in similar ways; that managers have a great ability to impact the way employees feel about their work environment. Forte stresses that "in fact, people quit people before they quit companies." Employees are generally first dissatisfied with their manager and the way the manager deals with the employees, before they find fault with the entire company.

3.6. Work Motivation in Different Cultures

It has been stated that people management methods do not necessarily transfer easily from one culture to another (Torrington, 1994). This is certainly true; just as it is also true that within a given culture, all employees will not act the same or have the same psychological needs, just because they share the same culture.

It would be too easy to simply stereotype individuals according to their culture, and ascribe onto them characteristics found "typical" for the culture they belong to. However, a study published by Geert Hofstede (Culture's Consequences, 1980) provided groundbreaking evidence of certain cultural characteristics which he was able to single out while conducting a study on traits and behaviors of 116,000 IBM employees from 53 countries around the world from 1967 to 1973. Hofstede concluded that every person carries within him or herself patterns of thinking, feeling and potential acting which were learned throughout their lifetime. Much of it has been acquired in early childhood, because at that time a person is most susceptible to learning and assimilating. As soon as certain patterns of thinking, feeling and acting have established themselves within a person's mind, he or she must unlearn these before being able to learn something different; and unlearning is more difficult than learning something for the first time. Hofstede (1991) calls such patterns of thinking the *mental programs* or the *software of the mind*, but the customary term for such mental software if in essence what we call a persons' culture. Culture is always a collective phenomenon, because it is at least partly shared with people who live or lived within the same social environment which is where it was learned. It is the collective programming of the mind which distinguishes the members of one group or

category of people from another (Hofstede, 1991). Culture is learned, not inherited. It derives from one's social environment, not from one's genes.

Through his study, Hofstede was able to pinpoint certain dimensions of cultures. A dimension is an aspect of a culture that can be measured relative to other cultures.
The dimensions of culture Hofstede found are (Kinicki and Kreitner, 2006: 72):

- *Power Distance*. How much inequality does someone expect in social situations?
- *Collectivism – Individualism*. How loosely or closely is a person socially bonded?
- *Femininity – Masculinity.* Does a person embrace stereotypically competitive, performance-oriented masculine traits or nurturing, relationship-oriented feminine traits?
- *Uncertainty Avoidance*. How strongly does a person desire highly structured situations?

Together these dimensions form a four-dimensional model of differences among national cultures. Each country in Hofstede's model is characterized by a score on each of the four dimensions. Later in the 1990's, Hofstede also added a fifth dimension, *the long term versus short term orientation* of a culture.

When it comes to understanding motivation in the workplace, the culture of the employees in a certain firm can thus not be overlooked. Not only does one need to expect that all individuals are different, they may also be subject to the national culture from which the come. Hofstede (1991) holds that everybody looks at the world from behind the windows of a cultural home, viewing others with different cultures as if there was "something special" about them. But when it comes to culture, there is no "normal" position. Managers who operate in different countries or who work with people from a different country than their own, need to be aware that cultural programs may differ from one group or category of people to another, making people behave accordingly. The main cultural differences among nations lie in values. Systematic differences exist with regard to values about power and inequality, with regard to the relationship between the individual and the group, with regard to the social roles expected from men and women, with respect to ways of dealing with the uncertainties of life, and with respect to whether one is mainly

preoccupied with the future or with the past and present. Behaviors, based on the dimensions listed above, are rarely acknowledged and often misunderstood (Hofstede, 1991: 236).

Kinicki and Kreitner (2006) stress that it is important to view all cultural differences identified by researches such as Hofstede as *tendencies* and *patterns*, rather than as absolute truths. Well-founded cultural generalizations are fundamental to successfully doing business in other countries, but one needs to be constantly alert to *individuals* who are exceptions to the local cultural tendency. Challenging the view that clear cultural differences should be closely observed and studied, are the ever escalating importance of space age transportation, global telecommunications, TV, computer networks, tourism, global marketing, music and entertainment. These are all areas which are homogenizing people all over the world. The result according to experts on the subject is an emerging "world culture" in which, someday, people may be more alike than different (Comeau-Kirschner, 1999).

3.7. The Search for a Global Motivation Theory

Even though it may be intensely sought after and highly desired, successfully designing and implementing motivational programs that can be copied and used across various industries and cultures has so far only been an utopia.

Managers cannot simply take one of the theories discussed in this thesis and apply it word by word to their organizations. Dynamics within organizations interfere with applying motivation theories in pure form (Kinicki and Kreitner, 2006). Research by Mitchell (1982) concludes that there are situations and settings that make it exceptionally difficult for a motivational system to work. These circumstances may involve the kinds of jobs or people present, the presence of a union, and so on. The factors that hinder the application of motivational theory (in the workplace) have not been articulated either frequently or systematically.

However, it is possible to detect certain "global trends" in this field of work motivation at the dawn of the 21st century. Research by Latham and Pinder (2005) stated that increased focus goal-setting theory is one of the three most important global trends in the field of work motivation in the last 30 years. The same authors state that there is also a strong

tendency towards a revival of Maslow's theory of needs to explain underlying factors of (work) motivation.

Ever since psychologists started to study the field of motivation, many attempts have been made to create theories which could be easily understood and applicable across different countries and cultures, applied to all kinds of organization, and always yield a positive result (Kinicki and Kreitner, 2006). But there are probably as many models, theories and papers written about the illusive and captivating subject of motivation as there are authors. From Freud's harsh "stick and carrot" philosophy of management in the beginning of the last century, to Pennington's (2003) theory a hundred years later, which defends the opinion that universally, employees get motivated, happy, and stay in working environments that focus on promoting laughter.

Perhaps it could be concluded that all theories hold some degree of truth about human nature. But none of them presents the answer or the method which will *always work*, in every organization, in every country, at any given time. Organizations and the distinctions of human nature are just too complex for this to be possible.

4. ERM – Employee Relationship Management

"I can certainly define happiness, because happy is what I am…I get to do what I like to do every single day of the year. I get to do it with people I like, and I don't have to associate with anybody who causes my stomach to churn. I tap-dance to work…I'd advice you that when you go to work, work for an organization of people you admire, because it will turn you on. I always worry about people who say, "I'm going to do this for 10 years; I really don't like it very well. And then I'll do this…" That's a little like saving up sex for your old age. Not a very good idea. I have turned down business deals that were otherwise decent deals because I did not like the people I would have to work with. I didn't see any sense in pretending." [27]

Warren Buffet, founder and chairman and CEO of Berkshire Hathaway

Employee Relationship Management (ERM), in some organizations is labeled Employee Relations Management, meaning the same thing, is **a tool and a strategic process to manage and increase motivation in the workforce by increased focus on continuous perfection of the individual relationships between the employer and each employee.** This definition draws on many different sources of research on the matter since the 1990's, including Lawler (1994), Schuster (1998), Kinicki and Kreitner (2006) and Grant (2007) who all center their research conclusions on the importance of actively maintained and well-managed relationships between organizations and their employees to aid individual motivation. However, the origins of the idea that the management of interpersonal relationships can aid the management of individual motivation levels may first have come into public light by the equity theory (Adams, 1963). As we have seen, the equity theory attempts to explain relational satisfaction in terms of perceptions of fair/unfair distributions of resources within interpersonal relationships, notably in organizations (Kinicki and Kreitner, 2006).

It has been said that in any commercially active organization, it is a wise move to always consider the organization's employees as its first customers; an organizational practice which is typically referred to as internal marketing, or internal brand marketing (Berry *et al.,* 1976). If the organization can not manage to convince its own employees about the excellency and potential of the company; to manage to enter into a productive and

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[27] Excerpted from Nearman, S. (1999) The Simple Billionaire, *Selling Power,* June 1999, p 48

mutually satisfying relationship with each one of its employees, then the trust of its employees in the organization will be affected negatively (Berry *et al.*, 1976).

Large amounts of recent research show that in organizations where no or poor relationships exist between the organization and its employees, motivation to work is affected negatively (Lawler, 1994; Schuster, 1998; Armstrong, 2006; Kinicki and Kreitner, 2006). Similarly, Boyle (2001) concluded from his research that that job satisfaction was highest in Denmark compared to 10 other countries, because labor and management had great working relationships.

In the worst case scenario, unmotivated employees may choose to leave their jobs; ultimately leading to an expensive situation for companies (Armstrong, 2006).

This thesis takes the stance in accordance with the above mentioned research conducted, that in every organization, establishing individually managed relationships between the employer and each employee is the action needed to be taken to create an organizational environment in which motivation can thrive.

Researchers including Schuster (1998) hold that work is a social as well as an economic activity – a fact long recognized by the Japanese, and in fact the dominant philosophy of the Japanese approach to management. The roots of this philosophy also go 80 years deep into the history of management research theory in the western world, pioneering perhaps at the Hawthorne studies in the 1930's in the USA.

According to Schuster (1998: 152), there is substantial evidence of a consistent, global trend toward increased adoption of employee involvement management practices, and that these have led to measurable improvements in firm's financial performances. Schuster (1998: 33) predicted *"… that companies who begin to manage their human organizations effectively will force ahead, whereas those that do not will be unable to remain competitive."* Nevertheless, Schuster also concluded in the same report, that employee involvement was still not widespread, and only a minority of American employees had the opportunity of being employed in organizations practicing what Schuster refers to as *Employee Centered Management* in 1998. Lastly, Schuster concluded that companies do not implement employee centered management practices because they are unsure how to move toward that goal.

The fact that in the changing workplace, organizations are not placing such great expectations of loyalty on their employees as they did in the past does not diminish the importance to maintain functioning relationships and concern of motivation levels (Rousseau 1995). In the days when a job was for life and employees formed strong loyalties to their employing organizations, the employee-employer relationship was almost like a family tie (Rousseau 1995). This type of job situation often displays a "relational" style of contract between the employer and the employee (ibid.). However, many contracts between companies and employees in the developed world today are often purely "transactional" with little or no emotional ties. The requirements of codes of conduct in the modern workplace are also much leaner, but not less complex (Rousseau, 1995). According to Rousseau *et al.,* this development needs to be questioned, because in the anonymous environment that spread out in a vast majority of organizations and firms today, focus on the individual seems to decrease steadily. Steers *et al.* (2004) argue that these changes can have a profound influence on how companies attract, retain, and motivate their employees. Yet "*...we lack new models capable of guiding managerial behavior in this new era of work*" (ibid. 2004: 384). Support of these thoughts also come from Cappelli (1999) who noted that most observers of the corporate world believe that the traditional relationship between employer and employee is gone, but there is little understanding of why it ended and even less about what is replacing that relationship.

Many modern management motivation approaches, such as the paternalistic approach, the scientific management approach or the participative approach or any combination of modern approaches, fail to take individual differences into account (Lawler, 1994). Lawler (1994: 265) refers that "…*the only generally valid motivation strategy would appear to be one that fits the motivation system to the individual.*"
Thus, rather than trying to motivate everyone in the organization with the same "one size fits all" approach, the organization would recognize the importance of individual differences and try to individualize management to fit the nature of its workforce; each employee would be motivated by the approach or combination of approaches that best fits his/her needs.

Even though we can conclude from the research mentioned above that many researchers have suggested increased focus on human relationships and individual needs as starting points to craft future theories of work motivation, curiously there has been very little progress in the area of actually turning these thoughts into workable models and genuine theories since the 1990's (Grant, 2007).

4.1. Workplace Relationships and Organizational Commitment

Even though the amount of research conducted on the concept of ERM as such and its relationship with the management of motivation in work organizations has been fairly limited thus far, research on the importance of functioning relationships between people in work organizations is neither new nor lacking historical research from the 20th century and onwards. Already in 1947, a famous set of studies conducted at the Hawthorne, Illinois, a manufacturing plant of Western Electric Company, showed that such environmental factors such as the plants' lighting affected production far less than did social factors such as job satisfaction, social groupings and conformity (Roethlisberger and Dickson, 1947). After the Hawthorne study, the concept of the "social person" in a job-context setting developed in the USA, suggesting that workers are primarily motivated by social needs that are not met just by work, and that workers may be more responsive to their peers than to their company (Beck, 2005). Added to this, in a recent General Social Survey, Americans reported that *important, meaningful work* is the job feature they value the most – above promotions, income, job security and working hours (Cascio, 2003). A growing body of research suggests that interpersonal relationships play a key role in enabling employees to experience their work as important and meaningful (Barry and Crant, 2000; Bradbury and Lichtenstein, 2000; Gersick, Bartunek and Dutton, 2000; Kahn, 1990, 1998; Wrzesniewski, Dutton and Debebe, 2003). Furthermore, research on social networks indicates that interpersonal relationships often enhance employee's motivations, opportunities, and resources at work (Ibarra, 1993; Adler and Kwon, 2002; Leana and Rousseau, 2000; Rangan, 2000). But despite these relational advances in organizational research since the 1990's, a relational perspective has not yet been incorporated into theories of job design and work motivation (Grant, 2007). Traditional models of job design focus on the task structures of jobs, such as task identity, variety, and feedback (Hackman and Oldham, 1976, 1980), but there seems to be very little research on job design which examines the relational structures of jobs (Latham and Pinder, 2005; Grant,

2007). Similarly, most research on work motivation seems to overlook the relational context of work all together (Shamir, 1991; Locke and Latham, 2004).

In today's business world, no organization should want to be known as one that doesn't foster strong employee relations. To survive in a highly competitive business environment, organizations want to attract and retain the best talent from all walks of life and be known as the *Employer of Choice*.[28]

These thoughts are also supported in the concept of Organizational Commitment, which has been identified by Meyer and Allen (1991) as the employee's psychological attachment to the organization. It can be contrasted with other work-related attitudes, such as job satisfaction (an employee's feelings about their job) and organizational identification (the degree to which an employee experiences a "sense of oneness" with their organization).

Organizational scientists have developed many definitions of organizational commitment, and numerous scales to measure it. Exemplary of this work is Meyer and Allen's (1991) model of commitment, which was developed to integrate numerous definitions of commitment that had proliferated in the research literature. According to Meyer and Allen's three-component model of commitment, prior research indicated that there are three "mind sets" which can characterize an employee's commitment to the organization:

- *Affective Commitment*: AC is defined as the employee's positive emotional attachment to the organization. An employee who is affectively committed strongly identifies with the goals of the organization and desires to remain a part of the organization. The employee commits to the organization because he/she "wants to". In developing this concept, Meyer and Allen drew largely on Mowday, Porter, and Steers's (1982) concept of commitment, which in turn drew on earlier work by Kanter (1968).

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[28] The concept of Employer of Choice is excerpted from Leary-Joyce, J. (2004), *Becoming an Employer of Choice: Make your Organization a Place where People Want to do Great Work*

- *Continuance Commitment*: The individual commits to the organization because he/she perceives high costs of losing organizational membership, including economic losses (such as pension accruals) and social costs (friendship ties with co-workers) that would have to be given up. The employee remains a member of the organization because he/she "has to".

- *Normative Commitment*: The individual commits to and remains with an organization because of feelings of obligation. These feelings may derive from many sources. For example, the organization may have invested resources in training an employee who then feels a moral obligation to put forth effort on the job and stay with the organization to "repay the debt". It may also reflect an internalized norm, developed before the person joins the organization through family or other socialization processes, that one should be loyal to one's organization. The employee stays with the organization because he/she "ought to".

According to Meyer and Allen (1991), these components of commitment are not mutually exclusive: an employee can simultaneously be committed to the organization in an affective, normative, and continuance sense, at varying levels of intensity. This idea led Meyer and Herscovitch (2001) to argue that at any point in time, an employee has a "commitment profile" that reflects high or low levels of all three of these mind-sets, and that different profiles have different effects on workplace behavior such as job performance, motivation, absenteeism, and the chance that the organization member will quit.

Roper (2005) stressed that the accelerated growth of diversity in the workforce over the past 20 years has spawned new developments in managing employee relations, making it one of the biggest challenges facing managers today. Authors and researchers have differing views on how exactly functioning, even excellent, relationships in the workplace should be built, but there is great consensus in general of how very important they are as contributing factors to organizational excellence (Harrison McKnight *et al.,* 2001; Gegax and Grimme, 2006; Grant, 2007). The figure on the next page aims to explain the different relationships an individual employee may foster at the workplace.

Figure 3:
Employees need to foster many different relationships in the workplace.

Colleague

Company Owner

Union

Subordinate

Individual Employee

Manager

Supplier

Customer
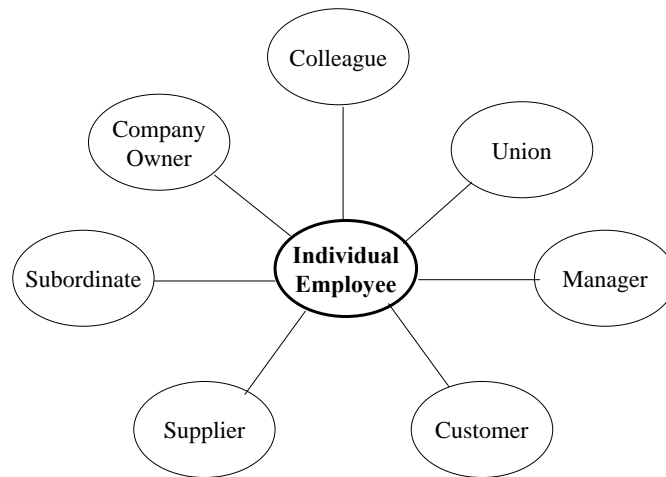
Source: Own work

The likelihood of relationships between individuals occurring depends both on their physical and social distance, and on the opportunity to interact. According to Brass (1995), apart from personal similarity (e.g. age, tenure, education, personal orientation, etc.) several other factors affect relationships between individuals in a work organization. These other factors may include the formal organizational structure, the organizational size, the organizational environment, organizational life-cycle and the organizational culture. HRM can influence these factors directly or indirectly. At the same time, it is important to keep in mind that while organizations invest in architectural designs and procedures that stimulate interaction and relationship building between its members, human relationships involving trust and personal commitment can not be engineered or mandated; they can only be encouraged by nudges in the right direction (Cohen and Prusak, 2001). In the workplace, a strategy cannot force people to interact and establish relationships, but the important role of HRM is to create conditions where those interactions are more likely to occur or where relationships can be enhanced. In conclusion to this line of thought and in accordance with the findings of Kase and Zupan (2007),

HRM should create the capacity (the climate) for interaction and collaboration between the organization and its employees.

4.2. Effects and Implementation of ERM in Work Organizations

We have understood that there exists a vast amount of research and opinion on the necessity of managing and creating great relationships between organizations and their employees. Equally, work motivation is still a very popular topic within organizational behavior. The challenge is that there is no, or very little, progress in the making and testing of the theories of relationship management and their effect on work motivation.

As we have seen, HRM practices focused traditionally only on formal relationships between work organizations and employees (for example employment contracts). Informal relational networks and relationships have often been left aside in HR literature (Kase and Zupan, 2007). However, Kase and Zupan (2007) refer that the emphasis on relationship-related HRM issues has recently received more and more attention internationally. The same authors also acknowledge in their 2007 (218) study that "*...through building and nurturing relationships, HR can facilitate the creation of organizational capabilities such as the ability to locate and share knowledge rapidly and respond faster to market changes*."

Following this argument, we can start to realize to a greater extent how much the organization can profit from improved interpersonal relationships between members of the firm. The effects of improved human relationships in organizations bring more positive aspects to the firm than just increased employee motivation (Gegax and Grimme, 2006; Grant, 2007).

This thesis builds on these arguments and assumes that the need for an employee relationship management system within the enterprise is critical today. ERM is not a technology, or a product or an application but a continuous strategy or process which aims to bring relationships between the participants of work organizations into newer avenues of contact where all parties involved experience, primarily but not exclusively, greater levels of motivation.

ERM can have many different effects on the work organization; it does not only foster higher levels of motivation. Other documented positive effects of ERM in work organizations include:[29]

- Strengthens corporate communication and culture.
- Fosters learning - about company products, services and customers.
- Increases employee involvement at work.
- Provides real time access to company training.
- Targets information to employees based on their interests and needs – user personalization.
- Reduces time spent in searching for information – unified search tools.
- Streamlines performance management.
- Manages resources creatively.
- Encourages loyalty and commitment from employees.
- Frees the HRM department to concentrate on more strategic tasks.
- Raises productivity.
- Encourages innovation levels.
- Reduces turnover.
- Retains talent – values employees.
- Reduces recruitment and training costs.
- Affords effective and consistent rewarding.

Other studies, including a 2001 study by Harrison *et al.* have showed additional positive aspects created by actively managed and improved employee-management relationships. Harrison *et al.* (2001) found in a study of 100 manufacturing plants in Japan, USA and Italy that the moderation of close employee-management relationships improved employee morale across different industries. The same authors also found that feedback, autonomy and incentive control was especially effective in creating these relationships. Grant (2007) suggested that relational job designs promote peoples' motivation to make a pro-social difference (e.g. to actively contribute to a better world).

Most managers and researchers would ask themselves at this stage "*but how is it done?*"

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[29] Source: http://www.indiawebdevelopers.com/services/ERM.asp

It is clear that ERM is a process which would serve the company in tapping human potential in terms of increased employee motivation and additional benefits suggested above; the challenge is that we lack an academically defined strategy to aid the implementation of ERM in firms. Agreeing on, and testing, such a strategy will be the task of future researchers of organizational behavior and behavioral psychology. For now, we can merely conclude the importance and observed benefits of various ERM strategies in various companies which have aided us in our conclusion of the usefulness of ERM. Looking at the scarce evidence of documented, existing attempts to practicing ERM in real-life work organizations until 2008, it is possible to observe at least three fundamental steps which seem necessary in implementing an ERM strategy in the work organization:

1. **Renewed Psychological Job Definitions**. First of all the company would have to carefully and psychologically analyze each employee's job, more comprehensive descriptions of jobs should be created. Describing the physical aspects of a job is not enough; the psychological aspects must also be described. Research has showed that an individual's perception and attitude towards a job is only very marginally determined by the job's objective characteristics, e.g. what can normally be read in recruitment advertisements etc. (Griffin, 1987). At the very minimum, for job descriptions to be appealing and motivating to employees, individuals must get the chance to feel personally responsible for the outcome of the work they are doing, they need to feel that they are doing something meaningful, and they need to be convinced that they will receive feedback about what they have accomplished when they accomplished something (Lawler, 1994). Making the task of analyzing and describing jobs in a new and more interesting light may not be simple; much evidence suggests that there simply are too many boring, repetitive jobs. And what is more, the situation is made even more complex as the education level and standard of living in our societies continue to rise (Lawler, 1994). But rather than making managers and work organizations pull back from performing renewed psychological job definitions in their companies, these facts should once more point out how important it is that they get done. The psychological job description could be made by using the ideas of Rousseau concerning the psychological contract (1995). The kinds of needs jobs effect, the kinds of rewards they offer, and the management climate surrounding them must be described Lawler (1994) concludes that an important characteristic of an organization

that would practice employee centered management is that it would never hire certain kinds of people because prior screening of these candidates would show that their needs are simply not compatible with the kind of job situations the organization has created or is willing to create. This would imply that certain people simply would not belong in certain organizations. For example, a highly competitive person who needs a lot of praise and loves to work for difficult targets and receive considerable material rewards for his efforts should not go to work as a priest in a church, because being a priest will never satisfy him. Instead, he could be a salesman, or something that is more compatible with his psychological needs. According to Lawler (1994) work organizations have a big responsibility to screen candidates for jobs before they are hired, to find out what kind of needs people really have, so that mismatches like the example given here, can be avoided. Following Lawler's theories (1994), this prior screening of individuals inner needs before they are hired is part of employee centered management. This responsibility would provide an added task for the HR department, who besides from traditional interviews with potential candidates for vacancies within the organization, also would have to perform personality tests on the candidates to determine what their inner needs are, and if they fit the needs and demands of the organization.. Luckily, many tests like these already exist, and many organizations already practice this kind of recruitment.

2. **Relational Job Design and Relational Coaching**. Secondly, it is difficult for organizations alone to make good decisions about where a certain person will fit in, even if good person and job descriptions are developed. Grant (2007) refers that research on motivational job design has largely stagnated in recent years, and many scholars have assumed that this stagnation is warranted (Ambrose and Kulik, 1999). Traditionally, job design research has treated employees as relatively passive recipients of jobs. Recent research suggests that employees can and should instead be active crafters of jobs (Wrzesniewski and Dutton, 2001). As managers search for new levers of motivation, particularly in a resource-sparse, growing service economy, researchers can make a more significant difference in practice by examining how jobs can be relationally structured to enhance and sustain employee motivation (Grant, 2007). Grant (2007) suggests that focus on job impact on beneficiaries and (direct) contact with beneficiaries illustrates the larger relational architecture of jobs and articulates one set of links among this architecture, employee motivation, and the

desire to make a pro-social difference. Grant means that employees are universally motivated to experience their actions at work as meaningfully connected to other people. For the most effective placement, organizations must establish a kind of counseling relationship with each one of its employees, in which the employee have a chance to influence the type of job they are given (Lawler, 1994; Grant, 2007). This can be done in many ways, including coaching (ibid.). Thus, organizations must encourage employees to design their own work situations within the limits of the company's policies. This kind of personalization normally goes on anyway in many firms, but what is suggested here is that it should be actively encouraged and supported by the whole organization and all its participants. One way to arrive at a good individual/organizational fit suggested by Lawler (1994) is to have the individual design the role he has in the organization himself. According to Grant (2007), good individual/organizational fit may result in strengthened employee organizational identification; the degree to which an employee experiences a "sense of oneness" with their organization. Identity is an umbrella concept that encapsulates people's responses to the question "Who am I?" (Stryker and Burke, 2000). Psychologists have assembled evidence that people have basic motives to experience their identities in terms of competence, or self as capable; self-determination, or self as internally directed; and social worth, or self as valued in interpersonal relationships (Ryan and Deci, 2000, 2001). When designing jobs and coaching employees, work organizations can never overlook the fact that people generally are motivated to understand their actions as purposeful and meaningful, as confirmed by many organizational researchers (e.g. Alderfer, 1972; Hackman and Oldham, 1980; Shamir, 1991; Wrzesniewski *et al.,* 2003) and psychologists (e.g. Ryan and Deci, 2001) alike.

3. **Individualized Feedback and Rewards**. Finally, no situation should be created that doesn't relate individual feedback and rewards to performance. This is a crucial limiting condition; according to Lawler (1994) only if this condition exists can high satisfaction and high motivation be achieved in work organizations. The importance of feedback and reward systems in work organizations was noted already by Vroom (1964), who held that the awareness of employees that their behavior affects certain outcomes (rewards, etc.) is necessary, but not sufficient, for motivation to occur. In order to be motivated to pursue the outcomes that their behavior brings about, employees must personally value these outcomes. In other words, rewards must be

individualized. However, recent contradictory cross-cultural research shows that there may exist rewards or outcomes that positively motivate large amounts of people alike; this research suggests that employees generally value the outcome of pro-social impact (Grant, 2007). Similarly, benevolence, the value of protecting and improving the welfare of other people with whom one is in regular contact, has recently proved to be the most important value for the majority of the people in the majority of fifty-six cultures across the world (Schwarts and Bardi, 2001). However, employees are most likely to value this outcome when they care personally about the beneficiaries of their labor. Imagine here the implication of employees having a good or a bad relationship with their manager/customer (Grant, 2007). Indeed, research indicates that individuals are motivated to expend more energy to benefit others who are important to them, or emotionally connected to them, and by doing so they may experience a rewarding feeling (Burnstein *et al.,* 1994; Batson *et al.,* 1997; Korchmaros and Kenny, 2001). This finding also goes as yet another evidence of the importance of well-managed human relationships in general.

It will not be easy for organizations to individualize their motivation systems. But the system has to be somewhat complicated because people are complicated. What is more, since people are continuously changing, and should by all means be encouraged to grow out of their jobs at some point, true individualization would require that the job situation of each person is always prepared for change.

> *"To make others happier and better is the highest ambition,*
> *the most elevating hope,*
> *which can inspire a human being."*
> John Lubbock – *The Use of Life* 1923

5.   Interviews with European Managers about Motivation and ERM

In this thesis, 12 managers (10 male and 2 female) of 12 different companies, small and multinational, with head offices in Portugal and Scandinavia (Norway, Sweden, Finland) were interviewed. These managers participated in brainstorming session of about one hour each, around a questionnaire developed specifically for the purpose of this thesis.

The aim of these brainstorming sessions, or interviews, was to get feedback from different managers, in different industries, in different cultures, on their views on motivation in the work organization. The aim was also to understand their attitudes towards motivation in the workplace after they had been explained the concept of Employee Relationship Management (ERM) as a tool to manage motivation.

5.1.   Methodology of Research

The term methodology refers to the way in which we approach problems and seek answers (Taylor and Bogdan, 1998); it applies to how research is conducted. Our assumptions, interests and purposes shape which methodology we choose.

In order to reach the objectives of this thesis, the author accomplished both a literature study and a case study (interviews). This thesis is qualitative in its nature, but can also be considered as experimental, because not much prior research has been conducted within the specific field of employee relationship management. Employee relationship management is a concept which can further be researched and developed through qualitative and quantitative methods.

For the empirical part qualitative techniques were used to collect, process, and analyze the necessary information. Qualitative methodology refers in its broadest sense to research that produces descriptive data – people's own written or spoken words and observable behavior (Taylor and Bogdan, 1998), for example interviewing key target people (Pyke, 2003), and it deals with explanatory concepts (Robinson and Foster 1989). Qualitative techniques concentrate less on quantifiable measures and look at, for example, the reasons "why" someone may approve or disapprove to something, or like or dislike a given initiative suggested to an organization (Sang, 2003). Qualitative data analysis is a process of piecing together data, of making the invisible obvious (Morse, 1994).

Deciding about the sampling group of managers to interview, which and how many, is always difficult. Taylor and Bogdan (1988) suggest that it's not the number of people but

the potential of each "case" which aids the researcher in developing theoretical insights into the area of social life being studied. Qualitative research is not about counting heads, it is there to find out the breadth and depth of ideas (Pyke, 2003).

The sampling method of this study can be considered as a combination of two non-probability methods, *convenience sampling* for the selection of companies, and *judgment sampling* for the selection of managers to interview (Kinnear and Taylor, 1996). In a convenience sample everyone who meets the criteria for the study, are willing to complete all the questions, and are available when they are needed is selected. From this kind of sample, we can not measure sampling error, or make any definite or conclusive statements about the results. Kinnear and Taylor (1996) state that convenience samples can be most easily justified at the exploratory stage of research, as a basis for generating hypothesis. Since we have to regard this study as experimental, this method suits its purpose very well.

The 12 managers who were selected to participate in this research were selected out of a slightly larger sample (+/- 25 managers of an equal amount of companies in Portugal and Scandinavia). To guarantee as many unique and diverse ideas as possible on the subjects of motivation and employee relationship management in the workplace, the author selected companies that to the largest degree possible were different from the other companies in the group (i.e. different industries), and an equal amount of companies with head quarters in Scandinavia as in Portugal (to test for cultural differences). Thought was also given to the age of the managers approached, where it felt important to get as big an age span as possible (ranging from 26 to 56 years old). 10 of the managers were male and 2 were female, rendering it impossible to draw any conclusions based on differing meanings due to gender in this study. Four of the managers interviewed were general managers of their organizations, 8 were managers of some department (HR, sales, strategy etc.) inside the targeted company. All managers interviewed had responsibility of managing other people. The groups of people these managers were responsible to manage, directly or indirectly through sub-managers in designated departments within the company, ranged from 5 to 250.

Based on the author's desired objective to obtain as many different managers from as many different organizations as possible, the selection process of these particular companies and their respective managers, can be considered judgment sampling.

Judgment samples, or purposive samples, "are selected on the basis of what *some expert thinks* those particular sampling units or elements will contribute to answering the particular research question at hand" (Kinnear and Taylor, 1996: 412). Again, the degree and direction of error is unknown, but if the expert's judgment is valid, the sample will be a better one than if a convenience sample were used (ibid).

For the purpose of this thesis, the author personally visited and interviewed each of the 12 managers who participated. Robinson and Foster (1989) suggest that interviews provide an opportunity to listen, observe, question freely and interpret an individual's behavior. In-depth interviewing can be viewed as a means of face-to-face encounters between the researcher and informants to learn about practices and activities that cannot be directly observed. In this type of interviewing the people being interviewed are informants in the truest sense of the word. They act as the researcher's observer, her eyes and ears in the field. As informants, their role is not simply to reveal their own views, but to describe what happened and how others viewed it (Taylor and Bogdan, 1988). Taylor and Bogdan (1988) also point out that the weak points of interviewing may include that people say things while they might act differently. Furthermore limitations exist because the interviewer does not *observe* the people directly in their everyday lives in the workplace.

The interview questions for the managers were in-depth open-ended questions, since the author wanted to obtain as much information as possible (see appendix I). Managers were encouraged to brainstorm freely around each question, giving as many examples as possible from their own working lives. The interviews were conducted in Sweden and Portugal from January to October 2007. Total hours spend in interviews were about 12 hours. Additionally, each manager was asked after the interview of he/she wanted to add something additional regarding the topics discussed. Managers were also promised that their names and company names be treated anonymously in the thesis and in any publicity that related to this thesis in the future. This was promised because it was concluded early on in the research that the majority of the managers interviewed in this thesis considered motivation in the workplace and its related issues to be "sensitive" and "company private" information.

Throughout all interviews, notes were carefully taken by the author. None of the interviews was recorded. About a week after each interview, the author sent an e-mail to

the interviewed manager, thanking for his/her time and also providing a document with the typed out interview. This way, the managers had a chance to change anything that they had said, or that the author might have misunderstood, and then to finally confirm the material.

All managers displayed a strong desire to obtain a copy of this thesis with its final conclusions and recommendations after official approval by the lecturing institution (ISCTE, Lisbon), and were subsequently promised this, as the only tangible reward for their inputs to this work.

5.2. Codification Procedures

This section of the thesis will present the opinions of the managers interviewed for this thesis. These opinions will be stated objectively and without analytical comments. Since the interviewed managers were promised not to become exposed with their names, their names have been codified. The table on the next page reveals the business activity of the companies, but not the names, in what country, managerial position and how many employees each manager is responsible for.

Table 3: Presentation and codification of the 12 participant Managers of the study

Name (codified)	Sex	Nationality	Business Activity	Position	Managing nbr. of persons
TGNE	M	Swedish	Electronics	President	50
TNEB	M	Norwegian	Recreation	GM	25
EVAD	M	Swedish	NGO	Communications Manager	6
UNNA	M	Finnish	Banking	IT/Security Manager	15
OJUA	M	Portuguese	Consultancy	Strategy Manager	10
EGRO	M	Portuguese	Surveillance	HR Manager	250
NIRA	F	Swedish	Medicine	Manager of Clinic	10
DRAN	M	Swedish	Media	Information's Manager	5
RETE	M	Portuguese	Real Estate	President	15
LHSC	M	Portuguese	Hotel	Operations Manager	175
PPIL	M	Portuguese	IT	Sales Manager	10
ANAD	F	Portuguese	Government	Section's Manager	25

5.2.1 Personal definitions of Motivation

Not any two of the twelve managers interviewed had the same definitions of motivation in the workplace. Another interesting observation was that all managers fell silent for a period of about 10 seconds to a minute (excusing themselves, saying that they had to think about it before they could answer). Maybe they felt the pressure of giving the "wrong answer" (even though, as we have seen, a wrong answer to this question does not exist).

Most interviewees seemed relieved when they asked, after answering the question, if they had given the "wrong answer" and were told that there is no wrong answer.

Answers were all different, therefore they are all cited below.

"Team work, progress, difficulties, victory, innovations, happiness, satisfaction for the family, peace." – TGNE

"Pride of the organization in which the person works, a feeling of belonging there, a feeling of being valued there. A feeling of being part of a family at work." – TNEB

"Motivation, from an organizational perspective, is the inner fortitude contained within competent individuals who are driven, ambitious, creative and concerned about performing at the highest possible level." – EVAD

"Motivation is, personal bundled energy, aimed to focus on issues needed to attend, to achieve a goal." – UNNA

"Motivation is what drives an individual to do perform at his best or even above his/her capacities." – OJUA

"Well frankly, employees that don't quit just because they found another job with a higher salary!" – EGRO

"Motivation to me, is when the employees at our clinic themselves understand and feel that they fit in at the work place. They come to me showing interest in their career, independently suggesting new roles for themselves, and improvements for the clinic."
- NIRA

"It could be seen as reason or set of reasons for engaging in a particular behavior to achieve a goal. Goal-directed behavior." – DRAN

"Motivation is the fuel used to get people to engage in any activity, to show initiative. Being motivated also means being happy, and to want to take own initiatives." – RETE

"Recognition, company caring and developing, promotions, reaching goals." – LHSC

"Motivation is a combination of personal and financial incentives that can be derived from contributions (work) thet delivers added values to the organization." – PPIL

"Motivation is initiative from employees. Happiness, trust, ambition and a feeling of belonging in our organization." – ANAD

5.2.2 Lack of Motivation – Perceived Signs

Here, 2 out of the 12 managers, TGNE and TNEB, stated that their organizations did not have, and never had had, any problems related to lack of motivation.

In this study, four of the managers interviewed were the highest responsible person within their organization; managers TGNE, TNEB, RETE and ANAD. It is worth noting that both managers TGNE and TNEB, stating that they never had any problems related to lack of motivation in their organizations are highest responsible person in their firms. When managers TGNE and TNEB were asked how they noticed that their employees were motivated at work, manager TGNE, President of an international firm with about 50 employees in different countries answered, *"(I notice it because they are…) happy to go to work, inspired, motivated, work more then they need. (They) always give me advice and ideas and I let them be free to perform."* Manager TNEB, who is the manager of a recreation resort with about 25 employees, said he knew his workforce was motivated because, *"We have focused very much on brand marketing. For us, brand marketing is as important externally as it is internally in the organization. When we sell (name of company) externally, we tell our customers it is a wonderful place. The same goes for our employees. We try to give them a feeling of being part of the best place, and we treat them nice. I am not afraid to get personal with the people who work here. I greet everyone, including the cleaning people, asking how they are, how their families are, etc."*

All others, 10 managers, state that lack of motivation or problems related to motivation has been or still is a problem at their firms. No one hesitated over their answer to this question. Some seemed more deeply concerned than others. Manager UNNA, who is responsible for a team of 15 people, commented that the reasons the employees were not motivated could be "*...private issues, from a person's family life and crisis. A person's life usually can be divided in three fractions, job life – family life – personal life. Sometimes job life will suffer when family or personal life takes overhand. Lack of self understanding or ability to challenge themselves. Being able to understand the corporate "big picture", but not being able to implement ideas because of timing, management politics or lack of understanding higher up in the corporate ladder.*"

Manager OJUA, also responsible for a team of 15 in a Portuguese consultancy firm, explained that he noticed that his employees were not motivated when:

a) They do not like the job that they are doing (boring repetitive tasks / not the job they wanted);
b) They feel that they are not being treated by their manager / boss the way they think they deserve;
c) They do not know how to perform a certain task / they do not have the inner trust to do something and they do not have any help;
d) They are silent all the time and do not communicate with the rest of the team / company.

Manager LHSC, who is the operations manager at a hotel in Lisbon, Portugal and (indirectly) responsible for more than 175 employees comment about the lack of motivation in the hotels' workforce that "*...especially in international companies we as managers sometimes fail to define the personal need of motivation and the difference between one person and another. For example my definition of motivation does not fit in with (the definition of) many Portuguese employees as they look for more money rather than development.*"

5.2.3 Responsibility for Employee Motivation

None of the managers stated that it should not be the manager's duty to keep employees motivated. Two out of twelve managers, managers TGNE and LHSC, stated that they believed the total responsibility of keeping employees laid 100% with them, thus if their workforces were not motivated (enough), they as managers were the only ones to blame.

The other ten managers stated that the responsibility should in some way be shared between the manager and the employee. Manager EVAD in Sweden said that *"it is the manager's duty to create an enabling environment that allows the driven, ambitious, creative and concerned employees to prosper. My belief is that motivation must come from the individual."*

Manager DRAN, also in Sweden was of the opinion that *"…all managers need to understand how employees see them in order to manage the impression they make, not just their intentions. I need to understand what motivates them so I can convince them to work towards the goals of the organization. If I want to make a lot of money, then high standards must be set and employees should have something they can feel proud of, i.e. the common goal is achieved."*

The ideas of Manager PPIL in Portugal also support that employees and management must share the responsibility of keeping employees motivated *"…the manager is responsible to convey the value and purpose of the work to the employees that are assigned to carry out that particular task. Giving purpose to action and means to meaning is the central assignment of the person that is in charge of managing personnel."*

At a surveillance company in Portugal, the HR manager EGRO stressed that the company's employees all knew that the responsibility of staying motivated at work, also lay with them: *"…it is the management's responsibility to keep employees motivated, but only partly, I guess. There is a big responsibility also with the individual. We tell them this when they start working with us."*

5.2.4 Money as the Most Powerful Motivator in Work Organizations

None of the managers gave a clear Yes without further comment on the question weather money isn't really the most powerful motivator in work organizations. All of the interviewees seemed to believe that is it *not only* money that is the most powerful motivator in all organizations. Manager EVAD stated that he thought that *"Yes, for the most part, (money is the most important motivator), though one cannot discount pride in a job well done, recognition, responsibility and altruistic/organizational accomplishments as other important motivating factors."*

In Portugal, manager ANAD brought culture into the concept of money as the most powerful motivator: *"I believe this is very strongly bonded with the culture. In some African countries for example, maybe they don't care about career development plans and recognition at work. They only care about money to take home to their families to try to survive and they know that they will not make it without it. But for me, on the other hand, I am a manager in Europe and more money is certainly not the first thing I would ask for to become more motivated at work."*

Manager PPIL is of the opinion that money is a very strong incentive for motivation. However, *"there are stronger motivators than money. One example of that being: Fear. Fear of losing a job or position can be a very strong motivation to work hard and achieve targets."*

Manager EGRO brings the point that money as the most powerful motivator could be industry-specific. He says that in his industry, where employees make just over minimum Portuguese wage, it *"seems like money is the most powerful motivator."* He then adds that in other industries, this is probably not the case.

Maybe money as the most powerful motivator could also be based on individual needs, as manager UNNA suggests: *"I think it (money) is a good motivator for those needing money badly. But for others it is to be seen as a person, to be understood, to be developed / educated and to be heard and trusted that is more important."*

Lastly, manager DRAN in Sweden suggests that *"...money is a motivator, but the motivating effect lasts only for a short period. Praise and recognition, and a sense of belonging are far more powerful motivators than money in my world."*

5.2.5 New Ideas in the Field of Work Motivation

In Norway, manager TNEB sees a future which involves making his employees feeling a strong belonging to the corporate family as a motivation tactic: *"I personally believe strongly in the internal Brand Marketing, which we are practicing. It is wonderful and a kick for me as a Manager to see the employees so proud to be part of our resort! They work better, take much more own initiatives and come to me with ideas for improvements. Making them feel part of a family at work is the answer for me. It is a job that never ends. I always try to get to know them better, and I have found you never know a person completely, even if you think so, not even your wife (laughs)."*

Manager UNNA in Finland states that he thinks *"the three fractions of life between "me as a person", "me at the job" and "me in the family" need to be in good balance. In the future I think me as a person and in the family are more focused on by companies, since "me at the job" will be more motivation-focused if the two others will be successful."*

Manager OJUA in Portugal is also in favor of building stronger relationships: *"...a perfect "bonding" / strong relationship / very high trust between the elements of a team in a way that everybody works for the same goals and everybody feels very good in working together for those goals."*

Manager NIRA mentions increased coaching as a tool for managed motivation in the future, and manager LHSC thinks more training and increased internal promotions is the way forward. The focus on training (as a reward for good performance or loyalty to the company) is also the way manager EGRO thinks about aiding motivation in the future. Focus on better teamwork is a solution mentioned by manager PPIL.

5.2.6 Costs of Losing Unmotivated Employees

All twelve managers were united in their opinion that losing an unmotivated employee bears some costs to the organization. Manager PPIL: *"The firm loses a VERY substantial amount of money. Not only from opportunity costs of projects that can not be realized as quickly due to the loss of knowledge inside the company, but also due to the fact that an unsatisfied employee will spread much more negative publicity about a company than a happy one."*

Manager OJUA identifies 3 costs associated with losing unmotivated employees:

a) Financial costs – it is necessary to invest money recruiting and training another person and it takes time to make that person productive in the company.
b) Damage on the company's image: an unsatisfied person is not going to promote the company. It is more likely that he tries to destroy the company's image.
c) Undermining the team: when somebody feels that has been treated unfairly and the colleagues know and feel that there was an injustice, everybody is going to start thinking that "one day it could happen to me".

More managers, including TGNE, TNEB, NIRA and RETE, agree that losing an de-motivated employee who perceives he/she was treated unfairly, will have negative repercussions on the team of which the employee used to be a part. The costs of these negative repercussions are "hard or impossible to describe in terms of money". The same goes for the negative impact of gossip which may affect the work climate (managers TNEB and NIRA).

Manager UNNA states that the cost of the loss will be dependent on the type of employee lost *"...it all depends on which skills the company looses. If it is an employee with great skills that the company needs badly for business and development, then it will be a great loss."*

It was a shared opinion of all managers in this study, that losing an unmotivated employee did not only create a monetary cost for the company. In the words of manager ANAD *"it has a very big cost associated with it. It is impossible to say exactly, and it is not only a monetary cost."*

Manager DRAN in Sweden does not want his employees to quit with de-motivation as the only reason: *"There is an added value in keeping your employee and to motivate him, because he/she is an asset to the organization that we have spent resources on. If there is an underlying conflict it must be resolved. The problem must be identified and dealt with. Is there a possibility to e.g. offer another position or tasks to re-ignite the spark? Maybe the employee wants to go on to other challenges? Maybe I should motivate more by listening and giving feedback to the ideas the employee felt I did not take the time for and so on."*

5.2.7 Managers Perception of Employee Relationship Management

Here, only three out of the twelve managers said they were familiar with the concept of ERM. When asked to explain what this concept meant to them, they stated the following:

Manager TNEB, manager of a resort in Norway:

"Not in the sense that I ever read about it or so, but I guess it is what I am already trying to do in my business. It is part of the future."

Manager UNNA, security manager at a bank in Finland:

"I heard about it at work, it is our work ethics policy by our HR department."

Manager RETE, manager of a real-estate business in Portugal, but originally from Sweden:

"Yes absolutely familiar. It is something I always think about in everything I do. I can't remember when I first heard of this concept, but it is a natural part of my management style, like I take my employees to informal dinners every once and a while to boost their confidence, I also arrange team buildings and good care that extends to their private lives. I think I am a very Swedish manager in this sense, I feel that not many Portuguese managers know about ERM or apply it the way I do, with their employees."

5.2.8 Implementation and Perceived costs of ERM

All manages were first explained the definition of Employee Relationship Management, a tool to manage and increase motivation in the workforce by increased focus on continuous perfection of the individual relationships between the employer and each employee, before answering the question if the would consider implementing it in their organizations or not.

Twelve out of twelve managers, when explained the definition of ERM as stated above, said that they were positive to the implementation of it at their work organizations. Three managers, TGNE, NIRA and LHSC, stated when they were explained what the concept meant, that in fact they were already using ERM in their organizations. Manager TGNE, who first had said he was unfamiliar with concept, stated *"Then I have already done this a long time ago!"* According to manager NIRA: *"Well, it is not so different from coaching leadership! In this sense, we are already kind of doing it."* And lastly according to manager LHSC: *"Yes, however I believe that we as an international company are doing pretty well on this already."*

Manager EVAD: *"Yes. I like to refrain from the clichéd term "human resources", but in my opinion the employees truly are the most valuable asset of any concern. Anything thus that maximizes their potential – i.e. ERM – and protects their concerns should be implemented."*

Manager DRAN: *"Yes, at first partially in e.g. the sales department where this could have an effect. It is a part of a manager's job to get my work done through others, in order to convince them to work towards the goals of the organization. It would engage employees in a feedback process, which enables an organization to gain valuable feedback and hear the "voice" of its employees."*

Manager PPIL: *"I would (implement ERM). However, I would require that ERM provides me with an adequate tool set to react and evaluate employee situations on a fair and humanistic basis. It should provide the manager with usable benchmarks that allow for quicker and more efficient reasoning."*

Six out of the twelve managers did not think that implementing ERM into the organization would be expensive, or that the implementation cost would pay itself back in the short run after implementation. In the word of manager PPIL in Portugal: *"Actually, I believe that a working and implemented ERM solution would save the company far more money than the implementation costs incurred. Successful and working employee management policies are extremely profitable investments that will pay for itself within the shortest periods of*

time. Expensive is the wrong term – the adequate terminology is profitable or uneconomical investments."

Additional comments related to ERM paying for itself in the short run included:

- *"ERM is very profitable!"* (TGNE)
- *"...it is not going this way that is expensive."* (TNEB)
- *"It is more expensive not to have ERM."* (UNNA)
- *"The initial cost could be high because of the switch to ERM but I think that it will be cost-effective in the long run."* (DRAN)
- *"It is more of a structural question. It is about constantly trying to improve the relations I have with my employees."* (RETE)

Four out of twelve said that the implementation cost of ERM would depend on something which made it difficult for them to answer if implementation would be expensive or not.

- *"Not necessarily (expensive). I think it would require discipline, diligence and a commitment at the organization's highest levels."* (EVAD)
- *"It depends on what exactly you implement, I guess."* (EGRO)
- *"All investment costs money, the important thing is not how much it cost but how high my ROI is."* (LHSC)
- *"It depends on how it is implemented. If it become more like a part of the company culture, then it is not expensive and then I can't see why not all organizations do this!"* (ANAD)

One manager was not sure if implementing would be expensive or not, and one said explicitly that he thought the implementation costs of ERM in his organization would be high.

5.3. Analysis of the Research Results

This section of the thesis will attempt to analyze the findings and opinions of the managers interviewed in this study. If possible, their opinions will be connected to the various theories presented in the theoretical part of the thesis, and to the overall concept of ERM.

5.3.1 Many Personal Definitions of Motivation Exist

The descriptive part of this thesis opened up with a discussion of the many (personal) definitions of motivation which exist in society. It can be concluded after the interviews and in accordance with chapter 2 of this thesis, that the word motivation is in fact so commonly used in most languages in everyday speech, that many people develop their own personal meaning of what motivation really means.

Answers obtained from these twelve managers as to their personal definition of what motivation is, were all different. Still, the words that repeated themselves the most times in these answers were goal, initiative and happiness.

It was not possible to deduct from these 12 answers, any certain differing cultural meanings of the word motivation, looking at the 6 answers from Scandinavia, and the 6 answers from Portugal.

None of the personal definitions of motivations which these managers provided reminded of the definition of motivation by Jones (1955) which was selected in chapter 2 as the definition which would best serve the purpose of this thesis: "*Motivation is concerned with how behavior gets started, is energized, is sustained, is directed, is stopped, and what kind of subjective reaction is present in the organism while all this is going on.*"

5.3.2 Work Organizations Experience Motivational Problems

Exist Ten out of twelve managers stated that their organization had, or had previously had motivation-related problems. Both of the managers who said to not have and never had any motivation-related problems in their organizations, were the highest responsible person in their organizations (President and General Manager). These two both explained that they had taken conscious and planned actions to motivate employees. The President by creating a family environment or family-culture in the organization, the General Managers had also done this, and additionally stated that he had made use of internal brand marketing at the work place to raise organizational pride and commitment.

It goes without saying that most managers would certainly like to create a working environment in which people like working and where people work well. Björklund (2001) stressed that there are many factors, both physical and psychological, contributing to form the working environment, which in turn may affect the job satisfaction of employees.

The managers in this study confirmed this point by stating a wide array of reasons why they believed their employees were not motivated in the workplace. Increased focus on good relationships between individuals and their colleagues and individuals and their managers has proved to lead to higher job satisfaction (Higgins and Kruglanski, 2000). Higgins research and this finding supports both the hypothesis of this thesis that employee relationships matter, and could be partly used to explain why the only two managers in this study who claim to not have any motivational problems state that they have invested in activities at work which aims to strengthen relationships between the employees and the management (i.e. creating a "family feeling" and internal brand marketing to increase feelings of belonging).

5.3.3 Management is Partly Responsible for Employee Motivation

As we all agree, management is a science mainly concerned with people. Managers need to understand the psychological processes which trigger the individual feeling of motivation in employees, if they are to successfully guide employees towards accomplishing organizational objectives. Organizational performance is heavily influenced by individuals' motivated behavior. Berry (1981) held that any organizations external marketing tools and concepts could and should also be used internally and that the organizations' "internal customers" (i.e. its employees) must be happy and motivated in their jobs before they can serve external customers effectively. Ten out of the twelve managers interviewed in this study, stated that the responsibility to keep motivation high in the organization should be shared between the management and the employees. The managers' job, then, was at the very least to provide an *enabling environment* where motivation could thrive. One could see this a little as if managers would be the gardeners who provide the fertile soil, water and sunlight (enabling environment) in which plants (employees) can grow. But only providing the enabling environment is not enough. The plants must also have an inner drive, or develop one when placed in the enabling environment, to grow (motivation). In either case, it is important to conclude from this

section that management can not escape the responsibility to provide, at a very minimum, the enabling environment in which employees can grow and find motivation.

5.3.4 Money is Not the Most Powerful Motivator in All Work Organizations

In the interviews conducted in this thesis, none of the twelve managers agreed wholeheartedly that money is the most powerful, universal motivator. On the other hand, the power of money could not be underestimated. Nobody would probably work today without receiving a salary. But the need for money varies depending on the situation of the individual. For some individuals, money may be the most powerful motivator in the workplace. Personal life and preferences, country and culture factors, and the type of job one has all plays a role into this equation. One manager in this study had a workforce which was performing "a boring job" for just above minimum wage in Portugal. This manager explained that he thought that the main motivator for these workers to do a better job was more money. He also stated that the organizations has big problems with a great employee turnover because *"...the employees leave when they get an offer for a new job making € 50 more per month."* Woodard-Chavez (2003) confirms this point with research that shows that employees might leave the organization for better pay, if the are unhappy. But they will probably stay with the organization even for slightly less pay if they are motivated and happy with their work.

Employees, whose primary compensation-need is not more money may place greater value on other things, such as social approval, prestige, benefits, or increased vacation days. Yet others value interesting work and recognition more (Spitzer, 1996). More recently, behavioral scientists have found that high employee morale does not necessarily result in greater productivity and that man's motivations are vastly more complex than can be explained in economic or social terms alone (Morris, 1996).

Lastly, money may attract employees to the front door, but something else has to keep them from going out the back (Woodard-Chavez, 2003). Nowadays managers and supervisors must place equal importance on employee development as they do on guests and customers. The conclusion of this question must be that managers must not be misled to think that most employees just expect a paycheck at the end of each month; many people in all levels of organizations may also want personal fulfillment or a sense of accomplishment to feel motivated at work. It is up to the management to find out what motivates people on an individual level.

It must be mentioned here that in this study, only managers were interviewed. To fully gain valid results on how important monetary compensations are to raise motivation for individual employees, individual employees should be interviewed. But in a Swedish study by Saqid and Åkerlind (2003), employees in 3 different industries were interviewed about the importance of money as a primary stimulus to increase motivation. Saqid and Åkerlind found that money was not the most important factor to raise motivation amongst employees in these different Swedish industries, but that other things including recognition, appreciation, feedback, fair treatment and good management were more important than money.

5.3.5 New Theories within the Field of Work Motivation are Scarce

All throughout the 20th century there was a flood of theories related to motivation in work organizations developing; new and complementing theories filled both company boardrooms and bookshops all over the world. Beginning in the mid 1960's, process theories largely replaced earlier content theories. Process theories view work motivation from a dynamic perspective and look for causal relationships across time and events as they relate to human behavior in the workplace (Steers *et al.,* 2004). Steers *et al.* refer to the dawn of the process theories (1960's – early 1970's) as the "Golden Age" of work motivation theory, because it was only now that researchers started to recognize the role of individual differences in linking job effort to actual job performance. Adam's (1963), for example, introduced the equity theory to explain how employees respond both cognitively and behaviorally to perceived unfairness in the workplace. Goal-setting also emerged in the late 1960's, as researches began to discover that the simple act of individually specifying targets for behavior enhanced task performance (Locke, 1968). Many of the ideas emerging from the 1960's and 1970's have subsequently been extended and further developed to reflect and expanded pool of research findings and more sophisticated research methods, however Steers *et al.* (2004) refer that since the 1990's, intellectual interest in work motivation theory seems to have declined steeply. Evidence of this is the number of theoretical (as opposed to empirical) articles published in leading behavioral science journals from 1994 to 2004. Steers *et al.* conclude that there are few articles that focus on genuine theoretical developments in the area of work motivation since the 1990's. Instead, we find empirical tests or applications of already existing theories. Reviews of 21st century textbooks in the field of management and organizational behavior reveal that most of the theories discussed date from the 1960's and the 1970's. While this

is clearly helpful, it hardly leads to breakthrough developments in our understanding of the principles underlying work motivation (Steers *et al.* 2004: 383). Finally, Steers conclude that compared to the conceptual development of fields of management research such as leadership, decision making, negotiation techniques, groups, team and organizational design, substantive theoretical development focusing on work motivation have not kept pace.

It is impossible to pick a motivational theory and blindly apply it onto a given organization. Not at least because many theories complement each other. However, managers in this study seem to believe that it is important to cultivate and implement at least some theory, because real problems of low motivation amongst the employees in many firms exist. These managers seem to reach out for answers, and they seem to vaguely and independently of each other be inclined to a strategy based on strengthened relationships between the employer and the employee to manage motivation in their organizations.

As we have seen earlier in this thesis, no globally applicable work motivation theories exist today. Still, it is an increasingly important apprehension for many managers all over the world how to raise employee motivation, and how to manage it effectively. In 2004 the *Academy of Management Review* issued a call for papers on the topic of the future of work motivation. None of the managers in this study seemed clueless when given the question if they could think about new theories to manage motivation in their organizations, which was a positive surprise. Three of the respondents specifically mentioned added focus on relationships as an important trend within the field of work motivation in the future. Manager RETE in Portugal, for example, stressed that *"…increased focus on the relationships, also the ones employees have with customers. There should be more transparency between the management and the employees. The morale and the ethics at work should be given more attention."*

5.3.6 It is Expensive for Firms to lose Unmotivated Employees

All of the managers who participated in this study shared the opinion that it is expensive for the company to lose an employee who quits because they felt unfairly treated, or because they had lost their motivation. To these managers, it is not only a monetary loss, as it is also a perceived cost that the company's image gets bruised. Gossip and complaints internally by unhappy employees may quickly escalate and undermine and harm

production of the whole firm. More than half of the managers in this study stated to have experienced the negative costs of an unhappy employee hands-on. Needless to say all managers who had experienced this were concerned about how to avoid it happening again in the future.

Theories of job satisfaction involve motivational, emotional and informal components. Since it is a popular field of research which is in many ways tied to motivation, it is worth observing the progress made in this field and what it can explain about the costs to work organizations of losing unmotivated employees. Worker job satisfaction has been a hot and highly documented and researched topic in the US and Western World for almost 100 years. In the United States between 1935 and 1976, there were over 3000 published studies of job satisfaction, an average of one every five days (Locke, 1981). Just as a job has many characteristics, so is job satisfaction necessarily a summation of worker attitudes about all the characteristics that are his job. Good and bad features of a job are balanced so that job satisfaction on the whole is relatively high or low (Beck, 2005). Interest in the subject of job satisfaction seems not to have dimmed but exploded to even higher altitudes since the 1980's and onwards (Beck, 2005). Beck states that job satisfaction of workers is so important to managers because of the costs of dissatisfaction in employee turnover, absenteeism, and work performance, where *"...(employee) turnover is one of the most expensive of personnel problems because of time and money that are lost in training workers"* (2005: 405). We can conclude from the ever-increasing popularity of job satisfaction studies, that work motivation, being an intrinsic part of job satisfaction, is also in every way a field of study on the rise in the USA and elsewhere in the 21st century.

Managers must pay close attention to worker job satisfaction and worker motivation, do they want to avoid the high costs of employee turnover and/or productivity loss as direct results of these concepts. The managers in this study all stated that they were aware of these costs and wanted to use their best judgment to avoid them.

5.3.7 Managers are Positive to Implementing ERM

Cappelli (1999) argues that most observers of the corporate world believe that the traditional relationship between employer and employee is gone, but there is little understanding of why it ended and even less about what is replacing that relationship. Researchers including Steers *et al.* (2004: 384) believe that the time has come to *"redirect*

intellectual energies into discovering new models – and research towards new models – of work motivation and job performance appropriate to the reality of the 21ˢᵗ century."

Only 25% of the managers who participated in this study, had any idea when first asked what ERM was or what ERM meant. After all managers had been explained the meaning as outlined in this thesis, four of the nine managers who first did not recognize the concept stated that in fact they knew about it, because it was similar to practices already carried out in their companies, just under different names (for example coaching, in one company). Two out of twelve managers, when explained what ERM meant, said that their organizations policy was already to practice ERM actively.

100% of the managers in this study, when explained what ERM meant, said that they would consider implementing in their organization (two out of twelve were already doing it). This must be interpreted as ERM being received as something positive to all these managers. 50% of the managers thought that ERM would be expensive to implement in their organizations. More research on the topic of ERM is needed to investigate into its real implementation costs.

6.   Conclusion & Recommendations

Research by Thurow (1992) has showed that successful companies (and countries!) will compete in the future based principally on the quality of both their technology and their human resources. A motivated workforce becomes a critical strategic asset in such competition.

There exists a vast amount of research and opinion on the necessity of managing and creating great relationships between organizations and their employees. Equally, work motivation is still a very popular topic within organizational behavior. The challenge is that there is no, or very little, progress in the making and testing of the theories of relationship management and their effect on work motivation.

Probably as many approaches to motivating employees have been tried as there are kinds of work organizations. Still, the academic study of human motivation in general and its implications in the workplace in particular, is not even 100 years old. As we have seen, the study of human motivation and what drives it is complex and diverse, which has given rise to many different approaches and theories starting only in the 20th century. According to Latham and Pinder (2005), the rivalry and opposition that existed among newly developed motivation theories in much of the 20th century, have either disappeared or have been dramatically minimized at the dawn of the 21st century.

Steers *et al.* (2004) and Latham and Pinder (2005) also claim that at the dawn of the 21st century, much of the energy which in the 20th century was expended on theory destruction in the field, has been replaced by theory constructions aimed at building upon and enhancing what is already known from the 20th century. A decline in the number of theoretical articles published, and a general state of consensus rather than controversy characterizes the field of work motivation studies since the turn of the 21st century; few fundamentally new models have appeared with the groundbreaking impact that for example Maslow's Theory of Needs, Vroom's Expectancy Theory or Adam's Equity Theory did in the mid 20th century (Steers *et al.*, 2004; Latham and Pinder, 2005).

One example of a fairly new theory which amongst other things aims to explain how to manage motivation in organizations is the theory of the Psychological Contract, which was developed by Rousseau in 1995.

This thesis takes the stance in accordance with the above mentioned research conducted, that in every organization, indifferent of the type or culture, establishing individually managed relationships between the employer and each employee is the action needed to be taken to create an organizational environment in which motivation can thrive.

Putting focus on the continuous improvement of workplace relationships between people could be more important than ever in the 21st century. Not only can organizations not afford a workforce which is not as motivated as it could be, good relationships are also a fundamental source of learning for all individuals involved. The quality of good relationships deeply influences the hopefulness required to remain curious and open to new experiences, the capacity to see connections and discover meanings, and even to engage in pro-social action (Grant, 2007), all these being individual assets which firms should value high in its employees. Similarly, good relationships are tools to manage human motivation.

There are many factors contributing to create a working environment in which people like working and where they work effectively and efficiently. ERM should be seen as one important factor contributing to create job satisfaction, to build and enhance relationships, and to reinforce commitment to the company and raised levels of motivation in the entire workforce.

The research of this thesis found that a low level of motivation in the workforce is a problem in many work organizations and its consequences are perceived by managers to cost firms a lot of money in lost productivity and non-measurable damage. The reasons for motivation to be low in corporate organizations are as many as there are individuals suffering from its consequences, since motivation and what triggers and diminishes it varies from individual to individual.

It has proved impossible to find a motivation theory with a "one size fits all" application suitable for all organizations, in all industries, in all cultures. This thesis investigated what managers in Scandinavia and Portugal thought of Employee Relationship Management (ERM) as a possible method when it comes to managing motivation in the workplace.

ERM has the possibility to bring about more positive aspects than just increased motivation in work organizations, and 100% of the managers who participated in this study were positive to the implementation of it. ERM should be considered by organizations because its motivational effects are not thought to be short-term natured, as many other corporate incentive programs used by work organizations including salary, bonuses and rewards, are. The effects of ERM on employee motivation are long term, because ERM is an ongoing strategic corporation process, not just a quick-fix.

It was also discovered in this study that many organizations may be practicing HR strategies which aid ERM, without necessarily labeling these practices ERM. In this case, ERM would actually exist within the organization as some kind of "invisible umbrella" on top of everyday processes and practices which are known to employees and managers. In other words, just because organizational practices which aid ERM are not actively managed or documented within companies, does not mean they are not actually there. The figure on the next page aspires to clarify this finding, and how ERM practices are perceived to relate to the management of individual motivation-levels within organizations.

Figure 4:
Employee Relationship Management
relates to Motivation – Model.
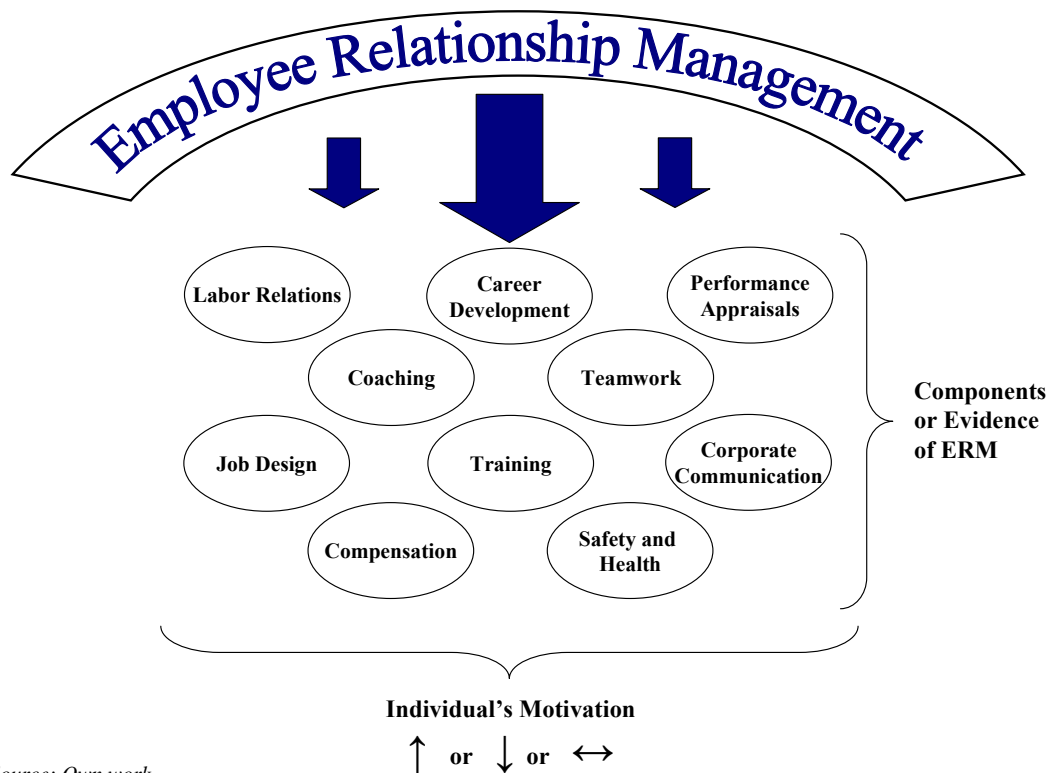
Source: Own work

The academic study of work motivation is not complete. Steers *et al.* (2004) recently recognized the limitations of current theory and research in work motivation, and issued a call for groundbreaking papers for publication in a special edition of the *Academy of Management Review* in 2004. According to Latham and Pinder (2005) it is still too soon to assess whether any of the papers published in response to this call provide any new insights that researchers and managers alike, desire.

6.1. Limitations of this Research

The conclusions of this thesis were drawn foremost, but not only, upon the results of academic and scientific research over the past 50 years or so, which strongly point towards a reality in which individual needs and strengthened employer – employee relationships are encouraged. Conclusions to focus on individual differences and the need to focused employer – employee relationships were also, secondly, based on the interviews and brainstorming sessions which were carried out with 12 managers in Portugal and Scandinavia, all of which support the general conclusion of enhanced employee relationship management in the workplace.

However, limitations exist regarding the sample of managers who were interviewed. In no way was this sample perfect, consisting mainly of the authors personal acquaintances in the business world. The possibility of bias to please the author when participating in the brainstorming sessions must be considered, even though none of the managers knew in advance what the sessions would be about, or the hypothesis of the author. This research is also limited because the interviews were not recorded but typed during each session. Each participant then received a printed version of his/her interview to complement or moderate a few days after each session as the only means of quality-check and comprehension of the author.

Further, a very important limitation to the conclusions drawn from the brainstorming sessions with the managers, are the fact that they were all managers. To fully grasp the reality of work organizations and test for the importance and viability of the implementation of employee relationship management, also non-managerial employees of organizations should be interviewed for their responses to the concept.

6.2. Suggestions of further Research on ERM

The concept of Employee Relationship Management is not only relatively new as a concept; it is also a very broad and complex one. Due to the limited time and resources, this thesis only serves as an introduction to the concept. In addition, the research carried out in this thesis is explanatory; the findings could be taken as a basic ground to build up a better understanding of ERM in and its development potential in the 21st century.

It would be interesting to conduct more specific and deeper studies related to ERM in the following areas:

- Development of the concept and limitations of ERM in the 21st century.
- Investigation of the relational architecture of jobs (job design to aid ERM).
- Interviews with managers from other countries.
- ERM from the perspective of the employee.

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7.4. Web-based Research

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8. Annexes

8.1. Interview Questions for Managers

1. State your personal definition of what motivation (from an organizational perspective) is?

2. In your experience as a Manager, was/is (lack of) motivation ever a problem amongst your employees?
   a. If Yes, why do you think the employees were/are not motivated?
   b. If No, how did you realize that your employees were/are motivated at work?

3. Do you think it is the manager's duty to keep his/her personnel motivated at work?
   a. If it is not the manager's responsibility, whose is it?

4. Do you think that money is the most powerful, universal, motivator for employees in all kinds of organizations?

5. In the field of human resource management, new theories constantly seem to develop. What do you think is the future, in your industry, when it comes to increase motivation amongst the employees in the work place?

6. What do you think it costs the firm to lose an employee when he/she resigns feeling that the relationship employer – employee was unfair, and he/she therefore lost his/her motivation, and decided to quit because he/she believes other employers may treat him/her better?

7. Are you familiar with the concept of ERM – Employee Relationship Management?
   a. If Yes, explain how you heard about ERM.

8. If ERM basically means a type of more employee-centered management, where conscious focus and even the company's strategic planning focus on perfecting the relationship between the company and its individual workers, would you consider implementing ERM in your organization/team?
   a. If No, why not?

9. Do you think implementing ERM would be expensive?

8.2. Profiles of Managers Interviewed

Name (codified)	Sex	Nationality	Business Activity	Position	Managing nbr. of persons
TGNE	M	Swedish	Electronics	President	50
TNEB	M	Norwegian	Recreation	GM	25
EVAD	M	Swedish	NGO	Communications Manager	6
UNNA	M	Finnish	Banking	IT/Security Manager	15
OJUA	M	Portuguese	Consultancy	Strategy Manager	10
EGRO	M	Portuguese	Surveillance	HR Manager	250
NIRA	F	Swedish	Medicine	Manager of Clinic	10
DRAN	M	Swedish	Media	Information's Manager	5
RETE	M	Portuguese	Real Estate	President	15
LHSC	M	Portuguese	Hotel	Operations Manager	175
PPIL	M	Portuguese	IT	Sales Manager	10
ANAD	F	Portuguese	Government	Section's Manager	25

> *"Man is born free, and yet everywhere he is in chains.*
> *One man thinks himself the master of others, but remains*
> *more of a slave than they are."*
> Jean-Jacques Rousseau - *Economie Politique* 1762