

Part 4

Leading

CHAPTER 13
Motivation 414

CHAPTER 14
Leadership 448

CHAPTER 15
Managing Communication 484

Chapter 13

What Would You Do?

What Is Motivation?

1. Basics of Motivation

- 1.1 Effort and Performance
- 1.2 Need Satisfaction
- 1.3 Extrinsic and Intrinsic Rewards
- 1.4 Motivating with the Basics

How Perceptions and Expectations Affect Motivation

2. Equity Theory

- 2.1 Components of Equity Theory
- 2.2 How People React to Perceived Inequity
- 2.3 Motivating with Equity Theory

3. Expectancy Theory

- 3.1 Components of Expectancy Theory
- 3.2 Motivating with Expectancy Theory

How Rewards and Goals Affect Motivation

4. Reinforcement Theory

- 4.1 Components of Reinforcement Theory

- 4.2 Schedules for Delivering Reinforcement

- 4.3 Motivating with Reinforcement Theory

5. Goal-Setting Theory

- 5.1 Components of Goal-Setting Theory
- 5.2 Motivating with Goal-Setting Theory

6. Motivating with the Integrated Model

Key Terms

Concept Check

Self-Assessment

Management Decision

Management Team Decision

Develop Your Career Potential

Take Two Video

STUDENT RESOURCES

ThomsonNOW On the Job and Biz Flix video applications, concept tutorial, and concept exercise

Xtra! Fourteen exhibit worksheets, author FAQs, quiz, Management News, and the video clips from the chapter with exercises

Web (<http://williams.swlearning.com>) Quiz, PowerPoint slides, and glossary terms for this chapter

Wegmans' Headquarters, Rochester, New York.¹

"Another Wal-Mart?" "Yep. Another Wal-Mart, this time on Transit Road." "That means that 40 of our 68 stores are within 20 miles of a Wal-Mart supercenter (a Wal-Mart with a grocery store)." "Ouch." "Well, I was going to use another word, but 'ouch' will do."

That was your father, the previous CEO of Wegmans, phoning to tell you that Wal-Mart was opening yet another supercenter near one of your grocery stores. When that happens, it's usually a very bad thing for Wal-Mart's competitors. Any time Wal-Mart opens a new supercenter, two nearby supermarket stores will close, put out of business by Wal-Mart's low prices. And the nearby stores that survive will end up cutting their prices by 13 percent to keep customers and fend off Wal-Mart. How can Wal-Mart charge such low prices? One reason is that as the largest grocer in the world, it has high-volume purchasing power. Indeed, with nearly 1,300 supercenters and \$288 billion in revenues, Wal-Mart has considerably

What Would You Do?

more leverage to pressure suppliers to cut prices than Wegman's with its 68 stores and \$3 billion in revenues. And those lower prices have been cutting through the grocery business like a hot knife through butter. Over the last five years, Albertson's, Kroger, Safeway, and Ahold USA (Giant supermarkets), the next four largest grocery chains after Wal-Mart, have given their shareholders negative returns, ranging from -49 to -78 percent. Wal-Mart, by contrast, has given its shareholders average annual returns of 22 percent.

Your father says that if Wegmans, in business since 1915, could survive the Great Depression, it can survive Wal-Mart. As you tell your Dad, though, "The question is, 'How do we differentiate ourselves?' We need to do something Wal-Mart can't do." Well, with its focus on low prices, what Wal-Mart typically can't do is provide great service. But to provide great service, you'll need a highly educated, motivated work force, and accomplishing that won't be easy. The grocery business is one of the most competitive around. It's hard to eke out profits when the average margin is between 2 and 4 percent. Plus, because of low pay, long hours, and, frankly,

a mundane industry that doesn't attract and keep top-notch talent (after all, who thinks about a career in the grocery business?), employee turnover averages 100 percent per year. In fact, turnover costs are so high and profit margins are so low (because of intense competition) that for the grocery industry as a whole, employee turnover costs are 40 percent greater than industry profits! Not surprisingly, over the last 13 years, 13,500 individual grocery stores, 17 percent in all, have closed because they weren't profitable.

Well, you can't beat Wal-Mart on price. Therefore, despite the low pay, boring jobs, and high turnover, you'll have to find a way to create a highly motivated work force dedicated to providing outstanding customer service if you want to survive. But how do you do that when you can't raise prices and costs have to be kept low? Well, let's break the problem down: (1) What can you do to motivate people to want to work at Wegmans grocery stores? Remember, too, these people have to be service oriented, energetic, and willing to learn. Just any "warm body" who walks through the front door won't do. (2) Once you've attracted the right people, how do you motivate them to give exceptional service in a grocery store? Most people think that "service" and "grocery store" don't belong in the same sentence, but if you want to carve out a profitable niche against Wal-Mart, you're going to have to convince employees and your customers that they do. (3) What can you do to persuade energetic, highly motivated, service-oriented employees to "make a career" at Wegmans. What will motivate people to "make a career" in the grocery store business?

If you were in charge at Wegmans, what would you do?

STUDY TIP

One way to make sure you understand the concepts in the chapter is to recreate the chapter outline from scratch. After you read Chapter 13, write down as many concepts and terms as you can remember from your reading. You'll see right away where you have gaps in your understanding! You can also use some of the earlier study tips to review Chapter 13 material.

What makes people happiest and most productive at work? Is it money, benefits, opportunities for growth, interesting work, or something else altogether? And if people desire different things, how can a company keep everyone motivated? The set of problems that Wegmans is experiencing illustrates that motivating workers is never easy. It takes insight and hard work to motivate workers to join the company, perform well, and then stay with the company.

This chapter begins by reviewing the basics of motivation—effort, needs, and intrinsic and extrinsic rewards. We will start with a basic model of motivation and add to it as we progress through each section in the chapter. Next, we will explore how employees' equity perceptions and reward expectations affect their motivation. If you're familiar with the phrase "perception is reality," you're off to a good start in understanding the importance of perceptions and expectations in motivation. The third part of the chapter reviews the role that rewards and goals play in motivating employees. You'll see that finding the right combination of goals and rewards is much harder in practice than it looks. The chapter finishes with a summary of practical, theory-based actions that managers can take to motivate their workers.

What Is Motivation?

motivation

The set of forces that initiates, directs, and makes people persist in their efforts to accomplish a goal.

Motivation is the set of forces that initiates, directs, and makes people persist in their efforts to accomplish a goal.² In terms of this definition, *initiation of effort* is concerned with the choices that people make about how much effort to put forth in their jobs. ("Do I really knock myself out for these performance appraisals or just do a decent job?") *Direction of effort* is concerned with the choices that people make in deciding where to put forth effort in their jobs. ("I should be spending time with my high-dollar accounts instead of learning this new computer system!") *Persistence of effort* is concerned with the choices that people make about how long they will put forth effort in their jobs before reducing or eliminating those efforts. ("I'm only halfway through the project, and I'm exhausted. Do I plow through to the end, or just call it quits?") As Exhibit 13.1 shows, initiation, direction, and persistence are at the heart of motivation.

After reading the next section, you should be able to

- 1 explain the basics of motivation.

1 BASICS OF MOTIVATION

Take your right hand and point the palm toward your face. Keep your thumb and pinky finger straight and bend the three middle fingers so the tips are touching your palm. Now rotate your wrist back and forth. If you were in the Regent Square Tavern in Pittsburgh, Pennsylvania, that hand signal would tell waitress Marjorie Landale that you wanted a Yeungling beer. Marjorie, who isn't deaf, would not have understood that sign a few years ago. But with a state school for the deaf nearby, the tavern always has its share of deaf customers, so she decided on her own to take classes to learn how to sign. At first, deaf customers would signal for a pen and paper to write out their orders. But after Marjorie signaled that she was learning to sign, "their eyes [would] light up, and they [would] finger-spell their order. Word quickly spread as the students started bringing in their friends, classmates, teachers, and hearing friends as well. Says

Exhibit 13.1

The Components of Motivation



Marjorie, “The deaf customers are patient with my amateur signing. They appreciate the effort.”³

What would motivate an employee like Marjorie to voluntarily learn a new language like American Sign Language? (Sign language is every bit as much as a language as French or Spanish.) She wasn’t paid to take classes in her free time. She chose to do it on her own. And while she undoubtedly makes more tip money with a full bar than with an empty one, it’s highly unlikely that she began her classes with the objective of making more money. Just what is it that motivates employees like Marjorie Landale?

Let’s learn more about motivation by building a basic model of motivation out of **1.1 effort and performance**, **1.2 need satisfaction**, and **1.3 extrinsic and intrinsic rewards** and then discussing **1.4 how to motivate people with this basic model of motivation**.

1.1 Effort and Performance

When most people think of work motivation, they think that working hard (effort) should lead to a good job (performance). Exhibit 13.2 shows a basic model of work motivation and performance, displaying this process.

The first thing to notice about Exhibit 13.2 is that this is a basic model of work motivation *and* performance. In practice, it’s almost impossible to talk about one without mentioning the other. Not surprisingly, managers often confuse the two, saying things such as “Your performance was really terrible last quarter. What’s the matter? Aren’t you as motivated as you used to be?” In fact, motivation is just one of three primary determinants of job performance. In industrial psychology, job performance is frequently represented by this equation:

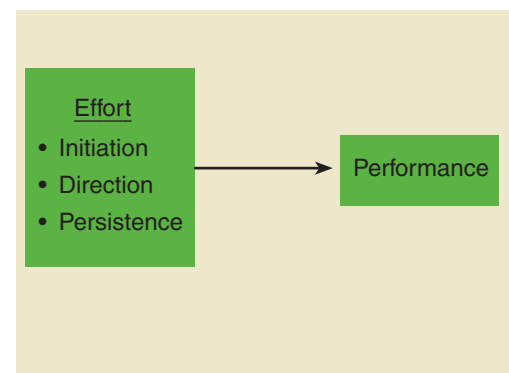
$$\text{Job Performance} = \text{Motivation} \times \text{Ability} \times \text{Situational Constraints}$$

In this formula, *job performance* is how well someone performs the requirements of the job. *Motivation*, as defined above, is effort, the degree to which someone works hard to do the job well. *Ability* is the degree to which workers possess the knowledge, skills, and talent needed to do a job well. And *situational constraints* are factors beyond the control of individual employees, such as tools, policies, and resources that have an effect on job performance.

Since job performance is a multiplicative function of motivation times ability times situational constraints, job performance will suffer if any one of these components is weak. For example, in 1988, the East German bobsled team was fully funded by the East German government and had state-of-the-art coaching and equipment (no situational constraints). The team members were recruited and selected from a large pool of talented athletes (ability) who had trained year-round for most of their lives (motivation) for a chance to make the highly prestigious team. By contrast, consider the Jamaican bobsled team that Disney made famous in the movie *Cool Runnings*. In 1988 at its first Winter Olympics, the team had limited funding, a coach with bobsledding experience (a five-time U.S. champion) but no coaching experience, and an old bobsled that couldn’t compete with the world-class equipment used by the best teams (high situational constraints). Furthermore, its members had been raised in tropical Jamaica and had almost no bobsledding or winter sports experience (very little ability). Nonetheless, they dreamed of competing in the Olympics and did what they could to train for several months, considering their limited circumstances (strong motivation).

It’s not hard to guess which team did better, is it? With ample motivation, ability, and almost no situational constraints, you’d expect the East Germans to be competitive, and they were—finishing second and third in the two-man competition and second in the

Exhibit 13.2
A Basic Model of Work Motivation
and Performance



FAKING IT, NOT MAKING IT

With technology these days, you may be tempted to engage in “impression management” to try to convince your boss and coworkers that you’re working hard when you’re really not. For instance, a tech support worker who enjoyed three-hour lunches used a program on his Palm personal computer to remotely control his office computer. He would open, close, and move files so it would look as if he had just stepped away from his desk. Other employees write emails before they go home and then “send” them after midnight (I won’t tell you how this is done) to make it look as though they are still at work. Another trick is to leave early, but then send emails on the way home via your Blackberry device so it will appear that you are still at the office. You may be thinking that these ruses are harmless, but 59 percent of human resource managers and 53 percent of supervisors have caught employees lying about the hours they work. Furthermore, if you’re using technology to fake it, you’re usually leaving high-tech “tracks” and “footprints” along the way. That tech worker who controlled his office computer with his Palm PC at lunch was fired for “habitual lateness.” Motivation is all about effort. So, do the right thing. Work hard for your company, your customers, and yourself.⁶

needs

The physical or psychological requirements that must be met to ensure survival and well-being.

four-man competition.⁴ By contrast, with strong motivation, little ability, and extremely high situational constraints, the Jamaican two-man team finished in 35th place, while the four-man team crashed spectacularly and had to push the bobsled across the line to complete the final run on the course.

Does this mean that motivation doesn’t matter? No, not at all. It just means that all the motivation in the world won’t translate into high performance when you have little ability and high situational constraints. In fact, prior to the 1996 Winter Olympics, the Jamaican team spent six weeks working with Sam Bock, who also worked with the elite Canadian team. Bock put the Jamaicans through their paces at a special bobsled training center in Oberhof, Germany. After training for four to eight hours a day in world-class conditions under world-class tutelage, the Jamaican four-man team finished in 14th place, ahead of the Americans, French, Russians, and one of the two Swiss and Italian teams. The two-man team did even better, finishing 10th.⁵

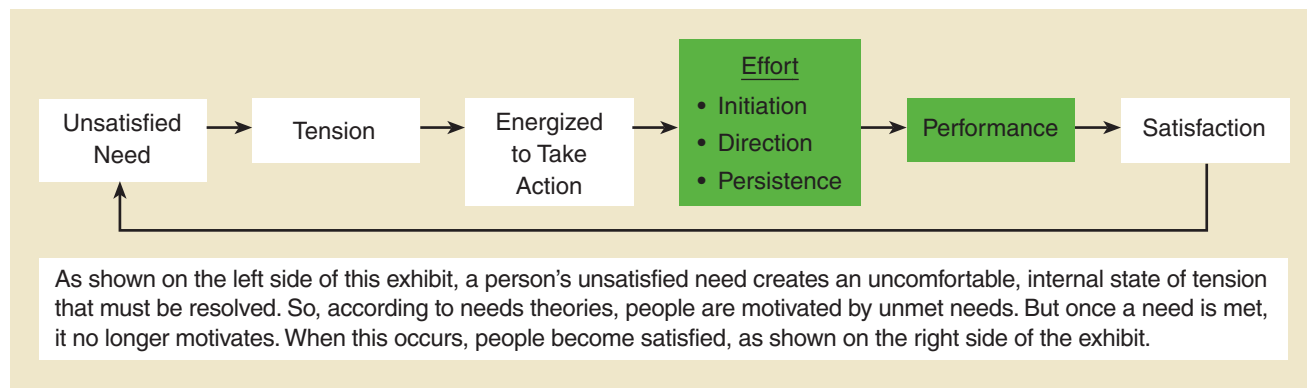
1.2 Need Satisfaction

In Exhibit 13.2, we started with a very basic model of motivation in which effort leads to job performance. However, managers want to know, “What leads to effort?” And they will try almost anything they can to find the answer. For example, even though video game maker Electronic Arts pays highly competitive salaries and has a great benefits package, it still offers outstanding working conditions and nonfinancial rewards to encourage employee effort, such as providing high-performing employees or teams with parking spots on the first floor of its indoor parking garage (it may sound silly, but good parking spots are highly prized in nearly every organization). Most EA employees have access to at-work movie theaters, fitness centers, sound studios, and a bar (free drinks from 5 to 6 P.M. on Fridays). There’s even a maze, 81 feet across, that employees can try to traverse when they need a break from their coding or creative work.⁷ And if that

doesn’t regenerate their energy, they can down as many free espressos as they want at the company cafeteria. Likewise, employees at Wilton Connor Packaging, Inc. in Charlotte, North Carolina, can take their laundry to work and have it washed, dried, and folded. The company also employs a handyman, who does free minor household repairs for employees while they’re at work. At AutoDesk in San Rafael, California, employees can take their dogs to work.⁸ So which of these techniques will motivate employees and lead to increased effort? The answer is all of them and none of them: It depends on the employees’ needs.

Needs are the physical or psychological requirements that must be met to ensure survival and well-being.⁹ As shown on the left side of Exhibit 13.3, a person’s unmet need creates an uncomfortable, internal state of tension that must be resolved. For example, if you normally skip breakfast, but then have to work through lunch, chances are you’ll be so hungry by late afternoon that the only thing you’ll be motivated to do is find something to eat. So, according to needs theories, people are motivated by unmet needs. But once a need is met, it no longer motivates. When this occurs, people become satisfied, as shown on the right side of Exhibit 13.3.

Note: Throughout the chapter, as we build on this basic model, the parts of the model that we’ve already discussed will appear shaded in color. For example, since we’ve already discussed the effort → performance part of the model, those components are shown with a colored background. When we add new parts to the model, they will have a white background. For instance, since we’re adding need satisfaction to the model at this step, the need-satisfaction components of



unsatisfied need, tension, energized to take action, and satisfaction are shown with a white background. This shading convention should make it easier to understand the work motivation model as we add to it in each section of the chapter.

Since people are motivated by unmet needs, managers must learn what those unmet needs are and address them. This is not always a straightforward task, however, because different needs theories suggest different needs categories. Exhibit 13.4 shows needs from three well-known needs theories. Maslow's Hierarchy of Needs suggests that people are motivated by *physiological* (food and water), *safety* (physical and economic), *belongingness* (friendship, love, social interaction), *esteem* (achievement and recognition), and *self-actualization* (realizing your full potential) needs.¹⁰ Alderfer's ERG Theory collapses Maslow's five needs into three: *existence* (safety and physiological needs), *relatedness* (belongingness), and *growth* (esteem and self-actualization).¹¹ McClelland's Learned Needs Theory suggests that people are motivated by the need for *affiliation* (to be liked and accepted), the need for *achievement* (to accomplish challenging goals), or the need for *power* (to influence others).¹²

Things become even more complicated when we consider the different predictions made by these theories. According to Maslow, needs are arranged in a hierarchy from low (physiological) to high (self-actualization). Within this hierarchy, people are motivated by their lowest unsatisfied need. As each need is met, they work their way up the hierarchy from physiological to self-actualization needs. By contrast, Alderfer says that people can be motivated by more than one need at a time. Furthermore, he suggests that people are just as likely to move down the needs hierarchy as up, particularly when they are unable to achieve satisfaction at the next higher need level. McClelland, on the other hand, argues that the degree to which particular needs motivate varies tremendously from person to person, with some people being motivated primarily by achievement and others by power or affiliation. Moreover, McClelland says that needs are learned, not innate. For instance, studies show that children whose parents own a small business or hold a managerial position are much more likely to have a high need for achievement.¹³

So, with three different sets of needs and three very different ideas about how needs motivate, how do we provide a practical answer to managers who just want to know "What leads to effort?" Fortunately, the research evidence simplifies things a bit. To start, studies indicate that there are two basic kinds of needs categories.¹⁴ As shown in Exhibit 13.4, *lower-order needs* are concerned with safety and with physiological and existence requirements, whereas *higher-order needs* are concerned with relationships (belongingness, relatedness, and affiliation); challenges and accomplishments (esteem, self-actualization, growth, and achievement); and influence (power). Studies generally show that higher-order needs will not motivate people as long as lower-order needs remain unsatisfied.¹⁵

For example, imagine that you graduated from college six months ago and are still looking for your first job. With money running short (you're probably living on your credit cards) and the possibility of having to move back in with

Exhibit 13.3
Adding Need Satisfaction to the Model

	MASLOW'S HIERARCHY	ALDERFER'S ERG	McCLELLAND'S LEARNED NEEDS
Higher-Order Needs	Self-Actualization Esteem Belongingness	Growth Relatedness	Power Achievement Affiliation
Lower-Order Needs	Safety Physiological	Existence	

Exhibit 13.4
Needs Classification of Different Theories

decrease in importance as you begin to think about making new friends and taking on challenging work assignments. In fact, once lower-order needs are satisfied, it's difficult for managers to predict which higher-order needs will motivate behavior.¹⁶ Some people will be motivated by affiliation, while others will be motivated by growth or esteem. Also, the relative importance of the various needs may change over time, but not necessarily in any predictable pattern. So, what leads to effort? In part, needs do. Subsection 1.4 discusses how managers can use what we know from need-satisfaction theories to motivate workers.

your parents looming (if this doesn't motivate you, what will?), your basic needs for food, shelter, and security drive your thoughts, behavior, and choices at this point. But once you land that job, find a great place (of your own!) to live, and put some money in the bank, these basic needs should

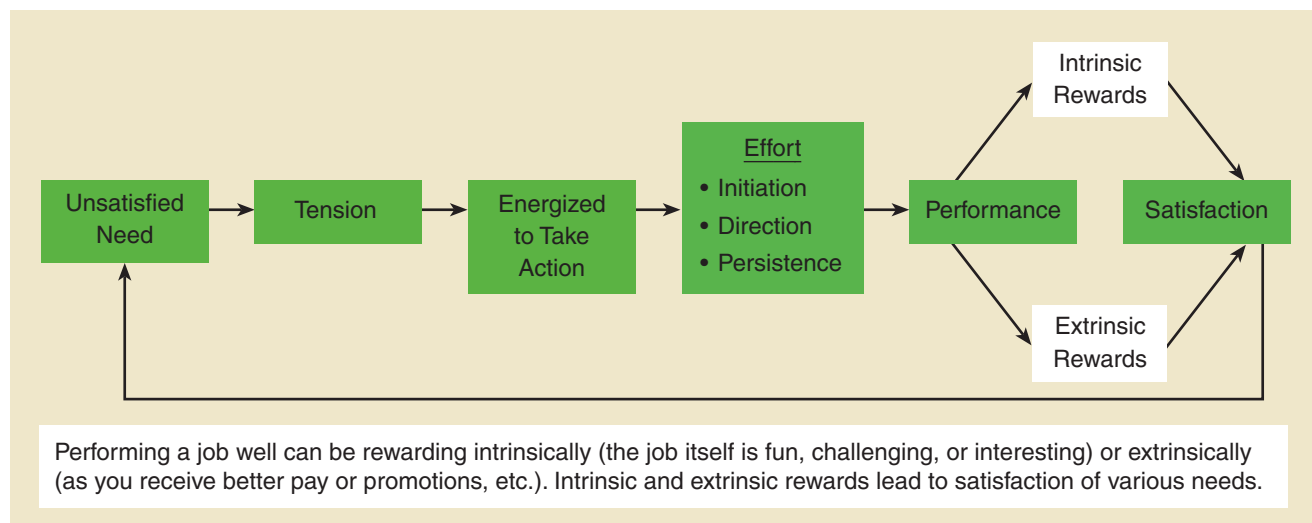
1.3 Extrinsic and Intrinsic Rewards

No discussion of motivation would be complete without considering rewards. Let's add two kinds of rewards, extrinsic and intrinsic, to the model, as shown in Exhibit 13.5.¹⁷

extrinsic reward
A reward that is tangible, visible to others, and given to employees contingent on the performance of specific tasks or behaviors.

Extrinsic rewards are tangible and visible to others and are given to employees contingent on the performance of specific tasks or behaviors.¹⁸ External agents (managers, for example) determine and control the distribution, frequency, and amount of extrinsic rewards, such as pay, company stock, benefits, and promotions. For example, Edge Software Services uses the "bonus bucket" method to reward its managers and employees. As the company meets profit targets, it shares an increasing percentage of those profits with employees, hence the name "bonus bucket." The system works like this. If the first profit target is \$2 million, the bonus shared among employees might be 5 percent, or \$100,000. Then employees share 7.5 percent, or \$150,000, of the next \$2 million in profit, and so forth. Company president Kevin Clark says, "The incentive has no upside limit. What I wanted to do was create an environment in which people were rewarded."¹⁹ The risk, of course, is that profits can't be shared if they're not made. Indeed, profits have been small recently, and, according to Clark, "not a lot of bonuses were paid."

Why do companies need extrinsic rewards? To get people to do things they wouldn't otherwise do. Companies use extrinsic rewards to motivate people to perform four basic behaviors: join the organization, regularly attend their jobs, perform their jobs well, and stay with the organization.²⁰ Think about it. Would you show up to work every day to do the best possible job that you could just out of the goodness of your heart? Very few people would. This is why CDW (Computer Discount Warehouse) rewards its employees for staying with the company. CDW found that new employees are only one-third as productive as employees who have at least three years of experience with the company. Accordingly, CDW has an "old-timers" program that rewards employees who have been with the company at least three years with a four-day, three-night trip for themselves and their families anywhere in the continental United States. There is one catch: the company has to meet its sales goals. But if it does, the company pays for the airline tickets and hotel costs associated with those trips. And CDW pays for such trips every year that employees stay with the company beyond three years.²¹ At CDW's expense, account manager Brigid Brindley has



taken her family to California and Washington, D.C., and is planning a trip to Seattle. Brindley said this about CDW: “They recognize that there are other things in life that you do besides just work.”

By contrast, **intrinsic rewards** are the natural rewards associated with performing a task or activity for its own sake. For example, aside from the external rewards management offers for doing something well, employees often find the activities or tasks they perform interesting and enjoyable. Examples of intrinsic rewards include a sense of accomplishment or achievement, a feeling of responsibility, the chance to learn something new or interact with others, or simply the fun that comes from performing an interesting, challenging, and engaging task. For instance, researcher Mark Rise works for Medtronic, a leading medical technology company. Rise, one of Medtronic’s most creative inventors, could have a more prestigious job at a university or make more money starting his own company, but he doesn’t want to test theory or develop marketing plans or raise venture capital. What matters most to him is developing products that make a difference in people’s lives. Says Rise, “That’s what keeps me tied to what I’m doing now.” Indeed, Rise thrives on the intrinsic aspects of his work such as being able to work with physicians, medical researchers, software developers, and engineers to identify new treatments and design and manufacture new products.²²

Which types of rewards are most important to workers in general? A number of surveys suggest that both extrinsic and intrinsic rewards are important. One survey found that the most important rewards were good benefits and health insurance, job security, a week or more of vacation (all extrinsic rewards), interesting work, the opportunity to learn new skills, and independent work situations (all intrinsic rewards). And employee preferences for intrinsic and extrinsic rewards appear to be relatively stable. Studies conducted over the last three decades have consistently found that employees are twice as likely to indicate that “important and meaningful work” matters more to them than what they are paid.²³

1.4 Motivating with the Basics

So, given the basic model of work motivation in Exhibit 13.5, what practical steps can managers take to motivate employees to increase their effort?

As shown in Exhibit 13.6, *start by asking people what their needs are*. If managers don’t know what workers’ needs are, they won’t be able to provide

Exhibit 13.5
Adding Rewards to the Model

intrinsic reward

A natural reward associated with performing a task or activity for its own sake.

them the opportunities and rewards that can satisfy those needs. Linda Connor, vice president of corporate culture at Technology Professionals Corp (TPC) in Grand Rapids, Michigan, keeps careful notes about TPC employees' needs. She says, "I sit down at employees' 30-day reviews and ask specific questions about hobbies and interests for each member of their families."²⁴ For instance, her notes about top performer Phil Mayrose indicated that he loves college football, oldies music, and, more than anything else, golf. Armed with this information, Connor and TPC rewarded Mayrose with a weekend vacation at a dude ranch with a great golf course. Connor's notes also include ideas for helping employees deal with stress.²⁵ So, if you want to meet employees' needs, do what Linda Connor does and just ask.

Next, *satisfy lower-order needs first*. Since higher-order needs will not motivate people as long as lower-order needs remain unsatisfied, companies should satisfy lower-order needs first. In practice, this means providing the equipment, training, and knowledge to create a safe workplace free of physical risks, paying employees well enough to provide financial security, and offering a benefits package that will protect employees and their families through good medical coverage and health and disability insurance. Indeed, a survey based on a representative sample of Americans found that when people choose jobs or organizations, three of the four most important factors—starting pay/salary (62 percent), employee benefits (57 percent), and job security (47 percent)—are lower-order needs.²⁶

Third, managers should *expect people's needs to change*. As some needs are satisfied or situations change, managers should expect that employees' needs will change. In other words, what motivated people before may not motivate them now. Likewise, what motivates people to accept a job may not necessarily motivate them once they have the job. For instance, David Stum, president of the Loyalty Institute, says, "The [attractive] power of pay and benefits is only [strong] during the recruitment stage. After employees take the job, pay and benefits become entitlements to them. They think: 'Now that I work here, you owe me that.'"²⁷ Managers should also expect needs to change as people mature.²⁸ For older employees benefits are as important as pay, which is always ranked as more important by younger employees. Also, older employees rank job security as more important than personal and family time, which is more important to younger employees.²⁹

Finally, *as needs change and lower-order needs are satisfied, satisfy higher-order needs by looking for ways to allow employees to experience intrinsic rewards*. Recall that intrinsic rewards, such as accomplishment, achievement, learning something new, and interacting with others, are the natural rewards associated with performing a task or activity for its own sake. And, with the exception of influence (power), intrinsic rewards correspond very closely to higher-order needs that are concerned with relationships (belongingness, relatedness, and affiliation) and challenges and accomplishments (esteem, self-actualization, growth, and achievement). Therefore, one way for managers to meet employees' higher-order needs is to create opportunities for employees to experience intrinsic rewards by providing challenging work, encouraging

employees to take greater responsibility for their work, and giving employees the freedom to pursue tasks and projects they find naturally interesting. For example, we began this section by asking, "What would motivate an employee like Marjorie Landale to voluntarily learn American Sign Language?" Marjorie wasn't paid to do this. In fact, she even spent her own money and free time to learn how to sign. The reason that Marjorie learned to sign is that

Exhibit 13.6

Motivating to Increase Effort

- Start by asking people what their needs are.
- Satisfy lower-order needs first.
- Expect people's needs to change.
- As needs change and lower-order needs are satisfied, satisfy higher-order needs by looking for ways to allow employees to experience intrinsic rewards.

doing so met her higher-order needs. It gave her a sense of accomplishment, and it allowed her to interact with deaf customers with whom she had previously been unable to interact. And Marjorie's boss was smart enough to encourage her to pursue a project that she found naturally interesting.

Review 1: Basics of Motivation

Motivation is the set of forces that initiates, directs, and makes people persist in their efforts over time to accomplish a goal. Managers often confuse motivation and performance, but job performance is a multiplicative function of motivation times ability times situational constraints. If any one of these components is weak, job performance will suffer. Needs are the physical or psychological requirements that must be met to ensure survival and well-being. When needs are not met, people experience an internal state of tension. But, once a particular need is met, it no longer motivates. When this occurs, people become satisfied and are then motivated by other unmet needs. Different motivational theories, such as Maslow's Hierarchy of Needs (physiological, safety, belongingness, esteem, and self-actualization), Alderfer's ERG Theory (existence, relatedness, and growth), and McClelland's Learned Needs Theory (affiliation, achievement, and power), specify a number of different needs. However, studies show that there are only two general kinds of needs, lower-order needs and higher-order needs, and that higher-order needs will not motivate people as long as lower-order needs remain unsatisfied. Both extrinsic and intrinsic rewards motivate people. Extrinsic rewards, which include pay, company stock, benefits, and promotions, are used to motivate people to join organizations and attend and perform their jobs. The basic model of motivation suggests that managers can motivate employees by asking them what their needs are, satisfying lower-order needs first, expecting people's needs to change, and satisfying higher-order needs through intrinsic rewards.

How Perceptions and Expectations Affect Motivation

When Jennifer Shroeger became the manager of UPS's Buffalo, New York district, employee turnover was nearly 50 percent per year. Most of those who left were part-time workers, who make up half of UPS's work force. It became Shroeger's job to get them to stay. She began by asking part-time applicants what they wanted. Many of them answered, "a full-time job." It usually takes six years of part-time work to get a full-time job driving a UPS truck, however. So Shroeger began by setting realistic expectations, telling part-time applicants that full-time work was unlikely, but that she did have good-paying part-time jobs with good benefits (health insurance and up to \$23,000 in college benefits) and the flexibility to accommodate occasional days off. Next, Shroeger turned her attention to workers' expectations about the demanding work. Most new workers were shocked and overwhelmed by the hectic pace of unloading one box every three seconds, or 1,200 an hour, typically 5,000 per night. Many never came back the next night. Many more never made it past their first week. Now trainers like Carla Wass work directly with new part-timers, explaining the job, correcting their mistakes, and encouraging them. It seems to help. Since Shroeger has focused on setting realistic expectations about rewards and the demanding nature of the job itself, employee turnover has dropped from 50 percent to just 6 percent. Moreover, hiring and recruiting costs have dropped by \$1 million, the number of days lost to injury is down by 20 percent, and the percentage of packages delivered on the wrong day has dropped from 4 percent to 1 percent.³⁰

After reading the next two sections, you should be able to

- 2** use equity theory to explain how employees' perceptions of fairness affect motivation.
- 3** use expectancy theory to describe how workers' expectations about rewards, effort, and the link between rewards and performance influence motivation.

2 EQUITY THEORY

equity theory

A theory that states that people will be motivated when they perceive that they are being treated fairly.

inputs

In equity theory, the contributions employees make to the organization.

outcomes

In equity theory, the rewards employees receive for their contributions to the organization.

referents

In equity theory, others with whom people compare themselves to determine if they have been treated fairly.

Equity theory is not an absolute. It is dependent on many factors, including culture. Jaako Rytola, pictured here with his Lamborghini, was fined \$71,400 for speeding because in Finland traffic fines are based on a person's income. People of other cultures may not have the same view of equity as the Finns!

Finnish businessman Jaako Rytola was out driving in his car one evening. "The road was wide and I was feeling good. It was nice to be driving when there was no one in sight." Unfortunately for Rytola, he wasn't really alone. A police officer pulled him over and issued him a speeding ticket for driving 43 miles per hour in a 25 mph zone. The cost of the ticket: \$71,400! Janne Rajala, a college student, was also pulled over for driving 18 mph over the speed limit. However, Rajala's ticket cost him only \$106. The \$71,294 difference occurred because Finland bases traffic fines on the severity of the offense, which was identical in this case, *and* the income of the driver, which clearly wasn't.

Is Finland's method of determining speeding fines fair or unfair? Most Americans would argue that Finland's approach is unfair, that fairness requires that fines be proportional to the offense and that everyone who breaks the law to the same degree should pay the same fine. By contrast, most Finns believe that fines proportional to income are fair. Erkki Wuouma of Finland's Ministry of the Interior says, "This is a Nordic tradition. We have progressive taxation and progressive punishments. So the more you earn, the more you pay." Rytola pays more because he is a high-earning Internet entrepreneur. Rajala pays less because he's a low-earning college student.³¹

Fairness, or what people perceive to be fair, is also a critical issue in organizations. **Equity theory** says that people will be motivated at work when they *perceive* that they are being treated fairly. In particular, equity theory stresses the importance of perceptions. So, regardless of the actual level of rewards people receive, they must also perceive that, relative to others, they are being treated fairly. For example, you learned in Chapter 11 that the average CEO now makes 289 times more than the average blue-collar worker.³² Many people believe that CEO pay is obscenely high and unfair. Others believe that CEO pay is fair because the supply and demand for executive talent largely determine what CEOs are paid. They argue that if it were easier to find good CEOs, then CEOs would be paid much less.

As explained below, equity theory doesn't focus on objective equity (i.e., that CEOs make 289 times more than blue-collar workers). Instead, equity theory says that equity, like beauty, is in the eye of the beholder.

Let's learn more about equity theory by examining **2.1 the components of equity theory**, **2.2 how people react to perceived inequities**, and **2.3 how to motivate people using equity theory**.

2.1 Components of Equity Theory

The basic components of equity theory are inputs, outcomes, and referents. **Inputs** are the contributions employees make to the organization. Inputs include education and training, intelligence, experience, effort, number of hours worked, and ability. **Outcomes** are the rewards employees receive in exchange for their contributions to the organization. Outcomes include pay, fringe benefits, status symbols, job titles and assignments, and even the leadership style of their superiors. And, since perceptions of equity depend on comparisons, **referents** are others with



© AP PHOTO/SARI GUSTAFSSON/LEHTIKUVA

whom people compare themselves to determine if they have been treated fairly. Usually, people choose to compare themselves to referents who hold the same or similar jobs or who are otherwise similar in gender, race, age, tenure, or other characteristics.³³ For instance, by any objective measure, it's hard to argue that the best professional athletes, who make as much as \$30 million a year (and no doubt more by the time you read this), are treated unfairly, especially when the typical American earns \$43,318 a year.³⁴ Nonetheless, most top athletes' contracts include escalator clauses that specify that if another top player at the same position (i.e., their referent) receives a larger contract, then their contract will automatically be increased to that amount.

According to the equity theory process shown in Exhibit 13.7, employees compare their outcomes, the rewards they receive from the organization, to their inputs, their contributions to the organization. This comparison of outcomes to inputs is called the **outcome/input (O/I) ratio**. After an internal comparison in which they compare their outcomes to their inputs, employees then make an external comparison in which they compare their O/I ratio with the O/I ratio of a referent.³⁵ When people perceive that their O/I ratio is equal to the referent's O/I ratio, they conclude that they are being treated fairly. But, when people perceive that their O/I ratio is different from their referent's O/I ratio, they conclude that they have been treated inequitably or unfairly.

Inequity can take two forms, underreward and overreward. **Underreward** occurs when a referent's O/I ratio is better than your O/I ratio. In other words, the referent you compare yourself to is getting more outcomes relative to his or her inputs than you are. When people perceive that they have been underrewarded, they tend to experience anger or frustration. For example, when a manufacturing company received notice that some important contracts had been canceled, management cut employees' pay by 15 percent in one plant but not in another. Just as equity theory predicts, theft doubled in the plant that received the pay cut. Likewise, employee turnover increased from 5 percent to 23 percent.³⁶

By contrast, **overreward** occurs when a referent's O/I ratio is worse than your O/I ratio. In this case, you are getting more outcomes relative to your inputs than your referent is. In theory, when people perceive that they have been overrewarded, they experience guilt. Not surprisingly, people have a very high tolerance for overreward. It takes a tremendous amount of overpayment before people decide that their pay or benefits are more than they deserve.

2.2 How People React to Perceived Inequity

As a child do you ever remember calling for a do-over? Even as children, we have a strong desire for fairness, for being treated equitably. When this need isn't met, we are strongly motivated to find a way to restore equity and be fair, hence the "do-over." Not surprisingly, equity is just as important at the office as it is on the playground.

So what happens when people perceive that they have been treated inequitably at work? Exhibit 13.8 shows that perceived inequity affects satisfaction. In the case of underreward, this usually translates into frustration or anger; with overreward, the reaction is guilt. These reactions lead to tension and a strong need to take action to restore equity in some way. At first, a slight inequity may not be strong enough to motivate an employee to take immediate action. If the inequity continues or there are multiple inequities, however, tension may build over time until a point of intolerance is reached, and the person is energized to take action.³⁷ For example, when The Accident Group, an insurance company, laid off 2,500 employees in Manchester, Birmingham,

$$\frac{\text{OUTCOMES}_{\text{SELF}}}{\text{INPUTS}_{\text{SELF}}} = \frac{\text{OUTCOMES}_{\text{REFERENT}}}{\text{INPUTS}_{\text{REFERENT}}}$$

Exhibit 13.7
Outcome/Input Ratios

outcome/input (O/I) ratio

In equity theory, an employee's perception of how the rewards received from an organization compare with the employee's contributions to that organization.

underreward

When the referent you compare yourself to is getting more outcomes relative to inputs than you are.

overreward

When you are getting more outcomes relative to inputs than the referent to whom you compare yourself.

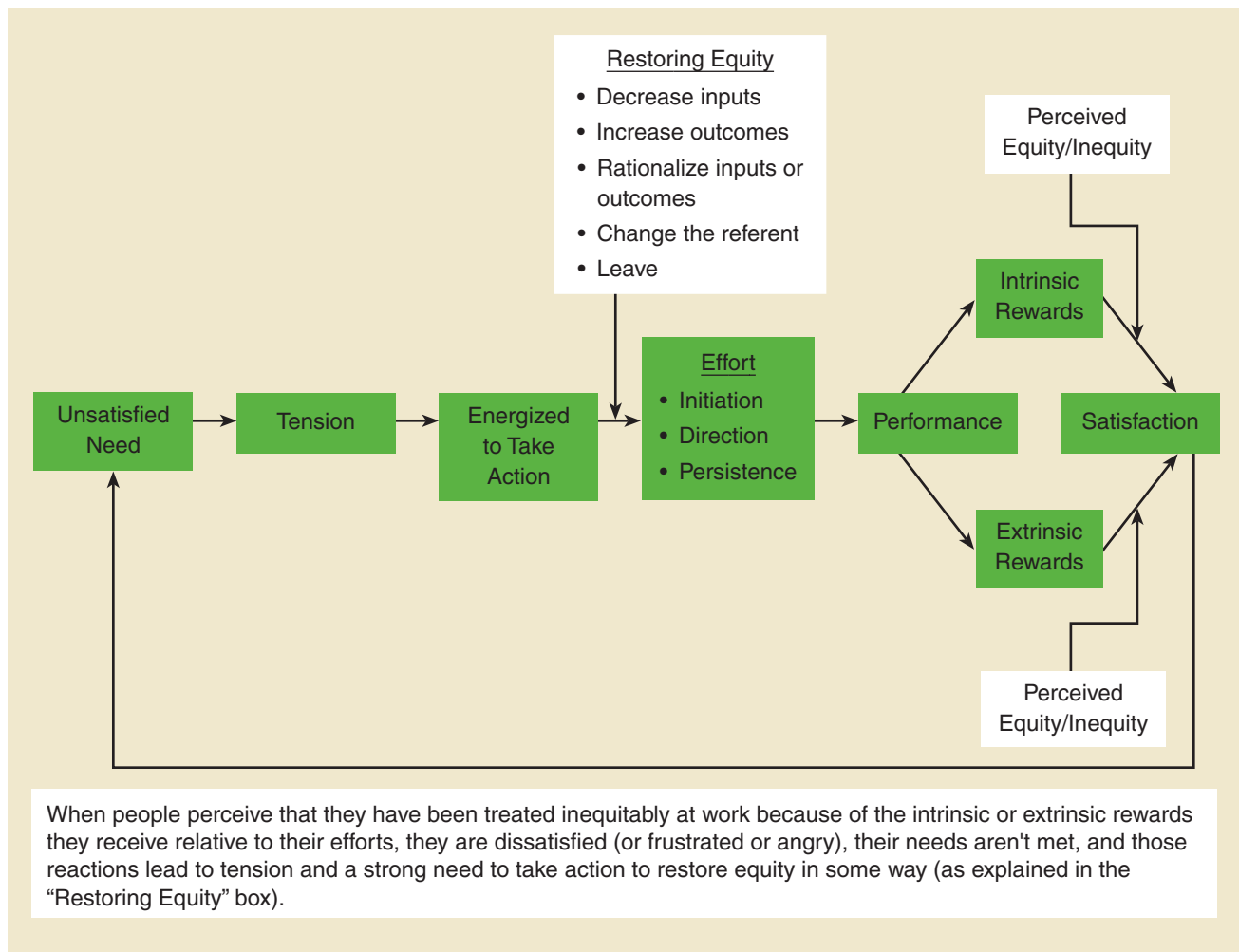


Exhibit 13.8
Adding Equity Theory to the Model

and Liverpool, England, it made the announcement in an impersonal, insensitive way. Employees received three text messages on their cell phones telling them to not go into work, that their final paychecks could not be issued, and that a more thorough explanation would be provided by email. In addition, this message was left on everyone's office voice mail: "All staff who are being retained will be contacted today. If you have not been spoken to, you are therefore being made redundant [i.e., laid off] with immediate effect." Angry employees *and* managers ransacked offices, taking computers, phones, and anything else they could carry off. Claims assessor Andy Potton said, "I could hardly believe what I saw. There were people walking out of the office with computers. One chap quite high up in the company had loaded up his car with laptops and driven off."³⁸

When people perceive that they have been treated unfairly, they may try to restore equity by reducing inputs, increasing outcomes, rationalizing inputs or outcomes, changing the referent, or simply leaving. We will discuss these possible responses in terms of the inequity associated with underreward, which is much more common than the inequity associated with overreward.

People who perceive that they have been underrewarded may try to restore equity by *decreasing or withholding their inputs (i.e., effort)*. For example, when Iberia, the Spanish airline, was near bankruptcy seven years ago, it pressured its pilots to take substantial pay cuts. When Iberia's finances improved, the pilots requested that the pay cuts, which had cost them \$140 million, be reversed. They also asked for annual pay increases substantially higher than

the rate of inflation. When Iberia management refused, the pilots staged a work slowdown at the peak of the busy summer tourism season. Over the course of 10 separate days throughout the summer, 30 to 40 percent of Iberia's pilots called in sick, disrupting the airline's flight schedule, customers, and profits.³⁹

Increasing outcomes is another way people try to restore equity. This might include asking for a raise or pointing out the inequity to the boss and hoping that he or she takes care of it. Sometimes, however, employees may go to external organizations, such as labor unions, federal agencies, or the courts for help in increasing outcomes to restore equity. For instance, the U.S. Department of Labor estimates that 10 percent of workers are not getting the extra overtime pay they deserve when they work more than 40 hours a week.⁴⁰ In fact, more than 30,000 such cases are brought each year, and employees win two-thirds of them.⁴¹ For example, the managers of Waffle House restaurants sued the company because they were working an average of 89 hours a week without any overtime pay (managers at Radio Shack and Wal-Mart have sued their companies for similar reasons).⁴² The company contended that as managers they were exempt from the Fair Labor Standards Act (FLSA), which mandates that workers be paid time and a half for any work beyond 40 hours a week. Because Waffle House managers were required to perform and be proficient in the duties of hourly workers in addition to their managerial responsibilities, the courts ruled that Waffle House managers were really employees who deserved overtime pay. As a result, they were awarded \$2,868,841.50 in back overtime pay.⁴³

Another method of restoring equity is to *rationalize or distort inputs or outcomes*. Instead of decreasing inputs or increasing outcomes, employees restore equity by making mental or emotional “adjustments” in their O/I ratios or the O/I ratios of their referents. For example, suppose that a company downsizes 10 percent of its work force. It's likely that the survivors, the people who still have jobs, will be angry or frustrated with company management because of the layoffs. If alternative jobs are difficult to find, however, these survivors may rationalize or distort their O/I ratios and conclude, “Well, things could be worse. At least I still have my job.” Rationalizing or distorting outcomes may be used when other ways to restore equity aren't available.

Changing the referent is another way of restoring equity. In this case, people compare themselves to someone other than the referent they had been using for previous O/I ratio comparisons. Since people usually choose to compare themselves to others who hold the same or similar jobs or who are otherwise similar (i.e., friends, family members, neighbors who work at other companies), they may change referents to restore equity when their personal situations change, such as a decrease in job status or pay.⁴⁴

Finally, when none of these methods—reducing inputs, increasing outcomes, rationalizing inputs or outcomes, or changing referents—are possible or restore equity, *employees may leave* by quitting their jobs, transferring, or increasing absenteeism.⁴⁵ For example, attorneys and accountants at the Securities and Exchange Commission (SEC) quit their jobs at twice the rate of employees in other federal agencies. Why? One reason is that the SEC's attorneys and accountants are paid 40 percent less than their counterparts at other government agencies. Furthermore, they can get jobs in the private sector that pay \$180,000 to \$250,000 per year.⁴⁶

2.3 Motivating with Equity Theory

What practical steps can managers take to use equity theory to motivate employees? As Exhibit 13.9 shows, they can *start by looking for and correcting*

major inequities. Among other things, equity theory makes us aware that an employee's sense of fairness is based on subjective perceptions. What one employee considers grossly unfair may not affect another employee's perceptions of equity at all. Although these different perceptions make it difficult for managers to create conditions that satisfy all employees, it's critical that they do their best to take care of major inequities that can energize employees to take disruptive, costly, or harmful actions, such as decreasing inputs or leaving. So, whenever possible, managers should look for and correct major inequities. Junior accountant Monica DiCenso supervised three auditors and regularly put in 80-hour weeks certifying the financial statements of PriceWaterhouseCoopers' corporate clients. After receiving a \$2,000 annual bonus (effectively paying her \$2.86 an hour for overtime work), DiCenso quit, as did 20 of the 35 accountants who started when she did. DiCenso said, "I could have made more working at a fast-food restaurant."⁴⁷ With turnover up significantly, the Big Four accounting firms have begun addressing those inequities by paying bigger bonuses and giving junior accountants more vacation time. To help with the long hours, the firms are offering concierge services, which pick up and drop off dry cleaning and take care of other day-time tasks that workers don't have time to do. Frequent "town hall" meetings also give junior accountants a chance to gripe to senior partners about the difficulties in their jobs.

Second, managers can *reduce employees' inputs*. Increasing outcomes is often the first and only strategy that companies use to restore equity, yet reducing employee inputs is just as viable a strategy. In fact, with dual-career couples working 50-hour weeks, more and more employees are looking for ways to reduce stress and restore a balance between work and family. Consequently, it may make sense to ask employees to do less, not more; to have them identify and eliminate the 20 percent of their jobs that doesn't increase productivity or add value for customers; and to eliminate company-imposed requirements that really aren't critical to the performance of managers, employees, or the company (e.g., unnecessary meetings and reports). In addition to the higher pay, more vacation time, concierge services, and town hall sessions mentioned above, the Big Four accounting firms are trying to make the jobs of junior accountants more equitable by reducing the hours (i.e., inputs) they must work. To shrink the workload, the firms are hiring more accountants, adding staff from other departments to help, and even actually turning away business that they lack the staff to handle. Bob Moritz, a senior partner at PriceWaterhouseCoopers, says, "The profession has recognized that we have a lot of stress in the system, and we're doing a lot of things [to fix it]."⁴⁸

Finally, managers should *make sure decision-making processes are fair*. Equity theory focuses on **distributive justice**, the degree to which outcomes and rewards are fairly distributed or allocated. However, **procedural justice**, the fairness of the process used to make reward allocation decisions, is just as important.⁴⁹ Procedural justice matters because even when employees are unhappy with their outcomes (i.e., low pay), they're much less likely to be unhappy with company management if they believe that the procedures used to allocate outcomes were fair. For example, employees who are laid off tend to be hostile toward their employer when they perceive that the procedures leading to the layoffs were unfair. By contrast, employees who perceive layoff procedures to be fair tend to continue to support and trust their employers.⁵⁰ Also,

if employees perceive that their outcomes are unfair (i.e., distributive injustice), but that the decisions and procedures leading to those outcomes were fair (i.e., procedural justice), they are much more likely to seek constructive ways of restoring equity, such as

distributive justice

The perceived degree to which outcomes and rewards are fairly distributed or allocated.

procedural justice

The perceived fairness of the process used to make reward allocation decisions.

Exhibit 13.9

Motivating with Equity Theory

- Look for and correct major inequities.
- Reduce employees' inputs.
- Make sure decision-making processes are fair.

discussing these matters with their manager. In contrast, if employees perceive both distributive and procedural injustice, they may resort to more destructive tactics, such as withholding effort, absenteeism, tardiness, or even sabotage and theft.⁵¹

Review 2: Equity Theory

The basic components of equity theory are inputs, outcomes, and referents. After an internal comparison in which employees compare their outcomes to their inputs, they then make an external comparison in which they compare their O/I ratio with the O/I ratio of a referent, a person who works in a similar job or is otherwise similar. When their O/I ratio is equal to the referent's O/I ratio, employees perceive that they are being treated fairly. But, when their O/I ratio is different from their referent's O/I ratio, they perceive that they have been treated inequitably or unfairly. There are two kinds of inequity, underreward and overreward. Underreward, which occurs when a referent's O/I ratio is better than the employee's O/I ratio, leads to anger or frustration. Overreward, which occurs when a referent's O/I ratio is worse than the employee's O/I ratio, can lead to guilt, but only when the level of overreward is extreme. When employees perceive that they have been treated inequitably (i.e., underreward), they may try to restore equity by reducing inputs, increasing outcomes, rationalizing inputs or outcomes, changing the referent, or simply leaving. Managers can use equity theory to motivate workers by looking for and correcting major inequities, reducing employees' inputs, and emphasizing procedural as well as distributive justice.

3 EXPECTANCY THEORY

How attractive do you find each of the following rewards? A company concierge service that will pick up your car from the mechanic and send someone to be at your house when the cable guy or repair person shows up. A “7 to 7” travel policy that stipulates that no one has to leave home for business travel before 7 A.M. on Mondays and that everyone should be home from business travel by 7 P.M. on Fridays. The opportunity to telecommute so that you can feed your kids breakfast, pick them up after school, and tuck them into bed at night.⁵²

If you have kids, you might love the chance to telecommute; but if you don't, you may not be interested. If you don't travel much on business, you won't be interested in the “7 to 7” travel policy; but if you do, you'll probably love it. One of the hardest things about motivating people is that rewards that are attractive to some employees are unattractive to others. **Expectancy theory** says that people will be motivated to the extent to which they believe that their efforts will lead to good performance, that good performance will be rewarded, and that they will be offered attractive rewards.⁵³

Let's learn more about expectancy theory by examining **3.1 the components of expectancy theory** and **3.2 how to use expectancy theory as a motivational tool**.

3.1 Components of Expectancy Theory

Expectancy theory holds that people make conscious choices about their motivation. The three factors that affect those choices are valence, expectancy, and instrumentality.

Valence is simply the attractiveness or desirability of various rewards or outcomes. Expectancy theory recognizes that the same reward or outcome, say, a promotion, will be highly attractive to some people, will be highly disliked by others, and will not make much difference one way or the other to still others.

expectancy theory

A theory that states that people will be motivated to the extent to which they believe that their efforts will lead to good performance, that good performance will be rewarded, and that they will be offered attractive rewards.

valence

The attractiveness or desirability of a reward or outcome.

Accordingly, when people are deciding how much effort to put forth, expectancy theory says that they will consider the valence of all possible rewards and outcomes that they can receive from their jobs. The greater the sum of those valences, each of which can be positive, negative, or neutral, the more effort people will choose to put forth on the job.

expectancy

The perceived relationship between effort and performance.

Expectancy is the perceived relationship between effort and performance. When expectancies are strong, employees believe that their hard work and efforts will result in good performance, so they work harder. By contrast, when expectancies are weak, employees figure that no matter what they do or how hard they work, they won't be able to perform their jobs successfully, so they don't work as hard.

instrumentality

The perceived relationship between performance and rewards.

Instrumentality is the perceived relationship between performance and rewards. When instrumentality is strong, employees believe that improved performance will lead to better and more rewards, so they choose to work harder. When instrumentality is weak, employees don't believe that better performance will result in more or better rewards, so they choose not to work as hard.

Expectancy theory holds that for people to be highly motivated, all three variables—valence, expectancy, and instrumentality—must be high. Thus, expectancy theory can be represented by the following simple equation:

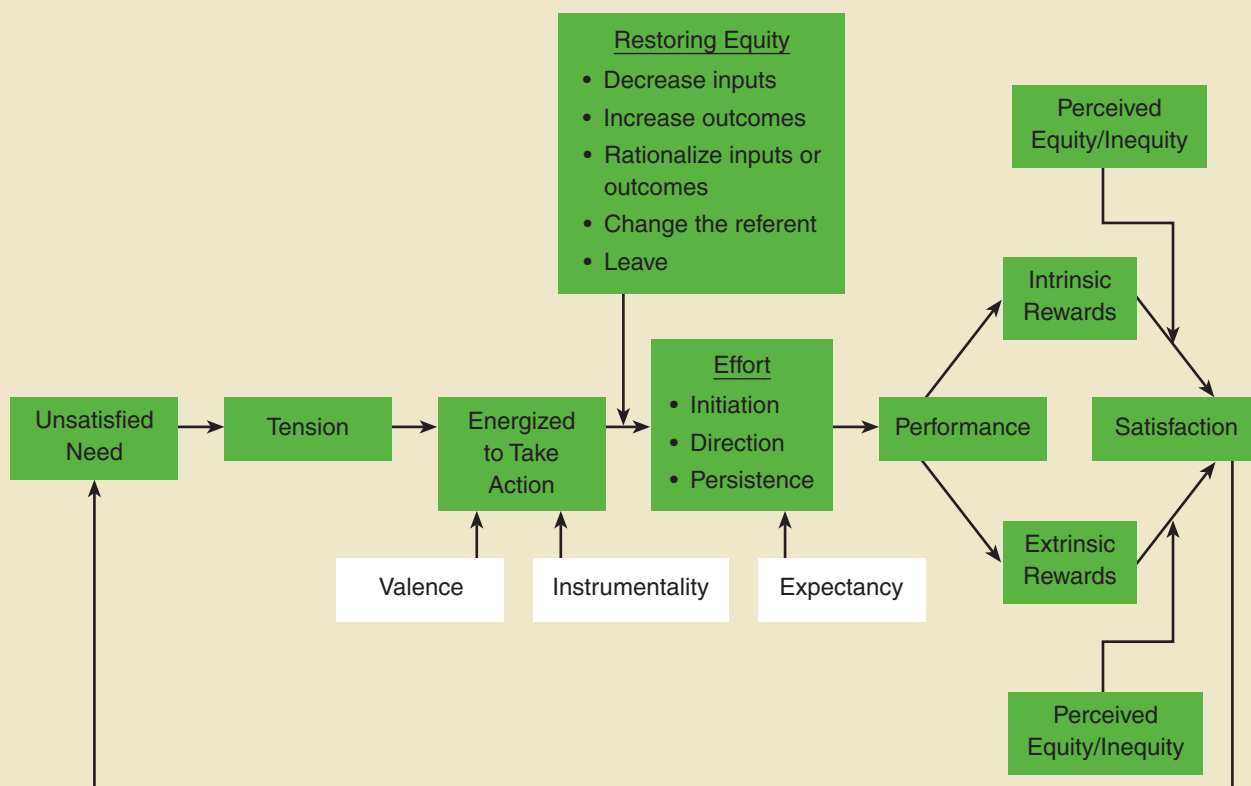
$$\text{Motivation} = \text{Valence} \times \text{Expectancy} \times \text{Instrumentality}$$

If any one of these variables (valence, expectancy, or instrumentality) declines, overall motivation will decline, too.

Exhibit 13.10

Adding Expectancy Theory to the Model

Exhibit 13.10 incorporates the expectancy theory variables into our motivation model. Valence and instrumentality combine to affect employees' willingness



If rewards are attractive (valence) and linked to performance (instrumentality), then people are energized to take action. In other words, good performance gets them rewards that they want. Intended effort (i.e., energized to take action) turns into actual effort when people believe that their hard work and efforts will result in good performance. After all, why work hard if that hard work is wasted?

to put forth effort (i.e., the degree to which they are energized to take action), while expectancy transforms intended effort (“I’m really going to work hard in this job”) into actual effort. If you’re offered rewards that you desire and you believe that you will in fact receive these rewards for good performance, you’re highly likely to be energized to take action. However, you’re not likely to actually exert effort unless you also believe that you can do the job (i.e., that your efforts will lead to successful performance).

Caribou Coffee, which has 220 stores in Minnesota, Wisconsin, Illinois, Ohio, Georgia, North Carolina, Michigan, Maryland, and Virginia, integrates valence, expectancy, and instrumentality into its employee motivation program.⁵⁴ First, Caribou offers a wide variety of rewards, such as employee recognition programs, sales incentives, and company-wide contests, so that all of its employees can receive highly valent rewards that they desire. The company manages employee expectancies by using its “Coffee College” to provide substantial training to new hires and continuing education for long-time employees. Caribou’s director of training, Annmarie Lofy, says that the program sets new employees up for success from the beginning. When they start their new jobs, they’re not nervous and unsure because the training has prepared them to do their jobs well. Finally, Caribou manages instrumentality by linking various rewards to the specific behaviors it wants to reward. In one such program, store employees receive “Bou Bucks” from store managers for performance above and beyond their job descriptions. Bou Bucks are redeemable for merchandise at stores such as Marshall Fields and Foot Locker. One reason Bou Bucks have had such a strong effect on instrumentality perceptions is that Caribou Coffee managers award them immediately when they see employees performing their jobs well. This strengthens employees’ perceptions that performance is instrumental to receiving rewards.⁵⁵

GETTY IMAGES



Caribou Coffee is a growing specialty coffee retailer that integrates expectancy theory into its management practices. New hires spend time at “Coffee College” to learn Caribou’s processes. That way, new employees are set up for success from the beginning.

3.2 Motivating with Expectancy Theory

What practical steps can managers take to use expectancy theory to motivate employees? First, as Exhibit 13.11 shows, they can *systematically gather information to find out what employees want from their jobs*. In addition to individual managers directly asking employees what they want from their jobs (see Subsection 1.4 “Motivating with the Basics”), companies need to survey their employees regularly to determine their wants, needs, and dissatisfactions. Since people consider the valence of all the possible rewards and outcomes that they can receive from their jobs, regular identification of wants, needs, and dissatisfactions gives companies the chance to turn negatively valent rewards and outcomes into positively valent rewards and outcomes, thus raising overall motivation and effort. Marc Albin, CEO of Albin Engineering, says, “My experience in managing people is, they’re all different. Some people want to be recognized for their cheerful attitude and their ability to spread their cheerful attitude. Some want to be recognized for the quality of their work, some for the quantity of their work. Some like to be recognized individually; others want to be recognized in groups.”⁵⁶ Therefore, at the end of each employee orientation session (during the first week on the job), he asks new employees to identify the rewards they want. The

Exhibit 13.11
Motivating with Expectancy Theory

- Systematically gather information to find out what employees want from their jobs.
- Take specific steps to link rewards to individual performance in a way that is clear and understandable to employees.
- Empower employees to make decisions if management really wants them to believe that their hard work and effort will lead to good performance.

new employees appreciate his interest in what they want or need. Says Albin, “No one has ever said, ‘Just recognize me for anything I do well.’”⁵⁷

Second, managers can *take specific steps to link rewards to individual performance in a way that is clear and understandable to employees*. Unfortunately, most employees are extremely dissatisfied with the link between pay and performance in their organizations. A study based on a representative sample found that 80 percent of employees wanted to be paid according to a different kind of pay system! Moreover, only 32 percent of employees were satisfied with how their annual pay raises were determined, and only 22 percent were happy with the way the starting salaries for their jobs were determined.⁵⁸ One way to make sure that employees see the connection between pay and performance (see Chapter 11 for a discussion of compensation strategies) is for managers to publicize the way in which pay decisions are made. This is especially important given that only 41 percent of employees know how their pay increases are determined.⁵⁹ For example, at Allstate Insurance, the company compensation team wrote a pamphlet called “Tracking the Clues to Your Pay,” which explained how Allstate carefully uses market value surveys and analyses to determine employee pay. Making this explanation available helped counter the widespread belief that employee pay was determined in some random way. When asked, “To what extent does the pay system competitively reward you for results?” 27 percent more Allstate employees responded “A great deal” or “Quite a bit” after the publication of the pamphlet.⁶⁰

Finally, managers should *empower employees to make decisions if management really wants them to believe that their hard work and effort will lead to good performance*. If valent rewards are linked to good performance, people should be energized to take action. However, this works only if they also believe that their efforts will lead to good performance. One of the ways that managers destroy the expectancy that hard work and effort will lead to good performance is by restricting what employees can do or by ignoring employees’ ideas. In Chapter 9, you learned that *empowerment* is a feeling of intrinsic motivation, in which workers perceive their work to have meaning and perceive themselves to be competent, to have an impact, and to be capable of self-determination.⁶¹ So, if managers want workers to have strong expectancies, they should empower them to make decisions. Doing so will motivate employees to take active rather than passive roles in their work.

Review 3: Expectancy Theory

Expectancy theory holds that three factors affect the conscious choices people make about their motivation: valence, expectancy, and instrumentality. Valence is simply the attractiveness or desirability of various rewards or outcomes. Expectancy is the perceived relationship between effort and performance. Instrumentality is the perceived relationship between performance and rewards. Expectancy theory holds that for people to be highly motivated, all three factors must be high. If any one of these factors declines, overall motivation will decline, too. Managers can use expectancy theory to motivate workers by systematically gathering information to find out what employees want from their jobs, by linking rewards to individual performance in a way that is clear and understandable to employees, and by empowering employees to make decisions, which will increase their expectancies that hard work and effort will lead to good performance.

How Rewards and Goals Affect Motivation

When used properly, rewards motivate and energize employees. But when used incorrectly, they can demotivate, baffle, and even anger them. For example, consider the dotcom company that gave *every* employee a plaque for “outstanding

performance.” Then it compounded that mistake (How can every employee be “outstanding?”) by firing one of those “outstanding” employees, James Finkel, two weeks after awarding him his plaque. Said Finkel, “My reward for outstanding performance was getting canned. I left the plaque sitting on my desk.”⁶²

Goals are also supposed to motivate employees. But leaders who focus blindly on meeting goals at all costs often find that they destroy motivation. For instance, a president of a technology company calls his vice president of sales *daily* and asks, “Did you make your numbers *today*?” Consultant Richard Hapburg, who works with the vice president who receives these daily calls, says that the VP should be focusing on long-term solutions that increase sales, but “he’s under enormous pressure to meet certain sales and profit targets on a *daily basis* now.” The clear danger to using goals in this way, says Hapburg, is “that it’s hard to capture employees’ hearts, and best efforts, with numbers alone.”⁶³

After reading the next three sections, you should be able to

- 4** explain how reinforcement theory works and how it can be used to motivate.
- 5** describe the components of goal-setting theory and how managers can use them to motivate workers.
- 6** discuss how the entire motivation model can be used to motivate workers.

4 REINFORCEMENT THEORY

Reinforcement theory says that behavior is a function of its consequences, that behaviors followed by positive consequences (i.e., reinforced) will occur more frequently, and that behaviors followed by negative consequences, or not followed by positive consequences, will occur less frequently.⁶⁴ Therefore, to improve its safety record, Monsanto decided to reinforce safe behaviors. Chuck Davis, a safety consultant, says, “It’s better to recognize a guy for success than beat him up for failure. It’s amazing how little reward a guy needs so he doesn’t stick his arm in a machine.”⁶⁵ More specifically, **reinforcement** is the process of changing behavior by changing the consequences that follow behavior.⁶⁶

Reinforcement has two parts: reinforcement contingencies and schedules of reinforcement. **Reinforcement contingencies** are the cause-and-effect relationships between the performance of specific behaviors and specific consequences. For example, if you get docked an hour’s pay for being late to work, then a reinforcement contingency exists between a behavior, being late to work, and a consequence, losing an hour’s pay. A **schedule of reinforcement** is the set of rules regarding reinforcement contingencies, such as which behaviors will be reinforced, which consequences will follow those behaviors, and the schedule by which those consequences will be delivered.⁶⁷

Exhibit 13.12 incorporates reinforcement contingencies and reinforcement schedules into our motivation model. First, notice that extrinsic rewards and the schedules of reinforcement used to deliver them are the primary method for creating reinforcement contingencies in organizations. In turn, those reinforcement contingencies directly affect valences (the attractiveness of rewards), instrumentality (the perceived link between rewards and performance), and effort (how hard employees will work).

Let’s learn more about reinforcement theory by examining **4.1 the components of reinforcement theory**, **4.2 the different schedules for delivering reinforcement**, and **4.3 how to motivate with reinforcement theory**.

4.1 Components of Reinforcement Theory

As just described, *reinforcement contingencies* are the cause-and-effect relationships between the performance of specific behaviors and specific consequences.

reinforcement theory

A theory that states that behavior is a function of its consequences, that behaviors followed by positive consequences will occur more frequently, and that behaviors followed by negative consequences, or not followed by positive consequences, will occur less frequently.

reinforcement

The process of changing behavior by changing the consequences that follow behavior.

reinforcement contingencies

Cause-and-effect relationships between the performance of specific behaviors and specific consequences.

schedule of reinforcement

Rules that specify which behaviors will be reinforced, which consequences will follow those behaviors, and the schedule by which those consequences will be delivered.

avoid a negative consequence. For example, at the Florist Network, a small business in Buffalo, New York, company management instituted a policy of requiring good attendance for employees to receive their annual bonuses. Employee attendance has improved significantly now that excessive absenteeism can result in the loss of \$1,500 or more, depending on the size of the bonus.⁶⁹

By contrast, **punishment** weakens behavior (i.e., decreases its frequency) by following behaviors with undesirable consequences. For example, the standard disciplinary or punishment process in most companies is an oral warning (“Don’t ever do that again.”), followed by a written warning (“This letter is to discuss the serious problem you’re having with . . .”), followed by three days off without pay (“While you’re at home not being paid, we want you to think hard about . . .”), followed by being fired (“This was your last chance. You’re fired.”). Though punishment can weaken behavior, managers have to be careful to avoid the backlash that sometimes occurs when employees are punished at work. For example, Frito-Lay began getting complaints from customers that they were finding potato chips with obscene messages written on them. Frito-Lay eventually traced the problem to a potato chip plant where supervisors had fired 58 out of the 210 workers for disciplinary reasons over a nine-month period. The remaining employees were so angry over what they saw as unfair treatment from management that they began writing obscene phrases on potato chips with felt-tipped pens.⁷⁰

Extinction is a reinforcement strategy in which a positive consequence is no longer allowed to follow a previously reinforced behavior. By removing the positive consequence, extinction weakens the behavior, making it less likely to occur. Based on the idea of positive reinforcement, most companies give company leaders and managers substantial financial rewards when the company performs well. Based on the idea of extinction, you would then expect that leaders and managers would not be rewarded (i.e., removing the positive consequence) when companies perform poorly. If companies really want pay to reinforce the right kinds of behaviors, then rewards have to be removed when company management doesn’t produce successful performance. For example, with a \$1 billion loss, sales down 28 percent, and the stock price down 35 percent, Agilent’s board of directors cut CEO Ned Barnholt’s base pay by 10 percent and didn’t award him a cash or stock bonus. Said Barnholt, “I don’t expect anything different. If the company doesn’t perform, I shouldn’t be getting any rewards.”⁷¹ By contrast, even though the Walt Disney Company’s income dropped from \$1.9 billion to \$1.4 billion in four years, Disney rewarded CEO Michael Eisner with a large increase in salary, 2 million stock options worth \$37.7 million, a \$5 million restricted stock bonus, and an \$11.5 million cash bonus.⁷²

punishment

Reinforcement that weakens behavior by following behaviors with undesirable consequences.

extinction

Reinforcement in which a positive consequence is no longer allowed to follow a previously reinforced behavior, thus weakening the behavior.

4.2 Schedules for Delivering Reinforcement

As mentioned earlier, a *schedule of reinforcement* is the set of rules regarding reinforcement contingencies, such as which behaviors will be reinforced, which consequences will follow those behaviors, and the schedule by which those consequences will be delivered. There are two categories of reinforcement schedules: continuous and intermittent.

With **continuous reinforcement schedules**, a consequence follows every instance of a behavior. For example, employees working on a piece-rate pay system earn money (consequence) for every part they manufacture (behavior). The more they produce, the more they earn. By contrast, with **intermittent reinforcement schedules**, consequences are delivered after a specified or average time has elapsed or after a specified or average number of behaviors has occurred. As Exhibit 13.13 shows, there are four types of intermittent reinforcement schedules. Two of these are based on time and are called *interval reinforcement schedules*, while the other two, known as *ratio schedules*, are based on behaviors.

continuous reinforcement schedule

A schedule that requires a consequence to be administered following every instance of a behavior.

intermittent reinforcement schedule

A schedule in which consequences are delivered after a specified or average time has elapsed or after a specified or average number of behaviors has occurred.

INTERMITTENT REINFORCEMENT SCHEDULES		
	FIXED	VARIABLE
INTERVAL (TIME)	Consequences follow behavior after a fixed time has elapsed.	Consequences follow behavior after different times, some shorter and some longer, that vary around a specific average time.
RATIO (BEHAVIOR)	Consequences follow a specific number of behaviors.	Consequences follow a different number of behaviors, sometimes more and sometimes less, that vary around a specified average number of behaviors.

Exhibit 13.13
Intermittent Reinforcement
Schedules

**fixed interval reinforcement
schedule**

An intermittent schedule in which consequences follow a behavior only after a fixed time has elapsed.

**variable interval reinforcement
schedule**

An intermittent schedule in which the time between a behavior and the following consequences varies around a specified average.

fixed ratio reinforcement schedule

An intermittent schedule in which consequences are delivered following a specific number of behaviors.

**variable ratio reinforcement
schedule**

An intermittent schedule in which consequences are delivered following a different number of behaviors, sometimes more and sometimes less, that vary around a specified average number of behaviors.

With **fixed interval reinforcement schedules**, consequences follow a behavior only after a fixed time has elapsed. For example, most people receive their paychecks on a fixed interval schedule (e.g., once or twice per month). As long as they work (behavior) during a specified pay period (interval), they get a paycheck (consequence). With **variable interval reinforcement schedules**, consequences follow a behavior after different times, some shorter and some longer, that vary around a specified average time. On a 90-day variable interval reinforcement schedule, you might receive a bonus after 80 days or perhaps after 100 days, but the average interval between performing your job well (behavior) and receiving your bonus (consequence) would be 90 days.

With **fixed ratio reinforcement schedules**, consequences are delivered following a specific number of behaviors. For example, a car salesperson might receive a \$1,000 bonus after every 10 sales. Therefore, a salesperson with only 9 sales would not receive the bonus until he or she finally sold a 10th car.

With **variable ratio reinforcement schedules**, consequences are delivered following a different number of behaviors, sometimes more and sometimes less, that vary around a specified average number of behaviors. With a 10-car variable ratio reinforcement schedule, a salesperson might receive the bonus after 7 car sales, or after 12, 11, or 9 sales, but the average number of cars sold before receiving the bonus would be 10 cars.

Students often have trouble envisioning how these schedules can actually be used in work settings, so a couple of examples will help. In a study designed to increase employee attendance, employees who came to work participated in an innovative variable ratio schedule in which they drew a card from a deck of playing cards every day they came to work. At the end of each week, the employee with the best poker hand from those cards received a \$20 bonus.⁷³ In another variable reinforcement system, Electric Boat, which builds nuclear submarines, uses a lottery that gives workers with good attendance a chance to win sizable rewards. Eligibility for the various rewards depends on the level of attendance. For example, 933 workers with two years of perfect attendance were placed in a lottery where 20 of them would win \$2,500. Likewise, 1,400 workers with a year of perfect attendance were placed in a lottery where 75 would win \$1,000, 50 would win \$500, 25 would win prime parking spaces, and all would win a \$25 gift certificate for the company store. Greg Angelini, who won a \$1,000 prize, said, "I'm not a gambler, but it sure was nice to get that check right before Christmas. And, it was just as nice that the powers that be noticed that I've had perfect attendance."⁷⁴ Electric Boat's lottery system is so rewarding that on average an amazing 41 percent of its workers have perfect attendance.

Which reinforcement schedules work best? In the past, the standard advice was to use continuous reinforcement when employees were learning new behaviors because reinforcement after each success leads to faster learning. Likewise, the standard advice was to use intermittent reinforcement schedules to maintain behavior after it is learned because intermittent rewards are supposed to make

behavior much less subject to extinction.⁷⁵ Research shows, however, that except for interval-based systems, which usually produce weak results, the effectiveness of continuous reinforcement, fixed ratio, and variable ratio schedules differs very little.⁷⁶ In organizational settings, all three produce consistently large increases over noncontingent reward schedules. So managers should choose whichever of these three is easiest to use in their companies.

4.3 Motivating with Reinforcement Theory

What practical steps can managers take to use reinforcement theory to motivate employees? Professor Fred Luthans, who has been studying the effects of reinforcement theory in organizations for more than a quarter of a century, says that there are five steps to motivating workers with reinforcement theory: *identify*, *measure*, *analyze*, *intervene*, and *evaluate* critical performance-related behaviors.⁷⁷

Identify means identifying critical, observable, performance-related behaviors. These are the behaviors that are most important to successful job performance. In addition, they must also be easily observed so that they can be accurately measured. *Measure* means measuring the baseline frequencies of these behaviors. In other words, find out how often workers perform them. *Analyze* means analyzing the causes and consequences of these behaviors. Analyzing the causes helps managers create the conditions that produce these critical behaviors, and analyzing the consequences helps them determine if these behaviors produce the results that they want. *Intervene* means changing the organization by using positive and negative reinforcement to increase the frequency of these critical behaviors. *Evaluate* means evaluating the extent to which the intervention actually changed workers' behavior. This is done by comparing behavior after the intervention to the original baseline of behavior before the intervention. For more on the effectiveness of reinforcement theory, see the "What Really Works?" feature in this chapter.

In addition to these five steps, Exhibit 13.14 lists three other things that managers should remember when motivating with reinforcement theory. *Don't reinforce the wrong behaviors*. Although reinforcement theory sounds simple, it's actually very difficult to put into practice. One of the most common mistakes is accidentally reinforcing the wrong behaviors. In fact, sometimes managers reinforce behaviors that they don't want! For example, the salary and bonus system was not working correctly at Discovery Communications, which runs the Discovery Channel on cable and satellite TV. Within the same job classifications, top performers' salaries were the same as poor performers' salaries. Also, people doing identical jobs, but in different locations, were paid very differently. Because the company's reward system did not allow managers to give large raises to people who stayed in the same job from year to year, managers used promotions to get workers higher pay and keep them in the company. The system was so rigid, however, that they frequently promoted good workers before they were ready or promoted them into jobs for which they weren't qualified. Likewise, employees campaigned to be transferred to locations that paid undeservedly higher salaries. Mark Kozak, senior vice president for administration and operations, said, "People felt that it was unfair."⁷⁸

Managers should also *correctly administer punishment at the appropriate time*. Many managers believe that punishment can change workers' behavior and help them improve their job performance. Furthermore, managers believe that fairly punishing workers also lets other workers know what is or isn't acceptable.⁷⁹ A danger of using punishment is that it can produce a backlash against managers and companies, but if administered properly, punishment can

Exhibit 13.14
Motivating with Reinforcement Theory

- Identify, measure, analyze, intervene, and evaluate critical performance-related behaviors.
- Don't reinforce the wrong behaviors.
- Correctly administer punishment at the appropriate time.
- Choose the simplest and most effective schedules of reinforcement.

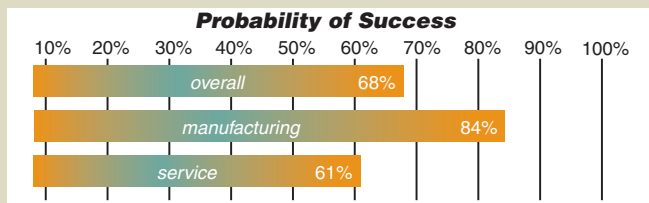
WHAT REALLY WORKS

Financial, Nonfinancial, and Social Rewards

Throughout this chapter, we have been making the point that there is more to motivating people than money. But we haven't yet examined how well financial (money or prizes), nonfinancial (performance feedback), or social (recognition and attention) rewards motivate workers by themselves or in combination. However, the results of two meta-analyses, one with 19 studies based on more than 2,800 people (study 1) and another based on 72 studies and 13,301 people (study 2), clearly indicate that rewarding and reinforcing employees greatly improve motivation and performance, especially when combined.

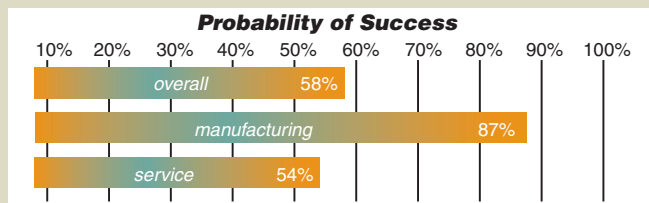
FINANCIAL REWARDS

On average, there is an 68 percent chance that employees whose behavior is reinforced with financial rewards will outperform employees whose behavior is not reinforced. This increases to 84 percent in manufacturing organizations but drops to 61 percent in service organizations.



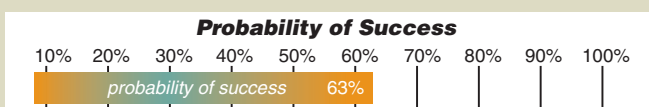
NONFINANCIAL REWARDS

On average, there is an 58 percent chance that employees whose behavior is reinforced with nonfinancial rewards will outperform employees whose behavior is not reinforced. This increases to 87 percent in manufacturing organizations but drops to 54 percent in service organizations.



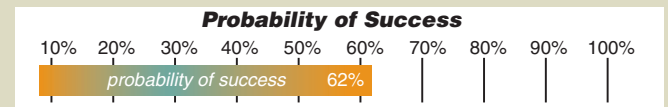
SOCIAL REWARDS

On average, there is a 63 percent chance that employees whose behavior is reinforced with social rewards will outperform employees whose behavior is not reinforced.



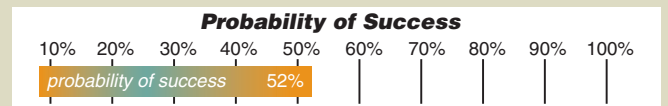
FINANCIAL AND NONFINANCIAL REWARDS

On average, there is a 62 percent chance that employees whose behavior is reinforced with a combination of financial and nonfinancial rewards will outperform employees whose behavior is not reinforced.



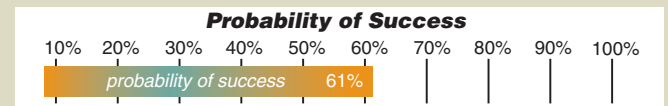
FINANCIAL AND SOCIAL REWARDS

On average, there is only a 52 percent chance that employees whose behavior is reinforced with a combination of financial and social rewards will outperform employees whose behavior is not reinforced.



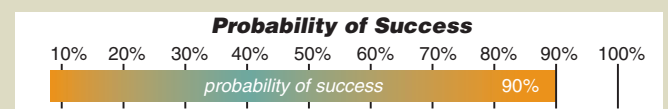
NONFINANCIAL AND SOCIAL REWARDS

On average, there is a 61 percent chance that employees whose behavior is reinforced with a combination of nonfinancial and social rewards will outperform employees whose behavior is not reinforced.



FINANCIAL, NONFINANCIAL, AND SOCIAL REWARDS

On average, there is a 90 percent chance that employees whose behavior is reinforced with a combination of financial, nonfinancial, and social rewards will outperform employees whose behavior is not reinforced.⁸⁰



weaken the frequency of undesirable behaviors without creating a backlash.⁸¹ To be effective, the punishment must be strong enough to stop the undesired behavior and must be administered objectively (same rules applied to everyone), impersonally (without emotion or anger), consistently and contingently (each time improper behavior occurs), and quickly (as soon as possible following the undesirable behavior). In addition, managers should clearly explain what the appropriate behavior is and why the employee is being punished. Employees typically respond well when punishment is administered this way.⁸²

Finally, managers should *choose the simplest and most effective schedule of reinforcement*. When choosing a schedule of reinforcement, managers need to balance effectiveness against simplicity. In fact, the more complex the schedule of reinforcement, the more likely it is to be misunderstood and resisted by managers and employees. For example, a forestry and logging company experimented with a unique variable ratio schedule. When tree-planters finished planting a bag of seedlings (about 1,000 seedlings per bag), they got to flip a coin. If they called the coin flip correctly (heads or tails), they were paid \$4, double the regular rate of \$2 per bag. If they called the coin flip incorrectly, they got nothing. The company began having problems when several workers and a manager, who was a part-time minister, claimed that the coin flip was a form of gambling. Then, another worker found that the company was taking out too much money for taxes from workers' paychecks. Since the workers didn't really understand the reinforcement schedule, they blamed the payment plan associated with it and accused the company of trying to cheat them out of their money. After all of these problems, the researchers who implemented the variable ratio schedule concluded that "the results of this study may not be so much an indication of the relative effectiveness of different schedules of reinforcement as they are an indication of the types of problems that one encounters when applying these concepts in an industrial setting."⁸³ In short, choose the simplest, most effective schedule of reinforcement. Since continuous reinforcement, fixed ratio, and variable ratio schedules are about equally effective, continuous reinforcement schedules may be the best choice in many instances by virtue of their simplicity.

Review 4: Reinforcement Theory

Reinforcement theory says that behavior is a function of its consequences. Reinforcement has two parts: reinforcement contingencies and schedules of reinforcement. The four kinds of reinforcement contingencies are positive reinforcement and negative reinforcement, which strengthen behavior, and punishment and extinction, which weaken behavior. There are two kinds of reinforcement schedules, continuous and intermittent; intermittent schedules, in turn, can be divided into fixed and variable interval schedules and fixed and variable ratio schedules. Managers can use reinforcement theory to motivate workers by following five steps (identify, measure, analyze, intervene, and evaluate critical performance-related behaviors); not reinforcing the wrong behaviors; correctly administering punishment at the appropriate time; and choosing a reinforcement schedule, such as continuous reinforcement, that balances simplicity and effectiveness.

5 GOAL-SETTING THEORY

The basic model of motivation with which we began this chapter showed that individuals feel tension after becoming aware of an unfulfilled need. Once they experience tension, they search for and select courses of action that they believe will eliminate this tension. In other words, they direct their behavior toward something. This something is a goal. A **goal** is a target, objective, or result that someone tries to accomplish. For example, one of the goals of discount airline JetBlue is that all the baggage on a plane be delivered to the baggage pickup area no later than 20 minutes after the plane reaches the gate. Why? Because,

goal

A target, objective, or result that someone tries to accomplish.



JetBlue CEO David Neeleman insists that all baggage be delivered to the claim area within 20 minutes of an airplane's arrival. Neeleman is shown here working with the baggage-handling crew to meet this goal.

goal-setting theory

A theory that states that people will be motivated to the extent to which they accept specific, challenging goals and receive feedback that indicates their progress toward goal achievement.

goal specificity

The extent to which goals are detailed, exact, and unambiguous.

goal difficulty

The extent to which a goal is hard or challenging to accomplish.

goal acceptance

The extent to which people consciously understand and agree to goals.

performance feedback

Information about the quality or quantity of past performance that indicates whether progress is being made toward the accomplishment of a goal.

as President Dave Barger explains, “The 45 minutes you wait for your bags is your last impression,” and a strongly negative one at that.⁸⁴ JetBlue also has specific goals for completion rate (the percentage of flights that aren't canceled) and ontime arrivals. Last year, JetBlue was first and second, respectively, in the industry in those areas.

Goal-setting theory says that people will be motivated to the extent to which they accept specific, challenging goals and receive feedback that indicates their progress toward goal achievement.

Let's learn more about goal setting by examining **5.1 the components of goal-setting theory** and **5.2 how to motivate with goal-setting theory**.

5.1 Components of Goal-Setting Theory

The basic components of goal-setting theory are goal specificity, goal difficulty, goal acceptance, and performance feedback.⁸⁵ **Goal specificity** is the extent to which goals are detailed, exact, and unambiguous. Specific goals, such as “I'm going to have a 3.0 average this semester,” are more motivating than general goals, such as “I'm going to get better grades this semester.”

Goal difficulty is the extent to which a goal is hard or challenging to accomplish. Difficult goals, such as “I'm going to have a 3.5 average and make the Dean's List this semester,” are more motivating than easy goals, such as “I'm going to have a 2.0 average this semester.”

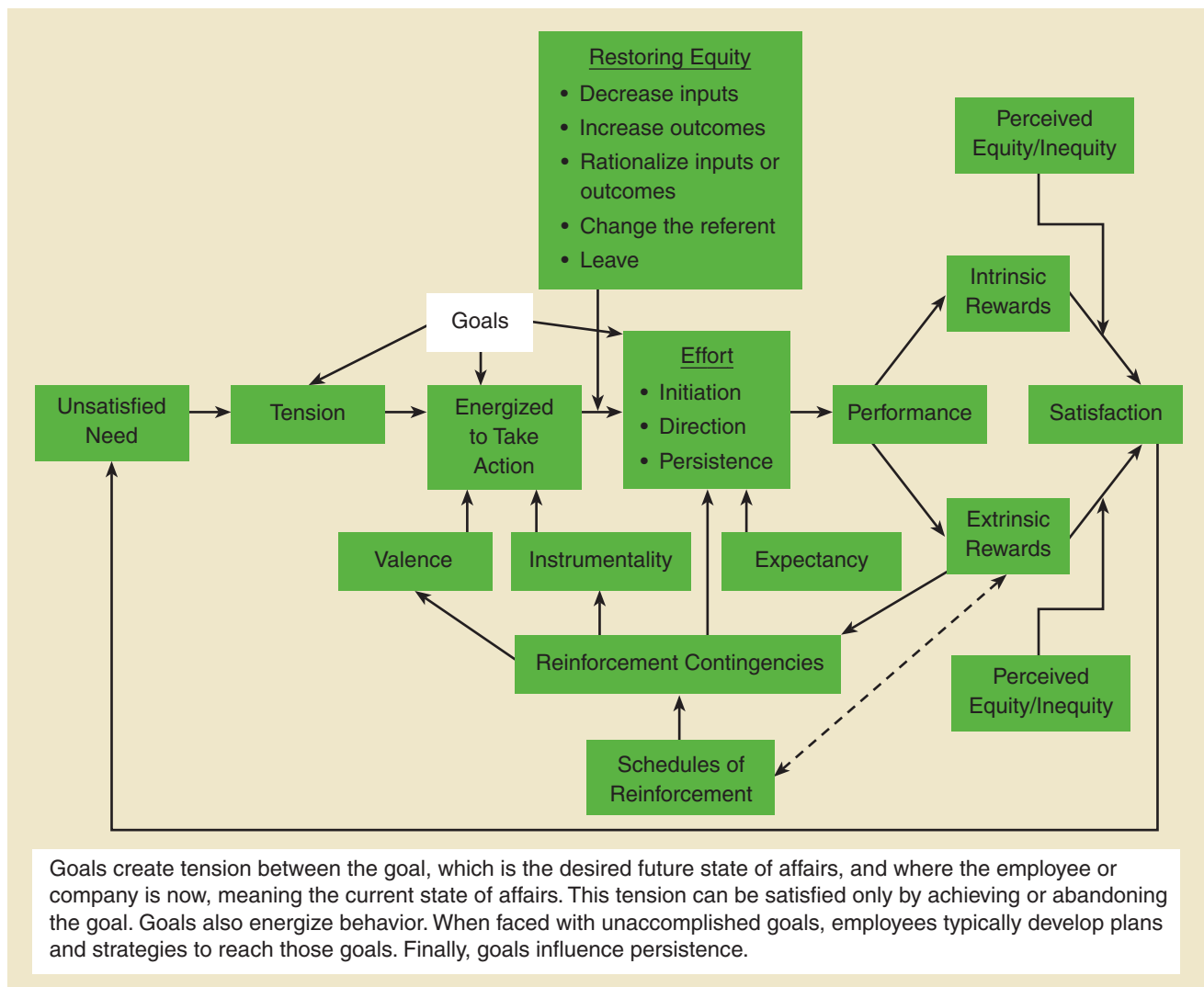
Goal acceptance, which is similar to the idea of goal commitment discussed in Chapter 5, is the extent to which people consciously understand and agree to goals. Accepted goals, such as “I really want to get a 3.5 average this semester to show my parents how much I've improved,” are more motivating than unaccepted goals, such as “My parents really want me to get a 3.5 average this semester, but there's so much more I'd rather do on campus than study!”

Performance feedback is information about the quality or quantity of past performance and indicates whether progress is being made toward the accomplishment of a goal. Performance feedback, such as “My prof said I need a 92 on the final to get an ‘A’ in that class,” is more motivating than no feedback, “I have no idea what my grade is in that class.” In short, goal-setting theory says that people will be motivated to the extent to which they accept specific, challenging goals and receive feedback that indicates their progress toward goal achievement.

How does goal setting work? To start, challenging goals focus employees' attention (i.e., direct effort) on the critical aspects of their jobs and away from unimportant areas. Goals also energize behavior. When faced with unaccomplished goals, employees typically develop plans and strategies to reach those goals. Goals also create tension between the goal, which is the desired future state of affairs, and where the employee or company is now, meaning the current state of affairs. This tension can be satisfied only by achieving or abandoning the goal. Finally, goals influence persistence. Since goals only “go away” when they are accomplished, employees are more likely to persist in their efforts in the presence of goals. Exhibit 13.15 incorporates goals into the motivation model by showing how goals directly affect tension, effort, and the extent to which employees are energized to take action.

5.2 Motivating with Goal-Setting Theory

What practical steps can managers take to use goal-setting theory to motivate employees? Exhibit 13.16 lists three suggestions beginning with *assign specific*,

**Exhibit 13.15**

Adding Goal-Setting Theory to the Model

challenging goals. One of the simplest, most effective ways to motivate workers is to give them specific, challenging goals.

For example, although CDW (Computer Discount Warehouse) offers fantastic benefits and rewards, senior publicist Gary Ross says, “It’s not a cushy place to work.” According to vice president Art Friedson, CDW sets company-wide “Big Hairy Aggressive Goals,” such as “A Million for a Billion,” in which everyone in the company would split \$1 million in bonuses (about \$500 per employee at the time) when CDW booked \$1 billion in annual sales.⁸⁶ With that accomplished, the next BHAG was \$3 billion in annual sales with a payout of \$5 million in bonuses (about \$2,500 per employee at the time). And, with that accomplished, the BHAG is now \$10 billion in annual sales (sales were \$5.7 billion last year). For more information on assigning specific, challenging goals, see the discussion in Chapter 5 on S.M.A.R.T. goals.

Second, managers should *make sure workers truly accept organizational goals.* Specific, challenging goals won’t motivate workers unless they really accept, understand, and agree to the organization’s goals. For this to occur, people must see the goals as fair and reasonable. Plus, they must trust management and believe that managers are using goals to clarify what is expected from them rather than to exploit or threaten them (“If you don’t achieve these

- Assign specific, challenging goals.
- Make sure workers truly accept organizational goals.
- Provide frequent, specific, performance-related feedback.

Exhibit 13.16

Motivating with Goal-Setting Theory

capable of reaching the organization's goals.⁸⁷

Finally, managers should *provide frequent, specific, performance-related feedback*. Once employees have accepted specific, challenging goals, they should receive frequent performance-related feedback so that they can track their progress toward goal completion. Feedback leads to stronger motivation and effort in three ways.⁸⁸ Receiving specific feedback that indicates how well they're performing can encourage employees who don't have specific, challenging goals to set goals to improve their performance. Once people meet goals, performance feedback often encourages them to set higher, more difficult goals. And, feedback lets people know whether they need to increase their efforts or change strategies in order to accomplish their goals.

For example, in an effort to improve worker safety on offshore oil-drilling platforms, an oil company generated a list of dangerous work behaviors by analyzing previous accident reports, reviewing industry safety manuals, and interviewing and observing workers. Following detailed safety training, each work crew set goals to engage in safe behaviors 100 percent of the time on each shift. To help workers track their improvement, management posted a weekly safety record in the galley of each rig, where workers would see it when they gathered for meals and coffee breaks. Previously, employees were engaging in safe work behaviors just 76 percent of the time. After a year of goal setting (100 percent safe behavior on each shift) and weekly performance feedback at two oil rigs, however, workers behaved safely over 90 percent of the time. As a result, accident rates dropped from 21.1 percent to 6.1 percent at the first rig and from 14.2 percent to 12.1 percent at the second rig. By contrast, at a third oil rig, where training, goal setting, and feedback were not used, the total accident rate *increased* from 11.6 percent to 20.3 percent over the same time.⁸⁹ So, to motivate employees with goal-setting theory, make sure they receive frequent performance-related feedback so that they can track their progress toward goal completion.

Review 5: Goal-Setting Theory

A goal is a target, objective, or result that someone tries to accomplish. Goal-setting theory says that people will be motivated to the extent to which they accept specific, challenging goals and receive feedback that indicates their progress toward goal achievement. The basic components of goal-setting theory are goal specificity, goal difficulty, goal acceptance, and performance feedback. Goal specificity is the extent to which goals are detailed, exact, and unambiguous. Goal difficulty is the extent to which a goal is hard or challenging to accomplish. Goal acceptance is the extent to which people consciously understand and agree to goals. Performance feedback is information about the quality or quantity of past performance and indicates whether progress is being made toward the accomplishment of a goal. Managers can use goal-setting theory to motivate workers by assigning specific, challenging goals, making sure workers truly accept organizational goals, and providing frequent, specific, performance-related feedback.

6 MOTIVATING WITH THE INTEGRATED MODEL

We began this chapter by defining motivation as the set of forces that initiates, directs, and makes people persist in their efforts to accomplish a goal. We also asked the basic question that managers ask when they try to figure out how to

goals . . . ”). Participative goal setting, in which managers and employees generate goals together, can help increase trust and understanding and thus acceptance of goals. Furthermore, providing workers with training can help increase goal acceptance, particularly when workers don't believe they are

MOTIVATING WITH	MANAGERS SHOULD . . .
THE BASICS	<ul style="list-style-type: none"> • Ask people what their needs are. • Satisfy lower-order needs first. • Expect people's needs to change. • As needs change and lower-order needs are satisfied, satisfy higher-order needs by looking for ways to allow employees to experience intrinsic rewards.
EQUITY THEORY	<ul style="list-style-type: none"> • Look for and correct major inequities. • Reduce employees' inputs. • Make sure decision-making processes are fair.
EXPECTANCY THEORY	<ul style="list-style-type: none"> • Systematically gather information to find out what employees want from their jobs. • Take specific steps to link rewards to individual performance in a way that is clear and understandable to employees. • Empower employees to make decisions if management really wants them to believe that their hard work and efforts will lead to good performance.
REINFORCEMENT THEORY	<ul style="list-style-type: none"> • Identify, measure, analyze, intervene, and evaluate critical performance-related behaviors. • Don't reinforce the wrong behaviors. • Correctly administer punishment at the appropriate time. • Choose the simplest and most effective schedules of reinforcement.
GOAL-SETTING THEORY	<ul style="list-style-type: none"> • Assign specific, challenging goals. • Make sure workers truly accept organizational goals. • Provide frequent, specific, performance-related feedback.

motivate their workers: “What leads to effort?” Though the answer to that question is likely to be somewhat different for each employee, Exhibit 13.17 helps you begin to answer it by consolidating the practical advice from the theories reviewed in this chapter in one convenient location. So, if you're having difficulty figuring out why people aren't motivated where you work, Exhibit 13.17 provides a useful, theory-based starting point.

Exhibit 13.17
Motivating with the Integrated Model

Key Terms

continuous reinforcement schedule, 435
 distributive justice, 428
 equity theory, 424
 expectancy, 430
 expectancy theory, 429
 extinction, 435
 extrinsic reward, 420
 fixed interval reinforcement schedule, 436
 fixed ratio reinforcement schedule, 436
 goal, 439
 goal acceptance, 440
 goal difficulty, 440

goal-setting theory, 440
 goal specificity, 440
 inputs, 424
 instrumentality, 430
 intermittent reinforcement schedule, 435
 intrinsic reward, 421
 motivation, 416
 needs, 418
 negative reinforcement, 434
 outcome/input (O/I) ratio, 425
 outcomes, 424
 overreward, 425
 performance feedback, 440
 positive reinforcement, 434

procedural justice, 428
 punishment, 435
 referents, 424
 reinforcement, 433
 reinforcement contingencies, 433
 reinforcement theory, 433
 schedule of reinforcement, 433
 underreward, 425
 valence, 429
 variable interval reinforcement schedule, 436
 variable ratio reinforcement schedule, 436

Concept Check

1. Identify the elements of motivation. What is the relationship between job performance, motivation, ability, and situational constraints?
2. How can managers use the basic principles of needs and rewards to motivate employees?
3. How do employees' perceptions of fairness affect motivation?
4. Describe the components of equity theory. What role does justice play in equity theory?
5. What is the underlying tenet of expectancy theory?
6. Define valence, expectancy, and instrumentality, and describe their relationship.
7. How does reinforcement theory work?
8. Identify and describe the different schedules for delivering reinforcement. What should managers consider most when deciding which schedule to use?
9. What are the components of goal-setting theory?
10. How can managers use goal-theory to motivate employees?

Self-Assessment

WHAT DO YOU NEED?

What people want out of their jobs is as varied as the jobs themselves. And as you would expect, need theories show why not everyone wants to be CEO. Take the example of the woman who is extremely organized and efficient in her job as an assistant. She is so effective that she is offered a promotion to management, but she turns it down flatly, saying that she has no interest in

moving up the ladder, that she is happy doing what she does. What she needs from work clearly differs from the needs of the person who jumps at every opportunity to move up the corporate hierarchy. Which needs most motivate you? The Self-Assessment Appendix has a survey designed to give you insights into how strongly different needs motivate you. Go to page 621 and complete the questionnaire.

Management Decision

MOTIVATING AN "A" WHO'S GETTING "Fs"

You have definitely reached a low point. Frustrated by an employee who is uncooperative, unmotivated, and sloppy about his work, you have resorted to writing a "Dear Abby" style letter to a columnist in a popular business magazine. Letting out a heavy sigh, you scroll back to the top of your screen to review your work:

Dear Business Guru,

A few months ago, I was promoted into my first management job at the greeting card company where I work. I inherited a whizbang team, full of talent and energy, with the exception of one person—Let's call him David. Unlike the others on our team, he is uncooperative

and unmotivated, and his work is sloppy, even though I know he can do better! Several veteran employees have told me David used to be the crown jewel in the team, working hard, collaborating, and generating great ideas. But now he's altogether different. I'm reluctant to fire him for two reasons: from a technical standpoint, he would be difficult to replace; and our division is under an indefinite hiring freeze. But his attitude and performance are having a negative impact on the rest of the team. What can I do to pull this guy out of a slump? Evidently, he was quite the employee — and I need him to be that star employee again.

Pausing for a moment before hitting “send,” your eyes fall on an old management book in your overhead. Grabbing it, you say to yourself, “There’s got to be something in there to help me.” But as you flip through the pages, you can’t help thinking of all the time you’ve already spent on this guy. Maybe you should just fire him and be done.

Questions

1. Which motivational theory discussed in the chapter do you think would be most successful in helping David rekindle his spark? Why?
2. Which motivational theory will be most helpful in refocusing the efforts of your entire team? Explain.
3. Do you fire David or keep him on your team?

Management Team Decision

MINING HUMAN CAPITAL

Labor is probably the single largest expense of any business.⁹⁰ According to some estimates, labor costs average about 60 percent of sales. In addition to salaries, labor costs include health insurance, paid time off, child-care benefits, tuition reimbursements, and any number of other programs designed to extrinsically motivate the work force. Many companies offer the same types of benefits across their organizations without knowing whether the benefits really motivate employees at all. In other words, companies often don’t know what return they are getting on their labor investment. The same is true where you work.

As you head back to your desk from a meeting on cafeteria-style benefit plans, your boss intercepts you and says she wants to talk with you about cutting labor costs. As she plops into your side chair, she is already describing a new type of software that applies data-mining technology to employee information to determine what is the best motivator. “We can get rid of one-size-fits-all benefit programs and tailor the benefits to each employee. This software lets you slice and dice employee data, like age, seniority, education, commute time, residential ZIP code, even the age and condition of the person’s office,” she says. “We could find out if we could pay someone, say, 20 percent less if we gave a three-month sabbatical every couple of years. Or we could predict the reaction of certain employees if we cut

our 401(k) match. Maybe that’s not as important to everyone as we think. We could find out who would quit if we did that and who could care less. Basically, we could find out what incentives would spike productivity the most with each employee, and that way we could cut costs without sabotaging morale. It would reduce the guesswork of rewarding our employees. Here is some literature on the various programs. I’d like your team to draft a recommendation to top management by next Monday. I’m really excited about this.” She leaves a small stack of brochures on your desk corner and leaves your office.

All you can do is wonder, “What will the employees think of this idea?”

Assemble a team of three to four students to review the issue of mining human resource data for information to help you customize incentives.

Questions

1. Which motivational theory provides the biggest justification for employee data mining? Explain.
2. Does employee data mining violate any of the motivational theories? If so, which ones and how?
3. Will your team recommend mining employee data, or despite your boss’s enthusiasm, will you present reasons not to begin mining employee data? Explain your choice, using the motivational theories in the chapter as support for your recommendation.

Develop Your Career Potential

CUT YOUR COSTS, NOT YOUR MORALE

Management textbooks abound with discussions of the importance of honest and open communication when disseminating negative information to employees.⁹¹ One study suggests that the best way to ruin morale and motivation is to spring bad news on employees without explaining the reasoning or rationale. Yet, despite the need to maintain a high level of motivation and morale during a receding economy, many companies cut perks without communicating the need to their employees. During the high-tech boom at the end of the twentieth century, many companies implemented programs to increase productivity, motivation, and job satisfaction. Some of the perks provided were minor, such as free soft drinks, catered lunches, snacks, and tickets to events such as a baseball games or the opera. Other free perks were more extravagant, such as concierge services to run errands for employees, service their vehicles, and pick up their laundry. Some firms even provided their employees with in-house massages and annual Caribbean cruises. Obviously, cutting these nonvalue-added expenses can save tremendous money for a struggling firm. In fact, many firms cut out both the extravagant perks and the basics as a way to conserve much-needed cash. Cutting perks, however, doesn't have to be forever. Perks can be powerful motivational tools that companies can reintegrate into their performance reward systems.

For this assignment, consider your own budget and expenses in terms of revenue and perks. Imagine that like so many companies, you experience a cash crunch. Your revenue (income) shrinks 25 percent, so you must trim some fat from your budget.

Exercises

1. First, you will need to review your expenditures. What “perks” have you built into your budget as a

student? (Think pizza and beer.) Make a list of all your nonvalue-added expenses. This includes anything not directly related to your studies (like books, tuition, enrollment fees, pens, paper, etc.) or your fixed expenses (like rent, car payments, insurance, etc.).

2. If you experienced a 25 percent reduction in your income—as numerous firms did after the tech bubble burst—which perks would you eliminate? In addition, are there items that you previously considered necessities that you could cut out? An example would be selling your car (thereby eliminating car payments and related insurance) and taking public transportation or catching a ride with a friend. What about getting a roommate, moving into the dorms, or living with your parents?
3. Often employees develop a sense of entitlement about perks, and when the perks are trimmed, great dissatisfaction can result. Companies even lose employees when perks are cut. In this exercise, let's consider that cutting out your nonvalue-added (i.e., fun) expenditures may put a crimp in your social life. In fact, you may have trouble staying in the loop. What can you do to “retain” your social friends as you cut down on your personal perks? Do you think that “retention” will even be an issue for you? Why or why not?
4. Once you have taken the axe to your perks, how can you reincorporate them into your budget, this time as motivational tools? Which perks would motivate you to have perfect attendance in class? To make an “A”? Straight “A's”? Be creative. The purpose is to see if you can modify your own behavior by using your perks.



Biz Flix *For Love of the Game*

Billy Chapel (Kevin Costner), a 20-year veteran pitcher with the Detroit Tigers, learns just before the season's last game that the team's new owners want to trade him. He also learns that his partner, Jane Aubrey (Kelly Preston), intends to leave him. Faced with these daunting blows, Chapel, who decides to retire, wants to pitch a perfect final game. Director Sam Raimi's love of baseball shines through in some striking visual effects.

This scene is a slightly edited version of the "Just Throw" sequence, which begins the film's exciting closing scenes in which Chapel pitches his last game. In this scene, the Tigers' catcher Gus Sinski (John C. Reilly) comes out to the pitching mound to talk to Billy.

What to Watch for and Ask Yourself

1. How would you describe Billy Chapel's esteem needs at this point in the game?
2. Do you expect Gus Sinski's talk to have any effect on Chapel? If it will, what will be the effect? Why?
3. What rewards potentially exist for Billy Chapel? Remember, this is the last baseball game of his career.



Management Workplace *Modern Postcard*

Modern Postcard prides itself on being able to turn around a customer's order in two days. That means, designing the postcard, printing it, and mailing it out to the addresses on the customer's mailing list. For a company that produces 100 million postcards a year for some 150,000 customers, that's quite a feat, even for a company with a digital work flow. How can a company motivate 250 employees to act so quickly to serve customers? Founder Steve Hoffman and his management team use several techniques to encourage employees to always do their best work.

What to Watch for and Ask Yourself

1. Which motivational theory best describes the practices at Modern Postcard?
2. How is Steve Hoffman using goal-setting theory? Are there elements of the theory for which Hoffman does not have a related business practice? If so, how could Modern Postcard fill these gaps?
3. What role do the Image Awards play in motivating the employees at Modern Postcard?