

Bachelor Thesis: Employee Motivation and Performance

Organisation & Strategy

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Preface

This bachelor thesis is written for the Business Studies program of Tilburg University. It is a literature study on the topic of organisational behaviour and written in the spring semester of the 2009-2010 study year. The supervisor of this thesis is Drs. A.D. Timmers, from the Department of Organisation and Strategy. The coordinator is Drs. A.E. Kramer.

The subtopic of this thesis is employee motivation related to employee performance in the organisation. And aim of this thesis is to provide information on how employees can be intrinsically and/or extrinsically motivated to perform well in organisations.

Since this thesis is a literature research and is thus based on the research of others, references are provided at results, statements and conclusions of others. This has been done in order to prevent plagiarism.

Management Summary

This bachelor thesis is focused on the relationship between intrinsic and extrinsic motivation and employee performance. The thesis is a literature research and thus a review by the work of others.

In earlier research on this topic conducted by Vroom (1964) was concluded that a positive correlation between motivation and performance did not exist. However, later research proved that it is indeed possible to motivate employees intrinsically and extrinsically to perform well. It appears that when the organisation provides certain job characteristics, employees can be motivated to perform well in the organisation. And it also appeared that intrinsic factors have more effect on the relationship than extrinsic factors.

This thesis is divided in five chapters; an introduction to the problem, a chapter about employee motivation, a chapter about employee performance and one about how both types of employee motivation have an effect on performance. At last, in chapter five, the conclusion is presented, together with a discussion and managerial implications.

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1.1 Introduction

Motivation is a topic that is extensively researched. Halfway the twentieth century the first important motivational theories arose, namely Maslow's hierarchy of needs (1943), Herzberg's two-factor theory (1959) and Vroom's expectancy theory (1964). Those researches focused on motivation in general and employee motivation more specifically. In the past years various definitions of motivation were defined, e.g. Herzberg (1959) defined employee motivation once as *performing a work related action because you want to*.

It is commonly agreed that employee motivation can be separated in intrinsic and extrinsic motivation (Staw, 1976). Staw argues that one of the first attempts to make that distinction was in Herzberg's Two-Factor Theory (1959). However, the discussion about intrinsic and extrinsic motivation is more from latter years (e.g. Amabile, 1993 and Deci & Ryan, 2000). Especially important is the discussion about how intrinsic and extrinsic motivation can contribute to employees' performances (Ramlall, 2008).

The relationship between employee motivation and job performance has been studied in the past (Vroom, 1964). But high correlations between the two were not established. However, later research concluded that employee motivation and job performance are indeed positively correlated (Petty et al., 1984). This relationship is studied in this thesis and the aim is to provide managers useful information how employees' performances can be increased by motivating them intrinsically and/or extrinsically.

1.2 Problem statement

To what extent can the different types of employee motivation influence the performance of employees at the workplace?

1.3 Research Questions

1. What is motivation and how are its different forms related?
2. What is the importance of employee performance and how can it be measured?
3. How do the different forms of motivation influence employee performance?

1.4 Methodology

The aim of this thesis is to elaborate on the relationship between employee motivation and employee performance and to provide organisations and managers useful information on this

topic. The answers to all research questions will be based on literature research. Thus, by conducting a comprehensive review of the published work concerning the subject (Sekaran, 2003). The results of this thesis may lead to empirical research on the relationship between employee motivation and performance.

1.5 Structure

In the next chapter, chapter two, the concept motivation is explained. After some basic information and definitions two older motivational theories are explained (Herzberg (1959) and Maslow's (1943) theory). After that the distinction between intrinsic and extrinsic motivation is made. And at last, the relationship between both and their effects are clarified. Chapter three will focus on the job performance of employees in the organisation; the importance of employee performance will be addressed and also measuring job performance is described. This will be the basis for chapter four; the relationship between employee motivation and performance will be described in that chapter. Further in chapter four is explained how people can motivate employees intrinsically and extrinsically. The implications of both types of motivation are clarified and in chapter five the conclusion is provided together with a discussion and the managerial implications.

Chapter 2: Employee motivation

In the following chapter the concept motivation is explained. It seems that motivation can be conceived in many different ways; e.g. many researchers tried to formulate motivation but all proposed different approximations. Many research has been conducted about this subject and many theories were designed which greatly influenced and still influence organisational behaviour. For example Herzberg's theory of motivation (1959) is still used nowadays. According to Staw (1976) Herzberg was one of the first persons who distinguished between intrinsic and extrinsic motivation. And that distinction could clarify and therefore help motivating employees. In this chapter some definitions will be mentioned, together with an introduction of the theories of Maslow (1943) and Herzberg (1959). But more importantly a separation between intrinsic and extrinsic motivation is made. This separation is also helpful to clarify the relationship between employee motivation and performance.

2.1 The concept motivation

The first question that arises is: "why managers need to motivate employees?" (Herzberg, 1959). According to Smith (1994) it is because of the survival of the company. Amabile (1993) adds to this statement by arguing that it is important that managers and organisational leaders learn to understand and deal effectively with their employee's motivation; since motivated employees are necessary to let the organisation being successful in the next century. She also argues that unmotivated employees are likely to expend little effort in their jobs, avoid the workplace as much as possible, exit the organisation and produce low quality of work. In the case that employees are motivated; they help organisations survive in rapidly changing workplaces (Lindner, 1998). Lindner also argues that the most complex function of managers is to motivate employees; because what motivates employees changes constantly (Bowen and Radhakrishna, 1991). In this paragraph the different perspectives of motivation are described.

The term motivation arose in the early 1880's; before that time the term "will" was used by philosophers as well as social theorists when discussing effortful, directed and motivated human behaviour (Forgas, Williams and Laham, 2005). According to them motivation used to be considered as: *an entity that compelled one to action*. Lately, various researchers proposed different definitions of motivation. Motivation has been defined as: *the psychological process that gives behaviour purpose and direction* (Kreitner, 1995); *a predisposition to behave in a purposive manner to achieve specific, unmet needs* (Buford, Bedeian, & Lindner, 1995); *an*

internal drive to satisfy an unsatisfied need (Higgins, 1994); and *the will to achieve* (Bedeian, 1993). Mitchell (1982) stresses that although there is some disagreement about the importance of different aspects in the definition of motivation, there is consensus about some underlying properties. Namely, that motivation is an individual phenomenon, it is described as being intentional, it is multifaceted and that the purpose of motivational theories is to predict behaviour. Mitchell (1982) also argues that motivation is concerned with action and the internal and external forces that influence one's choice of action. And that motivation is not the behaviour itself, and it certainly is not performance. In relation to this, Mitchell (1982) proposes his own definition of motivation: "*motivation becomes the degree to which an individual wants and chooses to engage in certain specified behaviours*".

It is evident that managers need to motivate employees to obtain the desirable results for the organisation. And it can be stated that there is consensus about the facts that motivation is an individual phenomenon, it is described as being intentional, it is multifaceted and that the purpose of motivational theories is to predict behaviour. It seems that Herzberg and Maslow were among the first researchers at this topic and their theories are still being used today. Since these theories clarify the concept of motivation and they are useful for the separation of motivation in intrinsic and extrinsic motivation, they are explained in the next paragraph.

2.2 Herzberg and Maslow

Herzberg (1959) developed a well known motivation theory, namely the Two-Factor Theory; he distinguishes in his theory between motivators and hygiene factors. Important is that factors are either motivators or hygiene factors, but never both. Motivators are intrinsic motivational factors such as challenging work, recognition and responsibility. And hygiene factors are extrinsic motivational factors such as status, job security and salary (intrinsic and extrinsic factors are further described in the next paragraph). Motivating factors can, when present, lead to satisfaction and hygiene factors can, when not present, lead to dissatisfaction, but the two factors cannot be treated as opposites from each other. Herzberg defines motivation in the workplace as: *performing a work related action because you want to.*

Below, in figure 2.1, a table is presented with Herzberg's motivators and hygienes. As seen in the figure, motivators are intrinsic conditions to the work itself and hygienes extrinsic conditions to the work.

Motivators (leading to satisfaction)	Hygienes (leading to dissatisfaction)
Achievement	Company policy
Recognition	Supervision
Work itself	Relationship with boss
Responsibility	Work conditions
Advancement	Salary
Growth	Relationship with peers
	Security

Figure 2.1; Herzberg's Two-Factor Theory

The Two-Factor Theory of Herzberg (1959) is related to Maslow's (1943) theory of motivation, named Hierarchy of Needs. Maslow (1943) states in his need-hierarchy that there are at least five sets of goals, which are called the basic needs, namely: physiological, safety, love, esteem and self-actualization. And "we are motivated by the desire to achieve or maintain the various conditions upon which these basic satisfactions rest and by certain more intellectual desires" (Maslow, 1943). When the first, physiological, need is satisfied the next "higher-order need" has to be satisfied. Maslow distinguishes between lower- and higher-order needs; the lower-order needs are physiological, safety and love and the higher-order needs are the last two. Lower-order needs have to be satisfied in order to pursue higher-level motivators along the lines of self-fulfilment (Maslow, 1943). However, the five needs differ in type of motivation, e.g.: self-actualization is intrinsic growth of what is already in the organism, or more accurately of what is the organism itself (Maslow, 1970). Maslow (1943) argues that self-actualisation is absolutely not something extrinsic that an organism needs for health, such as e.g. "a tree needs water". Hereby, Maslow (1943) refers to the lower order needs as being more extrinsic and the higher order needs more intrinsic. Below, in figure 2.2, a chart of Maslow's hierarchy of needs is presented.

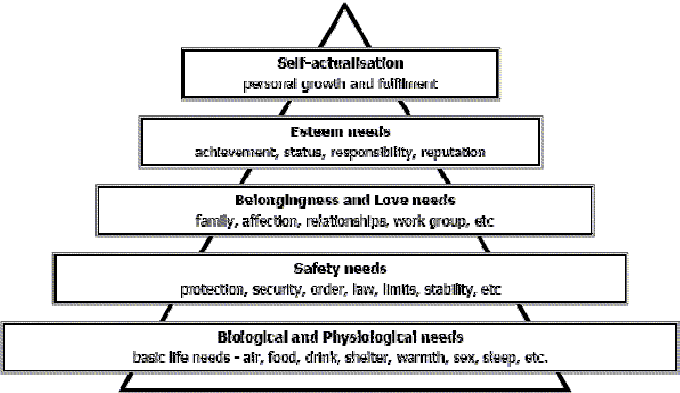


Figure 2.2; Maslow's Hierarchy of Needs

In fact, Herzberg, Mausner and Snyderman (1959) redefined Maslow's (1943) Hierarchy of Needs into their two categories named: hygiene and motivators. This is one of the first attempts to make up the difference between intrinsic and extrinsic motivation (Staw, 1976). And they emphasized that satisfaction and dissatisfaction cannot be treated as opposites from each other (Salancik and Pfeffer, 1977). It can even be stated, according to Furnham, Forde and Ferrari (1998) that the motivator needs of Herzberg are very similar to the higher-order needs in Maslow's Theory of Needs.

It can be stated that Herzberg's (1959) Two-Factor Theory and Maslow's (1943) Hierarchy of Needs are two related theories. And it seems that these two theories form the basis for later motivational theories, since they make a very clear distinction between intrinsic and extrinsic motivation. Intrinsic and extrinsic motivation are explained in the next paragraph.

2.3.1 Intrinsic and extrinsic motivation

As described earlier, motivation can be separated in intrinsic and extrinsic motivation. Amabile (1993) explains this as follows:

- Individuals are intrinsically motivated when they seek enjoyment, interest, satisfaction of curiosity, self-expression, or personal challenge in the work.
- Individuals are extrinsically motivated when they engage in the work in order to obtain some goal that is apart from the work itself.

Deci (1972) describes extrinsic motivation as, money and verbal reinforcement, mediated outside of the person, whereas intrinsic motivation is mediated within the person. And a person is intrinsically motivated to perform an activity if there is no apparent reward except the activity itself or the feelings which result from the activity. Amabile (1993) argues that employees can be either intrinsically or extrinsically motivated or even both.

It seems that intrinsic and extrinsic motivators apply differently to persons. Vroom (1964) argues that some employees focus on intrinsic outcomes whereas others are focused on extrinsic outcomes. According to Story et al. (2009), individuals high in intrinsic motivation seem to prefer challenging cognitive tasks and can self-regulate their behaviours, so offering rewards, setting external goals, or deadlines, will do little for them, unless they are also high in extrinsic motivation. For employees high in intrinsic motivation, emphasis could be placed on the

engaging nature of the task and encouragement of self-set goals and deadlines (Story et al., 2009). Hackman and Oldham (1976) even argue that people have individual differences in response to the same work; they differentiate between employees high and low in growth need strength. People high in growth need strength are most likely to be motivated by jobs with high skill variety, task identity, task significance, autonomy and feedback. And people low in strength are relatively insensitive for these factors according to them. This statement is supported by Furnham et al. (1998); they argue that introverts are more extrinsically motivated and extraverts more intrinsically motivated. However, it not only seems that persons are differently motivated but intrinsic and extrinsic motivation also have effect on each other.

2.3.2 The relationship between intrinsic and extrinsic motivation

The distinction between intrinsic and extrinsic motivation is evident, however researchers argue that intrinsic and extrinsic motivation also have an effect on each other. Deci (1972) claims that in some cases extrinsic motivators can decrease intrinsic motivation. He argues that if money is administered contingently, it decreases intrinsic motivation. But this event will not occur if the money is non-contingently distributed. Amabile (1993) reacts to this discussion by stating that although extrinsic motivation can work in opposition to intrinsic motivation, it can also have a reinforcing effect: “once the scaffolding of extrinsic motivation is taken care of, intrinsic motivation can lead to high levels of satisfaction and performance”. She also states in her research that both intrinsic and extrinsic values can motivate employees to do their work, however intrinsic and extrinsic motivation can have very different effects on employees.

In conclusion can be stated that employees can be intrinsically and/or extrinsically motivated, to perform a certain task (Amabile, 1993). And that extrinsic and intrinsic motivation can reinforce each other, but in some cases extrinsic motivators can also decrease intrinsic motivation (Deci, 1972). Furthermore, researchers argue that not all people are equally motivated; some employees are more intrinsically and others more extrinsically motivated (Furnham et al., 1998).

2.4 Conclusion

Motivation in the workplace is a broadly researched topic (Rynes et al, 2004, etc.). Earlier research has been conducted by Maslow (1943) and Herzberg (1959), who were pioneers at their subject. Lots of definitions have been composed, e.g. Herzberg’s definition of motivation in the workplace is: *performing a work related action because you want to* (Herzberg, 1959). And some disagreements took place about the importance of certain aspects, but consensus is in the facts

that motivation is an individual phenomenon, it is described as being intentional, it is multifaceted and that the purpose of motivational theories is to predict behaviour (Mitchell, 1982).

The distinction between intrinsic and extrinsic motivation is also explained. Namely, individuals are intrinsically motivated when they seek enjoyment, interest, satisfaction of curiosity, self-expression, or personal challenge in the work. And individuals are extrinsically motivated when they engage in the work in order to obtain some goal that is apart from the work itself (Amabile, 1993). Both intrinsic and extrinsic motivators are important in motivating employees (Herzberg, 1959). It must be argued that managers must not focus on the most important factors solely. Since, according to Herzberg (1959) managers need to address all hygiene and motivator factors to motivate employees.

In the next chapter, employee performance is explained, since the scope of this thesis lies in influencing employee performance by intrinsic and extrinsic motivation. To explore that relation, also some general information about employee performance and the measurement of it are provided.

Chapter 3: Employee performance

Performances can be separated in organisational and employee performance. Employee performance is also known as job performance. However, it seems that job performance is mostly subjectively measured in organisations and it will appear that there are few alternative options. In this chapter, at first the distinction between organisational and job performance is made. After that the concept job performance is highlighted, together with measuring it and its implications.

3.1 Performance in organisations

Performance in organisations can be separated in organisational performance and job performance (Otley, 1999). According to Otley, the performance of organisations is dependent upon the performance of employees (job performance) and other factors such as the environment of the organisation. The distinction between organisational and job performance is evident; an organisation that is performing well is one that is successfully attaining its objectives, in other words: one that is effectively implementing an appropriate strategy (Otley, 1999) and job performance is the single result of an employee's work (Hunter, 1986). Since the aim of this thesis is to provide a link between motivating employees and their performance, organisational performance lies outside the scope of this research and only job performance is addressed.

3.2 Job performance

A good employee performance is necessary for the organisation, since an organisation's success is dependent upon the employee's creativity, innovation and commitment (Ramlall, 2008). Good job performances and productivity growth are also important in stabilizing our economy; by means of improved living standards, higher wages, an increase in goods available for consumption, etc (Griffin et al., 1981). Griffin et al. also argue that therefore research of individual employee performance is important to society in general.

Employee production and employee job performance seems to be related; e.g. in the U.S. performance is in some cases measured as the number and value of goods produced. However, in general productivity tends to be associated with production-oriented terms (e.g. profit and turnover) and performance is linked to efficiency or perception-oriented terms (e.g. supervisory ratings and goal accomplishments) (Pincus, 1986).

According to Hunter and Hunter (1984) crucial in a high job performance is the ability of the employee himself. The employee must be able to deliver good results and have a high

productivity. Hunter and Hunter (1984) also argue that this is something the organisation can know at forehand; they can select employees with the required abilities or they can recruit those employees themselves. Of course the latter is more time consuming, but can obtain better results in the end (Hunter, 1986).

However, job performance is more than the ability of the employee alone. Herzberg (1959) and Lindner (1998) refer to the managerial side of performance. According to Herzberg (1959) performance is: *let an employee do what I want him to do*. This implies that the organisation's hierarchy and task distribution are also critical for a good employee performance. Lindner (1998) adds to this statement by arguing that employee performance can be perceived as "obtaining external funds". According to Vroom (1964) an employee's performance is based on individual factors, namely: personality, skills, knowledge, experience and abilities. Many researchers agree that job performance is divided in those five factors (e.g. Hunter & Hunter, 1984). Some researchers even argue that a person's personality has a more specific role in job performance (Barrick & Mount, 1991). However, according to various researchers, it is not what performance exactly means, but how it is composed and how it is measured (Furnham, Forde & Ferrari, 1998; Barrick & Mount, 1991).

Vroom's (1964), Hunter & Hunter's (1984), Hunter's (1986), etc. results are evident. Namely, Job performance can be divided in personality, skills, knowledge, experience and abilities. Some researchers even argue that personality has a more specific role in job performance. However, according to Bishop (1989) and others, job performance contains a problem; namely the measurement of performance.

3.3 Measuring job performance

According to Kostiuk and Follmann (1989) in most organisations performance is measured by supervisory ratings, however these data are not very useful since they are highly subjective. Bishop (1989) adds to this that in most jobs an objective measure of productivity does not exist. Bishop (1989) also states that the consistency of worker performance is greatest when conditions of work are stable, but in practice work conditions never are stable. This makes it even harder to measure performances objectively. According to Perry and Porter (1982), the performance of many employees probably will be measured despite the lack of availability of generally accepted criteria.

Perry and Porter (1982) and Bishop (1989) both argue the problem of objective measuring, however according to Bishop (1989) the problem even increases because most employers believe they can rate the productivity of their employees, and that it is done in an inefficient manner. However, Bishop (1989) states, it is not impossible, but only costly to obtain objective information about a worker's effort and productivity.

It is stated before that some researchers argue that a person's personality plays a more specific role in job performance (Barrick & Mount, 1991). However, the effect personal characteristics and education have on performance is difficult to interpret, since those estimates are imprecise and the models who claimed that can interpret them are rejected as invalid (Kostiuk & Follmann, 1989). However, Kostiuk and Follmann do argue that personality differences seem to be important in the relationship with performance.

It can be stated that job performance contains a problem; the measurement of it. Job performances are commonly measured by supervisory ratings and those ratings are not perceived as objective. However, it seems that there are alternative options to measure job performance; these are addresses in the next paragraph.

3.4 Options for measuring job performance objectively

Breaugh (1981) states in his research that there are four different performance dimensions on which employees are measured, named: quality, quantity, dependability and job knowledge. This theory combined with Vroom's (1964) theory results in the work of Hunter (1986). He designed the route in which most employers can rate their employee's productivity. His theory is presented in figure 3.1.

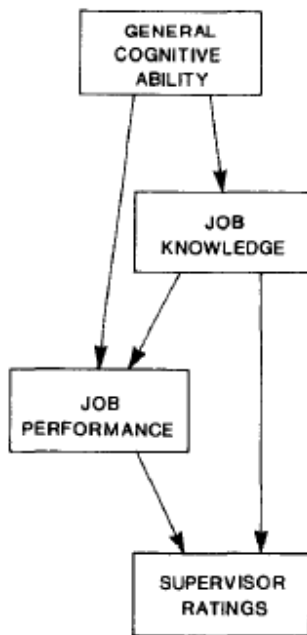


Figure 3.1; Hunter's (1986) job performance scheme

According to Hunter (1986) learning the job is the key to job performance, and general cognitive ability predicts learning. Therefore general cognitive ability is the key predictor of job performance. General cognitive ability together with job knowledge indicates job performance and allows the employee's supervisor to rate performance. According to Hunter this is a simplified but an effective and objective way to measure employee performance. Kostiuk and Follmann (1989) add to the statement of Hunter (1986) that employees with good abilities in combination with sufficient experience are twice as productive after two years and therefore learning the job is indeed a key to performance. Hunter (1986) argues that supervisory ratings based on ability provide more objective measurements.

However, despite the higher objectivity in the theory of Hunter (1986) this type of measuring job performance is still based on supervisor ratings. And supervisory ratings are commonly rejected as being objective (Bishop, 1989). Griffin et al. (1981) concluded in their literature review that there are few true objective options to measure job performance; one alternative is used in the research of Umstot, Bell, & Mitchell, in 1976. Namely; take job performance as "the average number of units produced per hour for one day; adjusted for set-up and called productivity". Griffin et al. (1981) argue that there are some other options to measure job performance

objectively, but they have more to do with productivity; e.g. job performance taken as “number of units produced divided by total time worked (i.e., items per minute)”.

It seems that performance in organisations is commonly measured subjectively, but there exist few alternatives for objective ways. However, the scope of this thesis is not on designing an objective measurement for job performance. Therefore, in this thesis, the measurement of job performance is taken as an entity.

3.5 Conclusion

Performance in organisations can be divided in organisational performance and job performance. The scope of this thesis lies at job performance, and is known as the result of an employee its work. A good employee performance is necessary for the organisation, since an organisation’s success is dependent on employee’s creativity, innovation and commitment (Ramlall, 2008). It is generally accepted that an employee’s performance is based on individual factors, namely: personality, skills, knowledge, experience and abilities (Vroom, 1964).

Job performance also has its implications; the measurement of job performance is mostly not objective. In most organisations employee’s performances are measured by supervisory ratings. According to Perry and Porter (1982) one cause is that there are no generally accepted criteria for measurements. Hunter (1986) argued in his theory that ability and job knowledge play the most important role in job performance and designed a framework for measuring job performance in a less subjective manner. Although, it seems that there exist alternatives for measuring job performance objectively but they are scarce. However, the aim of this thesis is on the relationship between employee motivation and performance and not on designing an objective measurement for performance. Therefore, in this thesis the measurement of job performance is taken as an entity. The relationship between employee motivation and performance is addressed in the next paragraph.

Chapter 4: Employee motivation and performance

It is already argued that managers need to motivate employees to perform well in the firm, since the organisation's success is dependent upon them (Ramlall, 2008). However, it is only later research that succeeded in establishing a positive correlation between employee motivation and job performance. In this chapter, at first the relationship between employee motivation and performance will be explained. After that, it will be described how employees can be intrinsically and/or extrinsically motivated to perform well. It will appear that there are several options for intrinsic motivation and extrinsic motivation, but extrinsic factors alone will not lead to an increase in employee motivation.

4.1 The relationship between employee motivation and job performance

The viewpoint that motivation causes performance comes from human relations theory (Filley et al., 1976). The relationship between employee motivation and job performance has been studied for a long period. However, earlier research could not succeed in establishing a direct relationship between the two (Vroom, 1964). Yet it seems that the factors do influence each other. Petty et al. (1984) reviewed the 15 studies Vroom (1964) used in his research and added another 20 more recent studies; they concluded that employee motivation and performance are indeed related. The results of their research indicate that the relationship between individual, overall job satisfaction and individual job performance is more consistent than reported in previous researches (e.g. Vroom, 1964). And Hackman and Oldham (1976) argue that when employee satisfaction is added, a circular relationship is formed with performance, satisfaction and motivation. The term satisfaction is also used by Herzberg (1959); he argues that when intrinsic factors (motivators) are present at the job, satisfaction is likely to occur as well as an increase in employee motivation. Amabile (1993) states that work performances are dependent upon the individual's level of motivation; the individual's level of motivation can be intrinsically and/or extrinsically based. It is also argued that certain job characteristics are necessary in establishing the relationship between employee motivation and performance (e.g. Brass, 1981; Hackman & Oldham, 1976; etc.).

Brass (1981) argues that when certain job characteristics are present in an organisation, employees are better motivated and an increase in performance is noticeable. Job characteristics refer to specific attributes or dimensions that can be used to describe different tasks (Griffin et al., 1981). Hackman and Oldham (1976) defined five job characteristics, which are based on the Two-Factor Theory from Herzberg (1959). Those characteristics are: skill variety, task identity,

task significance, autonomy and feedback. The results of their study indicate that employees who work on jobs scoring high on the five characteristics, show high work motivation, satisfaction and performance (Brass, 1981). Hackman and Oldham (1976) conclude that employees can be motivated through the design of their work; they argue that by providing certain intrinsic and extrinsic factors an employee can be motivated to perform well.

The five job characteristics (skill variety, task identity, task significance, autonomy and feedback) can bring the employee to three “critical psychological states”, namely: (1) experienced meaningfulness of the work, (2) experienced responsibility for outcomes of the work and (3) knowledge of the actual results of the work activities (Hackman & Oldham, 1976). And according to Hackman and Oldham, the three critical psychological states will lead to high motivation, satisfaction and performance. A visual presentation of their theory is added in figure 4.1. Hackman and Oldham (1976) also argue that the growth need strength of the employee has a role in the relationship; employees who have a high need for personal growth and development will respond more positively to a job high in motivating potential than employees with a lower need for growth strength. According to them, growth need strength has a moderating effect on the relationship. This statement is also argued by Furnham et al. (1998); they state that personality differs in extent to how employees react to intrinsic and extrinsic values. Their research concludes that for introverts extrinsic factors are more important, and extraverts are more intrinsically motivated. Therefore introverts are less satisfied than stable individuals and perform to a lesser extent. This concludes that there presumably also a relationship between personality and performance exists (Gray, 1975).

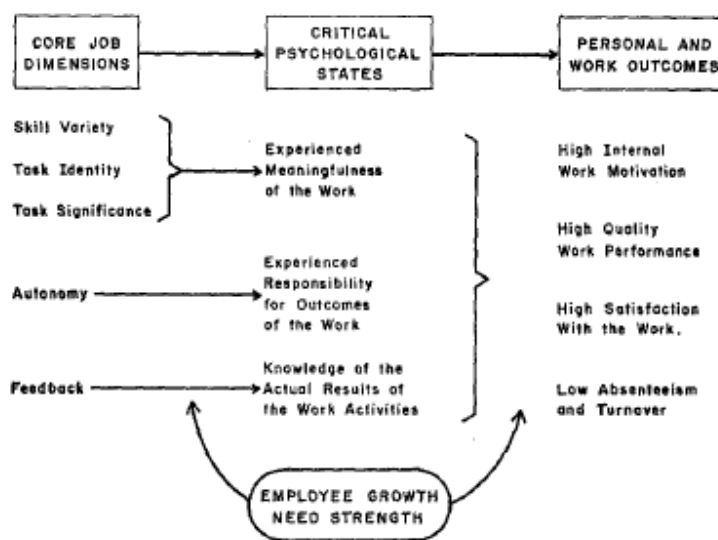


Figure 4.1; Hackman and Oldham's (1976) theory

However, the exact relation among motivation, satisfaction and performance is not yet defined. Petty et al. (1984) argue that the relationship is circular and starts by a high performance causing satisfaction. According to them, when the employee performs well on a particular task, satisfaction will occur. Because of the internal satisfaction of the employee, the employee is motivated to try to perform well in the future (Brass, 1981). The circular relationship between performance, satisfaction and motivation is shown in figure 4.2. According to Hackman and Oldham (1976) the result is “a self-reinforcing cycle of work motivation, powered by self-generated rewards (satisfaction), that will continue until one of the three psychological stages is no longer present, or until the employee no longer values the internal rewards (satisfaction no longer occurs) form his/her good performance”. However, Hackman and Oldham’s (1976) theory is based on intrinsic factors because they argue that an increase in extrinsic factors does not lead to an increase in performance. However, other research suggests that the self-reinforcing circle also could work for extrinsic motivators (e.g. Ansar et al., 1997; Kraimer et al., 2005).

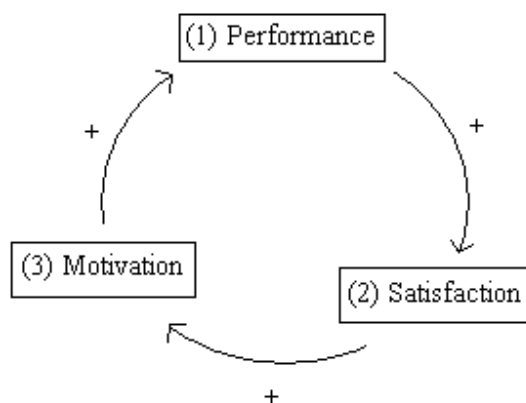


Figure 4.2; The relationship of Performance, Satisfaction and Motivation

It can be concluded that the relationship between employee motivation and performance seems to be circular. Starting by a high performance causing satisfaction, this increases the employee’s motivation to try to perform well in the future. This circular relationship can be caused by providing opportunities for high scores on the five job characteristics; skill variety, task identity, task significance, autonomy and feedback. And according to other research the circular relationship can also be caused by certain extrinsic factors. However, as described in chapter three, the employee must also have the abilities to perform well. In the next paragraphs it is explained how employees can be intrinsically and/or extrinsically motivated to perform. At forehand must

be stated that in organisations it is likely that both intrinsic and extrinsic motivators are present for most tasks that people do in their work (Amabile, 1993).

4.2 Motivating employees intrinsically to perform

Amabile (1993) states in her research that employees can be intrinsically and/or extrinsically motivated. According to her there exist jobs which are purely extrinsic motivated, however pure intrinsically motivated jobs are scarce. Deci (1972) argues that employees can be motivated to perform well by the job itself and can derive satisfaction from a good performance.

The five job characteristics, as proposed by Hackman and Oldham (1976), Brass (1981), Griffin et al. (1981), etc, are intrinsic motivators. They are designed in this way since, e.g. according to Herzberg's (1959) theory, only intrinsic factors can lead to an increase in motivation (extrinsic factors cannot cause motivation according to Herzberg; they can only cause de-motivation when not present on the job). This statement is also argued by Deci (1972); according to him there are two essential aspects to motivating employees intrinsically. The first one involves designing tasks which are interesting. And the second one is allowing workers to have some say in decisions which concern them, also known as autonomy. Amabile (1993) adds to this discussion that employees feel capable if they obtain feedback that indicates their progress in their jobs, or suggests ways for improvement. However as Deci (1972) and Amabile (1993) argue, the difficulty of the employee's work should match his/her ability and intrinsic motivation cannot exist unless the task is interesting in some degree. An interesting task arises from skill variety, task identity and task significance (Deci, 1972). Hereby Deci (1972) refers to the five job characteristics a certain job must have in order to produce high intrinsic motivation and performance. Leavitt (1962) suggests that challenging jobs may be even more important than allowing autonomy; however he argues that the most intrinsically motivating jobs are the ones which have both.

According to Brass (1981) and Hackman and Oldham (1976) for a high performance, an organisation has to be able to provide high scores on the five job characteristics. In case the organisation does not succeed in this, the cycle of performance, satisfaction and motivation will not longer be a reinforcing but a downward cycle. When an organisation does not provide the right characteristics for a good performance, a person will not derive internal satisfaction and motivation to perform well in the future will not arise (Griffin et al., 1981).

However, as argued before, the type of personality of an employee also has a role in the employee's level of intrinsic motivation; this seems to be related to the level of commitment of an employee. Seligman (2002) refers to intrinsic motivation of employees by distinguishing three kinds of work orientation: a job, a career and a calling; a job has the lowest level of commitment (mostly extrinsically motivated) and a calling the highest level (a combination of high intrinsic and extrinsic motivation). Seligman explains that the part of what turns a job into a calling is the state known as flow; in other words flow has a mediating function. Csikszentmihalyi (1997) defined flow as "complete absorption in an activity whose challenges mesh perfectly with one's ability", hereby is referred to the abilities an employee needs to have to be able to perform. This is also argued by Hunter (1986), who states that learning the job is the key to job performance and that ability is a key predictor of performance. According to Ramlall (2008) employees who experience flow are more productive than others. Ramlall (2008) additionally argues that if the personality of the employee is in line with the organisation, it will create higher levels of satisfaction as well as higher outputs.

In conclusion, it can be argued that organisations need to score high on the five job characteristics (skill variety, task identity, task significance, autonomy and feedback). This is order to intrinsically motivate their employees for generating a high performance. However, it also seems that the personality and ability of an employee have a moderating effect on the relationship. In the next paragraph it is described how employees can be extrinsically motivated.

4.3 Motivating employees extrinsically to perform

It is argued by Amabile (1993) that there exist numerous jobs which are purely extrinsic motivated. However, when taking Herzberg's (1959) Two-Factor theory into account, it is argued that extrinsic factors (or hygiene factors) cannot cause motivation or satisfaction, so it is likely that those factors are not causing high performances (Brass, 1981). Hackman and Oldham (1976) argue that an exclusively increase in extrinsic factors will not lead to an increase in performance. However, it seems that there are some extrinsic factors which can (in combination with intrinsic factors) lead to higher performances (e.g. Ansar et al., 1997).

Extrinsic motivators are not a logically inherent part of the work, as Amabile (1993) describes. She states that they are intended to control the performance of the work. Examples are: promised rewards, praises, critical feedback, deadlines, surveillance and specifications on how the work needs to be done. An example of a purely extrinsic task is doing formal performance reviews of

employees; that's a task which is barely intrinsically motivated. In Seligman's (2002) theory, a person who is extrinsically motivated can be described as an employee who perceives his work orientation as "a job"; this kind of worker performs his job for the paycheck at the end of the month.

Salary is an extensively researched extrinsic motivator. Since it is labeled as an extrinsic factor, it is not perceived as causing motivation in the workplace (Herzberg, 1959). However recent research of Ansar, Cantor & Sparks (1997) resulted in considerable evidence that higher wages directly affect job performance. They also argue that in the case that labour turnover is costly for an organisation (because of severance, training and hiring costs), firms could pay higher wages to decrease quit rates and save on turnover costs. These statements are confirmed by Rynes et al. (2004); they argue that pay is probably the most important motivational factor. And Jurgensen (1978) concluded that job applicants seemed to believe that pay is the most important attribute to everyone except themselves. Ansar et al. (1997) also argue that that lowering wage levels to market parity can even reduce worker productivity. However, Deci (1972) argues that pay can decrease intrinsic motivation. Deci (1972) proved in his research that if payments are non-contingently presented it decreases intrinsic motivation and it does not if payments are contingently presented.

However, it not only seems that pay increases job performances but a high commitment to supervisors and a high job security can obtain the same results (Becker et al., 1996; Kraimer et al., 2005). Becker et al. (1996) concluded in their research that a high overall commitment to an employee's supervisors and peers increases job performance. But, they state that overall commitment to organisations is uncorrelated with job performance. Kraimer et al. (2005) argue that when organisations succeed in providing employees a high job security, job performances will increase. And the other way around; they concluded that the less job security an employee has, the fewer obligation the person has to perform well. However, Perry and Porter (1982) argue that job security can be expensive for firms if they rely on temporary workers. But according to Lindner (1998), managers should begin by focusing on pay and job security before focusing on the five intrinsic job characteristics. Linder (1998) also argues that the reinforcing circle of performance is applicable to salary, commitment to supervisors and peers and job security; through one of these factors a higher performance is established, which causes satisfaction for the employee and results in a higher motivation to perform well in the future.

It is argued by researchers that extrinsic factors do not contribute to an increase in performance. However, it seems that for some forms of extrinsic factors the opposite is true. It is stated that salary, commitment to supervisors and peers and job security can increase job performances. Through providing one or more of these factors a higher performance is established, therefore the employee gains external satisfaction and is motivated to perform well in the future. But managers should be careful with extrinsic motivational factors, since in some cases they can decrease intrinsic motivational factors.

4.4 Conclusion

Earlier research could not succeed in establishing a positive correlation between employee motivation and performance. However, later research suggested that indeed a positive relationship exists between the two. This relationship becomes clear when satisfaction is added in the formula; the result is a self-reinforcing circle of performance, satisfaction and motivation. An employee achieves a high performance because certain characteristics are provided at the job and he has the ability to reach that performance. From the resulting high performance the employee derives internal satisfaction and is motivated to perform well in the future (Hackman & Oldham, 1976).

Employees can be intrinsically motivated to perform well when the organisation succeeds in providing high scores on the five job characteristics: skill variety, task identity, task significance, autonomy and feedback. It seems that it is also possible to extrinsically motivate employees to perform well; it is argued that also for salary, commitment with supervisors and peers and job security the self-reinforcing circle is applicable. See figure 4.3 for a visual presentation.

It is also stated that there are many jobs which are purely extrinsically motivated and jobs which are purely intrinsically motivated are scarce. However, most likely to occur are jobs which are both intrinsically and extrinsically motivated (Amabile, 1993). But it is also stated that an increase in extrinsic factors alone does not lead to an increase in performance. And at last, it is argued that extrinsic factors have an influence on intrinsic motivation and in some cases can even decrease intrinsic motivation.

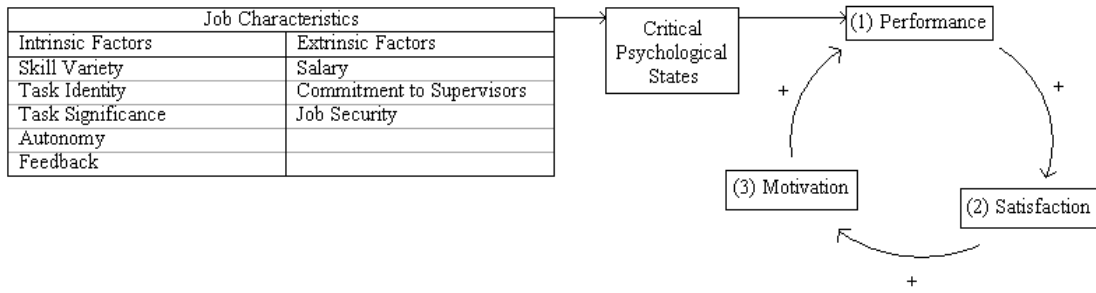


Figure 4.3; Intrinsic and extrinsic factors leading to a high performance

Chapter 5: Conclusion

This chapter will give an answer to the problem statement of this thesis. The problem statement is known as: *to what extent can the different types of employee motivation influence the performance of employees at the workplace?* In the first paragraph the conclusions of the literature research will be provided, after that the discussion points are described and in the last paragraph some managerial implications will be given.

5.1 Conclusion

At first it can be concluded that it is indeed possible to motivate employees to perform well for an organisation and that is a critical task for managers. It seems that there exists a self-reinforcing circular relationship between the performance, satisfaction and motivation of an employee; an employee achieves a high performance, therefore internal satisfaction arises and the employee is motivated to perform well in the future. It is stated that a high performance can be reached when the organisation provides certain job characteristics.

Secondly, it is stated that employees can be both intrinsically and extrinsically motivated to perform well. Most jobs are even both intrinsically and extrinsically motivated (Amabile, 1993). It can also be concluded that intrinsic factors can contribute in a greater extent to employee motivation than extrinsic factors. Some researchers even argue that an increase in extrinsic factors solely does not lead to an increase in performance. Research proved that to intrinsically motivate employees, the organisation needs to score high on five job characteristics: skill variety, task identity, task significance, autonomy and feedback. And to extrinsically motivate employees, the organisation needs to score high on salary, commitment to supervisors and peers and job security. These job characteristics together with the ability of the employee provide the opportunity for a high performance, which is the start of the self-reinforcing circle (Hackman & Oldham, 1976). It is important that managers provide all job characteristics, since that will lead to the highest employee performance. However, it must be argued that this relationship is not infinite; it could be that the employee does not longer derive satisfaction from his performance or that one of the three psychological stages is no longer present. Therefore organisations must make sure that performances can be continuously improved.

At last, it can be argued that there are numerous other ways to increase the performance of employees in organisations (e.g. diversity, leadership, etc.), thus management should not focus on

motivation solely. But it can be concluded that particularly intrinsic factors can greatly contribute in increasing employee productivity.

5.2 Discussion

However, not all findings in the available literature were complementary. Some researchers made contradictory statements on the fact how extrinsic motivators can contribute to motivation and performance. E.g. on the topic of how salary influences employee motivation; some researchers argue that salary does not increase and others argue that it is the most influencing motivator for employees. An explanation could be that not all researchers follow Herzberg's (1959) theory of motivation or that researchers confuse satisfaction and dissatisfaction.

There also is some confusion noticeable at the topic of how motivation influences performance. Earlier research conducted by Vroom (1964) resulted in the conclusion that employee motivation and performance were uncorrelated. However, later research by Petty et al. (1984) concluded that there indeed is a relationship, by using the 15 researches Vroom (1964) used and 20 more recent researches. According to Petty et al. (1984) the differentiated results were possibly due to the fact that in Vroom's research 40% of the variance of correlations across the study was due to sampling error and the other 60% to a combination of error of measurement, restriction in range, other artifacts, or real differences between some of the studies. Petty et al. (1984) overcome these problems by conducting their research in a more scientific manner.

5.2 Managerial implications

Intrinsic factors can lead to motivation when they are present in the organisation. However, extrinsic motivators, when they are not present in the organisation, can lead to de-motivation of employees. Therefore it is important that managers address both intrinsic and extrinsic motivational factors. Managers should not make a selection of extrinsic motivational factors, since a single extrinsic factor can cause dissatisfaction. And managers also need to take into account the effects extrinsic factors can have on intrinsic motivation. For example Deci (1972) proved that when payments are administered contingently, it decreases intrinsic motivation.

Secondly, it is argued by researchers that personalities of employees react differently to motivational factors. Some persons are more intrinsically and others are more extrinsically motivated and this causes different performances among employees. It is generally accepted that an employee's performance is based on individual factors, namely: personality, skills, knowledge,

experience and abilities (Vroom, 1964). Managers need to take these differences into account when hiring and motivating employees.

At last, managers should be careful when measuring employees' job performances. In most organisations job performances are measured by supervisory ratings, however these ratings are highly subjective (Kostiuk & Follmann, 1989). Objective measurements do exist, but they are scarce. Therefore it could be difficult for managers to see the actual result of their attempts to motivate employees to perform. Designing an objective way to measure job performance is also an option for future research, since it could be very helpful for organisations.

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