Chapter 9
Motivating Employees

This chapter details motivational theory, both historically and currently, and applies that theory to the business world, where motivation, whether in the form of a rock band or not, is a key to success.

People can be a firm's most important resource. They can also be the most challenging resource to manage well. Employees who are motivated and work hard to achieve personal and organizational goals can become a crucial competitive advantage for a firm. The key then is understanding the process of motivation, *what* motivates individuals, and *how* an organization can create a workplace that allows people to perform to the best of their abilities.

9.1 Early Theories of Motivation

1. What are the basic principles of Frederick Taylor's concept of scientific management?

Motivation is the set of forces that prompt a person to release energy in a certain direction. As such, motivation is essentially a need- and want-satisfying process. A **need** is best defined as the gap between what is and what is *required*. Similarly, a **want** is the gap between what is and what is *desired*. Unsatisfied needs and wants create a state of tension that pushes (motivates) individuals to practice behavior that will result in the need being met or the want being fulfilled. That is, motivation is what pushes us to move from where we are to where we want to be, because expending that effort will result in some kind of reward.

Rewards can be divided into two basic categories: intrinsic and extrinsic. Intrinsic rewards come from within the individual—things like satisfaction, contentment, sense of accomplishment, confidence, and pride. By contrast, extrinsic rewards come from outside the individual and include things like pay raises, promotions, bonuses, prestigious assignments, and so forth. **Exhibit 9.3** illustrates the motivation process.

Successful managers are able to marshal the forces to motivate employees to achieve organizational goals. And just as there are many types of gaps between where organizations are and where they want to be, there are many motivational theories from which managers can draw to inspire employees to bridge those gaps. In this chapter, we will first examine motivational theories that grew out of the industrial revolution and early ideas of organizational psychology. Then we will examine needs-based theories and more contemporary ideas about employee motivation like equity, expectancy, goals, and reinforcement theories. Finally, we will show you how managers are applying these theories in real-world situations.

How can managers and organizations promote enthusiastic job performance, high productivity, and job satisfaction? Many studies of human behavior in organizations have contributed to our current understanding of these issues. A look at the evolution of management theory and research shows how managers have arrived at the practices used today to manage human behavior in the workplace. A sampling of the most influential of these theorists and research studies are discussed in this section.

Model of Motivation

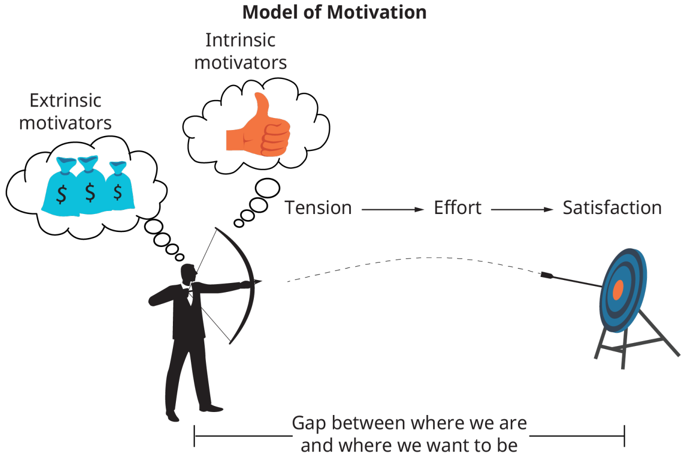

Exhibit 9.3 Model of Motivation (Attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license.)

Frederick Taylor's Scientific Management

One of the most influential figures of the *classical era* of management, which lasted from about 1900 to the mid-1930s, was Frederick W. Taylor, a mechanical engineer sometimes called the "father of **scientific management**." Taylor's approach to improved performance was based on economic incentives and the premise that there is "one best way" to perform any job. As a manager at the Midvale and Bethlehem Steel companies in Philadelphia in the early 1900s, Taylor was frustrated at the inefficiency of the laborers working in the mills.

Convinced that productivity could be improved, Taylor studied the individual jobs in the mill and redesigned the equipment and the methods used by workers. Taylor timed each job with a stopwatch and broke down every task into separate movements. He then prepared an instruction sheet telling exactly how each job should be done, how much time it should take, and what motions and tools should be used. Taylor's ideas led to dramatic increases in productivity in the steel mills and resulted in the development of four basic principles of scientific management:

1. Develop a scientific approach for each element of a person's job.
2. Scientifically select, train, teach, and develop workers.
3. Encourage cooperation between workers and managers so that each job can be accomplished in a standard, scientifically determined way.
4. Divide work and responsibility between management and workers according to who is better suited to each task.

Taylor published his ideas in *The Principles of Scientific Management.* His pioneering work vastly increased production efficiency and contributed to the specialization of labor and the assembly-line method of production. Taylor's approach is still being used nearly a century later in companies such as UPS, where industrial engineers maximize efficiency by carefully studying every step of the delivery process looking for the quickest possible way to deliver packages to customers. Though Taylor's work was a giant step forward in the evolution of management, it had a fundamental flaw in that it assumed that all people are primarily motivated by economic means. Taylor's successors in the study of management found that motivation is much more complex than he envisioned.

9.2 The Hawthorne Studies

2. What did Elton Mayo's Hawthorne studies reveal about worker motivation?

The classical era of management was followed by the *human relations era,* which began in the 1930s and focused primarily on how human behavior and relations affect organizational performance. The new era was ushered in by the Hawthorne studies, which changed the way many managers thought about motivation, job productivity, and employee satisfaction. The studies began when engineers at the Hawthorne Western Electric plant decided to examine the effects of varying levels of light on worker productivity—an experiment that might have interested Frederick Taylor. The engineers expected brighter light to lead to increased productivity, but the results showed that varying the level of light in either direction (brighter or dimmer) led to increased output from the experimental group. In 1927, the Hawthorne engineers asked Harvard professor Elton Mayo and a team of researchers to join them in their investigation.

From 1927 to 1932, Mayo and his colleagues conducted experiments on job redesign, length of workday and workweek, length of break times, and incentive plans. The results of the studies indicated that increases in performance were tied to a complex set of employee attitudes. Mayo claimed that both experimental and control groups from the plant had developed a sense of group pride because they had been selected to participate in the studies. The pride that came from this special attention motivated the workers to increase their productivity. Supervisors who allowed the employees to have some control over their situation appeared to further increase the workers' motivation. These findings gave rise to what is now known as the **Hawthorne effect**, which suggests that employees will perform better when they feel singled out for special attention or feel that management is concerned about employee welfare. The studies also provided evidence that informal work groups (the social relationships of employees) and the resulting group pressure have positive effects on group productivity. The results of the Hawthorne studies enhanced our understanding of what motivates individuals in the workplace. They indicate that in addition to the personal economic needs emphasized in the classical era, social needs play an important role in influencing work-related attitudes and behaviors.

9.3 Maslow's Hierarchy of Needs

3. What is Maslow's hierarchy of needs, and how do these needs relate to employee motivation?

Another well-known theorist from the behavioral era of management history, psychologist Abraham Maslow, proposed a theory of motivation based on universal human needs. Maslow believed that each individual has a hierarchy of needs, consisting of physiological, safety, social, esteem, and self-actualization needs, as shown in **Exhibit 9.4**.

Maslow's theory of motivation contends that people act to satisfy their unmet needs. When you're hungry, for instance, you look for and eat food, thus satisfying a basic physiological need. Once a need is satisfied, its importance to the individual diminishes, and a higher-level need is more likely to motivate the person.

According to **Maslow's hierarchy of needs**, the most basic human needs are physiological needs, that is, the needs for food, shelter, and clothing. In large part, it is the physiological needs that motivate a person to find a job. People need to earn money to provide food, shelter, and clothing for themselves and their families. Once people have met these basic needs, they reach the second level in Maslow's hierarchy, which is safety needs. People need to feel secure, to be protected from physical harm, and to avoid the unexpected. In work terms, they need job security and protection from work hazards.

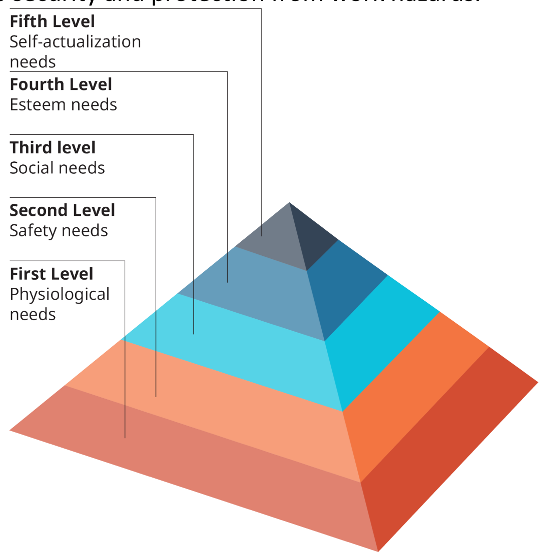

Exhibit 9.4 Maslow's Hierarchy of Needs (Attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license.)

Physiological needs and safety are physical needs. Once these are satisfied, individuals focus on needs that involve relationships with other people. At Maslow's third level are social needs, or needs for belonging (acceptance by others) and for giving and receiving friendship and love. Informal social groups on and off the job help people satisfy these needs. At the fourth level in Maslow's hierarchy are esteem needs, which are needs for the respect of others and for a sense of accomplishment and achievement. Satisfaction of these needs is reflected in feelings of self-worth. Praise and recognition from managers and others in the firm contribute to the sense of self-worth. Finally, at the highest level in Maslow's hierarchy are self-actualization needs, or needs for fulfillment, for living up to one's potential, and for using one's abilities to the utmost. In order to give you a better understanding of how Maslow's hierarchy applies in the real business world, let's look at a detailed example about Wegmans supermarkets. When you think of your first-choice job, you probably aren't thinking about working in a supermarket. With grueling hours, low pay, and annual turnover often approaching 100 percent, supermarkets are generally not considered the best places to work—unless you work at Wegmans, which has been on *Fortune*'s "Best Company to Work For" every year since the list started, earning Wegmans a spot on *Fortune*'s "Great Place to Work Legends" list.

Part of what makes Wegmans successful is the company's attention to its employees' needs at all levels of Maslow's hierarchy. The company pays above-market wages (the sous chef at a Pittsburgh store used to work for Thomas Keller's French Laundry in Napa Valley, and talent like that doesn't come cheap), and until 2003, Wegmans paid 100 percent of its employees' medical insurance premiums (*physiological needs*). Wegmans' most comparable competitor has a turnover rate of about 19 percent, which doesn't even come close to Wegmans' 5 percent. More than half of Wegmans' store managers began working there in their teens (*safety needs*).

Because employees stay so long, the Wegmans culture has become stronger and more ingrained over time. Edward McLaughlin, director of Cornell's Food Industry Management Program, says, "When you're a 16-year-old kid, the last thing you want to do is wear a geeky shirt and work for a supermarket. But at Wegmans, it's a badge of honor. You are not a geeky cashier. You are part of the social fabric," (*social needs*). Sara Goggins, a 19-year-old college student, was recently complimented on the display she helped prepare for the store's French-inspired patisserie—by Danny Wegman himself (*esteem needs*). Sara keeps a photo of her and Danny Wegman behind the counter. Maria Benjamin used to bake "chocolate meatball cookies" to celebrate coworkers' birthdays. They were so popular that she asked Danny Wegman if the store would sell them in the bakery department. He said yes, and it did. Employees like Sara and Maria are routinely recognized for their contributions to the company (*esteem needs*). Wegmans has spent over $54 million for college scholarships to more than 17,500 full- and part-time employees over the past 20 years. Top management thinks nothing of sending store department managers on training expeditions. A cheese manager might take a 10-day trip to visit and study cheesemakers in London, Paris, and Italy; a wine manager might take a company-sponsored trip through the Napa Valley (*self-actualization needs*).[2] As you can see from this extended example, Wegmans works hard to meet its employees' needs at all levels.

Maslow's theory is not without criticism, however. Maslow claimed that a higher-level need was not activated until a lower-level need was met. He also claimed that a satisfied need is not a motivator. A farmer who has plenty to eat is not motivated by more food (the physiological hunger need). Research has not verified these principles in any strict sense. The theory also concentrates on moving up the hierarchy without fully addressing moving back down the hierarchy. Despite these limitations, Maslow's ideas are very helpful for understanding the needs of people at work and for determining what can be done to satisfy them.

9.4 McGregor's Theories X and Y

4. How are McGregor's Theories X and Y and Ouchi's Theory Z used to explain worker motivation?

Douglas McGregor, one of Maslow's students, influenced the study of motivation with his formulation of two contrasting sets of assumptions about human nature—Theory X and Theory Y.

The **Theory X** management style is based on a pessimistic view of human nature and assumes the following:

- The average person dislikes work and will avoid it if possible.
- Because people don't like to work, they must be controlled, directed, or threatened with punishment to get them to make an effort.
- The average person prefers to be directed, avoids responsibility, is relatively unambitious, and wants security above all else.

This view of people suggests that managers must constantly prod workers to perform and must closely control their on-the-job behavior. Theory X managers tell people what to do, are very directive, like to be in control, and show little confidence in employees. They often foster dependent, passive, and resentful subordinates.
In contrast, a **Theory Y** management style is based on a more optimistic view of human nature and assumes the following:

- Work is as natural as play or rest. People want to and can be self-directed and self-controlled and will try to achieve organizational goals they believe in.
- Workers can be motivated using positive incentives and will try hard to accomplish organizational goals if they believe they will be rewarded for doing so.
- Under proper conditions, the average person not only accepts responsibility but seeks it out. Most workers have a relatively high degree of imagination and creativity and are willing to help solve problems.

Managers who operate on Theory Y assumptions recognize individual differences and encourage workers to learn and develop their skills. An administrative assistant might be given the responsibility for generating a monthly report. The reward for doing so might be recognition at a meeting, a special training class to enhance computer skills, or a pay increase. In short, the Theory Y approach builds on the idea that worker and organizational interests are the same. It is not difficult to find companies that have created successful corporate cultures based on Theory Y assumptions. In fact, *Fortune*'s list of "100 Best Companies to Work For" and the Society for Human Resource Management's list of "Great Places to Work" are full of companies that operate using a Theory Y management style. Starbucks, J. M. Smucker, SAS Institute, Whole Foods Market, and Wegmans are all examples of companies that encourage and support their workers. Genencor, a biotechnology firm listed on America's Best Places to Work five times, has a culture that celebrates success in all aspects of its business. Employees can reward colleagues with on-the-spot awards for extraordinary effort. According to the company's former CEO, Robert Mayer, "Genencor is truly unique among U.S. companies of any size. It is a model for innovation, teamwork, and productivity—and a direct result of our 'work hard, play hard, change the world' philosophy. Investing in our employees has always been good business for Genencor."[3]

Theory Z

William Ouchi (pronounced O Chee), a management scholar at the University of California, Los Angeles, has proposed a theory that combines U.S. and Japanese business practices. He calls it **Theory Z**. **Table 9.1** compares the traditional U.S. and Japanese management styles with the Theory Z approach. Theory Z emphasizes long-term employment, slow career development, moderate specialization, group decision-making, individual responsibility, relatively informal control over the employee, and concern for workers. Theory Z has many Japanese elements. But it reflects U.S. cultural values.

In the past decade, admiration for Japanese management philosophy that centers on creating long-term relationships has declined. The cultural beliefs of groupthink, not taking risks, and employees not thinking for themselves are passé. Such conformity has limited Japanese competitiveness in the global marketplace. Today there is a realization that Japanese firms need to be more proactive and nimble in order to prosper. It was that realization that led Japanese icon Sony to name a foreigner as the CEO of Japan's most famous company. Over the years, Sony's performance has declined, until in April 2005, the company posted its biggest loss ever. Nobuki Idei, the former CEO who inherited Sony's massive debts and stagnant product lines, realized his strategy wasn't working, so he became determined to appoint a successor who would be able to transform Sony from the lumbering giant it had become back into the forward-thinking company it had been. Idei tapped Sir Howard Stringer, a Welsh-born American who had been running Sony's U.S. operations. In doing so, Idei hoped to shock company insiders and industry analysts alike. "It's funny, 100 percent of the people around here agree we need to change, but 90 percent of them don't really want to change themselves," he says. "So I finally concluded that we needed our top management to quite literally speak another language." After seven years as CEO, Stringer assumed the position of Chairman and appointed Kazuro Hirai as President and Chief Executive Officer.

Differences in Management Approaches

Factor	**Traditional U.S. Management**	**Japanese Management**	**Theory Z (Combination of U.S. and Japanese Management)**
Length of employment	Relatively short-term; workers subject to layoffs if business is bad	Lifetime; layoffs never used to reduce costs	Long-term but not necessarily lifetime; layoffs "inappropriate"; stable, loyal workforce; improved business conditions don't require new hiring and training
Rate of evaluation and promotion	Relatively rapid	Relatively slow	Slow by design; managers thoroughly trained and evaluated
Specialization in a functional area	Considerable; worker acquires expertise in single functional area	Minimal; worker acquires expertise in organization instead of functional areas	Moderate; all experience various functions of the organization and have a sense of what's good for the firm rather than for a single area
Decision-making	On individual basis	Input from all concerned parties	Group decision-making for better decisions and easier implementation
Responsibility for success or failure	Assigned to individual	Shared by group	Assigned to individual
Control by manager	Very explicit and formal	More implicit and informal	Relatively informal but with explicit performance measures
Concern for workers	Focuses on work-related aspects of worker's life	Extends to whole life of worker	Is relatively concerned with worker's whole life, including the family

Table 9.1 Sources: Comparison of traditional U.S. and Japanese management styles with the Theory Z approach. Based on information from Jerry D. Johnson, Austin College. Dr. Johnson was a research assistant for William Ouchi. William Ouchi, *Theory Z*, Avon, 1982.

9.5 Herzberg's Motivator-Hygiene Theory

5. What are the basic components of Herzberg's motivator-hygiene theory?

Another important contribution to our understanding of individual motivation came from Frederick Herzberg's studies, which addressed the question, "What do people really want from their work experience?" In the late 1950s, Herzberg surveyed numerous employees to find out what particular work elements made them feel exceptionally good or bad about their jobs. The results indicated that certain job factors are consistently related to employee job satisfaction, while others can create job dissatisfaction. According to Herzberg, **motivating factors** (also called *job satisfiers*) are primarily intrinsic job elements that lead to satisfaction. **Hygiene factors** (also called *job dissatisfiers*) are extrinsic elements of the work environment. A summary of motivating and hygiene factors appears in **Table 9.2**.

One of the most interesting results of Herzberg's studies was the implication that the opposite of satisfaction is not dissatisfaction. Herzberg believed that proper management of hygiene factors could prevent employee dissatisfaction, but that these factors could not serve as a source of satisfaction or motivation. Good working conditions, for instance, will keep employees at a job but won't make them work harder. But poor working conditions, which are job dissatisfiers, may make employees quit. According to Herzberg, a manager who wants to increase employee satisfaction needs to focus on the motivating factors, or satisfiers. A job with many satisfiers will usually motivate workers, provide job satisfaction, and prompt effective performance. But a lack of job satisfiers doesn't always lead to dissatisfaction and poor performance; instead, a lack of job satisfiers may merely lead to workers doing an adequate job, rather than their best.

Although Herzberg's ideas have been widely read and his recommendations implemented at numerous companies over the years, there are some very legitimate concerns about Herzberg's work. Although his findings have been used to explain employee motivation, in fact his studies focused on job satisfaction, a different (though related) concept from motivation. Other criticisms focus on the unreliability of Herzberg's methodology, the fact that the theory ignores the impact of situational variables, and the assumed relationship between satisfaction and productivity. Nevertheless, the questions raised by Herzberg about the nature of job satisfaction and the effects of intrinsic and extrinsic factors on employee behavior have proved a valuable contribution to the evolution of theories of motivation and job satisfaction.

Herzberg's Motivating and Hygiene Factors	
Motivating Factors	**Hygiene Factors**
Achievement	Company policy
Recognition	Supervision
Work itself	Working conditions
Responsibility	Interpersonal relationships at work
Advancement	Salary and benefits
Growth	Job security

Table 9.2

9.6 Contemporary Views on Motivation

6. What four contemporary theories on employee motivation offer insights into improving employee performance?

The early management scholars laid a foundation that enabled managers to better understand their workers and how best to motivate them. Since then, new theories have given us an even better understanding of worker motivation. Four of these theories are explained in this section: the expectancy theory, the equity theory, the goal-setting theory, and reinforcement theory.

Expectancy Theory

One of the best-supported and most widely accepted theories of motivation is expectancy theory, which focuses on the link between motivation and behavior. According to **expectancy theory**, the probability of an individual acting in a particular way depends on the strength of that individual's belief that the act will have a particular outcome and on whether the individual values that outcome. The degree to which an employee is motivated depends on three important relationships, shown in **Exhibit 9.6**.

1. The link between *effort and performance,* or the strength of the individual's expectation that a certain amount of effort will lead to a certain level of performance
2. The link between *performance and outcome,* or the strength of the expectation that a certain level of performance will lead to a particular outcome
3. The link between *outcomes and individual needs,* or the degree to which the individual expects the anticipated outcome to satisfy personal needs. Some outcomes have more valence, or value, for individuals than others do.

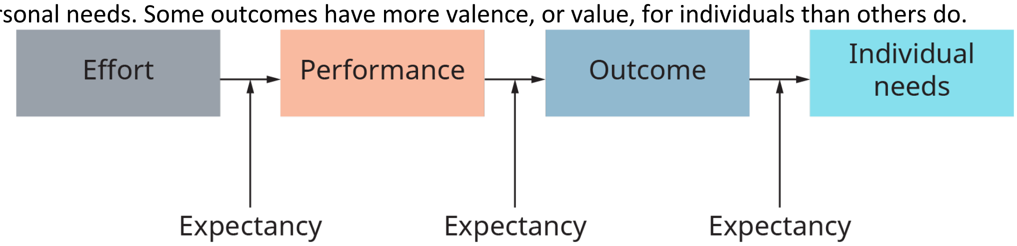

Exhibit 9.6 How Expectations Can Lead to Motivation (Attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license.)

Equity Theory

Another contemporary explanation of motivation, **equity theory** is based on individuals' perceptions about how fairly they are treated compared with their coworkers. Equity means justice or fairness, and in the workplace it refers to employees' perceived fairness of the way they are treated and the rewards they earn. For example, imagine that after graduation you were offered a job that paid $55,000 a year and had great benefits. You'd probably be ecstatic, even more so if you discovered that the coworker in the next cubicle was making $45,000 for the same job. But what if that same colleague were making $59,000 for the same job? You'd probably think it unfair, particularly if the coworker had the same qualifications and started at the same time as you did. Your determination of the fairness of the situation would depend on how you felt you compared to the other person, or referent. Employees evaluate their own *outcomes* (e.g., salary, benefits) in relation to their *inputs* (e.g., number of hours worked, education, and training) and then compare the outcomes-to-inputs ratio to one of the following: (1) the employee's own past experience in a different position in the current organization, (2) the employee's own past experience in a different organization, (3) another employee's experience inside the current organization, or (4) another employee's experience outside the organization.

According to equity theory, if employees perceive that an inequity exists, they will make one of the following choices:

- *Change their work habits* (exert less effort on the job)
- *Change their job benefits and income* (ask for a raise, steal from the employer)
- *Distort their perception of themselves* ("I always thought I was smart, but now I realize I'm a lot smarter than my coworkers.")
- *Distort their perceptions of others* ("Joe's position is really much less flexible than mine.")
- *Look at the situation from a different perspective* ("I don't make as much as the other department heads, but I make a lot more than most graphic artists.")
- *Leave the situation* (quit the job)

Managers can use equity theory to improve worker satisfaction. Knowing that every employee seeks equitable and fair treatment, managers can make an effort to understand an employee's perceptions of fairness and take steps to reduce concerns about inequity.

Exhibit 9.7 Ben & Jerry's founders Ben Cohen and Jerry Greenfield firmly believe the maxim that companies "do well by doing good." This idealism led the founders to once famously swear that no Ben & Jerry's executive would ever make more than seven times the lowliest worker's wage. But when growth required attracting exceptional top-level management, the company eventually abandoned its self-imposed ratio between its lowest and highest compensation rates. *How might perceived inequities in pay affect worker satisfaction and motivation?* (Credit: Mike Mozart/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

Goal-Setting Theory

Goal-setting theory is based on the premise that an individual's intention to work toward a goal is a primary source of motivation. Once set, the goal clarifies for the employee what needs to be accomplished and how much effort will be required for completion. The theory has three main components: (1) specific goals lead to a higher level of performance than do more generalized goals ("do your best"); (2) more difficult goals lead to better performance than do easy goals (provided the individual accepts the goal); and (3) feedback on progress toward the goal enhances performance. Feedback is particularly important because it helps the individual identify the gap between the *real* (the actual performance) and the *ideal* (the desired outcome defined by the goal). Given the trend toward employee empowerment in the workplace, more and more employees are participating in the goal-setting process.

To help employees during the peak 2017 holiday delivery season, UPS, FedEx, and the U.S. Postal Service paid additional overtime to help achieve their goals. UPS even deployed some office personnel to help deliver packages and created team goals to ensure there was cooperation and shared reward with employees from different departments within the organization. The strategy seems to have worked, with UPS reporting an on-time delivery rate of 99.1% for the week before Christmas.

Reinforcement Theory

Reinforcement theory says that behavior is a function of its consequences. In other words, people do things because they know other things will follow. So, depending on what type of consequences follows, people will either practice a behavior or refrain from it. There are three basic types of consequences: positive, negative, and none. In general, we think of positive consequences as rewards, but a **reward** is anything that increases the particular behavior. By contrast, **punishment** is anything that decreases the behavior.

Motivating with the reinforcement theory can be tricky because the theory is functional. All of its components are defined by their function rather than their structure. That is, consequences can operate differently for different people and in different situations. What is considered a punishment by one person may, in fact, be a reward for another. Nonetheless, managers can successfully use reinforcement theory to motivate workers to practice certain behaviors and avoid others. Often, managers use both rewards and punishment to achieve the desired results.

For example, retailers have long needed additional help during peak selling days like Black Friday and Cyber Monday. To help meet these needs, Urban Outfitters recruited salaried workers for a six-hour shift at its new fulfillment facility to help out some of their colleagues and sold the idea to salaried employees as a team-building activity. The workers were offered transportation and paid lunches and asked to wear comfortable shoes. Although it was not mandatory, an Urban Outfitters spokesperson commented: "After successfully opening our new fulfillment center in June, we asked salaried employees at our home office to volunteer for shifts that would help support the new center through a busy month of October. Unsurprisingly, we received a tremendous response, including many of our senior management."

9.7 From Motivation Theory to Application

7. How can managers redesign existing jobs to increase employee motivation and performance?

The material presented thus far in this chapter demonstrates the wide variety of theorists and research studies that have contributed to our current understanding of employee motivation. Now we turn our attention to more practical matters, to ways that these concepts can be applied in the workplace to meet organizational goals and improve individual performance.

Motivational Job Design

How might managers redesign or modify existing jobs to increase employee motivation and performance? The following three options have been used extensively in the workplace:

- *Job enlargement*. The horizontal expansion of a job, increasing the number and variety of tasks that a person performs, is called **job enlargement**. Increasing task diversity can enhance job satisfaction, particularly when the job is mundane and repetitive in nature. A potential drawback to job enlargement is that employees may perceive that they are being asked to work harder and do more with no change in their level of responsibility or compensation. This can cause resentment and lead to dissatisfaction.
- *Job enrichment*. **Job enrichment** is the vertical expansion of an employee's job. Whereas job enlargement addresses the breadth or scope of a job, enrichment attempts to increase job depth by providing the employee with more autonomy, responsibility, and decision-making authority. In an enriched job, the employee can use a variety of talents and skills and has more control over the planning, execution, and evaluation of the required tasks. In general, job enrichment has been found to increase job satisfaction and reduce absenteeism and turnover.
- *Job rotation*. Also called *cross-training,* **job rotation** is the shifting of workers from one job to another. This may be done to broaden an employee's skill base or because an employee has ceased to be interested in or challenged by a particular job. The organization may benefit from job rotation because it increases flexibility in scheduling and production and because employees can be shifted to cover for absent workers or changes in production or operations. It is also a valuable tool for training lower-level managers in a variety of functional areas. Drawbacks of job rotation include an increase in training costs and decreased productivity while employees are getting "up to speed" in new task areas.

Work-Scheduling Options

As companies try to meet the needs of a diverse workforce and retain quality employees while remaining competitive and financially prosperous, managers are challenged to find new ways to keep workers motivated and satisfied. Increasingly popular are alternatives to the traditional work schedule, such as flextime, compressed workweek, four-day workweek, telecommuting, and job sharing.

One option for employees who want an adjustable schedule is *flextime*, in use at 57 percent of U.S. companies. Flextime allows employees to decide what their work hours will be. Employees are generally expected to work a certain number of hours per week but have some discretion as to when they arrive at work and when they leave for the day.

Another option for employees who want to maximize their leisure hours, indulge in three-day weekends, and avoid commuting during morning and evening rush hours is the *compressed workweek.* Employees work the traditional 40 hours, but fit those hours into a shorter workweek. Most common is the 4-40 schedule, where employees work four 10-hour days a week. Organizations that offer this option claim benefits ranging from increased motivation and productivity to reduced absenteeism and turnover. According to the Society for Human Resource Management, 29 percent of U.S. companies offered employees a compressed workweek in 2017, down from 35 percent in 2013. One of the reasons for the downward trend may be the increasing popularity of a four-day workweek.

In 2017 the Society for Human Resource Management began tracking the popularity of a *four-day workweek*, offered in 13 percent of U.S. companies. In this option, employees work only four days a week, the same as a compressed workweek, but work 32 hours or less. The year before, Amazon announced a pilot project that allows some tech teams in their human resources department to work fewer hours for 75 percent of pay but retain the same benefits as full-time employees. In contrast, Tower Paddle Boards made permanent its pilot of reducing the workday to only five hours for the entire company. Employees retain the same pay and obligations as before so are challenged to be more productive in less time. In addition, the company started a 5 percent profit-sharing plan. Founder Stephan Aarstol says he expected to lose some revenue for a bit, but that didn't happen. Revenue the first year was up 40 percent.

Telecommuting is a work-scheduling option that allows employees to work from home via a computer that is linked with their office, headquarters, or colleagues. Often employers will use a mix of these scheduling options depending on the situation. Jacqueline Pawela-Crew was a group leader in Intel's management engineering unit who worked a compressed schedule. She worked Monday through Thursday, and on two of those days she telecommuted from her home. On the other two days, she worked a flexible schedule, sometimes getting to the office at 6 a.m., so she could be home when her children came home from school. Her former manager, Dan Enloe, was a U.S. Navy reservist and divorced dad, so he also used Intel's flexible schedule to meet his military and family needs. He sees the flexible scheduling as a key motivator for Intel's employees. "I've had workers tell me flat out, they were going to leave Intel if they didn't have the option of some flexibility with their schedules," he says. Ricardo Semler, CEO of Semco, a Brazilian conglomerate with 3,000 employees, sums up flexible work schedules this way: "The essence to us [at Semco] was that people who are free people, who [can act] based on self-interest, who can balance their own lives, are much happier, more productive people. If you take a business call on a Sunday afternoon, for instance, why not go to the movies on a Monday?" Semco's employees not only choose their own schedules, they often choose which part of the business to work for and even how much they'll be paid.

Job sharing is a scheduling option that allows two individuals to split the tasks, responsibilities, and work hours of one 40-hour-per-week job. Though used less frequently than flextime and the compressed workweek, this option can also provide employees with job flexibility. The primary benefit to the company is that it gets "two for the price of one"—the company can draw on two sets of skills and abilities to accomplish one set of job objectives. Mary Kaye Stuart is an account executive at a broadcasting company is Austin, Texas. After her doctor warned her that the stress of her 100-mile commute could shorten her life, she pursued job sharing. She teamed up with a former coworker, and each works three days a week, working together on Wednesdays. "Job sharing is a great solution to keeping people from burning out and preventing turnover," says Melissa Nicholson. She believes in the power of job sharing so much that, after years of doing it herself, she founded Work Muse to help companies set up job-share arrangements. Not all partnerships have been successful, she admits, but when they are, she loves having the ability to be flexible and for the workers to cover each other and support each other. "I'm able to just not think about email or work for four days a week," she said. "That's just an impossibility for most people."

Although each of these work-scheduling options may have some drawbacks for the sponsoring organizations, the benefits far outweigh the problems. The number of companies offering flexible work options has grown, and the trend is expected to continue.

Recognition and Empowerment

All employees have unique needs that they seek to fulfill through their jobs. Organizations must devise a wide array of incentives to ensure that a broad spectrum of employee needs can be addressed in the work environment, thus increasing the likelihood of motivated employees. A sampling of these motivational tools is discussed here.

Formal recognition of superior effort by individuals or groups in the workplace is one way to enhance employee motivation. Recognition serves as positive feedback and reinforcement, letting employees know what they have done well and that their contribution is valued by the organization. Recognition can take many forms, both formal and informal. Some companies use formal awards ceremonies to acknowledge and celebrate their employees' accomplishments. Others take advantage of informal interaction to congratulate employees on a job well done and offer encouragement for the future. Recognition can take the form of a monetary reward, a day off, a congratulatory e-mail, or a verbal "pat on the back." Recognition does not have to come from superiors to be meaningful, however. At The Motley Fool, a financial services company dedicated to helping people invest better, employees use the app YouEarnedIt to recognize the contributions of coworkers. In the app, employees are given "gold" to spend by thanking or complimenting one other along with a statement of what the recipient did to earn it. The recipients cash in the gold for real prizes or gift cards. Employees say this type of recognition may be better than management recognition.

Employee empowerment, sometimes called employee involvement or participative management, involves delegating decision-making authority to employees at all levels of the organization, trusting employees to make the right decision. Employees are given greater responsibility for planning, implementing, and evaluating the results of decisions. Empowerment is based on the premise that human resources, especially at lower levels in the firm, are an underutilized asset. Employees are capable of contributing much more of their skills and abilities to organizational success if they are allowed to participate in the decision-making process and are given access to the resources needed to implement their decisions. Netflix removes obstacles from employees' paths to success by eliminating policies and procedures to show its trust in employee decision-making, including in decisions about expenses and vacations. Netflix hires "fully formed adults" and tells them to use their best judgment to act in the company's best interest. The company believes employees will be more productive if not bound by processes. As a result of following these practices, Netflix is noted among companies 40 percent more productive than others.

Economic Incentives

Any discussion of motivation has to include the use of monetary incentives to enhance performance. Currently, companies are using a variety of variable-pay programs such as piece-rate plans, profit sharing, gain sharing, stock options, and bonuses to encourage employees to be more productive. Unlike the standard salary or hourly wage, variable pay means that a portion of an employee's pay is directly linked to an individual or organizational performance measure. In *piece-rate pay plans,* for example, employees are paid a given amount for each unit they produce, directly linking the amount they earn to their productivity. *Profit-sharing plans* are based on overall company profitability. Using an established formula, management distributes some portion of company profits to all employees. *Gain-sharing plans* are incentive programs based on group productivity. Employees share in the financial gains attributed to the increased productivity of their group. This encourages employees to increase productivity within their specific work area regardless of the overall profit picture for the organization as a whole.

One well-known approach to monetary incentives is the award of *stock options*, or giving employees the right to purchase a given amount of stock at below-market prices. Stock can be a strong motivator because those who receive the options have the chance to make a lot of money. Government tax incentive changes have affected how much equity (stock) companies offer each year, indicating that stock options are declining in popularity.

One popular incentive is the bonus. A *bonus* is simply a one-time lump-sum monetary award. In many cases, employees receive bonuses for achieving a particular performance level, such as meeting or exceeding a sales quota, and it is not uncommon for bonuses to be substantial. Google created a Founders' Award and once gave $12 million in restricted stock to the winners, a huge spot bonus for great work on a project. For line and staff employees, bonuses can add up to 3 to 5 percent of their annual pay; for middle managers, that figure rises to the low double-digit percentage range. For executives, specifically senior executives, bonuses can constitute up to 50 percent of their annual compensation.

That's not to say that small bonuses aren't good motivators. Google discovered the large range in values for the award created jealousy instead of fostering better teamwork. Based on employee input, Google changed from monetary awards to experiential awards, such as gifts and trips, and everyone was happier. "Spot" bonuses allow companies to target employees that impact the bottom line and can help motivate average employees. Sarah Clausen received her first bonus from Dallas-based Associa, a property management company, for overseeing the rollout of video-based town halls. "It really creates a feeling that your work is being valued and appreciated," she says. "It definitely leads me to want to stay here and do a good job."

Regardless of their size, bonuses are replacing the raise as the way companies compensate employees for a job well done and motivate them to perform at even higher levels. That is because bonuses can vary according to outcomes. Financial incentives that allow variability in compensation to reflect an individual employee's contribution are generally known as *pay-for-performance* programs. One of the many companies that use pay-for-performance programs is Allstate, which assigns employees' individual performance one of five grades. The size of an employee's bonus depends on his or her grade. For example, one worker may receive a bonus of 5.5 percent of her annual pay, but the worker in the next cubicle doing the exact same job—though less efficiently or productively—may receive only 2 percent. The pay-for-performance approach can also be used for CEOs. Tesla announced that CEO Elon Musk's compensation could be worth up to $55.8 billion over the next ten years, or nothing. Musk's compensation is tied to the market capitalization of the company. The percentage of annual payroll companies commit for pay-for-performance bonuses has fluctuated slightly in recent years but remains above 12 percent and is expected to continue.

9.8 Trends in Employee Motivation

8. What initiatives are organizations using today to motivate and retain employees?

This chapter has focused on understanding what motivates people and how employee motivation and satisfaction affect productivity and organizational performance. Organizations can improve performance by investing in people. In reviewing the ways companies are currently choosing to invest in their human resources, we can spot four positive trends: (1) education and training, (2) employee ownership, (3) work-life benefits, and (4) nurturing knowledge workers. All of the companies making *Fortune*'s annual list of the "100 Best Companies to Work For" know the importance of treating employees right. They all have programs that allow them to invest in their employees through programs such as these and many more. Today's businesses also face the challenge of increased costs of absenteeism. This section discusses each of these trends in motivating employees.

Education and Training

Companies that provide educational and training opportunities for their employees reap the benefits of a more motivated, as well as a more skilled, workforce. Employees who are properly trained in new technologies are more productive and less resistant to job change. Education and training provide additional benefits by increasing employees' feelings of competence and self-worth. When companies spend money to upgrade employee knowledge and skills, they convey the message "we value you and are committed to your growth and development as an employee."

Employee Ownership

A trend that seems to have leveled off is employee ownership, most commonly implemented as employee stock ownership plans, or *ESOPs*. ESOPs are not the same as stock options, however. In an ESOP, employees receive compensation in the form of company stock. Recall that stock options give employees the opportunity to purchase company stock at a set price, even if the market price of the stock increases above that point. Because ESOP employees are compensated with stock, over time they can become the owners of the company, an attractive exit strategy for current owners seeking a smooth transition. Behind employee ownership programs is the belief that employees who think like owners are more motivated to take care of customers' needs, reduce unnecessary expenses, make operations smoother, and stay with the company longer.

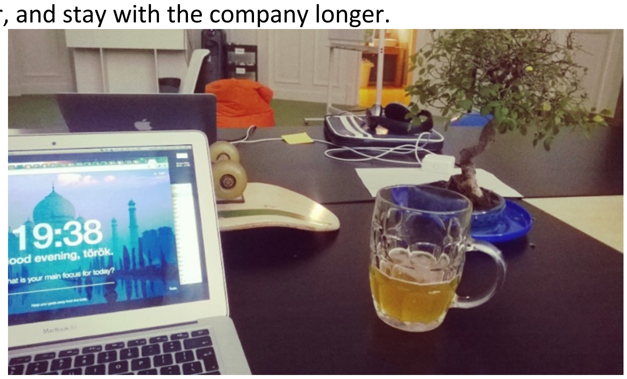

Exhibit 9.8 Companies sometimes create unusual perks to help attract and retain talented workers. Timberland employees receive a $3,000 subsidy to buy a hybrid automobile. Worthington Industries offers workers on-site haircuts for just $4. And at SC Johnson, retirees receive a lifetime membership to the company fitness center. One company even has a beer tap that it offers after 3 p.m. every Friday to get workers off to a relaxing weekend. *What trends are emerging in the ways companies seek to motivate workers and keep them happy on the job?* (Credit: nyuhuhuu/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

According to the National Center for Employee Ownership, there are roughly 6,717 ESOPs in the United States, with a total of 14 million participants. Despite changes in tax laws that resulted in a decrease in the number of publicly traded companies with ESOPs and the closure of dubious plans, the amount of stock held by ESOPs continues to increase. Multiple studies over 30 years conclude definitively that employee ownership results in a powerful competitive tool when combined with participative management.

ESOPs, however, also have drawbacks. The biggest concern is that some employees have so much of their nest eggs tied to their company's ESOP. If the company's performance starts to decline, they risk losing a significant portion of their wealth. This is what happened at Piggly Wiggly Carolina, a chain of grocery stores. Business started to decline. Employee and retirees watched as senior management made decisions to raise prices and then sell stores. The share value started declining each year, losing 90 percent of its value, until employees received notice the company did not have enough value to pay distributions that year. The notice stated that trustees planned to continue selling assets in the hope of making future payments. Former employees filed a lawsuit alleging senior management decisions resulted in lining their own pockets at the cost of the company's value.

Still, many companies successfully implement ESOPs. Axia Home Loans, a national residential mortgage lender based in Seattle, experienced record-breaking production and was able to attract top talent in the first year after creating its ESOP. After taking questions from non-managing shareholders about exit strategies, Gellert Dornay, president and CEO, looked into an ESOP and thought it would fit with the company's innovative and forward-thinking culture. "Studies show that employee-owned companies experience increased employee satisfaction, retention, and productivity gains," Dornay said, adding, "an ESOP rewards employees who contribute to the company's success by allowing them to share in the company's future increase in value."

So what enables one company with an ESOP, such as Axia Home Loans, to be more successful than another, such as Piggly Wiggly? It has a lot to do with the way companies treat employees. You can't just call an employee an owner and expect them to respond positively. You have to do something to make them feel like an owner and then involve them as owners. Piggly Wiggly illustrates that employee ownership is not a magic elixir. "When employees run the company, our decision methodology is different. Everything is in the primary best interest of the shareholders, who are the employees," Dornay said.

Work-Life Benefits
In another growing trend in the workplace, companies are helping their employees to manage the numerous and sometimes competing demands in their lives. Organizations are taking a more active role in helping employees achieve a balance between their work responsibilities and their personal obligations. The desired result is employees who are less stressed, better able to focus on their jobs, and, therefore, more productive. One tool companies are using to help their employees achieve work-life balance is the sabbatical. Sabbaticals can be traced back to the need for an incentive that would attract potential faculty members to Harvard University in the late 1800s. Today, sabbaticals can mean time off of a month or more, paid or unpaid. In today's business environment, companies are juggling cutting costs and increasing profits while simultaneously battling to keep employees motivated and positive about work. Sabbaticals can be an important tool to help managers achieve this balancing act.

Reports vary on whether the use of sabbaticals is rising or declining, but all agree that everyone benefits when employees take them. One benefit is that employees return refreshed and recharged. Morris Financial Concepts, Inc., a small financial planning firm, offers all full-time employees a paid, month-long sabbatical every five years. Kyra Morris, president and owner, says employees were working during vacations, even when discouraged not to. They are required to unplug during sabbaticals. Morris says sabbaticals work for both millennials and older employees and are a great recruiting tool. Zillow, the online real estate giant, offers six-week half-paid sabbaticals to employees at all levels of the organization after six years. Amy Bohutinsky, Zillow Group's chief operating officer, says the company wants to reward long-term employees, encourage them to have a life outside of work, and have them come back recharged. Another benefit is the opportunity to learn new skills, which can be an alternative to layoffs. Buffer, a social media management platform, avoided laying off an employee by creating a 12-week, in-house sabbatical at 50 percent pay for him to learn new skills—skills the company needed—to successfully transition into another department. Learning sabbaticals fit the company's value of self-improvement.

Nurturing Knowledge and Learning Workers
Most organizations have specialized workers, and managing them all effectively is a big challenge. In many companies, knowledge workers may have a supervisor, but they are not "subordinates." They are "associates." Within their area of knowledge, they are supposed to do the telling. Because knowledge is effective only if specialized, knowledge workers are not homogeneous, particularly the fast-growing group of knowledge technologists such as computer systems specialists, lawyers, programmers, and others. And because knowledge work is specialized, it is deeply splintered.

A knowledge-based workforce is qualitatively different from a less-skilled workforce. Increasingly, the success—indeed, the survival—of every business will depend on the performance of its knowledge workforce. The challenging part of managing knowledge workers is finding ways to motivate proud, skilled professionals to share expertise and cooperate in such a way that they advance the frontiers of their knowledge to the benefit of the shareholders and society in general. To achieve that auspicious goal, several companies have created what they call "communities of practice."

Exhibit 9.9 Employers seeking to stem the rising tide of absenteeism are developing innovative, flexible benefits for their employees. SC Johnson offers workers on-site childcare, an in-house doctor, and paternity leave. Prudential allows employees to take time off to care for sick children and elderly parents. Hewlett-Packard boasts a range of flexible work options to fit employees' hectic lives. *Do flexible options and benefits adequately address the root causes of absenteeism?* (Credit: MarylandGovPics/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

Coping with the Rising Costs of Absenteeism

With today's companies trying to do more work with fewer employees, managers must be attentive to two major trends that affect the performance and morale of their employees: absenteeism and turnover. According to the Bureau of Labor Statistics, the absence rate for full-time workers has remained relatively steady in recent years, slightly below 3 percent, for absences due to the employee's own illness, injury, or medical problems; child care problems; other family or personal obligations; civic or military duty; and maternity or paternity leave. Every day almost 3 percent of the full-time workforce does not show up for work, and this costs companies billions per year. However, not all reasons for unscheduled absences are genuine. CareerBuilder, a global end-to-end human capital solutions company, reports that 40 percent of unscheduled absences in 2017 were due to employees calling in sick when not. The top two reasons employees gave were a doctor's appointment and just didn't feel like going to work. Needing to relax, needing to catch up on sleep, running errands, catching up on housework, and plans with family and friends were also listed.

While some employees are taking a day off, employees covering for unscheduled absences are pushed to do more. The result is lower productivity and lower morale, especially if chronic absenteeism is not addressed. In addition to an attendance policy, offering incentives for attendance, wellness programs, employee assistance programs, and other benefits that show care for employees can lower absenteeism rates.

Another trend related to employee morale and absenteeism is turnover. The number of employees who are job-searching is on the rise. A recent Gallup survey found that 51 percent of current employees are looking to leave their current job, but an IBM survey found only 16 percent are actively seeking new employment. Both figures are great cause for concern. A high rate of turnover can be expensive and dampen the morale of other employees who watch their colleagues leave the company. The biggest reasons behind increasing turnover rates: career opportunities elsewhere and to get away from a bad manager.

High rates of turnover (or absenteeism) at the management level can be destabilizing for employees, who need to develop specific strategies to manage a steady flow of new bosses. High rates of turnover (or absenteeism) at the employee level compromises the company's ability to perform at its highest levels. In order to stay competitive, companies need to have programs in place to motivate employees to come to work each day and to stay with the company year after year.