

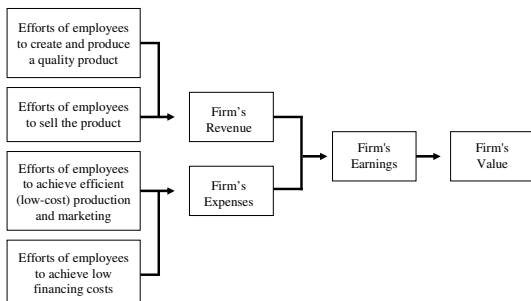
Chapter 10

Motivating Employees

Learning Objectives

- 1 Describe the theories on motivation.
- 2 Explain how firms can enhance job satisfaction and therefore enhance motivation.

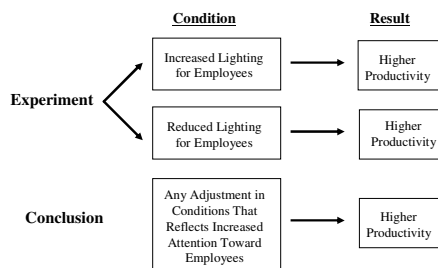
Motivation and Performance



Major Theories on Motivation

- Hawthorne Studies
- Maslow's Hierarchy of Needs
- Herzberg's Job Satisfaction Study
- Theory X, Y, and Z
- Expectancy Theory
- Equity Theory
- Reinforcement Theory

Summary of Hawthorne Studies



Maslow's Hierarchy of Needs

Theory: People must fulfill lower needs in order to move onto higher needs.



Herzberg

Hygiene Factors (Environmental)

- Policies
- Supervision
- Working Conditions
- Money
- Status
- Job Security

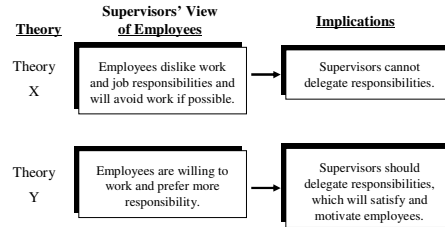


Motivator Factors (The Job Itself)

- Achievement
- Recognition
- Challenging Work
- Responsibility
- Opportunities for advancement
- Personal growth opportunities

⇒ Hygiene Factors are considered preventive not motivational but may cause motivational concerns if not present.

Summary of McGregor's Theory X and Y



Expectancy Theory

Theory: An employee's efforts are influenced by the expected outcome (reward) for those efforts.

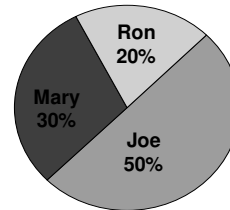
Two requirements:

- ① Reward is desirable.
- ② Chance of winning reward.



Equity Theory

Theory: Compensation should be equitable, or proportionate, to each employee's contribution.



Example:
 \$100,000 bonus to be divided based on relative contribution to a project:
 Joe: \$50,000
 Mary: \$30,000
 Ron: \$20,000

Reinforcement Theory

Theory: Reinforcement can control behavior.

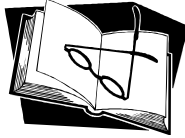
- ☑ Positive reinforcement: provides rewards for high performance.
 Examples: Bonus, promotion, oral compliment.
- ☑ Negative reinforcement: motivates employees by encouraging them to behave in a manner that avoids unfavorable consequences.
 Examples: Job termination, reprimand.

Guidelines to Motivation

- | <u>Employee will:</u> | <u>Employer should:</u> |
|---|---|
| • Compare compensation and contribution. | • Ensure compensation is proportionate to contribution. |
| • Not be satisfied with compensation alone. | • Ensure employees have other needs met: respect, self-esteem, etc. |
| • Be motivated if they can gain a reward. | • Motivate using positive reinforcement. |

Key Characteristics Affecting Job Satisfaction

- Money or compensation programs.
- Security.
- Work schedule.
- Employee involvement programs.



Three Compensation Programs

- ① Merit system
 - Raise according to merit.
- ② Across-the-board system
 - All employees get similar raise.
- ③ Incentive plans
 - Various forms of compensation based on specific performance.



Characteristics of a Compensation Program

- ① Align compensation plan with business goals.
- ② Align compensation with specific employee goals.
- ③ Establish achievable goals for employees.
- ④ Allow employee input on compensation plan.

Flexible Work Schedule (Flextime Programs)

- Compressed work week
 - Compresses the work load into fewer days per week.
 - Main purpose is to allow employees to have three-day weekends.
- Job sharing
 - Two or more people share a particular full-time (40 hour) work schedule.
 - This allows employees to work part-time. Many of these employees do not want to work full-time.

Employee Involvement Programs

- Job enlargement.
- Job rotation.
- Empowerment.
- Teamwork.
- Open-book management.



Methods Used to Enhance Job Satisfaction

Method	Description
Adequate compensation program	<ul style="list-style-type: none"> ▶ Align raises with performance. ▶ Align bonuses with performance. ▶ Provide stock as partial compensation.
Job security	<ul style="list-style-type: none"> ▶ Encourage employees to have a long-term commitment to the firm.
Flexible work schedule	<ul style="list-style-type: none"> ▶ Allow employees flexibility on the timing of their work schedules.
Employee involvement programs	<ul style="list-style-type: none"> ▶ Implement job enlargement. ▶ Implement job rotation. ▶ Implement empowerment and participative management. ▶ Implement teamwork. ▶ Implement open-book management.

Exhibit 10.9

Methods Used to Enhance Job Satisfaction

Firm	Methods Used to Achieve High Job Satisfaction
Southwest Airlines	<ul style="list-style-type: none">▶ Treats employees with respect.▶ Empowers employees to solve problems.▶ Gives awards and recognition to employees.
MBNA	<ul style="list-style-type: none">▶ Focuses on hiring employees who get along with other people.▶ Provides on-site child care.
Microsoft	<ul style="list-style-type: none">▶ Casual work environment.▶ Empowers employees to solve problems.
Eddie Bauer	<ul style="list-style-type: none">▶ Two-week paid sick leave for new parents.▶ Flexible work schedules.

Exhibit 10.10