Chapter 10:
Motivating Employees

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2. Frank and Lillian Gilbreth
3. Elton Mayo
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Why Should We Care?
How important is it for companies to get their motivation and compensation strategies right?

1. Employee costs are 26-74% of a business's total operating costs.
2. Employee effectiveness and effort vary widely between companies.
3. Attract, retain, and motivate.

Motivating Employees
- Chapter opener: Innovative ways Google motivates
- 20% time initiative, unusual workspaces, top chefs, employee stock options
- Google was #1 on Fortune Magazine’s list of “The 100 Best companies to Work For in America” in both 2007 and 2008.
- I have placed a link to Fortune’s 2014 list on the course website in Catalyst. Google topped the list again in 2014.
What Makes Google Great?

- "You can make money without doing evil."
- Google is one of the most visible and beloved Internet companies in the world. This makes its employees feel important, admired, and obligated to do something great.
- 97% of Google’s employees feel good about how Google gives back to the community
- 97% of Google’s employees say Google management is honest and ethical

What Makes Google Great?

- Googlers praise the competence of their leadership, the support they receive as professionals, and the pride they take in the challenging work they accomplish together.
- "I feel motivated to be my best possible self here," says one Google employee.

Motivating Employees: Earliest Models

- Close Supervision and consequences
- and/or
- Pay for Performance (Piece rates, bonuses)
These Early Models are Consistent With

1. The beliefs of McGregor’s Theory X Managers,
2. Reinforcement theory, and
3. Expectancy theory

Douglas McGregor
Theory X Managers Believe Their Employees:
• Dislike Work
• Avoid Responsibility
• Have Little Ambition
• Are motivated by fear & money only
• Need to be forced, controlled, directed and/or threatened to work hard

Reinforcement Theory
• Reinforcement Theory -- Positive and negative reinforcers motivate a person to behave in certain ways.
• Positive reinforcement includes praise, pay increases and recognition.
• Negative reinforcement includes reprimands, reduced pay, and layoff or firing.
• Extinction is a way of trying to stop behavior by not responding to it.
The amount of effort employees exert on a specific task depends on their expectations of the outcome. Employees ask:

- Can I accomplish the task?
- What's my reward?
- Is the reward worth the effort?

Pay people enough to take money off the table (as a worry)
Then motivate them in ways that work better
The Hay System
How most modern corporations set salary levels.

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- Chapter 11: Human Resource Management – Finding and Keeping the Best Employees

The Hay System
Based on job tiers, each of which has a strict pay range. Jobs are placed into tiers through a process of job evaluation:

- Level of education or experience
- Level of responsibility
- Degree of influence

EQUITY THEORY
- People judge the equity of their pay by comparing their outcome-to-input (O/I) ratio with another person’s ratio.
- This comparison person is referred to as one’s “referent other.”
- People feel equity when the O/I ratios of the individual and his or her referent other are perceived as being equal.
- People feel inequity when their O/I ratio is lower than that of their referent other.
EQUITY THEORY
A person may use more than one referent other in determining whether their salary is fair. A person may compare themselves to others:

• Doing the same job within the same organization
• Working in the same organization, but performing different jobs, or
• Doing the same job in other organizations

EQUITY THEORY
When employees’ O/I ratios are less than that of their referent others, they feel they are being underpaid. This produces a feeling of tension within the employee. Employees relieve this tension by:

1. Decreasing their inputs (reducing their effort or performance,) or
2. Escaping the situation. They typically do this by increasing their absenteeism, their tardiness, taking excessive work breaks, or quitting the job.

EQUITY THEORY
Employees will believe their pay is equitable when they perceive that it:

• Is fair relative to the pay received by coworkers in the same organization (internal consistency.)
• Is fair relative to the pay received by workers in other organizations who hold similar positions (external competitiveness)
• Fairly reflects their input to the organization

The Hay System can help if properly implemented.
How can we increase worker productivity?

Answer:
1. Stop demotivating workers: share productivity gains with them
2. Discover the best tools, motions, and methods
3. Require workers to use them

Researchers studied worker efficiency under different levels of light.
• Productivity increased regardless of light condition.
• Researchers decided it was a human or psychological factor at play.

“People behave differently when they know they are being studied.”
Hawthorne Study Findings (Elton Mayo)
People are more motivated when they:
- Feel they are part of a group that has “Espirit de Corps”
- Feel they are achieving something extraordinary together
- Feel their ideas and opinions are valued and respected
- Will lose the higher pay they are getting if they have to leave the group

Steve Jobs and the Macintosh Project
- Hand-picked his team
- Swore them to secrecy
- Told them “The people in this room are going to change the way every person on the planet works and plays.”
- Ran a Jolly Roger flag up the flag pole

Employee Motivation in High Tech
- Purpose
- Value
- Impact
- You are part of an elite, hand-picked team
- Together, you are going to accomplish something extraordinary
**EXTRINSIC REWARDS**

- **Extrinsic Reward** – A reward, the delivery of which is directly controlled by an external party.

- Examples:
  - Incentive pay such as bonuses and commissions
  - Pay Raises
  - Promotions
  - Gifts and Awards
  - Praise for a job well done

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**INTRINSIC REWARDS**

- **Intrinsic Reward** – A reward, the delivery of which is not directly controlled by an external party.

- Examples of Intrinsic Rewards:
  - Pride in performance
  - A sense of achievement
  - A sense of pleasure or flow from being deeply engaged in the work

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**Herzberg’s Findings**

Asked employees to rank motivators

1. Achievement
2. Recognition
3. Work Itself
4. Growth
5. Advancement
6. Responsibility
7. Peer and Group Relationships
Herzberg’s Findings

Rank-ordered motivators, cont.

8. Pay
9. Supervisor’s Fairness
10. Company Policies and Rules
11. Status
12. Job Security
13. Supervisor’s friendliness
14. Working conditions

Herzberg’s Findings

Motivators
- Achievement
- Recognition
- Work Itself
- Growth
- Advancement
- Responsibility
- Peer and Group Relationships

Hygiene Factors
- Pay
- Supervisor’s Fairness
- Company Policies and Rules
- Status
- Job Security, et al

The Role of Hygiene Factors in Motivation

The absence of good pay, job security, friendly supervisors, and the like could cause dissatisfaction, but the presence of those factors did not motivate them to work harder. Improvements in these areas are either taken for granted after a short period or easily overwhelmed by other factors.
Theory Y Managers Believe Their Employees:
- Like Work
- Naturally Work Toward Goals
- Seek Responsibility
- Are Imaginative, Creative, Clever
- Seek Different Rewards

Reciprocity: If you do something nice for someone, they will instinctively want to do something nice for you in return.

People crave, in varying degrees:
- To belong to a worthy group
- To experience flow
- To experience mastery
- To be appreciated or feel special
- To be wanted or needed
- To overcome challenges