Lecture 6

INSTITUTE OF ACTUARIAL & QUANTITATIVE STUDIES

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Chapter: Unit 1 Chp 3

Chapter Name: Motivation Concepts

Today’s Agenda

1. MODERN THEORIES OF MOTIVATION

2. GOAL SETTING THEORY
3. EQUITY THEORY
4. EXPECTANCY THEORY

5. OPEN ENDED QUESTIONS

1.0 MODERN THEORY OF MOTIVATION

Unlike the early theories, the modern theories have more research support.

Some of the modern theories of motivation are:-

1.GOAL SETTING THEORY

2. EQUITY THEORY

3.EXPECTANCY THEORY

2.0 GOAL SETTING THEORY

Edwin Locke believed that goals increase motivation and performance because :-

1. Goals indicate what has to be done.

2. How much effort should be exerted to achieve the goal.

2.1 GOAL SETTING THEORY

However, if goals have to be motivating, they must specify certain conditions:-

1. <u>Goals must be specific in nature.</u>

A specific goal is a clearly defined measurable goal. Research has found that giving the employees specific goals is much better than simply telling them to 'do your best.'

2.1 GOAL SETTING THEORY

However, if goals have to be motivating, they must specify certain conditions:-

2. <u>Goals must be difficult and challenging in nature</u>

A goal that is difficult but attainable increases the challenge of the job and thus motivate the employees because:-

a) individuals attention is ***focused on the task*** and is not distracted by the irrelevant.
b) Individuals are ***energised to work hard t***o attain the goal.
c) Individuals become more ***persistent*** in order to achieve the goal.
d) Individual try to be ***innovative and find new ways or strategies*** in order to perform the task effectively,

2.1 GOAL SETTING THEORY

However, if goals have to be motivating, they must specify certain conditions:-

3. <u>Feedback</u>

Employees perform better when get regular feedback about their progress. Feedback is useful because:-

a) ***guides*** Employee behaviour and performance.
b) Helps to ***identify discrepancies*** between what they want to do and what they have done.
c) ***Provides information*** whether they should work harder or continue at the same pace.
d) ***Increases employee involvement*** and satisfaction.

Self-generated feedback where the employee monitors his own progres is found to be more Effective than external feedback.

2.1 GOAL SETTING THEORY

However, if goals have to be motivating, they must specify certain conditions:-

4. <u>Goals must be set through employee participation</u>

The advantages of employee participation in the goal seeing process are:-
a) increases **acceptance** of the goal.
b) increases ***employee commitment*** to the goal.
c) makes the goal appear ***more desirable.***

When there is no employee participation, the manager must explain to the emp,lyre the purpose and importance of the goal.

2.2 GOAL SETTING THEORY

Other factors that influence goal-performance relationship are:-

1. Goal commitment

An individual is more likely to be committed to the goal when :-

a) The goal is made ***public***
b) The individuals has an ***internal locus of control***
c) The goal is ***self-set*** rather than assigned by someone

2.2 GOAL SETTING THEORY

Other factors that influence goal-performance relationship are:-

2. Task characteristics

The characteristic of the task impacts goal setting in the following ways:-

a) Goal setting is more effective when the task is ***simple rather than complex.***
b) Goal setting is more effective when the task is ***well learned rather than new.***
c) Goal setting is more effective when the task is ***independent rather than dependent.***
d) Group goals are more effective when the goals are ***interdependent***.

2.2 GOAL SETTING THEORY

Other factors that influence goal-performance relationship are:-

3. <u>National culture</u>

Goal setting is more effective in some countries like US, CANADA than others depending on the culture, where:-

a) Employees are reasonably ***independent***.
b) Both managers and employees desire ***challenging goals.***
c) Both managers and employees ***consider performance as important.***

2.3 GOAL SETTING THEORY

APPLICATION OF THE GOAL SETTING THEORY

- **MBO** (management by objectives) is a systematic application of the goal setting Theory.
- In **MBO**, the organizational goals are converted into specific goals for each department/division and further defined for each employee at every level in the organization.
- An **MBO** program has 4 main ingredients:

1. Goal specificity
2. Participation in decision making as well as goal setting
3. A clearly defined time frame
4. Performance feedback

- These are very much in line with the ideology of goal setting theory.

2.3 GOAL SETTING THEORY

APPLICATION OF THE GOAL SETTING THEORY

- However, there are a number of instances where MBO has failed. The main cause of failure are:

1. Unrealistic management expectations regarding the results.
2. Lack of top management commitment
3. Not linking rewards to the attainment of goals.
4. Cultural factors.

3.0 EQUITY THEORY

THE ROLE OF ORGANIZATIONAL JUSTICE IN MOTIVATION

- Equity theory by J. Stacy Adams proposed that employees make social comparisons between themselves and how does that influence motivation.
- Social comparison is made in two areas:-

1. OUTCOMES

What employees believe they and others get out of their jobs. Eg. Pay, fringe benefits, job recognition.

2. **INPUTS**

What employees believe they and others contribute to their jobs. Eg. Working hours, amount of effort put, number of unit's produced, work experience.

3.0 EQUITY THEORY

THE ROLE OF ORGANIZATIONAL JUSTICE IN MOTIVATION

- According to the theory, employees compare their ***outcome/input 'contract'*** with the ***outcome/input 'contract'*** of others to determine whether they are treated fairly or unfairly.

- The results can be as follows:-

1. Over rewarded inequity
2. Under rewarded inequity
3. Equity

3.0 EQUITY THEORY

THE ROLE OF ORGANIZATIONAL JUSTICE IN MOTIVATION

1. OVER REWARDED INEQUITY

$$\frac{\text{Person's outcomes}}{\text{Person's inputs}} > \frac{\text{Other's outcomes}}{\text{Other's inputs}}$$

Equity theory states that overpaid workers feel guilty.

3.0 EQUITY THEORY

THE ROLE OF ORGANIZATIONAL JUSTICE IN MOTIVATION

2. UNDER REWARDED INEQUITY

$$\frac{\text{Person's outcomes}}{\text{Person's inputs}} < \frac{\text{Other's outcomes}}{\text{Other's inputs}}$$

Equity theory states that underpaid workers feel angry.

3.0 EQUITY THEORY

THE ROLE OF ORGANIZATIONAL JUSTICE IN MOTIVATION

3. EQUITY

$$\frac{\text{Person's outcomes}}{\text{Person's inputs}} = \frac{\text{Other's outcomes}}{\text{Other's inputs}}$$

Equity theory states that equitably paid workers feel satisfied.

3.1 EQUITY THEORY

IMPORTANT DETERMINANT OF EQUITY/INEQUITY IS REFERENT.

The ***REFERENT*** pertains to who are the people with whom the employee compared himself.

1. SELF-INSIDE

The kind of experiences the employee himself has in different positions in the current organization.

2. **SELF-OUTSIDE**

The kind of experiences that the employee has in different situations outside the current organization.

3. **OTHER-INSIDE**

The employee compares himself with other employees or groups within the organization.

4.**OTHER-OUTSIDE**

The employee compared himself with other employees or groups outside the current organization.

3.1 EQUITY THEORY

CHOICE OF THE REFERENT

The choice of the referent is determined by many factors such as:-

1. **GENDER**

- Research reveals that employees usually make same sex comparisons.
- When there is an equal representation of gender in an organization,employees make cross sex comparisons.
- This could reveal why women accept lower pays.

2. **LENGTH OF TENURE**

- Comparisons based on personal experience are made more by employees who have spent less time in the organization.
- Employee with long service in the organization compare themselves more with employees in the organization.

3.1 EQUITY THEORY

CHOICE OF THE REFERENT

The choice of the referent is determined by many factors such as:-

3. **LEVEL IN THE ORGANIZATION**

- Since employees at higher level have better access to information, they compare themselves more with people outside the organization

4. **LEVEL OF EDUCATION OR PROFESSIONALISM**

- Since they too have better access to information, they compare themselves more with people outside the organization.

Other factors that determine the referent choice are the attractiveness of the referent and the amount of information the employee has about the employee.

3.2 EQUITY THEORY

HOW CAN INEQUITY BE MOTIVATING?

Under conditions of inequity, people experience tension which creates motivation to reduce the inequity. Employees thus respond in the following ways:-

1. CHANGE THE INPUT

Increase the input if they are over rewarded or reduce the input if they are feeling under rewarded.

2. CHANGE THE OUTPUT

Increase the output if they are feeling over rewarded or reduce the output if they are feeling under rewarded.

3.2 EQUITY THEORY

HOW CAN INEQUITY BE MOTIVATING?

3. **DISTORT PERCEPTIONS OF OTHERS**
The employee might discount the value or inflate the value of the rewards he receives based on the inequity.

4. **DISTORT PERCEPTION OF OTHERS**
The employee might inflate or discount the value of the rewards received by others based on the inequity.

5. **CHANGE THE REFERENT**
The employee might choose someone else to compare himself

6. **QUIT**
The employee may leave the organization

3.3 EQUITY THEORY

EQUITY THEORY FINDINGS

1. Employees paid on hourly basis, over rewarded employees will produce more than equitably paid employees in order to reduce the inequity.

2. Employees paid on hourly basis, under rewarded employees will produce less and poor in quality to reduce the inequity.

3. When employs are paid on the basis of quantity of production, over rewarded employees will produce less but the produce will be of higher quality. They will not increase the quantity as that will lead to more payment and increase the inequity.

4. When employs are paid on the basis of quantity of production, under rewarded employees will produce more but the produce will be of low quality.

3.3 EQUITY THEORY

SOME OF THESE PROPOSITIONS ARE SUPPORTED BY RESEARCH WHILE SOME ARE NOT :-

1. The predictions are best supported in the underpayment conditions and especially in the hourly payment conditions. However there is very little support with regards to over payment inequity.

2.Different individuals have different equity preferences and sensitivity. Hence, one cannot predict.

3. This theory focuses more on pay. However, the truth is that employees want equity with regard to other rewards such as job titles, types of offices,etc.

4. Equity theory focuses only on distributive justice, but employee perception of other kinds of justice is also important.

3.4 EQUITY THEORY

DEFINITION OF DISTRIBUTIVE JUSTICE, PROCEDURAL JUSTICE

Distributive justice refers to ***"perceived fairness of the amount and allocation of rewards among individuals." (Robbins and Judge, 2013)***

Procedural justice refers to ***"the perceived fairness of the process used to determine the distributions of rewards." (Robbins and Judge, 2013)***

The experience of procedural justice is influences by two elements:

1. **PROCESS CONTROLS**: it is the opportunity that the employee has to present his point of view before the management about the desired outcomes.
2. **EXPLANATION**: it is the reason given by the management for an outcome or decision.

3.4 EQUITY THEORY

UNDERSTANDING PROCEDURAL JUSTICE

- Employees experiences procedural justice when they have a say in the outcomes and are given clear explanations by the management for the outcomes.
- Employees feel the procedural justice has been when management decisions are consistent, unbiased and open to appeals.
- Procedural justice becomes Even more important when an employee feels that distributive justice has not been done.

3.4 EQUITY THEORY

DEFINITION OF ORGANIZATIONAL JUSTICE, INTERACTIONAL JUSTICE

Organizational justice refers to ***" an overall perception of what is fair in the workplace. It is composed of distributional, procedural and interactional justice." (Robbins and Judge, 2009)***

Interactional justice refers to ***"the perceived degree to which an individual is treated with dignity, concern and respect." (Robbins and Judge, 2013)***

3.4 EQUITY THEORY

UNDERSTANDING PERCEPTIONS OF JUSTICE

- DISTRIBUTIVE JUSTICE is strongly related with organizational commitment and satisfaction with organizational outcome such as pay.

- PROCEDURAL JUSTICE has a strong influence on job satisfaction, job performance, employee trust, etc.

- All these different types of justices are dependent on individual’s interpretation / perception of events in the organization. Hence it is important that managers attempt to influence influence employee’s perception of justice.

3.4 EQUITY THEORY

STEPS TAKEN BY MANAGERS TO ENHANCE PERCEPTIONS OF JUSTICE

- When managers have bad news to share, there should be open communication about how the decision was made. Employee’s perception of procedural Justice will increase when managers follow unbiased and consistent procedures.

- Managerial actions should not focus only on the problem but also on the source of the problem.

- They must give employees opportunities to express their frustration when they feel they have been treated unfairly. This will reduce the probability of employees trying to get back at the organization.

4.0 EXPECTANCY THEORY

Expectancy theory was first proposed by Victor Vroom and further developed by Porter, Lawler and others.

- The expectancy theory asserts that motivation of an individual to work depend on:

1. How strongly he expects that his action will be followed by a certain outcome.

2. The attractiveness of the outcome to the individual.

4.0 EXPECTANCY THEORY

Expectancy theory focuses on three relationships.

MOTIVATION

EFFORT - PERFORMANCE RELATIONSHIP

PERFORMANCE - REWARD RELATIONSHIP

REWARD - PERSONAL GOALS RELATIONSHIP

4.0 EXPECTANCY THEORY

Expectancy theory focuses on three relationships.

1. EFFORT- PERFORMANCE RELATIONSHIP

It is an individuals belief that his effort will result in attainment of the goal. For eg. an employee’s belief that hard work will result in a good performance appraisal.

2. **PERFORMANCE - REWARD RELATIONSHIP**

It is an individual belief his performance will be rewarded. For eg. an employee’s belief that his performance will result in rewards such as increase in pay or promotion.

3. **REWARD- PERSONAL GOAL RELATIONSHIP**

It is the attractiveness and value of the rewards and the extent to which it satisfies some personal goal or need of the individual. For eg. motivation will be influenced by the attractiveness of the promotion or pay.

4.1 EXPECTANCY THEORY

Expectancy theory insights as to why employees lack motivation and put in only minimal effort at work.

1. Many employees feel that even if they put in maximum effort, it will not be recognised in the performance appraisal. The reason for this may be:

a) Employee lacks the skill and hence no matter how hard he tries he is unable to convert his efforts into performance.
b) Recognition in the office is not based on performance but other factors such as loyalty, seniority, new ideas,etc.
c) Employee perceived that the manager dislikes him and will rate him poorly no matter how he performs.

4.1 EXPECTANCY THEORY

Expectancy theory insights as to why employees lack motivation and put in only minimal effort at work.

2. Many employees feel that the relationship between performance and reward is weak and this has a negative effect on employee motivation to work hard. The reasons of such feelings may be that promotions are based on partiality, seniority,etc.

3. The rewards offered are not found lucrative by the employees. The reason for the lack of attractiveness may be :

a) Managers often assume that all employees motivated by the same rewards.

b) Organizations are structured in such a way that it is often difficult to customise rewards to satisfy employee needs.

4.2 EXPECTANCY THEORY

Criticism against the expectancy theory

- This theory is idealistic in nature. It assumes that the employees and managers can perceive and understand the three relationships clearly and rationally.
- This theory applies only when Organizational rewards are based on performance.
- The theory proposes that the same individual will put different amount of effort under different circumstances. But most of the studies have been carried out on different people. This makes it difficult to prove the theory.

2.2 FUNCTION/WORK OF A MANAGER

	To highlight something important
	To ask a question
	When giving a reference to extra/additional reading
	Question to be solved (in class)
	Important definition
	To quote someone