

Chapter 6

Motivation in Practice

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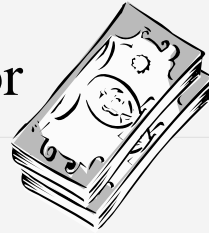
Four Motivational Techniques

- Money
- Job Design
- Management by Objectives
- Alternative Working Schedules

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Money as a Motivator



INTRODUCTION

- Pay is a very important motivator
- According to Maslow and Alderfer very important for people who have strong lower level needs
- Can also function to satisfy social, esteem, self-actualization needs
- Expectancy theory, should be highly valent as long as it is clearly tied to performance.
- Research evidence shows that pay may be the most effective motivator.

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Linking Pay to Performance on Production Jobs

• Blue-Collar Jobs

- **Wage incentive plans:** various systems that link pay to performance on production jobs.
- **Piece-rate:** pay system in which individual workers are paid a certain sum of money for each unit of production completed.



• Blue-Collar Jobs

- **Piece-rate differential:** pay per unit of production on top of hourly wage
- Compared with straight hourly rate wage incentive plans lead to substantial increase in productivity
- Lincoln Electric Company, Steelcase and Nucor use wage incentive plans successfully.
- Not too many companies use wage incentive plans

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Potential Problems with Wage Incentives

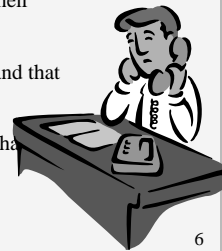
- Lowered quality – where quality control is more difficult, e.g., people processing, interviews, etc.
- Differential opportunity – when workers have different opportunities to produce at a high level, e.g., difference in equipment. According to expectancy theory, workers will differ in their expectancy to produce at a high level.
- Reduced cooperation: rewarding individual productivity might decrease cooperation among workers.
- Incompatible job design: the way jobs are designed makes impossible to implement wips, e.g., assembly line. Team wage incentives can be used but as group size increases linkage between individual jp and incentives gets erased.
- Restriction of Productivity: when wage incentives are introduced workers sometimes come to an informal agreement about what constitutes a fair day's work and artificially limit their output accordingly.

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Linking Pay to Performance on White Collar Jobs

- **White-Collar Jobs (clerical, professional & managerial)**
 - **MERIT PAY PLANS** - systems that attempt to link pay to performance on white-collar jobs.
 - Annual bonuses for presidents and commission for sales staff, but objective indicators of individual performance for the majority of white-collar jobs are difficult to find.
 - As piece-rate is for production jobs, white-collar employees get evaluated every period and get a pay increase depending on their performance.
 - Despite the fact that merit pay plans stimulate performance, and that many companies use them, they are mostly ineffective.
 - About 83% of companies report that they work somehow or that they are ineffective.



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Potential Problems with Merit Pay Plans

- **Low Discrimination:** managers are unwilling to discriminate between good performers and poor performers. Managers treat all employees equally.
- **Small Increases:** merit pay plans exist but increases are too small to be effective motivators.
- **Pay Secrecy:** even if merit pay is linked to performance and is administered properly, secrecy might damage the impact of such plans.

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Using Pay to Motivate Teamwork

INTRODUCTION

- In jobs in which individual incentives are dysfunctional and cooperation and teamwork are required, team pay incentives may be used to stimulate work, e.g., assembly type work.
- **Four team incentive plans**
 - Profit Sharing
 - Stock Ownership Plans
 - Gainsharing
 - Skill-Based Pay

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Team Incentive Plans...

- Profit Sharing – the return of some company profit to employees in the form of a cash bonus or a retirement supplement.
- It is unlikely that profit sharing is highly motivational
- Too many factors beyond the control of the workforce (e.g., economy) can affect profits.
- In a large firm difficult to see the effect of individual or team actions on profits.
- Seems to work best in smaller firms.

- Employee Stock Ownership Plans (ESOPs): Incentive plans that allow employees to own a set amount of a company's shares and provide employees with a stake in the company's future earnings and success.
- ESOPs provide employees with a stake in a company's future earnings and success.
- They also help attract and retain talent, motivate employee performance, focus employee attention on organizational performance, create a culture of ownership, educate employees about business, conserve cash by substituting options for cash.
- WestJet, Royal Bank, Husky, PCL Construction

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Team Incentive Plans...

- ESOPs increase employees' loyalty and motivation b/c they align employees' goals and interests with those of the organization and create a sense of legal and psychological ownership.
- ESOPs improve employee retention and profitability.
- Programs work best in small companies that regularly turn a profit.

ESOPs...

- In larger companies it is more difficult to see the connection between employee efforts and company profits.
- ESOPs lose their motivational potential in a weak economy when company's share price goes down.

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Team Incentive Plans...

- Gainsharing: A group pay incentive plan based on productivity improvements over which the workforce has some control.
- Such plans include reduction in the cost of labour, material or supplies. Employees receive a bonus based on a gain sharing formula
- The Scanlon Plan (union leader Joe Scanlon, 1930s) stresses participatory management and joint problem solving.
- Skill Based Pay: A system in which people are paid according to the number of job skill they have acquired.
- To motivate employees to learn a wide variety of work tasks. The more skills that are acquired, the higher the person's pay.
- Useful in flexible manufacturing in which rapid changes in job demands can occur e.g., Quebec's Bell Helicopter Textron plant.

Job Design as a Motivator

Introduction

- As opposed to money, JD is an intrinsic motivator.
- The goal of JD is to identify the characteristics that make some tasks more motivating than others and to capture these characteristics in the design of jobs.

Traditional Views of JD

- Starting from Industrial Revolution up to the 1960s the aim of JD was job simplification.
- The zenith of JD occurred when Taylor presented Principles of Scientific Management.
- Even though job simplification served uneducated employees to perform, behavioural scientists began to question the impact of job simplification on performance, customer satisfaction and quality of working life.

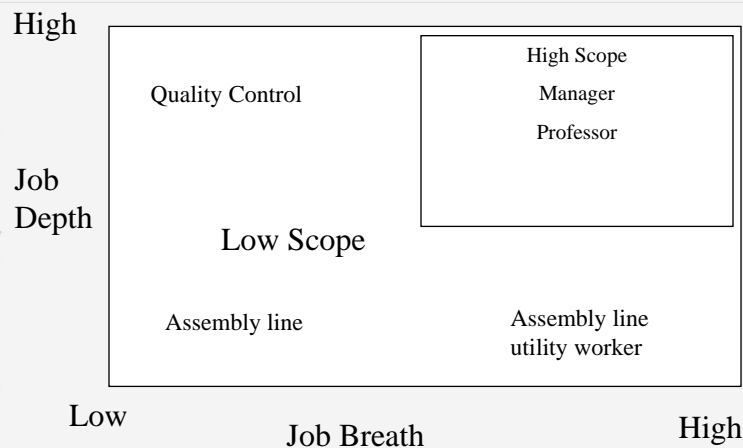
Job Scope and Motivation

- **Job Scope** can be defined as the breath and depth of a job.
 - Breath: number of different activities performed in a job
 - Depth: the degree of discretion that the worker has over how these tasks are performed.
- Broad Jobs require workers to do a number of different tasks, while deep jobs emphasize freedom of **PLANNING** how to do the work.
- High Scope Jobs – are jobs that have great breath and depth.
- Professor's job, managers job are high scope jobs.
- Low scope job is the traditional assembly line.
- One way to increase the scope of a job is to assign employees **STRETCH ASSIGNMENTS**.
- Stretch assignments offer employees challenging opportunities to broaden their skills by working on a variety of tasks.

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Job Scope

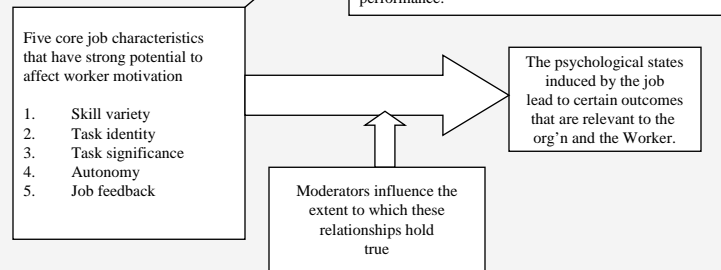


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The Job Characteristics Model

- The Job Characteristics model of J. Richard Hackman and Greg Oldham helps us understand the motivational properties of jobs.

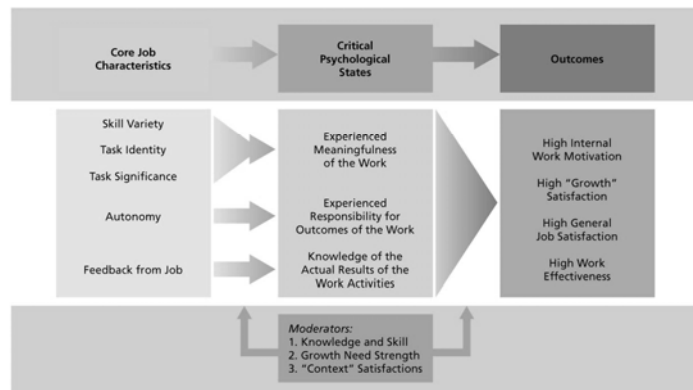


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Exhibit 6.5
The Job Characteristics Model.

Source: Hackman, J. R., & Oldham, G. R. (1980). *Work redesign*. Reading, MA: Addison-Wesley. Copyright © 1980 by Addison-Wesley Publishing Company. Figure 4.6. Reprinted with permission of the publisher.

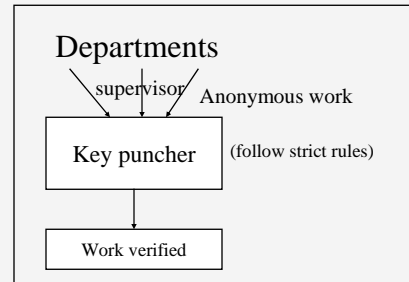


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The Job Characteristics Model...

- Hackman and Oldham developed a questionnaire called Job Diagnostic Survey (JDS) to measure the core characteristics of jobs. JDS requires that job holders report the amount of various core characteristics contained in their jobs. JDS measures job characteristics on 7 point scale.
- MPS ranges from 1 to 343.



The motivating potential score (MPS) of a job is calculated using the following formula:

$$\text{MPS} = \frac{\text{Skill variety} + \text{Task identity} + \text{Task significance}}{3} \times \text{Autonomy} \times \text{Feedback}$$

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Critical Psychological States

- Why are jobs that are higher on the core characteristics more intrinsically motivating?
- Work will be intrinsically motivating when it is perceived to be:

Variety
Identity
significant

Autonomy

Feedback

Meaningful

– When worker feels responsible for the outcome

– When worker has knowledge about work progress

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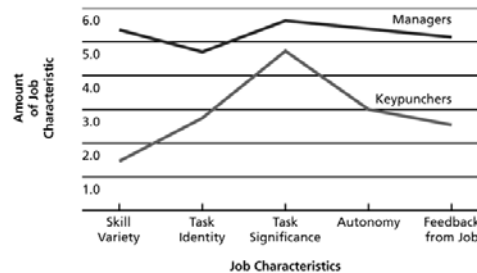


EXHIBIT 6.7
Levels of core job characteristics for managers and keypunchers.
Source: Hackman, J.R., & Oldham, G.R. (1980). *Work redesign*. Reading, MA: Addison-Wesley. Copyright © 1980 by Addison-Wesley Publishing Company. Figure 6.2. Reprinted with permission of the publisher. (Managers' data collected by Gary Johns.)

MPS: Manager=159
Keypuncher=20

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Outcomes & Moderators

- Presence of Critical Psychological States leads to a number of outcomes:
 - High Internal Motivation
 - High “Growth” Satisfaction
 - High General Job Satisfaction
 - High Work Effectiveness
- Jobs that are high in motivating potential do not always lead to favourable outcomes. Hackman and Oldham propose certain moderator or contingency variables.
 - Knowledge and skill
 - Growth Need Strength
 - Context Satisfaction (pay, supervision)

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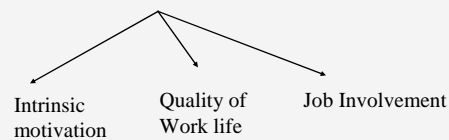
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Research Evidence

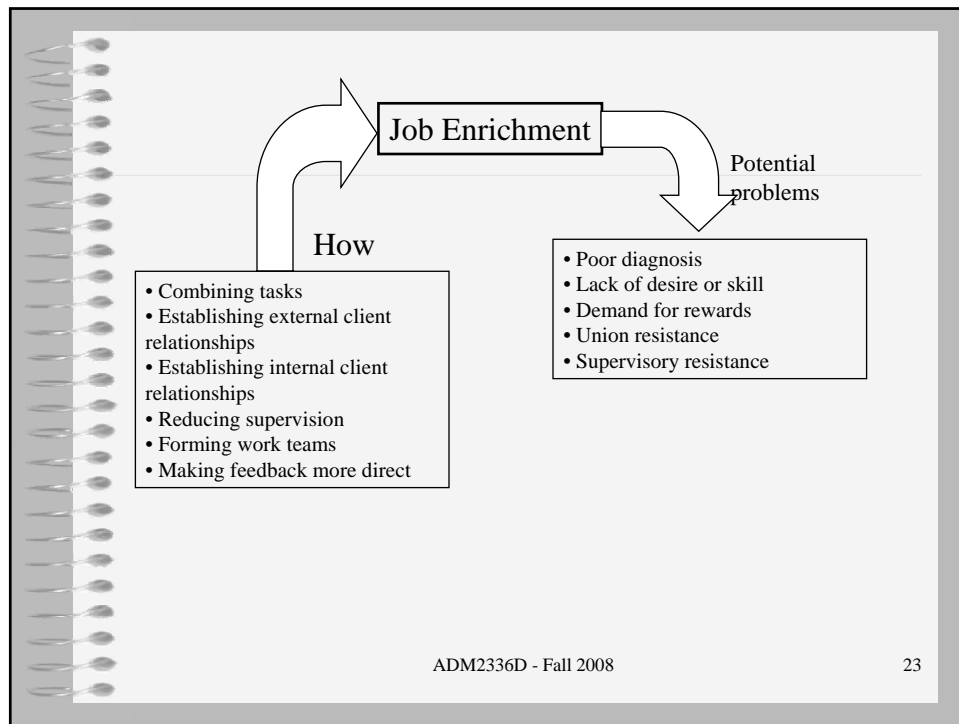
- General support – workers tend to respond more favourably to jobs that are high in motivating potential.

Job Enrichment

- The design of jobs to enhance



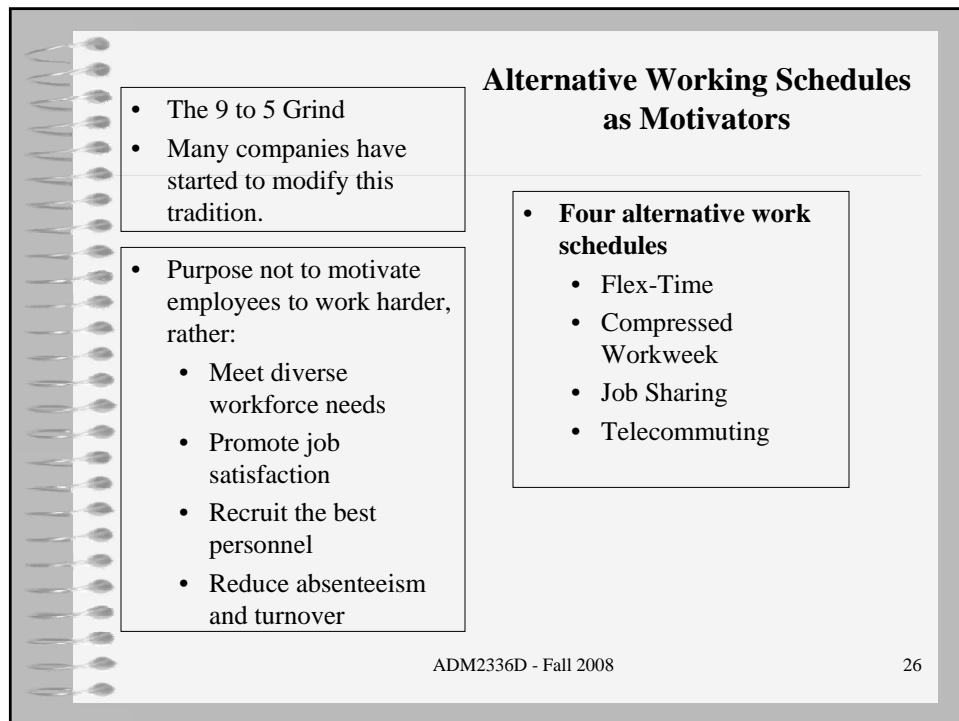
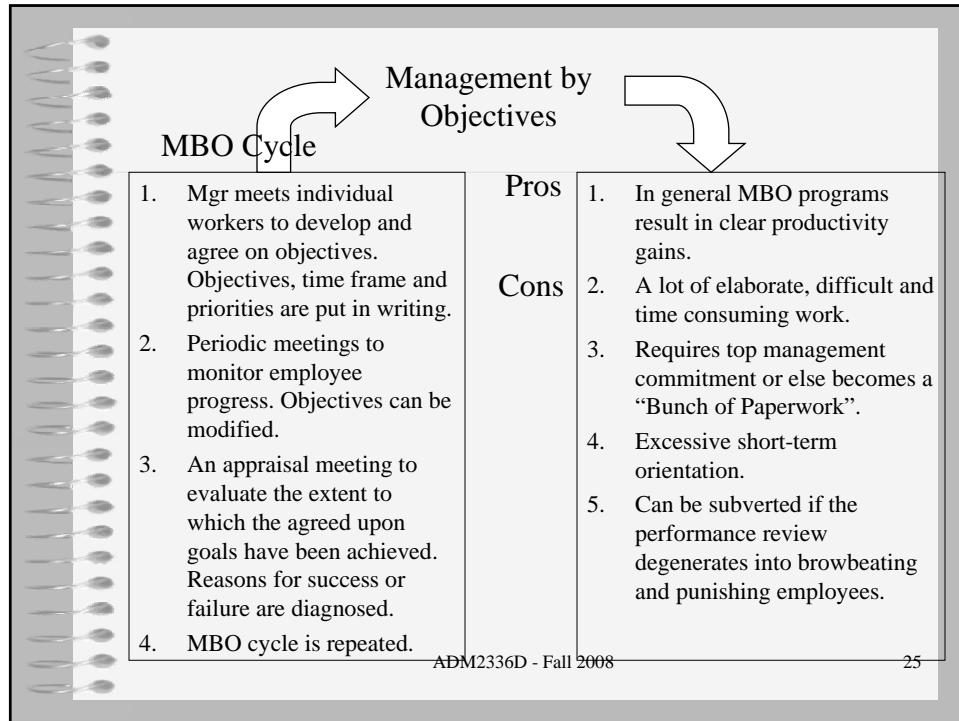
- **Job involvement:** a cognitive state of psychological identification with one's job and the importance of work to one's total self images.



Management by Objectives (MBO) – Mgt theorist - Peter Drucker

- MBO – an elaborate, systematic ongoing management program designed to facilitate goal establishment, goal accomplishment and employee development.

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Flex-time

- An alternative work schedule in which arrival and departure times are flexible.
- Employees have to show up everyday and as long as they are present during core working hours, arrival and departure are flexible.
 - Well suited to the needs of diverse work force, transportation, child care, etc.
 - Reduces absenteeism since employees can handle personal matters during business hours.
 - Signal a degree of prestige and trust

Flextime...

- Not suitable for jobs such as assembly lines and hospital teams.
- It is mostly suited to office environments.

Research Evidence

- Employees prefer Flextime to the traditional time
- Work attitudes become more positive and there is minimal abuse of system
- A review of research in the area concluded that there is positive effect on productivity, JS, and lowers employee absenteeism.

Compressed Workweek

- An alternative work schedule in which employees work fewer than normal five days a week but still put in a normal number of hours a week, e.g., the 4-40 system (4 days 40 hours per week).

Pros

- Expected to reduce absenteeism because employees can pursue personal business in what had been working time
- Reduces commuting costs by 20%
- Provides an extra day for leisure and family time

Research Evidence

- People who experienced it like it
- Workers have reported more fatigue
- No effect on absenteeism and productivity

Cons

- Possibility of reduced customer service
- Negative effects of fatigue when work is strenuous.

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Job Sharing

- An alternative work schedule in which two part-time employees divide the work of a full-time job.

- Attractive to people who want to spend more time with small children
- Helps organizations attract highly qualified employees who do not wish full-time employment
- It is an effective strategy for avoiding layoffs.

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Telecommuting

- A system by which employees are able to work at home but stay in touch with their offices through the use of communication technology, such as computer networks, voice mail, and email.
- Provides workers greater flexibility in their work schedules.
- Can attract qualified employees no matter where they live in the world, through distant staffing.
- More than 1,5 million Canadians telecommute.
- Telework centres have emerged in response to telecommuting.
- Distributed work programs offer choices to employees to work at the business office, satellite office or home office.
- Requires trust on the part of managers and clear guidelines.

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Telecommuting...

Pros

- Less turnover
- Less office space
- Attract more qualified employees
- Positive effect on productivity, flexibility and work-life balance.

Cons

- Decreased visibility during promotions
- Problems with rush projects
- Workload spillover to non-telecommuters
- Distraction, isolation, overwork.

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Motivational Practices in Perspective

- There is no one best motivational practice, organizations have a lot of options.
- There is no cookbook to follow
- Concept of fit and balance is important
- Nature of the job
 - Production, office, university, charity, diversity is important, uniformity is important
- Type of employees
 - Young, married, high self-efficacy,