LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1. Describe the job characteristics model and evaluate the way it motivates by changing the work environment.
2. Compare and contrast the main ways jobs can be redesigned.
3. Identify three alternative work arrangements and show how they might motivate employees.
4. Give examples of employee involvement measures and show how they can motivate employees.
5. Demonstrate how the different types of variable-pay programs can increase employee motivation.
6. Show how flexible benefits turn benefits into motivators.
7. Identify the motivational benefits of intrinsic rewards.

MOTIVATION MINUS THE MOOLAH

When Nancy Jackson hired a new full-time salesperson for a company she co-owns, Architectural Systems, she was caught off guard by protests from her 19 employees. "I couldn't believe their reactions," she says. The employees had seen their work hours reduced or their pay trimmed. Why was she hiring someone new amid the retrenchments? "There's been a lot of emotional hand-holding here that we've never had to do before," Jackson says.

Christopher Mills, co-owner of Prime Debt Services, a debt management firm in Dallas, has found it helpful to meet with employees one-on-one more often. "I found the more I listened, the better they pepped up," he says. Mills even has taken to cooking them a breakfast of waffles, bacon, and coffee every Wednesday.

Beyond expressing support and appreciation for their efforts, some employers are being more creative in their approaches to motivation. Elise Lelong, owner of a New York consulting firm, decided to upgrade her employees' job titles. "It doesn't cost anything and it makes them feel good," Lelong says. "You've got to think outside the money box when it comes to motivating your employees in this economic environment." Lelong took other steps too, including giving her employees increased chances to work remotely and with flexible hours. Atlassian, an Australian software company, motivated its employees by allowing them to devote 20 percent of their time to any software idea they liked.

When pay raises aren't possible, sometimes even smaller monetary awards can make a difference. Though Intuit human resource manager Jennifer Lepird spent several weeks working long hours on a big one-time project, she still pulled several "all nighters" toward the end. When the project was finished, what was her reward? The acquisitions team leader sent her a gift certificate worth several hundred dollars. Jennifer was thrilled. "The fact that somebody took the time to recognize the effort," she said, "made the long hours just melt away."

Eric Mosley, founder and CEO of Boston-based Globoforce, is a big fan of this approach. "Even higher earners can appreciate a small award if it is unexpected," he said. "Even billionaires appreciate a Christmas sweater from their mom."

Sources: S. E. Needleman, "Business Owners Try to Motivate Employees," *The Wall Street Journal* (January 14, 2010), p. B5; P. D. Broughton, "More Than a Paycheck," *The Wall Street Journal* (February 2, 2010), p. A17; and T. Demos, "Motivate Without Spending Millions," *Fortune* (April 12, 2010), pp. 37–38.

Motivation: From Concepts to Applications

8

Money is better than poverty, if only for financial reasons.

—Woody Allen

Photo: Factory worker receiving certificate. *Source:* Corbis/Glow Images

Though pay is one central means of motivation we consider in this chapter—what we call extrinsic motivation—it's not the only one. The other is intrinsic. The following self-assessment will provide some information about how intrinsically motivating *your* job might be.

In Chapter 7, we focused on motivation theories. In this chapter, we start applying motivation concepts to practices such as employee involvement and skill-based pay. Why? Because it's one thing to know specific theories; it's quite another to see how, as a manager, you can use them.

S A L

SELF-ASSESSMENT LIBRARY

What's My Job'S Motivating Potential?

In the Self-Assessment Library (available on CD or online), take assessment I.C.9 (What's My Job's Motivating Potential?) and answer the following questions. If you currently do not have a job, answer the questions for your most recent job.

1. How did you score relative to your classmates?
2. Did your score surprise you? Why or why not?
3. How might your results affect your career path?

Motivating by Job Design: The Job Characteristics Model

1 Describe the job characteristics model and evaluate the way it motivates by changing the work environment.

Increasingly, research on motivation focuses on approaches that link motivational concepts to changes in the way work is structured.

Research in **job design** suggests the way the elements in a job are organized can increase or decrease effort and also suggests what those elements are. We'll first review the job characteristics model and then discuss some ways jobs can be redesigned. Finally, we'll explore alternative work arrangements.

The Job Characteristics Model

Developed by J. Richard Hackman and Greg Oldham, the **job characteristics model (JCM)** says we can describe any job in terms of five core job dimensions:[1]

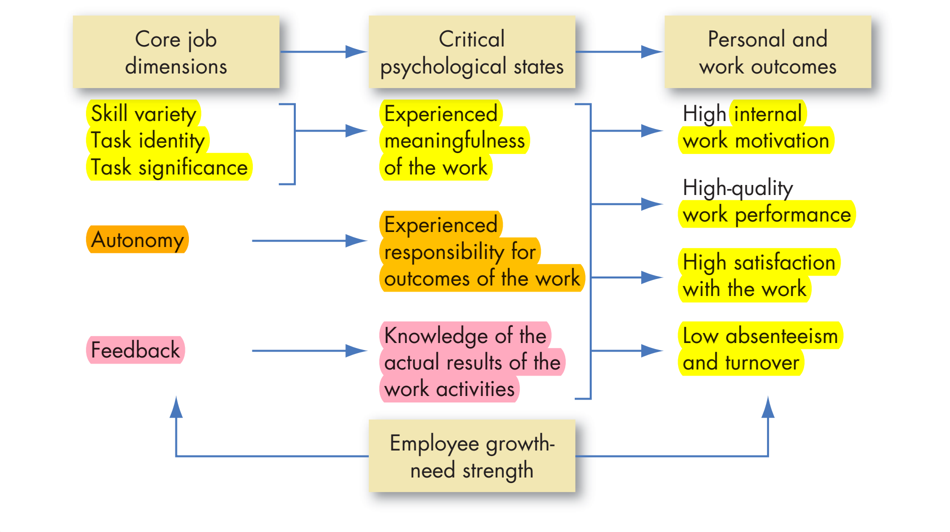
1. **Skill variety** is the degree to which a job requires a variety of different activities so the worker can use a number of different skills and talent. The work of a garage owner-operator who does electrical repairs, rebuilds engines, does bodywork, and interacts with customers scores high on skill variety. The job of a bodyshop worker who sprays paint 8 hours a day scores low on this dimension.
2. **Task identity** is the degree to which a job requires completion of a whole and identifiable piece of work. A cabinetmaker who designs a piece of furniture, selects the wood, builds the object, and finishes it to perfection has a job that scores high on task identity. A job scoring low on this dimension is operating a factory lathe solely to make table legs.
3. **Task significance** is the degree to which a job affects the lives or work of other people. The job of a nurse handling the diverse needs of patients in a hospital intensive care unit scores high on task significance; sweeping floors in a hospital scores low.
4. **Autonomy** is the degree to which a job provides the worker freedom, independence, and discretion in scheduling work and determining the procedures in carrying it out. A salesperson who schedules his or her own

work each day and decides on the most effective sales approach for each customer without supervision has a highly autonomous job. A salesperson who is given a set of leads each day and is required to follow a standardized sales script with each potential customer has a job low on autonomy.

5. **Feedback** is the degree to which carrying out work activities generates direct and clear information about your own performance. A job with high feedback is assembling iPads and testing them to see whether they operate properly. A factory worker who assembles iPads but then routes them to a quality-control inspector for testing and adjustments receives low feedback from his or her activities.

Exhibit 8-1 presents the job characteristics model (JCM). Note how the first three dimensions—skill variety, task identity, and task significance—combine to create meaningful work the incumbent will view as important, valuable, and worthwhile. Note, too, that jobs with high autonomy give incumbents a feeling of personal responsibility for the results and that, if a job provides feedback, employees will know how effectively they are performing. From a motivational standpoint, the JCM proposes that individuals obtain internal rewards when they learn (knowledge of results) that they personally (experienced responsibility)

Exhibit 8-1 **The Job Characteristics Model**



Source: Adaptation of Job Characteristics Model, pp. 78–80 from J. Richard Hackman & Greg R. Oldham, *Work Redesign*, 1st Edition, © 1980. Adapted by permission of Pearson Education, Inc., Upper Saddle River, NJ.

job design *The way the elements in a job are organized.*

job characteristics model (JCM) *A model that proposes that any job can be described in terms of five core job dimensions: skill variety, task identity, task significance, autonomy, and feedback.*

skill variety *The degree to which a job requires a variety of different activities.*

task identity *The degree to which a job requires completion of a whole and identifiable piece of work.*

task significance *The degree to which a job has a substantial impact on the lives or work of other people.*

autonomy *The degree to which a job provides substantial freedom and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out.*

feedback *The degree to which carrying out the work activities required by a job results in the individual obtaining direct and clear information about the effectiveness of his or her performance.*

have performed well on a task they care about (experienced meaningfulness).[2] The more these three psychological states are present, the greater will be employees' motivation, performance, and satisfaction, and the lower their absenteeism and likelihood of leaving. As Exhibit 8-1 also shows, individuals with a high growth need are more likely to experience the critical psychological states when their jobs are enriched—and respond to them more positively—than are their counterparts with low growth need.

We can combine the core dimensions into a single predictive index, called the **motivating potential score (MPS)**, and calculated as follows:

To be high on motivating potential, jobs must be high on at least one of the three factors that lead to experienced meaningfulness and high on both autonomy and feedback. If jobs score high on motivating potential, the model predicts motivation, performance, and satisfaction will improve and absence and turnover will be reduced.

Much evidence supports the JCM concept that the presence of a set of job characteristics—variety, identity, significance, autonomy, and feedback—does generate higher and more satisfying job performance.[3] But apparently we can better calculate motivating potential by simply adding the characteristics rather than using the formula.[4] Think about your job. Do you have the opportunity to work on different tasks, or is your day pretty routine? Are you able to work independently, or do you constantly have a supervisor or co-worker looking over your shoulder? What do you think your answers to these questions say about your job's motivating potential? Revisit your answers to the self-assessment at the beginning of this chapter, and then calculate your MPS from the job characteristics model. You might try computing your MPS score two ways: using the traditional MPS formula, or simply adding the dimensions. Then compare.

A few studies have tested the job characteristics model in different cultures, but the results aren't very consistent. One study suggested that when employees are "other oriented" (concerned with the welfare of others at work), the relationship between intrinsic job characteristics and job satisfaction was weaker. The fact that the job characteristics model is relatively individualistic (considering the relationship between the employee and his or her work) suggests job enrichment strategies may not have the same effects in collectivistic cultures as in individualistic cultures (such as the United States).[5] However, another study suggested the degree to which jobs had intrinsic job characteristics predicted job satisfaction and job involvement equally well for U.S., Japanese, and Hungarian employees.[6]

How Can Jobs Be Redesigned?

2 Compare and contrast the main ways jobs can be redesigned.

"Every day was the same thing," Frank Greer said. "Stand on that assembly line. Wait for an instrument panel to be moved into place. Unlock the mechanism and drop the panel into the Jeep Liberty as it moved by on the line. Then I plugged in the harnessing wires. I repeated that for eight hours a day. I don't care that they were paying me twenty-four dollars an hour. I was going crazy. I did it for almost a year and a half. Finally, I just said to my wife that this isn't going to be the way I'm going to spend the rest of my life. My brain was turning to JELL-O on that Jeep assembly line. So I quit. Now I work in a print shop and I make less than fifteen dollars an hour. But let me tell you, the work I do is really interesting. The job changes all the time, I'm continually learning new things, and the work really challenges me! I look forward every morning to going to work again."

Myth or Science?

"CEO Pay Can't Be Measured"

Anything can be measured. The question is whether it can be measured *well.* As for CEO pay, it seems it can't be measured well, or at least in a way experts agree upon. There is nearly as much disagreement among compensation experts about how to measure CEO pay as about whether CEOs are paid too much.

You may have read that the Dodd-Frank Act of 2010 included "say on pay" rules, whereby shareholders have a vote on executive compensation. But what pay? There is often a big difference between expected pay (bonus targets and value of options at the time granted) and realized pay (bonuses actually received and realized value of options).

Eli Lilly announced the pay of its CEO John Lechleiter as $15.9 million, up 10 percent from the year before. However, independent experts calculated his pay as $20.9 million, a 45 percent increase over the prior year. Occidental Petroleum CEO Ray Irani's expected pay was $58.3 million. His realized pay was $222.6 million.

Says one expert, even if the pay for two CEOs is reported to be the same, "you can pretty much bet they are not the same."

Why is it so difficult to get an accurate read on CEO pay? A big part of the answer is that, for some time, a CEO's pay has been tied to the company's financial performance, and an organization's finances are quite complex. CEO pay might be based on any number of important financial indicators: stock appreciation, profitability, market share, earnings per share, and equity per share. Many CEOs are granted stocks at a current price, providing an incentive to make the stock price grow. The main principal at play here is to align the CEO's interests with the company's interests, so the CEO's motivation is in line with the company's best interests.

Another complicating factor is time: the value of CEO incentives often depends on measures, like stock price, that are time-sensitive. The worth of a stock option thus depends on when that option is exercised. Timing is everything. When Apple granted CEO Steve Jobs 7.5 million stock options, someone falsified records so the stock was priced low, as if at an earlier time than when the options were actually granted. This "backdating" allowed Jobs to sell his options at a greater profit when he cashed them in.

Because this type of compensation is complicated, so are the motivational dynamics involved. CEOs have an incentive to "manage to the metric"—such as by making decisions that maximize short-term stock price (and thus increase the value of stock options) at the expense of the long-term interests of the company. Not all CEOs do this, of course, but the incentive is often there.

As one expert concluded, "Assessing CEO compensation is a bit of a black art."

Sources: S. Thurm, "For CEO Pay, A Single Number Never Tells the Whole Story," *The Wall Street Journal* (March 6, 2010), p. A2; B. McClure, "A Guide To CEO Compensation," *San Francisco Chronicle* (May 2, 2011), downloaded May 25, 2011, from www.investopedia.com/; and R. Gopalan, T. Milbourn, F. Song, and A. V. Thakor, "The Optimal Duration of Executive Compensation: Theory and Evidence," Working paper, April 15, 2011, Washington University in St. Louis, http://apps.olin.wustl.edu/faculty/milbourn/duration_ver_apr15.pdf.

The repetitive tasks in Frank Greer's job at the Jeep plant provided little variety, autonomy, or motivation. In contrast, his job in the print shop is challenging and stimulating. Let's look at some of the ways to put JCM into practice to make jobs more motivating.

Job Rotation If employees suffer from overroutinization of their work, one alternative is **job rotation**, or the periodic shifting of an employee from one task to another with similar skill requirements at the same organizational level (also called *cross-training*). At Singapore Airlines, a ticket agent may take on the duties of a baggage handler. Extensive job rotation is among the reasons Singapore Airlines is rated one of the best airlines in the world and a highly desirable place to work. Many manufacturing firms have adopted job rotation as a means

motivating potential score (MPS) *A predictive index that suggests the motivating potential in a job.*

job rotation *The periodic shifting of an employee from one task to another.*

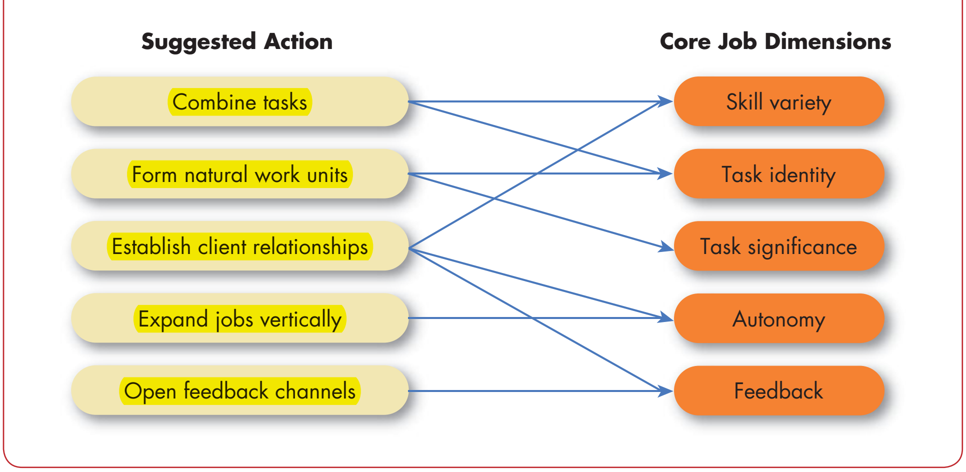
of increasing flexibility and avoiding layoffs.[7] Managers at Apex Precision Technologies, a custom-machine shop in Indiana, train workers on all the company's equipment so they can move around as needed in response to incoming orders. Although job rotation has often been conceptualized as an activity for assembly line and manufacturing employees, many organizations use job rotation for new managers to help them get a picture of the whole business as well.[8]

The strengths of job rotation are that it reduces boredom, increases motivation, and helps employees better understand how their work contributes to the organization. An indirect benefit is that employees with a wider range of skills give management more flexibility in scheduling work, adapting to changes, and filling vacancies.[9] International evidence from Italy, Britain, and Turkey does show that job rotation is associated with higher levels of organizational performance in manufacturing settings.[10] However, job rotation has drawbacks. Training costs increase, and moving a worker into a new position reduces productivity just when efficiency at the prior job is creating organizational economies. Job rotation also creates disruptions when members of the work group have to adjust to the new employee. And supervisors may also have to spend more time answering questions and monitoring the work of recently rotated employees.

Job Enrichment **Job enrichment** expands jobs by increasing the degree to which the worker controls the planning, execution, and evaluation of the work. An enriched job organizes tasks to allow the worker to do a complete activity, increases the employee's freedom and independence, increases responsibility, and provides feedback so individuals can assess and correct their own performance.[11]

How does management enrich an employee's job? Exhibit 8-2 offers suggested guidelines based on the job characteristics model. *Combining tasks* puts fractionalized tasks back together to form a new and larger module of work. *Forming natural work units* makes an employee's tasks create an identifiable and meaningful whole. *Establishing client relationships* increases the direct relationships between workers and their clients (clients can be internal as well as outside the organization). *Expanding jobs vertically* gives employees responsibilities and control formerly reserved for management. *Opening feedback channels* lets employees know how well they are doing and whether their performance is improving, deteriorating, or remaining constant.

Exhibit 8-2 **Guidelines for Enriching a Job**



Source: "Guidelines for Enriching a Job" Source: J. R. Hackman and J. L. Suttle (eds.), *Improving Life at Work* (Glenview, IL: Scott Foresman, 1977), p. 138. Reprinted by permission of Richard Hackman and J. Lloyd Suttle.

Some newer versions of job enrichment concentrate specifically on improving the meaningfulness of work. One method is to relate employee experiences to customer outcomes, by providing employees with stories from customers who benefited from the company's products or services. The medical device manufacturer Medtronic invites people to describe how Medtronic products have improved, or even saved, their lives and shares these stories with employees during annual meetings, providing a powerful reminder of the impact of their work. Researchers recently found that when university fund-raisers briefly interacted with the undergraduates who would receive the scholarship money they raised, they persisted 42 percent longer, and raised nearly twice as much money, as those who didn't interact with potential recipients.[12]

Another method for improving the meaningfulness of work is providing employees with mutual assistance programs.[13] Employees who can help each other directly through their work come to see themselves, and the organizations for which they work, in more positive, pro-social terms. This, in turn, can increase employee affective commitment.

Many organizations provide job enrichment through cross-training to learn new skills, and through job rotation to perform new tasks in another position. Employees typically work with managers to set job enrichment goals, identify desired competencies, and find appropriate placement. For example, an employee who usually works in handling client records might receive cross-training to learn about the organization's purchasing and accounting systems. Then an accounting employee might learn about client data processes. These two employees could then rotate through one another's jobs, allowing them to cover for one another and prepare for possible future promotions.

The evidence on job enrichment shows it reduces absenteeism and turnover costs and increases satisfaction, but not all programs are equally effective.[14] A review of 83 organizational interventions designed to improve performance management showed that frequent, specific feedback related to solving problems was linked to consistently higher performance, but infrequent feedback that focused more on past problems than future solutions was much less effective.[15] Some recent evidence suggests job enrichment works best when it compensates for poor feedback and reward systems.[16] Work design may also not affect everyone in the same way. One recent study showed employees with a higher preference for challenging work experienced larger reductions in stress following job redesign than individuals who did not prefer challenging work.[17]

Alternative Work Arrangements

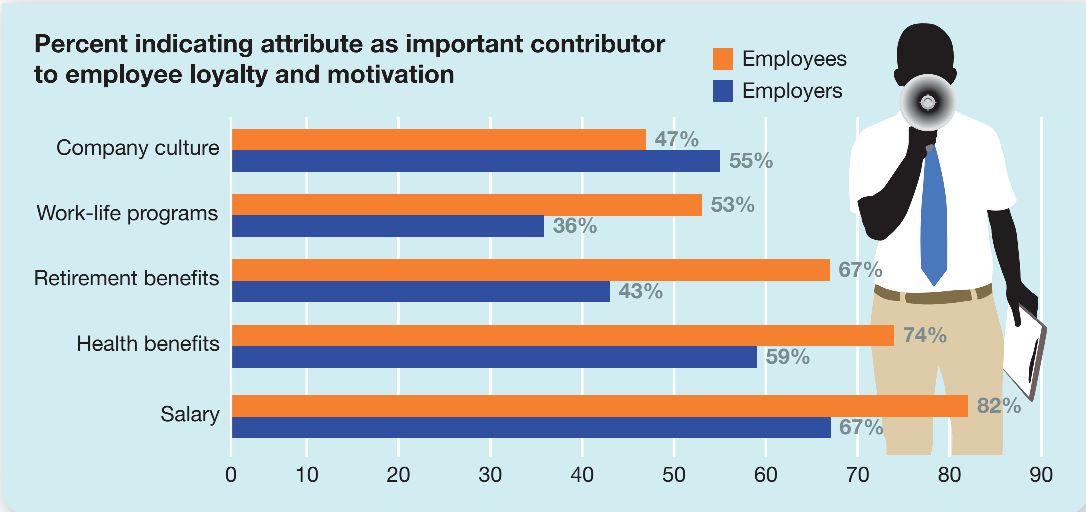
3 Identify three alternative work arrangements and show how they might motivate employees.

Another approach to motivation is to alter work arrangements with flextime, job sharing, or telecommuting. These are likely to be especially important for a diverse workforce of dual-earner couples, single parents, and employees caring for a sick or aging relative.

Flextime Susan Ross is the classic "morning person." She rises at 5:00 A.M. sharp each day, full of energy. However, as she puts it, "I'm usually ready for bed right after the 7:00 P.M. news."

job enrichment *The vertical expansion of jobs, which increases the degree to which the worker controls the planning, execution, and evaluation of the work.*

OB Poll Different Views of the Motivating Effect of Rewards



Sources: Survey of 1,503 employers and 1,305 full-time employees. MetLife, www.metlife.com; and "Loyalty Drivers," *Workforce Management* (October 2010), p. 18.

Susan's work schedule as a claims processor at The Hartford Financial Services Group is flexible. Her office opens at 6:00 A.M. and closes at 7:00 P.M. It's up to her how she schedules her 8-hour day within this 13-hour period. Because Susan is a morning person and also has a 7-year-old son who gets out of school at 3:00 P.M. every day, she opts to work from 6:00 A.M. to 3:00 P.M. "My work hours are perfect. I'm at the job when I'm mentally most alert, and I can be home to take care of my son after he gets out of school."

Susan's schedule is an example of **flextime**, short for "flexible work time." Employees must work a specific number of hours per week but are free to vary their hours of work within certain limits. As in Exhibit 8-3, each day consists of a common core, usually 6 hours, with a flexibility band surrounding it. The core may be 9:00 A.M. to 3:00 P.M., with the office actually opening at 6:00 A.M. and closing at 6:00 P.M. All employees are required to be at their jobs during the common core period, but they may accumulate their other 2 hours before, after, or before *and* after that. Some flextime programs allow employees to accumulate extra hours and turn them into a free day off each month.

Flextime has become extremely popular; according to the Bureau of Labor Statistics, nearly 26 percent of working women with children have flexible work schedules, compared to just 14 percent in 1991.[18] And this is not just a U.S. phenomenon. In Germany, for instance, 29 percent of businesses offer flextime, and such practices are becoming more widespread in Japan as well.[19]

Claimed benefits include reduced absenteeism, increased productivity, reduced overtime expenses, reduced hostility toward management, reduced traffic congestion around work sites, elimination of tardiness, and increased autonomy and responsibility for employees—any of which may increase employee job satisfaction.[20] But what's flextime's actual record?

Most of the evidence stacks up favorably. Flextime tends to reduce absenteeism and frequently improves worker productivity,[21] probably for several reasons. Employees can schedule their work hours to align with personal

Exhibit 8-3 Possible Flextime Staff Schedules

Schedule 1	
Percent Time:	100% = 40 hours per week
Core Hours:	9:00 A.M.–5:00 P.M., Monday through Friday (1 hour lunch)
Work Start Time:	Between 8:00 A.M. and 9:00 A.M.
Work End Time:	Between 5:00 P.M. and 6:00 P.M.
Schedule 2	
Percent Time:	100% = 40 hours per week
Work Hours:	8:00 A.M.–6:30 P.M., Monday through Thursday (1/2 hour lunch) Friday off
Work Start Time:	8:00 A.M.
Work End Time:	6:30 P.M.
Schedule 3	
Percent Time:	90% = 36 hours per week
Work Hours:	8:30 A.M.–5:00 P.M., Monday through Thursday (1/2 hour lunch) 8:00 A.M.–Noon Friday (no lunch)
Work Start Time:	8:30 A.M. (Monday–Thursday); 8:00 A.M. (Friday)
Work End Time:	5:00 P.M. (Monday–Thursday); Noon (Friday)
Schedule 4	
Percent Time:	80% = 32 hours per week
	8:00 A.M.–6:00 P.M., Monday through Wednesday (1/2 hour lunch)
Work Hours:	8:00 A.M.–11:30 A.M. Thursday (no lunch) Friday off
Work Start Time:	Between 8:00 A.M. and 9:00 A.M.
Work End Time:	Between 5:00 P.M. and 6:00 P.M.

demands, reducing tardiness and absences, and they can work when they are most productive. Flextime can also help employees balance work and family lives; it is a popular criterion for judging how “family friendly” a workplace is.

Flextime’s major drawback is that it’s not applicable to every job or every worker. It works well with clerical tasks for which an employee’s interaction with people outside his or her department is limited. It is not a viable option for receptionists, sales personnel in retail stores, or people whose service jobs require them to be at their workstations at predetermined times. It also appears that people who have a stronger desire to separate their work and family lives are less prone to take advantage of opportunities for flextime.[22] Overall, employers need to consider the appropriateness of both the work and the workers before implementing flextime schedules.

Job Sharing **Job sharing** allows two or more individuals to split a traditional 40-hour-a-week job. One might perform the job from 8:00 A.M. to noon and the other from 1:00 P.M. to 5:00 P.M., or the two could work full but alternate

flextime *Flexible work hours.*

job sharing *An arrangement that allows two or more individuals to split a traditional 40-hour-a-week job.*

Source: AP Photo/Reed Saxon

Accounting firm Ernst & Young has created a supportive culture of flexibility that allows employees to control where, when, and how their work gets accomplished. The company encourages employees to utilize flexible work hours to meet their personal and professional goals while still providing the highest quality of service to customers. Employees value their flexible work options that include shorter workweeks, working from home, and varying start and finish times of their work days. Giving employees freedom in scheduling their work helps Ernst & Young attract and retain a satisfied, motivated, and loyal work force. In this photo, Ernst & Young employees work on the process of tabulating ballots for the Golden Globe Awards.

days. For example, top Ford engineers Julie Levine and Julie Rocco engage in a job-sharing program that allows both of them to spend time with their families while working on the time-intensive job of redesigning the Explorer crossover. Typically, one of the pair will work late afternoons and evenings while the other works mornings. They both agree that the program has worked well, although making such a relationship work requires a great deal of time and preparation.[23]

Approximately 19 percent of large organizations now offer job sharing.[24] Reasons it is not more widely adopted are likely the difficulty of finding compatible partners to share a job and the historically negative perceptions of individuals not completely committed to their job and employer.

Job sharing allows an organization to draw on the talents of more than one individual in a given job. A bank manager who oversees two job sharers describes it as an opportunity to get two heads but "pay for one."[25] It also opens the opportunity to acquire skilled workers—for instance, women with young children and retirees—who might not be available on a full-time basis.[26] Many Japanese firms are increasingly considering job sharing—but for a very different reason.[27] Because Japanese executives are extremely reluctant to fire people, job sharing is seen as a potentially humanitarian means of avoiding layoffs due to overstaffing.

From the employee's perspective, job sharing increases flexibility and can increase motivation and satisfaction when a 40-hour-a-week job is just not practical. But the major drawback is finding compatible pairs of employees who can successfully coordinate the intricacies of one job.[28]

Telecommuting It might be close to the ideal job for many people. No commuting, flexible hours, freedom to dress as you please, and few or no interruptions from colleagues. It's called **telecommuting**, and it refers to working at home at least 2 days a week on a computer linked to the employer's office.[29] (A closely related term—the *virtual office*—describes working from home on a relatively permanent basis.)

The U.S. Department of the Census estimated there had been a 25 percent increase in self-employed home-based workers from 1999 to 2005, and a 20 percent increase in employed workers who work exclusively from home.[30] One recent survey of more than 5,000 HR professionals found that 35 percent of organizations allowed employees to telecommute at least part of the time, and 21 percent allowed employees to telecommute full-time.[31] Well-known organizations that actively encourage telecommuting include AT&T, IBM, American Express, Sun Microsystems, and a number of U.S. government agencies.[32]

What kinds of jobs lend themselves to telecommuting? There are three categories: routine information-handling tasks, mobile activities, and professional and other knowledge-related tasks.[33] Writers, attorneys, analysts, and employees who spend the majority of their time on computers or the telephone—such as telemarketers, customer-service representatives, reservation agents, and product-support specialists—are natural candidates. As telecommuters, they can access information on their computers at home as easily as in the company's office.

The potential pluses of telecommuting include a larger labor pool from which to select, higher productivity, less turnover, improved morale, and reduced office-space costs. A positive relationship exists between telecommuting and supervisor performance ratings, but any relationship between telecommuting and potentially lower turnover intentions has not been substantiated in research to date.[34] The major downside for management is less direct supervision of employees. In today's team-focused workplace, telecommuting may make it more difficult to coordinate teamwork and can reduce knowledge transfer in organizations.[35] From the employee's standpoint, telecommuting can offer a considerable increase in flexibility and job satisfaction—but not without costs.[36] For employees with a high social need, telecommuting can increase feelings of isolation and reduce job satisfaction. And all telecommuters are vulnerable to the "out of sight, out of mind" effect.[37] Employees who aren't at their desks, who miss meetings, and who don't share in day-to-day informal workplace interactions may be at a disadvantage when it comes to raises and promotions.

The Social and Physical Context of Work

Robin and Chris both graduated from college a couple years ago with degrees in elementary education and became first-grade teachers in different school districts. Robin immediately confronted a number of obstacles: several long-term employees were hostile to her hiring, there was tension between administrators and teachers, and students had little interest in learning. Chris had a colleague who was excited to work with a new graduate, students who were excited about academics, and a highly supportive principal. Not surprisingly, at the end of the first year, Chris had been a considerably more effective teacher than Robin.

The job characteristics model shows most employees are more motivated and satisfied when their intrinsic work tasks are engaging. However, having the most interesting workplace characteristics in the world may not always lead to satisfaction if you feel isolated from your co-workers, and having good social relationships can make even the most boring and onerous tasks more fulfilling.

telecommuting *Working from home at least two days a week on a computer that is linked to the employer's office.*

Source: Russell Gordon / DanitaDelimont.com "Danita Delimont Photography"/Newscom

FedEx provides two services: the physical transportation and distribution of packages and the information systems that identify and track the location of packages at any time. Jobs involved in physically transporting packages, such as the employee shown here serving a customer at a FedEx office, are not suitable candidates for telecommuting. But in operating one of the world's largest computer and telecommunications networks for recording and tracking shipments, FedEx provides many computer-based jobs for telecommuters who help the firm process more than 20 million transactions daily.

Research demonstrates that social aspects and work context are as important as other job design features.[38] Policies such as job rotation, worker empowerment, and employee participation have positive effects on productivity, at least partially because they encourage more communication and a positive social environment.

Some social characteristics that improve job performance include interdependence, social support, and interactions with other people outside work. Social interactions are strongly related to positive moods and give employees more opportunities to clarify their work role and how well they are performing. Social support gives employees greater opportunities to obtain assistance with their work. Constructive social relationships can bring about a positive feedback loop as employees assist one another in a "virtuous circle."

The work context is also likely to affect employee satisfaction. Hot, loud, and dangerous work is less satisfying than work conducted in climate-controlled, relatively quiet, and safe environments. This is probably why most people would rather work in a coffee shop than a metalworking foundry. Physical demands make people physically uncomfortable, which is likely to show up in lower levels of job satisfaction.

To assess why an employee is not performing to his or her best level, see whether the work environment is supportive. Does the employee have adequate tools, equipment, materials, and supplies? Does the employee have favorable working conditions, helpful co-workers, supportive work rules and procedures, sufficient information to make job-related decisions, and adequate time to do a good job? If not, performance will suffer.

Employee Involvement

Employee involvement is a participative process that uses employees' input to increase their commitment to the organization's success. The logic is that if we engage workers in decisions that affect them and increase their autonomy


Source: AP Photo/Jacquelyn Martin

Empowerment is a corporate value at Wegmans Food Markets Inc., a regional supermarket chain that involves its employees in making decisions that affect their work and please their customers. This family-run company empowers employees, such as the chef shown here at a café within a Wegmans store, to make on-the-spot decisions without consulting their immediate supervisors. For example, if a customer wants a product that Wegmans doesn't stock, any employee can initiate the process of procuring the item for the customer. Wegmans believes that empowering employees leads to higher job satisfaction and productivity.

and control over their work lives, they will become more motivated, more committed to the organization, more productive, and more satisfied with their jobs.[39]

Employee involvement programs differ among countries.[40] A study of four countries, including the United States and India, confirmed the importance of modifying practices to reflect national culture.[41] While U.S. employees readily accepted employee involvement programs, managers in India who tried to empower their employees were rated low by those employees. These reactions are consistent with India's high power–distance culture, which accepts and expects differences in authority. Similarly, Chinese workers who were very accepting of traditional Chinese values showed few benefits from participative decision making, but workers who were less traditional were more satisfied and had higher performance ratings under participative management.[42]

Examples of Employee Involvement Programs

Let's look at two major forms of employee involvement—participative management and representative participation—in more detail.

Participative Management Common to all **participative management** programs is joint decision making, in which subordinates share a significant degree of decision-making power with their immediate superiors. Participative management has, at times, been promoted as a panacea for poor morale and low productivity. But for it to work, employees must be engaged in issues relevant to their interests so they'll be motivated, they must have the competence and knowledge to make a useful contribution, and trust and confidence must exist among all parties.[43]

Studies of the participation–performance relationship have yielded mixed findings.[44] Organizations that institute participative management do have higher stock returns, lower turnover rates, and higher estimated labor productivity, although these effects are typically not large.[45] A careful review of research at the individual level shows participation typically has only a modest influence on employee productivity, motivation, and job satisfaction. Of course, this doesn't mean participative management can't be beneficial under the right conditions. However, it is not a sure means for improving performance.

4 Give examples of employee involvement measures and show how they can motivate employees.

Representative Participation Almost every country in western Europe requires companies to practice **representative participation**, called "the most widely legislated form of employee involvement around the world."[46] Its goal is to redistribute power within an organization, putting labor on a more equal footing with the interests of management and stockholders by letting workers be represented by a small group of employees who actually participate.

The two most common forms are works councils and board representatives.[47] Works councils are groups of nominated or elected employees who must be consulted when management makes decisions about employees. Board representatives are employees who sit on a company's board of directors and represent employees' interests.

employee involvement *A participative process that uses the input of employees and is intended to increase employee commitment to an organization's success.*

participative management *A process in which subordinates share a significant degree of decision-making power with their immediate superiors.*

representative participation *A system in which workers participate in organizational decision making through a small group of representative employees.*

The influence of representative participation on working employees seems to be minimal.[48] Works councils are dominated by management and have little impact on employees or the organization. While participation might increase the motivation and satisfaction of employee representatives, there is little evidence this trickles down to the employees they represent. Overall, "the greatest value of representative participation is symbolic. If one is interested in changing employee attitudes or in improving organizational performance, representative participation would be a poor choice."[49]

Linking Employee Involvement Programs and Motivation Theories

Employee involvement draws on a number of the motivation theories we discussed in Chapter 7. Theory Y is consistent with participative management and Theory X with the more traditional autocratic style of managing people. In terms of two-factor theory, employee involvement programs could provide intrinsic motivation by increasing opportunities for growth, responsibility, and involvement in the work itself. The opportunity to make and implement decisions—and then see them work out—can help satisfy an employee's needs for responsibility, achievement, recognition, growth, and enhanced self-esteem. And extensive employee involvement programs clearly have the potential to increase employee intrinsic motivation in work tasks.

Using Rewards to Motivate Employees

5 Demonstrate how the different types of variable-pay programs can increase employee motivation.

As we saw in Chapter 3, pay is not a primary factor driving job satisfaction. However, it does motivate people, and companies often underestimate its importance in keeping top talent. A 2006 study found that while 45 percent of employers thought pay was a key factor in losing top talent, 71 percent of top performers called it a top reason.[50]

Given that pay is so important, will the organization lead, match, or lag the market in pay? How will individual contributions be recognized? In this section, we consider (1) what to pay employees (decided by establishing a pay structure), (2) how to pay individual employees (decided through variable pay plans and skill-based pay plans), (3) what benefits and choices to offer (such as flexible benefits), and (4) how to construct employee recognition programs.

What to Pay: Establishing a Pay Structure

There are many ways to pay employees. The process of initially setting pay levels entails balancing *internal equity*—the worth of the job to the organization (usually established through a technical process called job evaluation)—and *external equity*—the external competitiveness of an organization's pay relative to pay elsewhere in its industry (usually established through pay surveys). Obviously, the best pay system pays what the job is worth (internal equity) while also paying competitively relative to the labor market.

Some organizations prefer to pay above the market, while some may lag the market because they can't afford to pay market rates, or they are willing to bear the costs of paying below market (namely, higher turnover as people are lured to better-paying jobs). Walmart, for example, pays less than its competitors and often outsources jobs overseas. Chinese workers in Shenzhen earn $120 a month (that's $1,440 per year) to make stereos for Walmart. Of the 6,000 factories that

are worldwide suppliers to Walmart, 80 percent are located in China. In fact, one-eighth of all Chinese exports to the United States go to Walmart.[51]

Pay more, and you may get better-qualified, more highly motivated employees who will stay with the organization longer. A study covering 126 large organizations found employees who believed they were receiving a competitive pay level had higher morale and were more productive, and customers were more satisfied as well.[52] But pay is often the highest single operating cost for an organization, which means paying too much can make the organization's products or services too expensive. It's a strategic decision an organization must make, with clear trade-offs.

How to Pay: Rewarding Individual Employees Through Variable-Pay Programs

"Why should I put any extra effort into this job?" asked Anne Garcia, a fourth-grade elementary schoolteacher in Denver, Colorado. "I can excel or I can do the bare minimum. It makes no difference. I get paid the same. Why do anything above the minimum to get by?" Comments like Anne's have been voiced by schoolteachers for decades because pay increases were tied to seniority. Recently, however, a number of states have revamped their compensation systems to motivate people like Anne by tying teacher pay levels to results in the classroom in various ways, and other states are considering such programs.[53]

A number of organizations are moving away from paying solely on credentials or length of service. Piece-rate plans, merit-based pay, bonuses, profit sharing, gainsharing, and employee stock ownership plans are all forms of a **variable-pay program**, which bases a portion of an employee's pay on some individual and/or organizational measure of performance. Earnings therefore fluctuate up and down.[54]

First grade teacher Kim Hemmis at Will Rogers Elementary School in Houston, Texas, is eligible to receive a bonus when her students make progress on state and national achievement tests. The city's school board adopted a merit pay "Teacher Performance Plan" that rewards teachers who work hard and whose students show academic improvement. The plan motivates teachers by basing part of their pay on performance rather than only on seniority or degrees. The move toward rewarding teachers with bonuses for individual performance follows the widespread adoption of variable-pay plans in many businesses and government agencies.

Source: AP Photo/David J. Phillip

variable-pay program *A pay plan that bases a portion of an employee's pay on some individual and/or organizational measure of performance.*

Variable-pay plans have long been used to compensate salespeople and executives. Some estimates suggest more than 70 percent of U.S. companies have some form of variable-pay plan, up from only about 5 percent in 1970.[55] Moreover, recent research shows that 26 percent of U.S. companies have either increased or plan to increase the proportion of variable pay in employee pay programs, and another 40 percent have already recently increased the proportion of variable pay.[56] Unfortunately, most employees still don't see a strong connection between pay and performance. Only 29 percent say their performance is rewarded when they do a good job.[57]

The fluctuation in variable pay is what makes these programs attractive to management. It turns part of an organization's fixed labor costs into a variable cost, thus reducing expenses when performance declines. When the U.S. economy encountered a recession in 2001 and 2008, companies with variable pay were able to reduce their labor costs much faster than others.[58] When pay is tied to performance, the employee's earnings also recognize contribution rather than being a form of entitlement. Over time, low performers' pay stagnates, while high performers enjoy pay increases commensurate with their contributions.

Let's examine the different types of variable-pay programs in more detail.

Piece-Rate Pay The **piece-rate pay plan** has long been popular as a means of compensating production workers with a fixed sum for each unit of production completed. A pure piece-rate plan provides no base salary and pays the employee only for what he or she produces. Ballpark workers selling peanuts and soda are frequently paid this way. If they sell 40 bags of peanuts at $1 each, their take is $40. The harder they work and the more peanuts they sell, the more they earn. The limitation of these plans is that they're not feasible for many jobs. Surgeons earn significant salaries regardless of their patients' outcomes. Would it be better to pay them only if their patients fully recover? It seems unlikely that most would accept such a deal, and it might cause unanticipated consequences as well (such as surgeons avoiding patients with complicated or terminal conditions). So, although incentives are motivating and relevant for some jobs, it is unrealistic to think they can constitute the only piece of some employees' pay.

Merit-Based Pay A **merit-based pay plan** pays for individual performance based on performance appraisal ratings. A main advantage is that people thought to be high performers can get bigger raises. If designed correctly, merit-based plans let individuals perceive a strong relationship between their performance and their rewards.[59]

Most large organizations have merit pay plans, especially for salaried employees. IBM increases employees' base salary based on annual performance evaluations. Since the 1990s, when the economy stumbled badly, an increasing number of Japanese companies have abandoned seniority-based pay in favor of merit-based pay. Koichi Yanashita of Takeda Chemical Industries, commented, "The merit-based salary system is an important means to achieve goals set by the company's top management, not just a way to change wages."[60]

To motivate and retain the best, more companies are increasing the differential between top and bottom performers. The consulting firm Hewitt Associates found that in 2006, employers gave their best performers roughly 10 percent raises, compared to 3.6 percent for average performers and 1.3 percent for below-average performers. These differences have increased over time. Martyn Fisher of Imperial Chemical in the United Kingdom said his company widened the merit pay gap between top and average performers because "as much as we would regret our average performers leaving, we regret more an above-target performer leaving."[61]

Despite their intuitive appeal, merit pay plans have several limitations. One is that they are typically based on an annual performance appraisal and thus are only as valid as the performance ratings. Another limitation is that the pay-raise pool fluctuates on economic or other conditions that have little to do with individual performance. One year, a colleague at a top university who performed very well in teaching and research was given a pay raise of $300. Why? Because the pay-raise pool was very small. Yet that is hardly pay-for-performance. Finally, unions typically resist merit pay plans. Relatively few teachers are covered by merit pay for this reason. Instead, seniority-based pay, where all employees get the same raises, predominates.

Bonuses An annual **bonus** is a significant component of total compensation for many jobs. Among *Fortune* 100 CEOs, the bonus (mean of $1.01 million) generally exceeds the base salary (mean of $863,000). But bonus plans increasingly include lower-ranking employees; many companies now routinely reward production employees with bonuses in the thousands of dollars when profits improve. The incentive effects of performance bonuses should be higher than those of merit pay because, rather than paying for performance years ago (that was rolled into base pay), bonuses reward recent performance. When times are bad, firms can cut bonuses to reduce compensation costs. Steel company Nucor, for example, guarantees employees only about $10 per hour, but bonuses can be substantial. In 2006, the average Nucor worker made roughly $91,000. When the recession hit, bonuses were cut dramatically: in 2009, total pay had dropped 40 percent.[62]

This example also highlights the downside of bonuses: employees' pay is more vulnerable to cuts. This is problematic when bonuses are a large percentage of

Source: s70/ZUMA Press/Newscom

Walmart is an organization that includes hourly workers in the company's bonus plan. In this photo, a Walmart manager distributes bonus checks to store employees. The bonus amount for employees depends on their full- or part-time status and on the amount of profit individual stores earn each year. Hourly workers also have the potential to receive additional quarterly bonuses based on their store's performance. Employees who go above and beyond in helping customers are also eligible for customer satisfaction bonuses. Bonuses give Walmart employees an incentive to increase sales and improve customer service.

piece-rate pay plan *A pay plan in which workers are paid a fixed sum for each unit of production completed.*

merit-based pay plan *A pay plan based on performance appraisal ratings.*

bonus *A pay plan that rewards employees for recent performance rather than historical performance.*

total pay or when employees take bonuses for granted. "People have begun to live as if bonuses were not bonuses at all but part of their expected annual income," said Jay Lorsch, a Harvard Business School professor. KeySpan Corp., a 9,700-employee utility company in New York, tried to combine yearly bonuses with a smaller merit-pay raise. Elaine Weinstein, KeySpan's senior vice president of HR, credits the plan with changing the culture from "entitlement to meritocracy."[63]

Skill-Based Pay **Skill-based pay** (also called *competency-based* or *knowledge-based pay*) is an alternative to job-based pay that bases pay levels on how many skills employees have or how many jobs they can do.[64] For employers, the lure of skill-based pay plans is increased flexibility of the workforce: staffing is easier when employee skills are interchangeable. Skill-based pay also facilitates communication across the organization because people gain a better understanding of each other's jobs. One study found that across 214 different organizations, skill-based pay was related to higher levels of workforce flexibility, positive attitudes, membership behaviors, and productivity.[65] Another study found that over 5 years, a skill-based pay plan was associated with higher levels of individual skill change and skill maintenance.[66] These results suggest that skill-based pay plans are effective in achieving their stated goals.

What about the downsides? People can "top out"—that is, they can learn all the skills the program calls for them to learn. This can frustrate employees after they've been challenged by an environment of learning, growth, and continual pay raises. IDS Financial Services[67] found itself paying people more even though there was little immediate use for their new skills. IDS eventually dropped its skill-based pay plan for one that equally balances individual contribution and gains in work-team productivity. Finally, skill-based plans don't address level of performance but only whether someone can perform the skill. Perhaps reflecting these weaknesses, one study of 97 U.S. companies using skill-based pay plans found that 39 percent had switched to a more traditional market-based pay plan 7 years later.[68]

Profit-Sharing Plans A **profit-sharing plan** distributes compensation based on some established formula designed around a company's profitability. Compensation can be direct cash outlays or, particularly for top managers, allocations of stock options. When you read about executives like Oracle's Larry Ellison earning $75.33 million in pay, it almost all (88.8 percent in Ellison's case) comes from cashing in stock options previously granted based on company profit performance. Not all profit-sharing plans are so grand in scale. Jacob Luke, age 13, started his own lawn-mowing business after getting a mower from his uncle. Jacob employs his brother, Isaiah, and friend, Marcel Monroe, and pays them each 25 percent of the profits he makes on each yard. Profit-sharing plans at the organizational level appear to have positive impacts on employee attitudes; employees report a greater feeling of psychological ownership.[69]

Gainsharing **Gainsharing**[70] is a formula-based group incentive plan that uses improvements in group productivity from one period to another to determine the total amount of money allocated. Its popularity seems narrowly focused among large manufacturing companies, although some health care organizations have experimented with it as a cost-saving mechanism. Gainsharing differs from profit sharing in tying rewards to productivity gains rather than profits, so employees can receive incentive awards even when the organization isn't profitable. Because the benefits accrue to groups of workers, high performers pressure weaker ones to work harder, improving performance for the group as a whole.[71]

Employee Stock Ownership Plans An **employee stock ownership plan (ESOP)** is a company-established benefit plan in which employees acquire stock, often at below-market prices, as part of their benefits. Companies as varied as Publix Supermarkets and W. L. Gore & Associates are now more than 50 percent employee-owned.[72] But most of the 10,000 or so ESOPs in the United States are in small, privately held companies.[73]

Research on ESOPs indicates they increase employee satisfaction and innovation.[74] But their impact on performance is less clear. ESOPs have the potential to increase employee job satisfaction and work motivation, but employees need to psychologically experience ownership.[75] That is, in addition to their financial stake in the company, they need to be kept regularly informed of the status of the business and have the opportunity to influence it in order to significantly improve the organization's performance.[76]

ESOP plans for top management can reduce unethical behavior. CEOs are more likely to manipulate firm earnings reports to make themselves look good in the short run when they don't have an ownership share, even though this manipulation will eventually lead to lower stock prices. However, when CEOs own a large amount of stock, they report earnings accurately because they don't want the negative consequences of declining stock prices.[77]

Evaluation of Variable Pay Do variable-pay programs increase motivation and productivity? Studies generally support the idea that organizations with profit-sharing plans have higher levels of profitability than those without them.[78] Profit-sharing plans have also been linked to higher levels of employee affective commitment, especially in small organizations.[79] Similarly, gainsharing has been found to improve productivity in a majority of cases and often has a positive impact on employee attitudes.[80] Another study found that whereas piece-rate pay-for-performance plans stimulated higher levels of productivity, this positive affect was not observed for risk-averse employees. Thus, economist Ed Lazear seems generally right when he says, "Workers respond to prices just as economic theory predicts. Claims by sociologists and others that monetizing incentives may actually reduce output are unambiguously refuted by the data." But that doesn't mean everyone responds positively to variable-pay plans.[81]

You'd probably think individual pay systems such as merit pay or pay-for-performance work better in individualistic cultures such as the United States or that group-based rewards such as gainsharing or profit sharing work better in collectivistic cultures. Unfortunately, there isn't much research on the issue. One recent study did suggest that employee beliefs about the fairness of a group incentive plan were more predictive of pay satisfaction in the United States than in Hong Kong. One interpretation is that U.S. employees are more critical in appraising a group pay plan, and therefore, it's more critical that the plan be communicated clearly and administered fairly.[82]

Flexible Benefits: Developing a Benefits Package

6 Show how flexible benefits turn benefits into motivators.

Todd Evans is married and has three young children; his wife is at home full-time. His Citigroup colleague Allison Murphy is married too, but her husband has a high-paying job with the federal government, and they have no children.

skill-based pay *A pay plan that sets pay levels on the basis of how many skills employees have or how many jobs they can do.*

profit-sharing plan *An organization-wide program that distributes compensation based on some established formula designed around a company's profitability.*

gainsharing *A formula-based group incentive plan.*

employee stock ownership plan (ESOP) *A company-established benefits plan in which employees acquire stock, often at below-market prices, as part of their benefits.*

An Ethical Choice

Identifying Conflicts of Interest

Managers often find themselves needing to take multiple perspectives at the same time, and sometimes they are motivated by rewards to take actions that are unethical. Financial auditors, actuaries, and accountants have a legal responsibility to accurately report on clients' records, but they might also be tempted to present an overly positive picture to please a client and secure commissions for future work. Leading up to the financial collapse of 2008, credit rating agencies gave AAA ratings to collateralized mortgage securities that were of dubious value, possibly because they were paid by the very companies they were supposed to regulate.

It's sometimes tough to recognize conflicts of interest when they occur. Max Bazerman from Harvard University and his colleagues have been exploring the psychological processes that lead to "motivated blindness"—a tendency to only see what you want to see. For example, a car salesperson motivated by a commission to sell as much as possible might subconsciously overlook evidence that a customer won't be able to afford payments. A pharmaceutical researcher might fudge data from clinical trials in hopes of securing a bonus for bringing a new drug to market. In cases like these, financial rewards may amplify conflicts of interest.

What helps minimize conflicts of interest? The most important step is to beware of motivated blindness and be honest about where conflicts exist. Be aware of biases that might creep into your perceptions when money is at stake. Another possibility is to provide explicit rewards for behaviors like producing critical reports or detecting problems with organizational systems, especially if the responsible party has a motivation to obtain a positive result.

Sources: S. Gunz and S. van der Laan, "Actuaries, Conflicts of Interest and Professional Independence: The Case of James Hardie Industries Limited," *Journal of Business Ethics* 98, no. 4 (2011), pp. 583–596; M. H. Bazerman and A. E. Tenbrunsel, "Ethical Breakdowns," *Harvard Business Review* (April 2011), pp. 58–65; and D. A. Moore, L. Tanlu, and M. H. Bazerman, "Conflict of Interest and the Intrusion of Bias," *Judgment and Decision Making* 5, no. 1 (2010), pp. 37–53.

Todd is concerned about having a good medical plan and enough life insurance to support his family in case it's needed. In contrast, Allison's husband already has her medical needs covered on his plan, and life insurance is a low priority. Allison is more interested in extra vacation time and long-term financial benefits such as a tax-deferred savings plan.

A standardized benefits package would be unlikely to meet the needs of Todd and Allison well. Citigroup could, however, cover both sets of needs with flexible benefits.

Consistent with expectancy theory's thesis that organizational rewards should be linked to each individual employee's goals, **flexible benefits** individualize rewards by allowing each employee to choose the compensation package that best satisfies his or her current needs and situation. These plans replace the "one-benefit-plan-fits-all" programs designed for a male with a wife and two children at home that dominated organizations for more than 50 years.[83] Fewer than 10 percent of employees now fit this image: about 25 percent are single, and one-third are part of two-income families with no children. Flexible benefits can accommodate differences in employee needs based on age, marital status, spouses' benefit status, and number and age of dependents.

The three most popular types of benefits plans are modular plans, core-plus options, and flexible spending accounts.[84] *Modular plans* are predesigned packages or modules of benefits, each of which meets the needs of a specific group of employees. A module designed for single employees with no dependents might include only essential benefits. Another, designed for single parents, might have additional life insurance, disability insurance, and expanded health coverage. *Core-plus plans* consist of a core of essential benefits and a menulike selection of others

Source: Owen Brewer / Sacramento Bee /Newscom

Employees of software developer Oracle Corporation, shown here in the company's cafeteria, receive a basic benefits package and may also choose coverage levels and additional benefits that meet their specific individual needs and the needs of their dependents. The OracleFlex plan gives employees flex credits they can use to purchase benefits so they can control the amount they spend for each benefit option. Employees with remaining credits may direct them to taxable income or to their 401(k) savings, health care reimbursement, or dependent care reimbursement accounts.

from which employees can select. Typically, each employee is given "benefit credits," which allow the purchase of additional benefits that uniquely meet his or her needs. *Flexible spending plans* allow employees to set aside pretax dollars up to the dollar amount offered in the plan to pay for particular benefits, such as health care and dental premiums. Flexible spending accounts can increase take-home pay because employees don't pay taxes on the dollars they spend from these accounts.

Today, almost all major corporations in the United States offer flexible benefits. And they're becoming the norm in other countries, too. A recent survey of 211 Canadian organizations found that 60 percent offer flexible benefits, up from 41 percent in 2005.[85] And a similar survey of firms in the United Kingdom found that nearly all major organizations were offering flexible benefits programs, with options ranging from private supplemental medical insurance to holiday trading, discounted bus travel, and childcare vouchers.[86]

Intrinsic Rewards: Employee Recognition Programs

7 Identify the motivational benefits of intrinsic rewards.

Laura Schendell makes only $8.50 per hour working at her fast-food job in Pensacola, Florida, and the job isn't very challenging or interesting. Yet Laura talks enthusiastically about the job, her boss, and the company that employs her. "What I like is the fact that Guy [her supervisor] appreciates the effort I make. He compliments me regularly in front of the other people on my shift, and I've been chosen Employee of the Month twice in the past six months. Did you see my picture on that plaque on the wall?"

Organizations are increasingly recognizing what Laura knows: important work rewards can be both intrinsic and extrinsic. Rewards are intrinsic in the form of employee recognition programs and extrinsic in the form of compensation systems. In this section, we deal with ways in which managers can reward and motivate employee performance.

Employee recognition programs range from a spontaneous and private thank-you to widely publicized formal programs in which specific types of behavior are encouraged and the procedures for attaining recognition are clearly identified. Some research suggests financial incentives may be more motivating in the short term, but in the long run it's nonfinancial incentives.[87]

A few years ago, 1,500 employees were surveyed in a variety of work settings to find out what they considered the most powerful workplace motivator. Their response? Recognition, recognition, and more recognition. As illustrated in Exhibit 8-4, Phoenix Inn, a West Coast chain of small hotels, encourages employees to smile by letting customers identify this desirable behavior and then recognizing winning employees with rewards and publicity.

An obvious advantage of recognition programs is that they are inexpensive, since praise is free![88] As companies and government organizations face tighter budgets, nonfinancial incentives become more attractive. Everett Clinic in Washington State uses a combination of local and centralized initiatives to encourage managers to recognize employees.[89] Employees and managers give "Hero Grams" and "Caught in the Act" cards to colleagues for exceptional accomplishments at work. Part of the incentive is simply to receive recognition, but there are also drawings for prizes based on the number of cards a person receives. Managers are trained to use the programs frequently and effectively to reward good performance. Multinational corporations like Symantec

flexible benefits *A benefits plan that allows each employee to put together a benefits package individually tailored to his or her own needs and situation.*

Exhibit **8-4**

glOBalization!

Motivated by Individual Goals or Relational Goals?

In previous chapters, we discussed differences between cultures in terms of the level of individualism or collectivism. Do these differences extend to motivation? Most research suggests they do, and differences between self-oriented and collectivistic cultures will affect behavior in meaningful ways.

Psychologists have consistently demonstrated differences in the ways personal or group-based achievements are valued. In cultures that emphasize collective orientation, people strive to achieve goals that benefit the whole group and find processes that isolate individual performance and achievement. People from these cultures admire "team players" and those who help and support one another. Cultures that emphasize individual orientation are marked by striving to achieve personal goals and a lack of attention to what benefits the group as a whole. People from these cultures are more likely to admire "star performers" and those who accomplish their ends independently.

These differences in individual or relational motivation might even affect the type of practices found in organizations and the ways that people behave. Some authors propose that human resource systems can influence whether individualistic or collectivistic motivation is stronger. Collective bargaining structures and group-based decision making are more prevalent in collectivistic countries, whereas more individualistic societies like the United States are noted for individual performance rating and individual rewards. Thus, management systems might well support or even enhance the individualistic or collectivistic nature of a culture.

Sources: C. K. W. De Dreu and A. Nauta, "Self-Interest and Other-Orientation in Organizational Behavior: Implications for Job Performance, Prosocial Behavior, and Personal Initiative," *Journal of Applied Psychology* 94, no. 4 (2009), pp. 913–926; J. S. Gore, S. E. Cross, and C. Kanagawa, "Acting in Our Interests: Relational Self-Construal and Goal Motivation Across Cultures," *Motivation and Emotion* 33, no. 1 (2009), pp. 75–87; and K. W. Mossholder, H. A. Richardson, and R. P. Settoon, "Human Resource Systems and Helping in Organizations: A Relational Perspective," *Academy of Management Review* 36, no. 1 (2011), pp. 33–52.

Corporation have also increased their use of recognition programs. Centralized programs across multiple offices in different countries can help ensure that all employees, regardless of where they work, can be recognized for their contribution to the work environment.[90] Another study found that recognition programs are common in both Canadian and Australian firms as well.[91]

Despite the increased popularity of employee recognition programs, critics argue they are highly susceptible to political manipulation by management. When applied to jobs for which performance factors are relatively objective, such as sales, recognition programs are likely to be perceived by employees as fair. However, in most jobs, the criteria for good performance aren't self-evident, which allows managers to manipulate the system and recognize their favorites. Abuse can undermine the value of recognition programs and demoralize employees.

MyManagementLab

Now that you have finished this chapter, go back to **www.mymanagementlab.com** to continue practicing and applying the concepts you've learned.

Summary and Implications for Managers

Although it's always dangerous to synthesize a large number of complex ideas, the following suggestions summarize what we know about motivating employees in organizations.

- **Recognize individual differences.** Managers should be sensitive to individual differences. For example, employees from Asian cultures prefer not to be singled out as special because it makes them uncomfortable. Spend the time necessary to understand what's important to each employee. This allows you to individualize goals, level of involvement, and rewards to align with individual needs. Design jobs to align with individual needs and maximize their motivation potential.
- **Use goals and feedback.** Employees should have firm, specific goals, and they should get feedback on how well they are faring in pursuit of those goals.
- **Allow employees to participate in decisions that affect them.** Employees can contribute to setting work goals, choosing their own benefits packages, and solving productivity and quality problems. Participation can increase employee productivity, commitment to work goals, motivation, and job satisfaction.
- **Link rewards to performance.** Rewards should be contingent on performance, and employees must perceive the link between the two. Regardless of how strong the relationship is, if individuals perceive it to be weak, the results will be low performance, a decrease in job satisfaction, and an increase in turnover and absenteeism.
- **Check the system for equity.** Employees should perceive that experience, skills, abilities, effort, and other obvious inputs explain differences in performance and hence in pay, job assignments, and other obvious rewards.

"If Money Doesn't Make You Happy, You Aren't Spending It Right"

POINT

As was noted in Chapter 3, some research suggests the relationship between pay and happiness isn't very strong. But pay can be a powerful motivator. It's simply that sometimes we're motivated to pursue things that have a limited ability to make us happy.

However, the story doesn't end there. New research suggests it's what we want to *do* with money that is most important. Specifically, spending money on experiences makes us happier than spending it on possessions. That is, vacations, entertainment, and sports make people happier. Extra money spent on material objects—clothes, jewelry, cars, furniture—did not make these people happier.

One study found that $30,000 spent on leisure over several seasons had as positive an effect on life satisfaction as did getting married.

One of the reasons spending on experiences is money well spent is that experiences build relationships, and evidence reliably shows that relationships make people happier. Other research shows that people tend to look back on experiences sentimentally (you tend to forget that dirty hotel room in Prague and instead remember fondly the Charles Bridge at night); they don't attach this same sentimentality when thinking about their possessions.

One researcher has even calibrated that, in terms of the happiness produced by spending money on something, experiences beat possessions three-to-one.

Thus, it's OK to be motivated by money. Just pay attention to how you spend what you earn.

COUNTERPOINT

Money doesn't do much to improve happiness after existence needs (food, clothing, and shelter) are met. Why worry about what aspects of spending money make us happy when money doesn't appear to matter much at all? Research should instead be directed toward understanding why such a powerful motivator is such a pitiful satisfier.

What should motivate us? We know social relationships are important to happiness and well-being. Keeping in touch with friends, spending meaningful time with family, building positive and supportive relationships at work—those are what really matter, and none of them have a thing to do with making money.

Activity also contributes to happiness—not only physical activity like exercise, but being proactive too. When people reflect back on their lives, they are much more likely to regret actions they never took, as opposed to the ones they did.

Money is not evil. We need it to acquire the basic elements of survival. But after those basic needs are met, we should realize our pursuit of money to make us happy is a fallacy. We can recall an inexpensive camping trip as fondly as a stay at a five-star hotel. Thus, we should take jobs that have interesting and meaningful work, not those that command the highest wages. In managing others, we should create a culture that motivates by building relationships, giving others autonomy and input, and pursing work people see as important and challenging.

Source: S. Rosenbloom, "But Will It Make You Happy?" *The New York Times* (August 8, 2010), pp. B1, B4; J. Axelrod, "Want to Be Happy? Don't Just Sit There," *CBS News* (March 3, 2011), downloaded May 10, 2011, from www.cbsnews.com/; and J. Quoidbach, E. W. Dunn, K. V. Petrides, and M. Mikolajczak, "Money Giveth, Money Taketh Away: The Dual Effect of Wealth on Happiness," *Psychological Science*, in press.

QUESTIONS FOR REVIEW

1 What is the job characteristics model? How does it motivate employees?

2 What are the three major ways that jobs can be redesigned? In your view, in what situations would one of the methods be favored over the others?

3 What are the three alternative work arrangements of flextime, job sharing, and telecommuting? What are the advantages and disadvantages of each?

4 What are employee involvement programs? How might they increase employee motivation?

5 What is variable pay? What are the variable-pay programs that are used to motivate employees? What are their advantages and disadvantages?

6 How can flexible benefits motivate employees?

7 What are the motivational benefits of intrinsic rewards?

EXPERIENTIAL EXERCISE Assessing Employee Motivation and Satisfaction Using the Job Characteristics Model

Purpose
This exercise will help you examine outcomes of the job characteristics model for different professions.

Time
Approximately 30 to 45 minutes.

Background
Data were collected on 6,930 employees in 56 different organizations in the United States, using the Job Diagnostic Survey. The following table contains data on the five core job dimensions of the job characteristics model for several professions. Also included are growth-needs strength, internal motivation, and pay satisfaction for each profession. The values are averages based on a 7-point scale.

Instructions
1. Break into groups of three to five.
2. Calculate the MPS score for each of the professions and compare them. Discuss whether you think these scores accurately reflect your perceptions of the motivating potential of these professions.
3. Graph the relationship between each profession's core job dimensions and its corresponding value for internal motivation and for pay satisfaction, using the core job dimensions as independent variables. What conclusions can you draw about motivation and satisfaction of employees in these professions?

Job Characteristics Averages for Six Professions

	Profession					
Variable	*Professional/ Technical*	*Managerial*	*Sales*	*Service*	*Clerical*	*Machine Trades*
Skill variety	5.4	5.6	4.8	5.0	4.0	5.1
Task identity	5.1	4.7	4.4	4.7	4.7	4.9
Task significance	5.6	5.8	5.5	5.7	5.3	5.6
Autonomy	5.4	5.4	4.8	5.0	4.5	4.9
Feedback	5.1	5.2	5.4	5.1	4.6	4.9
Growth-needs strength	5.6	5.3	5.7	5.4	5.0	4.8
Internal motivation	5.8	5.8	5.7	5.7	5.4	5.6
Pay satisfaction	4.4	4.6	4.2	4.1	4.0	4.2

Source: Adaptation of Job Characteristics Model, pp. 78–80 from J. Richard Hackman & Greg R. Oldham, *Work Redesign*, 1st Edition, © 1980. Adapted by permission of Pearson Education, Inc., Upper Saddle River, NJ.

ETHICAL DILEMMA Spitting Mad

How would you like to be spat at? The answer to that question is pretty obvious, but what may surprise you is that spit is an occupational hazard of New York City bus drivers. The outcomes of these incidents are even more interesting.

In a typical 1-year period, roughly 80 New York City bus drivers are spat upon by disgruntled passengers. These spitting incidents (no other injury was involved) generate an average of 64 days off work—the equivalent of 3 months' pay. In 2009, one spat-upon driver took 191 days of paid leave. The union representing the bus drivers said the leave was justified because being spat upon "is a physically and psychologically traumatic experience."

The causes of passenger spitting are varied, ranging from the MetroCard not working to perceived delays in schedules.

Driver Raul Morales was spat upon by a passenger irate over the fare. After the incident, Morales stopped at a nearby McDonald's, cleaned himself off, then finished his shift. "I just kept on going," he says.

As any watcher of the TV series *World's Toughest Jobs* knows, there is a lot of dangerous work out there, and bus drivers face their own hazards. Some bus drivers have been assaulted by passengers, including one New York City bus driver who was stabbed to death by a passenger in 2008.

Nancy Shevell, chair of the New York City transit authority, questions whether the time off is justified by the injury. "You have to wonder if you can go home and shower off, take a nap, take off the rest of the day and maybe the next day," she said. "When it gets strung out over months, you start to wonder."

Questions

1. Do you think bus drivers should be able to take time off in return for being spit at? If so, how long do you think they should have?
2. People react differently to stressful situations. One of the flight attendants on US Airways Flight 1549 that Captain Chesley "Sully" Sullenberger landed on the Hudson River has not been able to go back to work 3 years after the incident. Yet her two fellow flight attendants have. How do you judge ethical responsibilities and develop policy in situations where different people react differently?
3. What ethical responsibility does New York City's Transit Authority have toward its bus drivers?

Sources: M. M. Grynbaum, "When Angry Passengers Spit, Bus Drivers Take Months Off," *The New York Times* (May 25, 2010), pp. A1, A20; and V. Bishop and H. Hoel, "The Customer Is Always Right?" *Journal of Consumer Culture* 8, no. 3 (2008), pp. 341–367.

CASE INCIDENT 1 Multitasking: A Good Use of Your Time?

Multitasking—doing two or more things at once, or rapidly switching from one task to another—is a characteristic of the Millennial generation. One recent study revealed that during a typical week, 81 percent of young people report "media multitasking" at least some of the time.

Multitasking nicely illustrates our point that motivation is not just effort but also the way you direct your efforts. However, is the direction of efforts in multitasking efficient or inefficient?

Many people who multitask say it makes them more efficient: "Why not do two things at once if I can accomplish about as much as if I only did one thing?" they ask. Research, however, suggests multitasking is inefficient, that it actually takes longer to do two things at once than to do one thing first and then turn to the other. David Meyer, a University of Michigan psychologist who has studied multitasking, argues, "You wind up needing to use the same sorts of mental and physical resources for performing each of the tasks. You're having to switch back and forth between the two tasks as opposed to really doing them simultaneously."

Multitasking appears to result in adverse outcomes beyond inefficiency. Another study found multitaskers absorb material more superficially; they notice more things in their environment but are able to learn material less deeply. "It's not that they can't focus," says one researcher. "It's that they focus on everything. They hear everything—even things they would normally be able to block out—because they are now so used to attending to many things at once." Others note that multitasking can damage productivity and social relationships as individuals devote less concentrated time and attention to the tasks they are working on and conversations they are having. This scattered attention is especially damaging for tasks that require deep insight or creativity.

Questions

1. One expert who has studied multitasking calls it "a big illusion," arguing that multitaskers think they are more motivated and productive even when they aren't. Do you consider yourself a multitasker? If

so, does this case make you reconsider whether multitasking makes you more motivated or productive?

2. The effects of multitasking have been found to be more negative when the tasks are complex. Why do you think this is the case?
3. You might think multitasking makes you happy. While there is less research on this topic, some evidence suggests multitaskers feel more stress in their work. Multitaskers "feel a constant low-level panic." Do you agree? Why or why not?
4. One expert recommends we "recreate boundaries" by training ourselves, while doing something, not to look at other devices like cell phone or television for increasing periods of time. Do you think you could do that? For how long?

Sources: R. A. Clay, "Mini-Multitaskers," *Monitor on Psychology* 40, no. 2 (2009), pp. 38–40; D. Crenshaw, *The Myth of Multitasking: How "Doing It All" Gets Nothing Done* (San Francisco: Jossey Bass, 2008), and A. Tugend, "Multitasking Can Make You Lose . . . Um . . . Focus," *The New York Times* (October 25, 2008), p. B7.

CASE INCIDENT 2 Bonuses Can Backfire

It might seem obvious that people will be motivated by bonuses, but many scholars question this premise. Alfie Kohn has long suggested that workers are "punished by rewards" and urges that organizations avoid tying rewards to performance because of the negative consequences that can result. As an alternative to rewards, some experts recommend that managers foster a positive, upbeat work environment in hopes that enthusiasm will translate into motivation.

Although rewards *can* be motivating, they can reduce employees' intrinsic interest in the tasks they are doing. Along these lines, Mark Lepper of Stanford University found that children rewarded for drawing with felt-tip pens no longer wished to use the pens at all when rewards were removed, whereas children who were not rewarded for using the pens were eager to use them. Similar experiments in which children completed puzzles have also shown that increasing rewards can decrease interest in the rewarded task. Some have questioned the extent to which these results generalize to working adults, but concern about rewards diminishing intrinsic motivation persists.

Rewards can also lead to misbehavior by workers. Psychologist Edward Deci notes, "Once you start making people's rewards dependent on outcomes rather than behaviors, the evidence is people will take the shortest route to those outcomes." Consider factory workers paid purely based on the number of units they produce. Because only quantity is rewarded, workers may neglect quality. Executives rewarded strictly on the basis of quarterly stock price will tend to ignore the long-term profitability and survival of the firm; they might even engage in illegal or unethical behavior to increase their compensation. A review of research on pay-for-performance in medicine found that doctors who were rewarded for treatment outcomes were reluctant to take on the most serious cases, where success was less likely.

Although there might be some problems with providing incentives, the great majority of research cited in this and the previous chapter shows that individuals given rewards for behavior will be more likely to engage in the rewarded behaviors. It is also unlikely that individuals engaged in very boring, repetitive tasks will lose their intrinsic motivation if the task is rewarded, because they never had any intrinsic motivation to begin with. The real issue for managers is finding an appropriate way to reward behaviors so desired behavior is increased while less-desired behavior is reduced.

QUESTIONS

1. Do you think that, as a manager, you would use bonuses regularly? Why or why not?
2. Can you think of a time in your own life when being evaluated and rewarded on a specific goal lead you to engage in negative or unproductive behavior?
3. Do you think providing group bonuses instead of individual bonuses would be more effective or less effective? Why or why not?
4. How would you design a bonus/reward program to avoid the problems mentioned in this case?

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