Lecture

INSTITUTE OF ACTUARIAL & QUANTITATIVE STUDIES

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Chapter: Unit 2 Chapter 1

Chapter Name: Motivation Concepts

1.1 Definition

Motivation in the industrial setting can be defined as the willingness to exert high level of effort towards organizational goals and to satisfy some individual need.

Robbins and Judge (2013) define motivation as "the processes that account for an individual's intensity, direction and persistence of effort towards attaining a goal."

Motivation refers to those forces operating within an individual that push him to act or not to act in a certain way.

1.2 Three Important Elements of Motivation

1. **Intensity-** Intensity determines how hard an individual will try. It refers to the levels of effort that the person is willing to put to attain the desired goal. Highly motivated individuals work very hard.

2. **Direction-** Mere hard work is of little use unless it is channelized in the right direction. Organizations want employees who will direct themselves to attain organizational goals.

3. **Persistence-** This dimension of motivation determines how long a person can continue with his efforts. A person with high motivation will not quit until the goal is attained.

1.3 Early Theories Of Motivation

The study of motivation got a big boost in the 1950s. Four major theories were proposed during this period. These theories are popular even today, even though a number of questions have been raised about their validity (correctness). Practising managers use these theories to describe employee motivation. These theories acted as the foundation for many theories that developed later.

1.4 Abraham Maslow’s theory of needs

Abraham Maslow in the year 1943 published the paper in which for the first time he gave to the world a theory of human needs called the Needs Hierarchy Theory. Diagrammatically represented the theory is as follows:

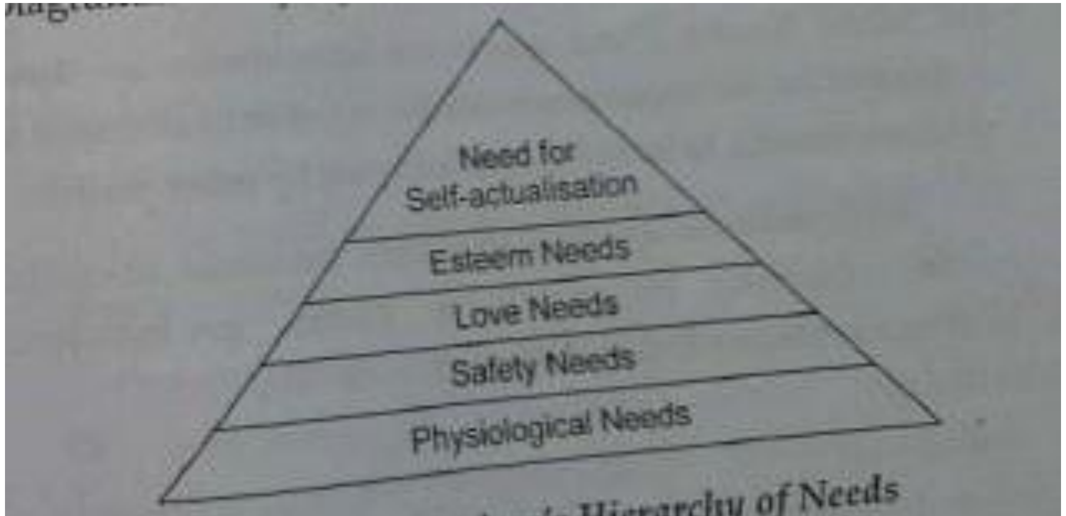

Figure 3.1: Maslow's Hierarchy of Needs

1.5 Abraham Maslow spoke about five levels of needs in the hierarchy:

1. **Physiological Needs:** Physiological needs are hunger, thirst, sleep, avoidance of pain, sex, and the maternal instinct. It is on the satisfaction of physiological needs that the survival of the human being depends.

2. **Safety Needs:** Safety needs refer to the need for a secure environment- physical as well as psychological. It is the need for freedom, and safety from fear or threat. Organizations attempt to satisfy the safety needs of the employees by providing them with good working conditions, safety equipments, health and life insurance etc.

3. **Social Needs:** These needs are also known as ‘Love needs’ or ‘Belongingness needs’. It refers to the need to have friends, to be loved and accepted by other people. Organizations attempt to satisfy the social needs of the employee by organizing games, get- togethers (Parivar Day), picnics, outings, etc.

4. Esteem Needs: It is the need to be valued and respected by other. It also includes the desire to achieve success, recognition and to have prestige within and outside the organization. Organizations attempt to satisfy the esteem needs of the employees by organizing special felicitation functions for top performers in the organization, highlighting the achievements of the employees in the company's house magazine, giving trophies to outstanding performers and so on.

5. Self- actualization Needs: Self- actualization means to become all that is possible for a person to become. It is the need to fulfill one's potential. i.e. to develop one's capacities and express them. It is the need for personal growth and development.

Based on whether these five needs are satisfied internally or externally, Maslow classified the five needs into two broad categories:

1. Lower- order needs: The physiological and safety needs fall under this category. These needs are satisfied externally (by things such as pay, tenure, etc.)

2. Higher-order needs: Social, esteem and self-actualization needs fall under this category. These needs are satisfied internally.

1.6 The Salient features of Maslow's theory are:

1. The needs of a human being are hierarchically arranged. There is a definite order in them. They are organized in a lowest to highest order.

2. Once a need at a particular level is substantially satisfied, they do not motivate a person anymore. The person then moves to the next higher need in the order.

3. The popularity of this theory is because it is very easy to understand and it appeals to our intuitive logic (common sense) According to this theory, in order to motivate the employees, the manager must identify the need level at which an employee is and then try to satisfy that need.

Some research suggests that need hierarchy may not be the same all over the world. It was found that the hierarchy of the needs is influenced by the country's culture. For instance, in countries like Japan and Greece, the security need will be at the top. This is because the culture of these countries is strongly characterised by uncertainty- avoidance. In contrast, countries like Denmark and Sweden have social needs at the top because the cultures of these nations are high on nurturing.
The major limitation of Maslow's theory is that there is little scientific evidence to support it.

1.7 Theory X and Theory Y

Theory X and Theory Y

David McGregor proposed that managers have distinct views or assumptions about human beings. One view which is basically negative, McGregor labelled it as Theory X. The other view is basically positive. McGregor calls it Theory Y.

According to McGregor, how managers behave with subordinates is based on these assumptions. Managers with theory X orientation assume that people:

1. Are lazy and irresponsible.
2. Dislike work and need direction and
3. Will work hard only when they are pushed or threatened with punishment.

Managers with theory Y orientation assume that people:

1. Are willing to work hard when the right conditions exist i.e. work is as good as play.
2. Have a psychological need to work and seek achievement and responsibility.
3. Can be motivated to work hard by providing them with interesting and challenging jobs, encouraging greater participation and developing good relations. The limitation of this study is that it has found very little empirical support.

1.8 Fredrick Herzberg’s Two-factor Model

Fredrick Herzberg conducted a study to find out what employees really wanted from their jobs. He studied 200 accountants and engineers employed by different organizations. He asked them to report when they felt exceptionally happy about their job and also when they felt exceptionally unhappy about their job. He tabulated their responses and found that the responses were interesting and highly consistent.

Herzberg found that factors producing satisfaction were entirely separate and different from factors responsible for dissatisfaction. For example, although unpleasant working conditions may case dissatisfaction, pleasant working conditions may not lead to satisfaction.

Herzberg also found that satisfaction is due to intrinsic or internal factors and dissatisfaction is due to extrinsic or external factors.

Herzberg labeled the factors that motivate or produce job satisfaction as ‘motivators’.
Motivators include the following factors:

1. Authority and responsibility.

2. Advancement opportunities.

3. Recognition and appreciation.

4. Work itself. 5. Achievement.

Herzberg labeled the factors that are related to job dissatisfaction as ’hygiene’ or ‘maintenance’ factors. Hygiene factors include:

1. Company policy and administration

2. Supervision

3. Salary

4. Interpersonal relations

5. Working conditions

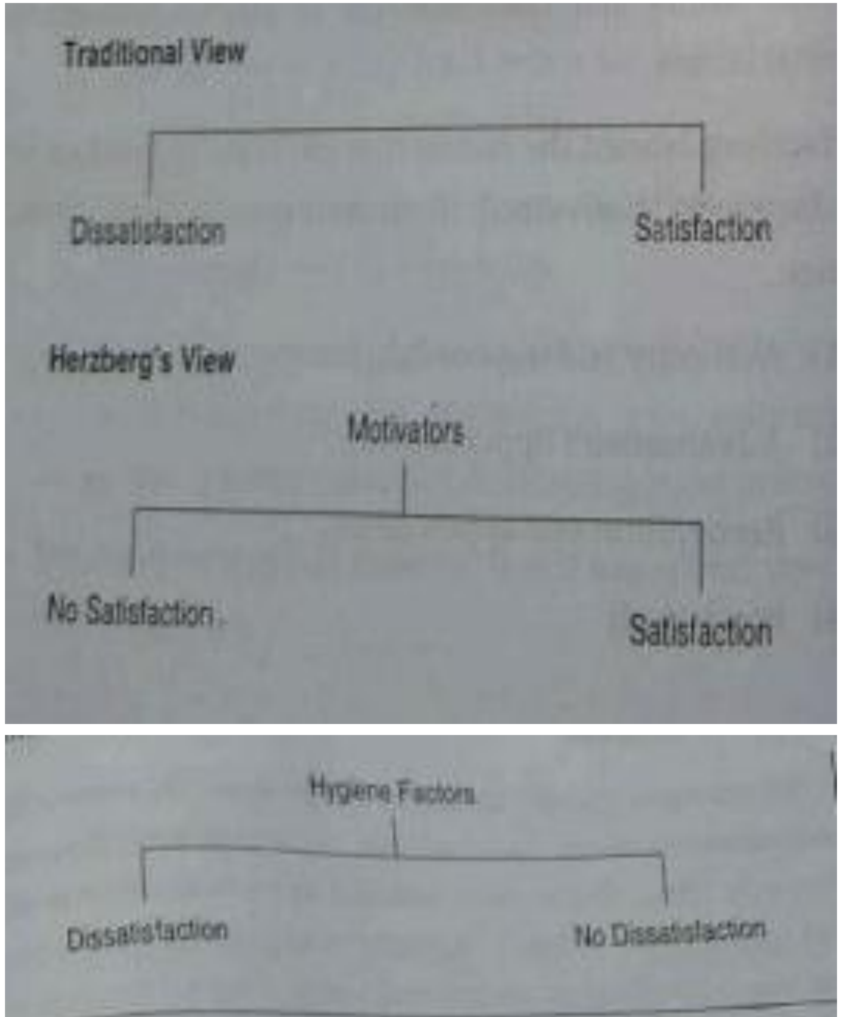

Figure 3.2: Herzberg's Views versus Traditional Views of Job satisfaction.

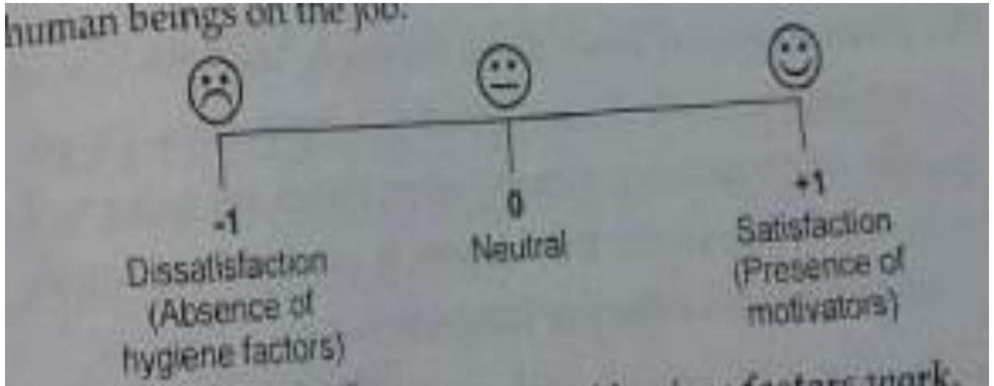

Figure 3.3: How motivators and hygiene factors work.

Taken together, the hygiene factors and the motivators come to be known as the two-factor theory of job satisfaction. Herzberg upset the traditional view that job satisfaction and job dissatisfaction were merely opposites of one factor.

According to Herzberg, hygiene factors are only preventive in nature. They simply prevent dissatisfaction. Taking care of them will prevent dissatisfaction among the employees but will not motivate the employees. Motivators are those factors that cause good feelings and lead to satisfaction. It is the motivators that
truly motivate human beings on the job.

The two-factor model threw new light on the importance of the job contents, Until then, whenever any manager faced the problem of low employee morale, the manager's answer was always the same- higher wages, better working conditions and more fringe benefits. Even then the employees were not motivated and the managers did not understand the reason.

Herzberg's model explains why this happens. The managers were focusing on the wrong factors (hygiene factors). These factors only reduced dissatisfaction but did not lead to satisfaction. Satisfaction was possible only when the managers focused on the motivators after taking care of the hygiene factors.

Hygiene factors are necessary to maintain the human resources of a company, but they are not sufficient to motivate the employees. It is the motivators that are important. Herzberg strongly believed that the only job having opportunities for advancement, responsibility, challenge and achievement will truly motivate the employees.

1.9 Criticism of Herzberg's Model

1. Methodological limitations: Herzberg used the critical incident method. This method has limitations. People take credit. (intrinsic factors) when things are going well. At work. However, they blame it on extrinsic factors when there is a failure or things do not go as planned.

2. Methodology: The methodology used by Herzberg itself has come for criticism. Doubts have been raised about the reliability of the findings. A weakness of the method is that the responses obtained are open to different interpretation by different raters.

3. Overall satisfaction not measured: Herzberg simply asked the respondents when they felt exceptionally happy about their job and also when they felt exceptionally unhappy about their job. He did not find out what was the respondents overall level of satisfaction.

4. Assumptions not tested: Herzberg merely assumed that satisfaction and productivity were related. However, in his study, he only looked at satisfaction and did not obtain any measures of productivity. Hence, his assumptions were not tested.

Despite these drawbacks, Herzberg's two-factor theory is a great contribution to the field of organizational motivation. Herzberg emphasized the role of content factors or the motivators that till then had been either neglected or completely overlooked.

2.0 McClelland’s Theory Of Needs

David McClelland of Harvard University identified three needs which have strong influence on organizational motivation and behavior:

These three needs are:

1. **Need for achievement (nAch):** It is the need to excel, accomplish and constantly improve performance Individuals high on this need have a strong desire to succeed and do better than others.

2. Need for power (npow): It is the desire to be in charge, to be able to exercise control over others. Individuals with high power motivation have a strong urge to influence people and situations.

3. Need for affiliation (nAff): It is the need to be with people and have close relationships. It is the desire to effectively relate to people and be accepted by others.

Much of McClelland's research was on the need for achievement. McClelland identified the following characteristics of high achievers:

1. Moderate risks: Persons high in need for achievement are moderate risk takers. They pursue goals that have 50% chances of success. They prefer goals with an intermediate level of risk.
2. Feedback: People with need for high achievement like tasks in which they get continuous feedback as to how well they are doing.
3. Personal responsibility: Individuals high on need for achievement like jobs or tasks for which they are personally responsible. That is, they are prepared to take both credit and blame for the work outcome.
4. Entrepreneurial: High achievers are entrepreneurial in nature. They like to have their own business or run an independent unit in the organization.
5. Matches their ability: Individuals high on achievement motivation choose occupations that realistically match their abilities. 6. Internal locus of control: High achievement individuals believe that they control their destiny. They hold themselves responsible for their actions. They hold themselves accountable for success or failure of tasks.
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There is good research support for McClelland's Theory as compared to the other early theories of motivation. However, it also has certain limitations:

1. **Difficulty in measuring needs:** According to McClelland, the three needs are present at the subconscious level. Often the individual himself does not know which need is high or low in him. This makes the task of measuring the needs very difficult.

2. Time consuming and expensive: A trained expert needed to measure the three needs.
The trainer expert: (a)Shows pictures to an individual and asks him to write stories on each of the pictures.
(b)The responses (stories) are then scored by the rater and the level of the three needs in the individual are identified.
The above task is not only time consuming but expensive as well.

3. Not Practical: Organizations are often not willing to commit time and money to identify these needs. Hence McClelland's theory has limited practice applications.

2.1 Modern Theories Of Motivation

The modern theories of motivation reflect the current thinking of managers with regard to employee motivation. Unlike the early theories of motivation, the modern theories have more research support.

GOAL SETTING THEORY: The goal setting theory was proposed by Edwin Locke. Locke believed that goals increase performance and motivation because:

1. Goals indicate what has to be done and

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

Merely setting goals will not necessarily lead to an increasing in motivation. If goals have to be motivating in nature they must satisfy certain conditions:

1. Goals must be specific in nature
2. Goals must be difficult and challenging in nature.
3. Goals must be sat through employee participation.
4. There must be regular and constant feedback.

Specific goals

Specific goals are preferable to general goals. 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. Studies have also found that specific goals serve as an internal stimulus.

Difficult and challenging goals.

Difficult, challenging goals are preferable to easy goals. A goal that is difficult but attainable increases the challenge of the job. Research has proved that difficult goals motivate employees.
Difficult goals motivate because:

1. They focus an individual's attention on the task and he is not distracted by the irrelevant.
2. They energize people to work hard in order to attain the goal.
3. They appeal to the self esteem needs of the person. Everyone is anxious to prove that he or she is capable.
4. People become more persistent in order to achieve the goals.
5. A person tries to find new ways or strategies in order to perform the task effectively.

Feedback

Employees perform better when they get regular feedback about their progress towards the goals. Feedback is useful because:

1. It guides employees behavior and performance
2. It helps employees identify discrepancies or gaps between what they want to do and what they have done.
3. Feedback tells whether the employees efforts are on target. It provides information as to whether one should work harder or continue at the same pace.
4. It increases employee involvement and satisfaction

Participation in Goal Setting

1. It increases acceptance of the goal.
2. It increases employee commitment to the goal
3. It makes the goal appear more desirable

Research has also found out that there are three other factors that influence goal- performance relationship. These three factors are:

1. **Goal Commitment: An individual's commitment to the goal is important. An individual is more likely to be committed to the goal when:**

a) The goal is made public

b) The individual has an internal locus of control

c) The goal is self set rather than assigned by somebody else

2. Task characteristics: The effectiveness of goal setting also depends on the characteristics of the task. Research has also found that :

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.

3. National Culture:

a) Employees are reasonably independent

b) Both managers and employees desire challenging goals.

c) Both managers and employees consider performance as important.

Applications Of the Theory

The effectiveness of the goal setting theory has been successfully demonstrated in a number of studies across various industries.

MBO is a systematic application of the goal setting theory. In MBO, the organizational goals are converted into specific goals for each department/ division at every level in the organization. Besides, there are clearly defined performance objectives for every employee as well.

An MBO program has four main ingredients:

1. Goal specificity
2. Participation in decision making as well as goal setting
3. A clearly defined time frame
4. Performance feedback An MBO program is not always a success.

There are innumerable instances where MBO programmes have failed.

The main causes are:

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

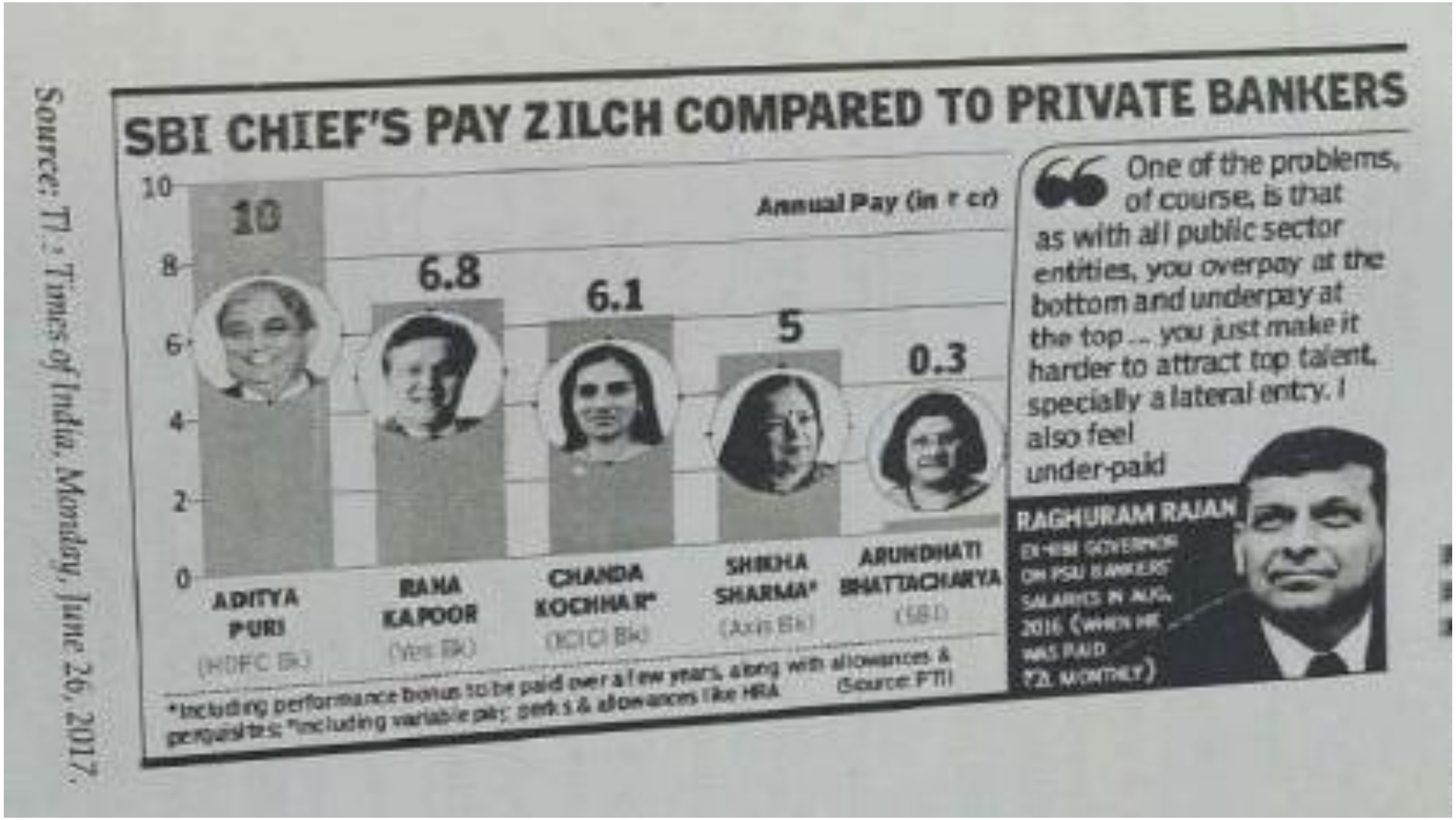
2.2 Equity theory- The role of organizational justice in motivation.

The equity theory focuses on the social comparisons people make among themselves and its influence on motivation. The equity theory takes into account the influence of other co-workers.

As a model of work motivation, the credit for the equity theory is usually given to J.Stacy Adams. Adams proposed that employees make social comparison between themselves and other people in two areas:

1. Outcomes: What workers believe they and others get out of their jobs. An employee's outcome may include such benefits as pay, fringe benefits or the prestige one receives on the job.

2. Input: What workers believe they and others contribute to their jobs. Inputs may include such contributions as the amount of time worked, the amount of effort put, the number of units produced or the qualifications and experience the worker brings to the job.


Source: TI : Times of India, Monday, June 26, 2017.
SBI CHIEF'S PAY ZILCH COMPARED TO PRIVATE BANKERS
Annual Pay (in ₹ cr)
10
6.8
6.1
5
0.3
ADITYA PURI (HDFC Bk)
RANA KAPOOR (Yes Bk)
CHANDA KOCHHAR* (ICICI Bk)
SHIKHA SHARMA* (Axis Bk)
ARUNDHATI BHATTACHARYA (SBI)
*Including performance bonus to be paid over a few years, along with allowances & perquisites; "Including variable pay, perks & allowances like HRA (Source: PTI)
One of the problems, of course, is that as with all public sector entities, you overpay at the bottom and underpay at the top ... you just make it harder to attract top talent, specially a lateral entry. I also feel under-paid
RAGHURAM RAJAN
EX-RBI GOVERNOR ON PSU BANKERS' SALARIES IN AUG, 2016 (WHEN HE WAS PAID ₹2L MONTHLY)

1. Overrewarded Inequity: A person feels overrewarded when this outcome/input ratio is higher than others he compares himself with. Overpaid workers feel guilty.

2. Under rewarded Inequity: A person feels under rewarded when his outcome/input ratio is less than corresponding ratio of the person he compares himself with. Underpaid workers feel angry.

3. Equity: A condition of equitable payment is said to exist when the outcome/ input ratio of one person is equal to another. Equitably paid workers are said to be satisfied.

An important determinant in the experience of equity/ inequity is the referent. The referent pertains to who are the people with whom the employee compares himself. An employee may use any of the four referent comparisons:

1. Self inside: This pertains to the kind of experiences that the employee has in different positions in the current organizations.
2. Self outside: This pertains to the kind of experiences that the employee has in different situations outside the current organization.
3. Other inside: Here the employee compares himself with the other employee or groups within the current organization
4. Other outside: Here the employee compares himself with other employees or groups outside the current organization.

The choice of the ferent is determined by the amount of information that the employee has about each referent as well as the attractiveness of the referent. Some other factors that influence the choice of the referent are:

1. Gender: The gender of the employee influences the choice of the referent. Research shows that employees usually make same sex comparisons. That is men compare themselves with other men and women compare themselves with other women. This is especially the case in organizations where one sex dominates. But this is not the case when there is an equal representation and there is no discrimination between men and women in the organization. In such organizations, employees make cross-sex comparisons.

The above findings throw light on why women accept lower pays. It is due to the referent that they use for comparison. Stereotypes about women (such as- women’s work is not important and that they are less committed) are responsible for the lower pay given to women.

2. Length of tenure: Comparisons based on personal experiences are made more by employees who have spent less time in the organization. This is because they have limited or little information.

3. Level in the organization: Employees at higher levels in the organization have better access to info and hence they compare themselves more with the people outside the organization.

4. Level of education or professionalism: Employees with higher levels of education and professional qualifications too have better access to info and hence they compare themselves to those outside the organization.

According to the equity theory, inequity can be motivating. Under conditions of inequity people experience tension, which in turn creates the motivation to reduce inequity. Employees experiencing inequity will try to respond in one or more of the following six ways:

1. Change the input
2. Change the output
3. Distort perceptions of self
4. Distort perceptions of others
5. Change the referent
6. Quit

The equity theory threw new light on the area of motivation by recognizing the influence of social comparisons. The equity theory proposes that:

1. When employees are paid on time (hourly), overrewarded employees will produce more then equitably paid employees.

2. When employees are paid on the basis of quantity of production, overewarded employees will produce less but the produce will be of higher quality.

3. When employees are paid on time (hourly) basis under rewarded employees will produce less and poor in quality than equitably paid workers

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

7 in 10 Employees Feel They're not Paid Fairly

Blame manager, human resources team for pay disparity, shows a TimesJobs survey of more than 1,600 employees

7 in 10 employees feel they aren't paid fairly

30% felt they were paid fairly

70% said they were not paid fairly

Who is to blame?

40% blamed their managers

30% blamed HR

15% blamed top management

15% blamed themselves, since they need to reskill

Employer's expectations

30% were clear on their employer's expectations

70% said they were not clear

Organisational support for growth and learning

45% said they got support from the co to grow & learn

55% said they did not

6 in 10 do not see a long-term career in their current organisation

35% said they saw themselves having a long term career in their current organisation

65% said they did not

Source: TimesJobs

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 distribution of rewards.’ (Robbins and Judge, 2013). The experience of procedural justice is influenced 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 reasons given by the management for an outcome or decision.

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).

Some steps that managers can take to enhance employee’s perceptions of justice are: 1. When managers have bad news to convey, they should be open and share all info about how the decision was made. 2. Managerial actions should not focus only on the problem but also on the source of the problem. 3. They must give employees opportunities to express their frustration when employees feel they have been treated unjustly.

2.3 EXPECTANCY THEORY

The expectancy model/ theory was first proposed by Victor Vroom. It was later refined and developed further by Porter, Lawler and others.

The expectancy theory asserts that motivation of individual work depends on:

1. How strongly he expects that his action will be followed by a certain outcome and
2. The attractiveness of the outcome to the individual.

The expectancy theory focuses on three relationships:

1. Effort performance relationship: It is an individual's belief that his effort will result in performance. It is the probability that effort will result in attainment of a goal. For example, an employee's belief that hard work will result in good performance appraisal.

2. Performance reward relationship: It is the individual's belief that his performance will be rewarded. For example, the extent to which the employee believes that a good performance will result in rewards such as increase in pay or promotion.

3. Reward personal goals relationship: It is the attractiveness of a goal or outcome to the individual. It is the value and attractiveness of the reward and the extent to which it satisfies some personal goal or need of the individual. In the above example, motivation will be influenced by the attractiveness of the promotion or pay and the extent to which it satisfies the salesman's personal needs.

Figure 3.4: Expectancy Model of Motivation

1. Many employees feel that even if they put in maximum effort, it may not lead to the desired performance or will not be recognized in the performance appraisal.

The reasons for this may be:

a) The employee lacks the skills and hence no matter how hard he tries he will not be able to convert his effort into performance.

b) Recognition in the organization is not based on performance but other factors such as loyalty, seniority, new ideas, etc.

c) The employee perceives that the manager dislikes him and will rate him poorly no matter how he performs.

2. Many employees feel that the relationship between performance and reward is weak. There is no certainty that their performance will be rewarded. The reason for such employee feelings may be that promotions are based on 'chamchagiri', 'seniority' etc. A weak performance reward relationship has a negative impact on employee motivation to work hard.

3. The rewards offered by the organization are often not found attractive by the employees. The rewards offered may not satisfy any personal needs or goals of the employee.

The reasons for the lack of attractiveness of the rewards may be:

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

b) b) Organizations are structured in such a way that it is often difficult for managers to customize the rewards to satisfy employee needs and goals.

A criticism against the expectancy theory is that it is idealistic, it assumes that employees and managers can perceive and understand the three relationships clearly and rationally. The theory has applications only when organizational rewards are based on performance.

THANK YOU