

Session 5 – Motivation and Reward



Learning Outcomes

In this topic you will

- Examine what is meant by the concepts such as motivation
- Analyse the types and process of motivation
- Analyse the key current Workplace Learning Trends
- Examine key contemporary motivation theories and critically evaluate those theories
- Examine the approaches to developing a motivation strategy

What is Motivation?

- Motivation is concerned with the strength and direction of behaviour and the factors that influence people to behave in certain ways.
- Motivation can refer to the goals individuals have, the ways in which individuals chose their goals and the ways in which others try to change their behaviour.



Types of Motivation

The two basic types are:

- *Intrinsic motivation*, which arises from the self-generated factors, which influence people's behaviour.
- *Extrinsic motivation*, which occurs when things are done to or for people to motivate them.

Motivation Theories



What are the Motivation Theories

1. Instrumentality – Taylor, (1911)
2. Reinforcement – Hull, (1951)
3. Content (needs) Theory – Marslow (1954), Alderfer, (1972)
4. Two-factor Model – Herzberg et al, (1957)
5. Process/Cognitive Theory - Vroom (1964), Porter and Lawler (1968)
6. Goal theory - Lathom and Locke (1979)
7. Equity theory - Adams (1965)

Motivation Theories

Category	Type	Theorist(s)	Summary of theory	Implications
Instrumentality	Taylorism	Taylor (1911)	If we do one thing it leads to another. People will be motivated to work if rewards and punishments are directly related to their performance.	Basis of crude attempts to motivate people by incentives. Often used as the implied rationale for performance-related pay although this is seldom an effective motivator.
Reinforcement	The motivation process	Hull (1951)	As experience is gained in satisfying needs people perceive that certain actions help to achieve goals while others are unsuccessful. The successful actions are repeated when a similar need arises.	Provide feedback, which positively reinforces effective behaviour.
Content (needs) theory	Hierarchy or sets of needs	Maslow (1954) Alderfer (1972)	<p>People are motivated by their needs, which are translated into goal for them to attain. The content of motivation is therefore those needs and the goals they generate to which people aspire.</p> <p>In Maslow's theory a hierarchy of needs exists: physiological, safety, social, esteem, self-fulfilment. Needs at a higher level only emerge when a lower need is satisfied.</p> <p>Alderfer (1978) produced a simpler three-factor non-hierarchical theory identifying three basic needs</p>	Focuses attention on the various needs that motivate people and the notion that a satisfied need is no longer a motivator. The concept of a hierarchy has no practical significance.
Two-factor model	Related to needs theory	Herzberg et al (1957)	Two groups of factors affect job satisfaction: (1) those intrinsic to the work itself; (2) those extrinsic to the job (extrinsic motivators or hygiene factors) such as pay and working conditions	<p>Identifies a number of fundamental needs within the two factor model, ie achievement, recognition, advancement, autonomy and the work itself. It also indicates that satisfaction from a pay increase (extrinsic motivation) does not last long.</p> <p>The research methodology has been strongly criticized and the underpinning assumption that everyone has the same needs is invalid. But it has influenced approaches to job design (job enrichment) and it supports the proposition that reward systems should provide for both financial and non-financial rewards</p>
Process/cognitive theory	Expectancy theory	Vroom (1964), Porter and Lawler (1968)	Effort (motivation) depends on the likelihood that rewards will follow effort and that the reward is worthwhile	The key theory informing approaches to rewards, ie that they must be a link between effort and reward (line of sight), the reward should be achievable and should be worthwhile.
	Goal theory	Latham and Locke (1979)	Motivation will improve if people have demanding but agreed goals and receive feedback	Influences performance management and learning and development practices.
	Equity theory	Adams (1965)	People are better motivated if treated equitably, ie treated fairly in comparison with another group of people (a reference group) or a relevant other person.	Need to have equitable reward and employment practices.

Session 2b – Engagement and Reward



Learning Outcomes

In this topic you will

- Examine what is meant by the concepts such as employee engagement
- Analyse the importance of engagement
- Analyse the key factors that affect engagement
- Examine the role of reward in enhancing engagement
- Develop engagement policies and steps to enhance engagement

What is Employee Engagement?

- Employee engagement takes place when people are committed to their work and their employer and are motivated to achieve high levels of performance.

(Armstrong, 2018)



Why does Employee Engagement Matter?



Factors that influence Engagement

Engagement is influenced by:

- Work and job design
- Work environment and quality





Employee Engagement

The role of Reward in enhancing Engagement

- Total rewards approach is required
- Financial and Non-Financial rewards are sufficient



6 Engagement Steps to enhance reward

- Analyze the existing performance culture of the organization and develop an engagement.
- Define the drivers of engagement (and disengagement) for different categories of employees.
- Assess and define the reward elements that affect engagement and develop reward programmes, which will enhance these different aspects of engagement.

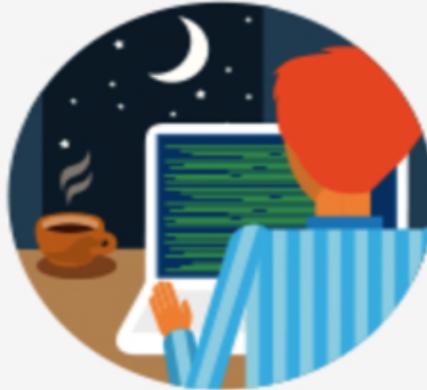
6 Engagement Steps to enhance reward

- Introduce a total rewards approach, which brings together all the reward elements (pay and non pay) that engage staff.
- Segment total reward to take account of key employee differences.
- Implement the total rewards approach and measure and evaluate its impact and success.

WHAT EMPLOYEES REALLY WANT



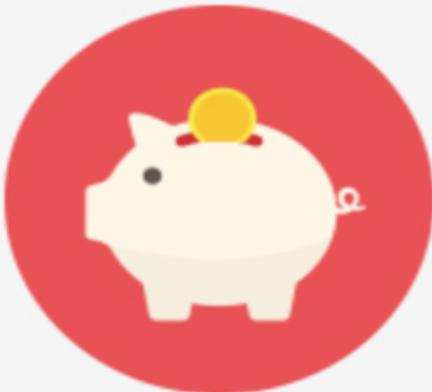
Ownership of Work



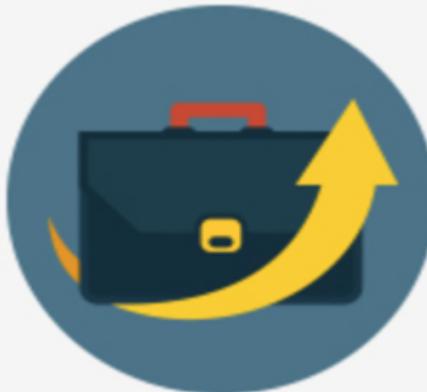
Flexibility



Stable Environment



Compensation



Advancement Opportunities



Respect

Question?

- What are the factors that affect employee engagement?



In-Class Video

Watch this video from Jos de Jong, TEDxEindhoven on the power of staff engagement.

<https://www.youtube.com/watch?v=4ZNtcDuUsyQ>



Class Activity

- What is the impact of reward on Employee Engagement? Review this from an individual, team and wider organisational perspective.

Session 2c – Performance and Reward



Learning Outcomes

In this topic you will

- Examine what is meant by the concepts such as performance
- Analyse the impact of reward on performance
- Analyse the key process of performance management
- Examine the issues of performance management

What is Performance Management

Performance
Management

A hand holding a red marker is shown writing the words "Performance" and "Management" in a red, cursive font on a white background. A horizontal red line is drawn under the word "Performance".

Performance Management Definition

Performance means both behaviours and results. Behaviours emanate from the performer and transform performance from abstraction to action. (Brumbach (1988))



How does reward impact on performance?

Reward generally influences performance by:

- Providing the means to recognise achievement, competence and merit.
- Motivating people and by enhancing engagement. Self directed learning opportunities
- Creating and maintaining a high-performance organisation



How does Reward impacts on Performance?



How Reward impacts on Performance

- Reward generally influences performance by providing the means to recognize achievement, competence and merit.
- Rewards make an impact on performance by motivating people and by enhancing engagement.
- Reward can also help to create and maintain a high-performance organization



What is the role of performance management?

Performance management can reward people by:

- recognition through feedback;
- the provision of opportunities to achieve;
- the scope to develop skills;
- guidance on career paths.



Performance Management Cycle



Performance Management Systems

- A performance management system is a set of inter-related activities and processes.
- The system flows from the organization's goals and then operates as a continuous and self-renewing cycle



What are the issues of Performance Management

The two main issues are that:

- Managers and employees are reluctant to engage in performance management activities;
- Managers lack the skills to carry out the demanding requirements of performance management.

Key Theories Underpinning Performance Management

- Goal theory as developed by Latham and Locke (1979) highlights four mechanisms that connect goals to performance outcomes: (1) they direct attention to priorities; (2) they stimulate effort; (3) they challenge people to bring their knowledge and skills to bear to increase their chances of success and (4)
- Control theory focuses attention on feedback as a means of shaping behaviour.
- Social cognitive theory was developed by Bandura (1986). It is based on his central concept of self-efficacy.

Ethical Approach to Reward and Performance Management



Learning Outcome

- Examine the rationale for ethical and performance management
- Analyse the requirements of an ethical approach
- Examine resolving ethical dilemmas
- Describe the key ethical issues
- Examine an ethical code of practice for reward and the ethical role of reward professionals

What are the Ethical Decisions in Reward and Performance?



Ethical Decision in Reward & Performance

Ethical decisions in reward and performance management are concerned generally with ensuring fair pay and fair dealing and specifically with:

- the achievement of equity in the design and operation of pay systems;
- the fair operation of performance management and performance pay systems;
- the achievement of equal pay for work of equal value;
- the extent of dispersion, namely, the gap between the pay of the chief executive and that of the lowest paid member of the organization or the median earnings of employees – this is often expressed as a multiple, eg a ratio of 50:1;

Why Ethical Approach Matters?



Three main reason for an ethical approach:

- There is a moral imperative for businesses to ‘do the right thing.’
- An ethical approach can boost the reputation of an organization and enhance its employee value proposition.
- An ethical approach can help to generate trust and, therefore, a positive and cooperative climate of employee relations.

How Can Organisations Generate Trust in Organisations

Trust can be generated when...

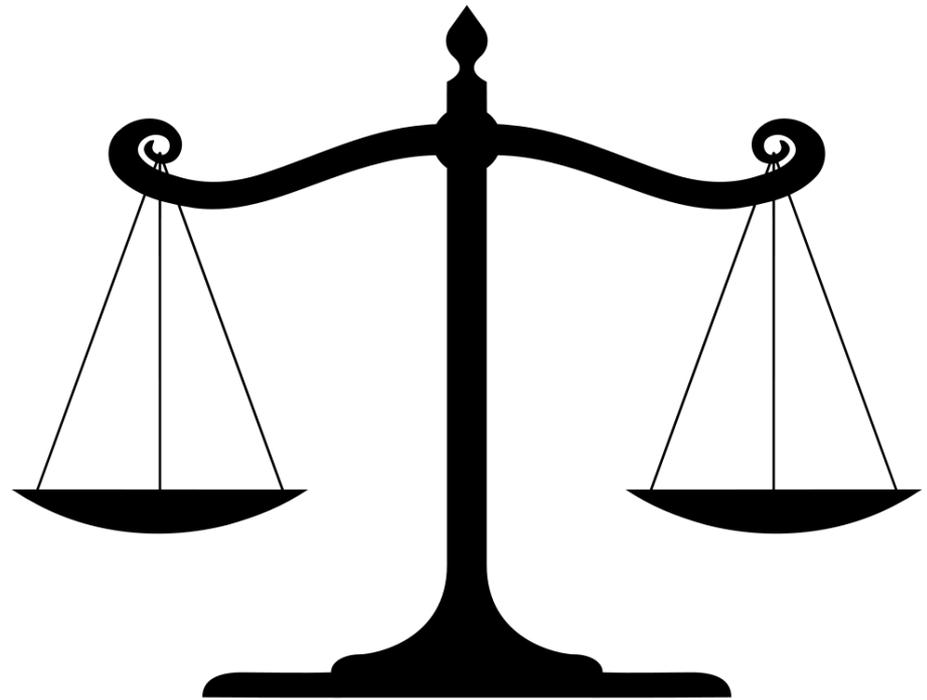
- Management acts properly
- A policy of transparency is implemented
- Everyone is involved
- Agree mutual expectations



How can organisations be just?

Treating people justly means that they are dealt with in ways, which are inherently fair, right and proper. The two types of justice most relevant to reward and performance management are:

- *Distributive Justice* – This is how rewards are provided to people
- *Procedural Justice* is concerned with the perceptions employees have about the fairness



How can organisations be fair?

Treating people fairly means:

- Giving people what they deserve
- Pay should be proportional to each individual's contribution



What are the features of a fair process?



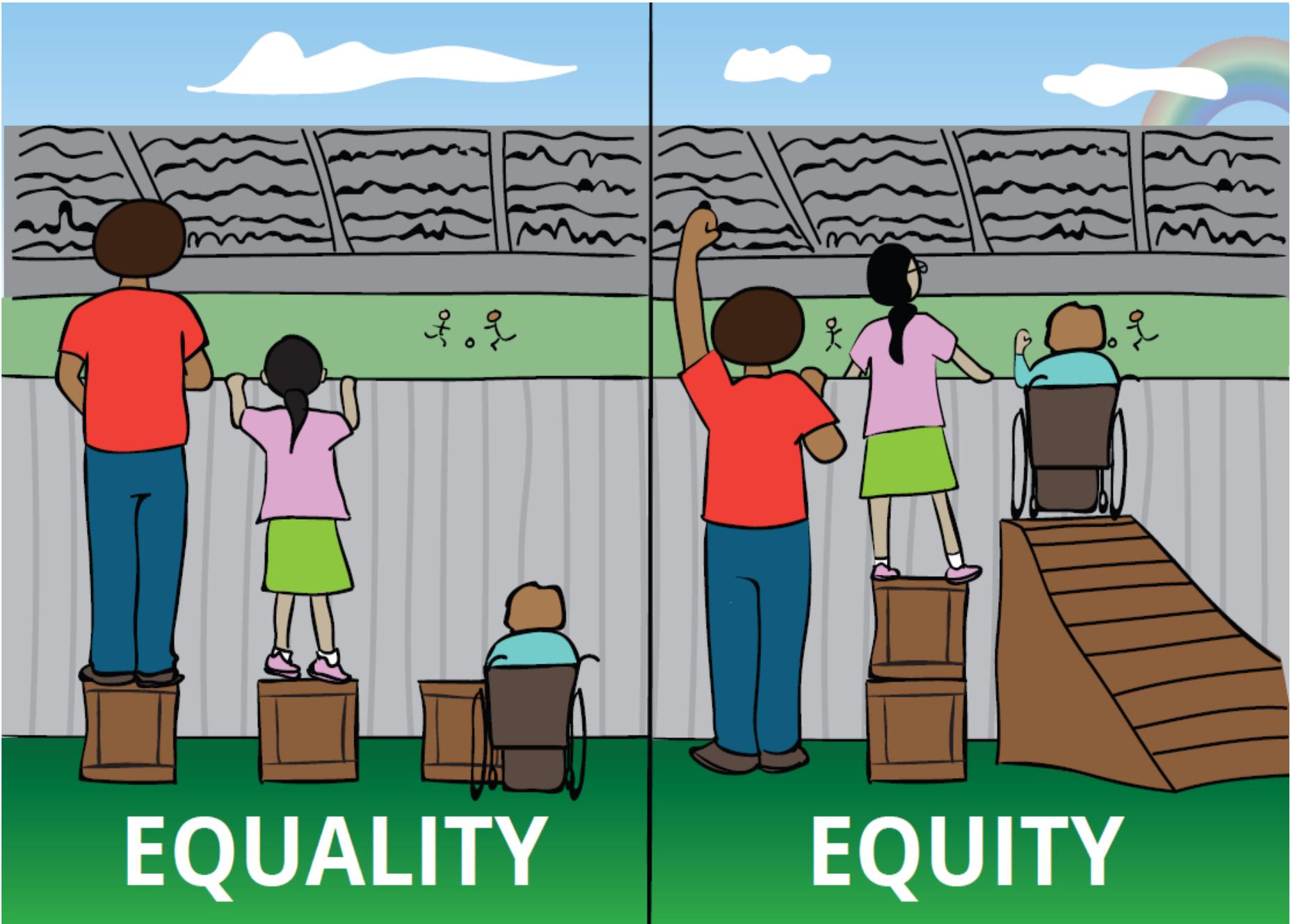
Features of a fair process.

- Procedural justice is sometimes referred to as ‘fair process’ The features of a fair process as defined by the Hutton Interim Report (2010) are:
 - Dignity
 - Equality
 - Accuracy
 - Legitimacy

What is a Felt-Fair Principle?

An earlier and influential approach to fairness was produced by Eliot Jaques (1961). He formulated the ‘felt-fair’ principle which states that pay systems will be fair if they are felt to be fair.





EQUALITY

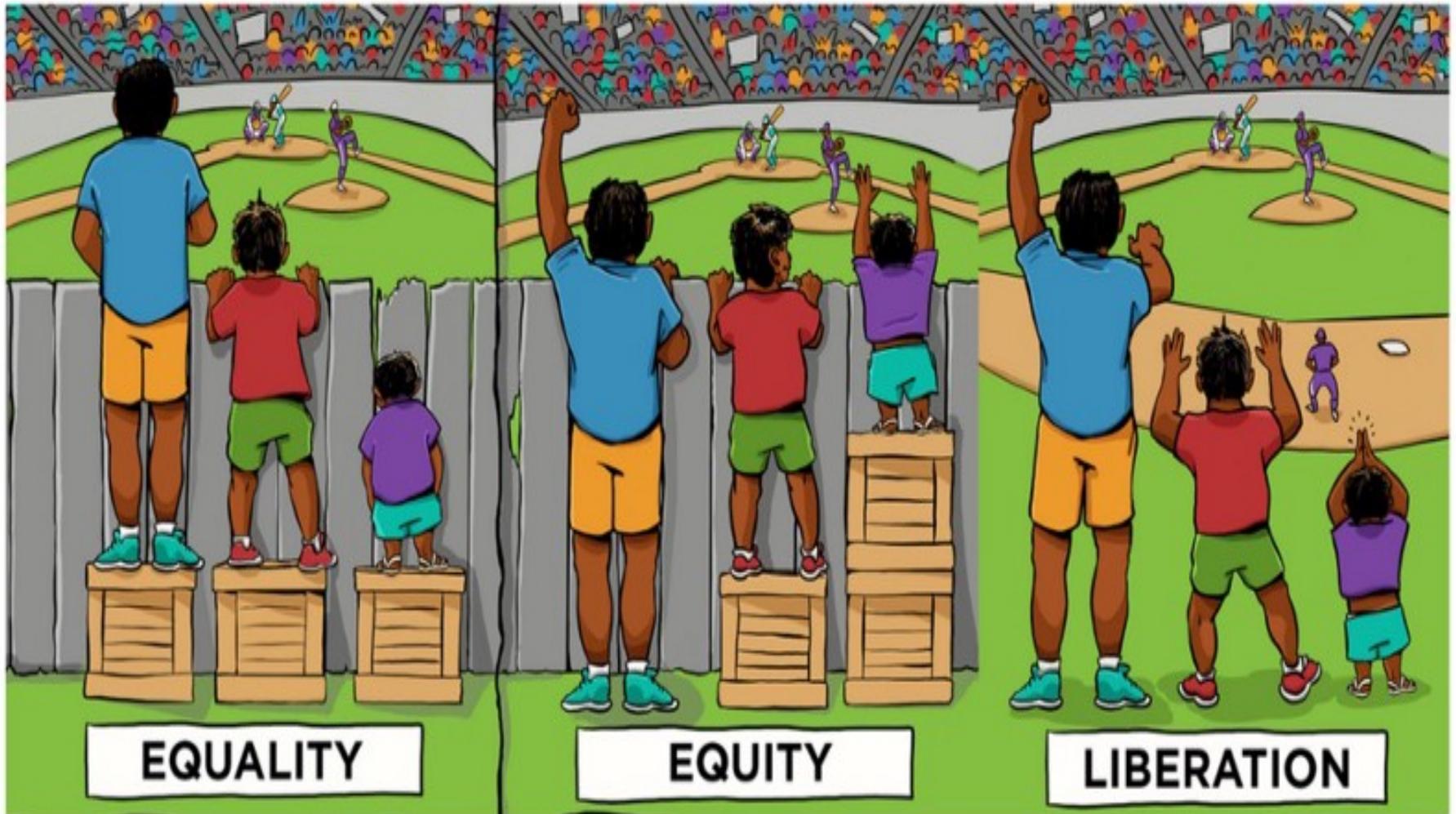
EQUITY

What is Equity?

- To be dealt with equitably is to be treated fairly in comparison with another group of people.



How to deal with ethical dilemmas?



Dealing with ethical dilemmas

The following checklist – used judiciously and selectively according to the circumstances – can provide a basis for such questioning and analysis.

- Will the proposed action benefit the organization and if so how?
- Will the proposed action be harmful to the individual affected or to employees generally in any way and if so how?
- Does the proposed action benefit one stakeholder, (eg share holders) to the detriment of others (eg employees)?
- Is the proposed action and any investigations leading to it consistent with the principles of procedural and distributive justice?
- Is the reason for taking the proposed action clear to all concerned?

Dealing with ethical dilemmas

- Is there any risk of the proposed action doing harm to the organization's reputation for fair-dealing?
- Do the facts as identified and confirmed justify the proposed action?
- Is the action consistent with established guiding principles or value statements?
- Have different versions or interpretations of the facts and circumstances been offered and if so, what steps can be taken to obtain the true and full picture?
- Is the proposed action in line with both the letter and the spirit of the law?

Pay Dispersion



What is Pay Dispersion?

- Pay dispersion refers to the differentials or gaps in pay between jobs in an organization.
- The major ethical issue raised by dispersion is the ratio of the pay of a chief executive to that of the lowest pay employee or to the median pay of all employees. What amount of dispersal is justified?



Performance Management Schemes & Ethical Issues



What are Performance Management Schemes?

Performance management schemes can be ethical minefields. The overriding ethical issue is how can they be operated fairly?



Performance Management & Ethical Issues

The specific ethical issues are:

- The extent to which the standards used to judge performance are fair.
- How well equipped managers are to make judgements about the performance of their staff;
- The degree to which judgements about performance are imposed from above;
- The use of the forced distribution of assessments
- How performance ratings, which may be largely subjective or biased, will govern pay increases;
- What scope employees have?

Performance Related Pay

The fundamental ethical issue concerning performance-related pay are:

- The extent to which fair, equitable and consistent judgements can be made about performance to inform decisions on the amount of pay increases.
- The degree to which performance-related pay is ethical depends on fair performance management processes (ie procedural justice).



What is the ethical role of the Reward Professionals?



What is the ethical role of the Reward Professionals?

Reward professionals need to do whatever they can to embed the consistent application of ethical values in the organisation.





- Why is it important to adopt an ethical approach to reward management?

- What are the ethical issues most likely to arise in managing reward?

- What approach can an organisation adopt to ensure that an ethical approach to reward is adopted?

Learning Outcome

- Examine the definition of pay progression.
- Examine the types of contingent pay.
- Analyse the advantages and disadvantages of contingent pay and where they are appropriate.

What is Pay Progression?

- Pay progression is the process through which pay increases within a formal reward system. It takes place by means of contingent pay, defined as payments to individuals that increase their base rate by amounts related to their performance, competence, contribution, skill or length of service.

What is Contingent Pay?



- Contingent pay consists of payments related to individual performance, contribution, competence or skill, or to team or organisational performance.



Types of Contingent Pay?

- Performance-related pay - Increases to basic pay or bonuses are related to assessment of performance
- Competence-related pay - Pay increases are related to the level of competence
- Contribution-related pay- Increases in pay or bonuses are related both to inputs (competence) and outputs (performance).
- Skills-based pay - Provides employees with a direct link between their pay progression and the skills they have acquired and can use effectively
- Service-related pay - Provides increments related to length of service in the job.

Advantages of Performance Related Pay

- May motivate (but this is uncertain).
- Links rewards to objectives.
- Meets the need to be rewarded for achievement.
- Delivers message that good performance is important and will be rewarded.

Disadvantages of Performance Related Pay

- May *not* motivate.
- Relies on judgements of performance, which may be subjective.
- Prejudicial to teamwork.
- Focuses on outputs, not quality.
- Relies on good performance management processes.
- Difficult to manage well.

Advantages of Competence Related Pay

- Focuses attention on need to achieve higher levels of competence.
- Encourages competence development.
- Can be integrated with other applications of competency-based HR management.

Disadvantages of Competence Related Pay

- Assessment of competence levels may be difficult.
- Ignores outputs – danger of paying for competences that will not be used.
- Relies on well-trained and committed line managers.

Advantages of Contribution-related Pay

- Rewards people not only for what they do but how they do it.

Disadvantages of Contribution-related Pay

- As for both PRP and competence-related pay – it may be hard to measure contribution and it is difficult to manage well.

Advantages of Skills-based Pay

- Recognises skilled performance and encourages the development of skills.

Disadvantages of Skills-based Pay

- Risk of paying for the acquisition rather than the effective use of skills

Psychological Contract and Reward

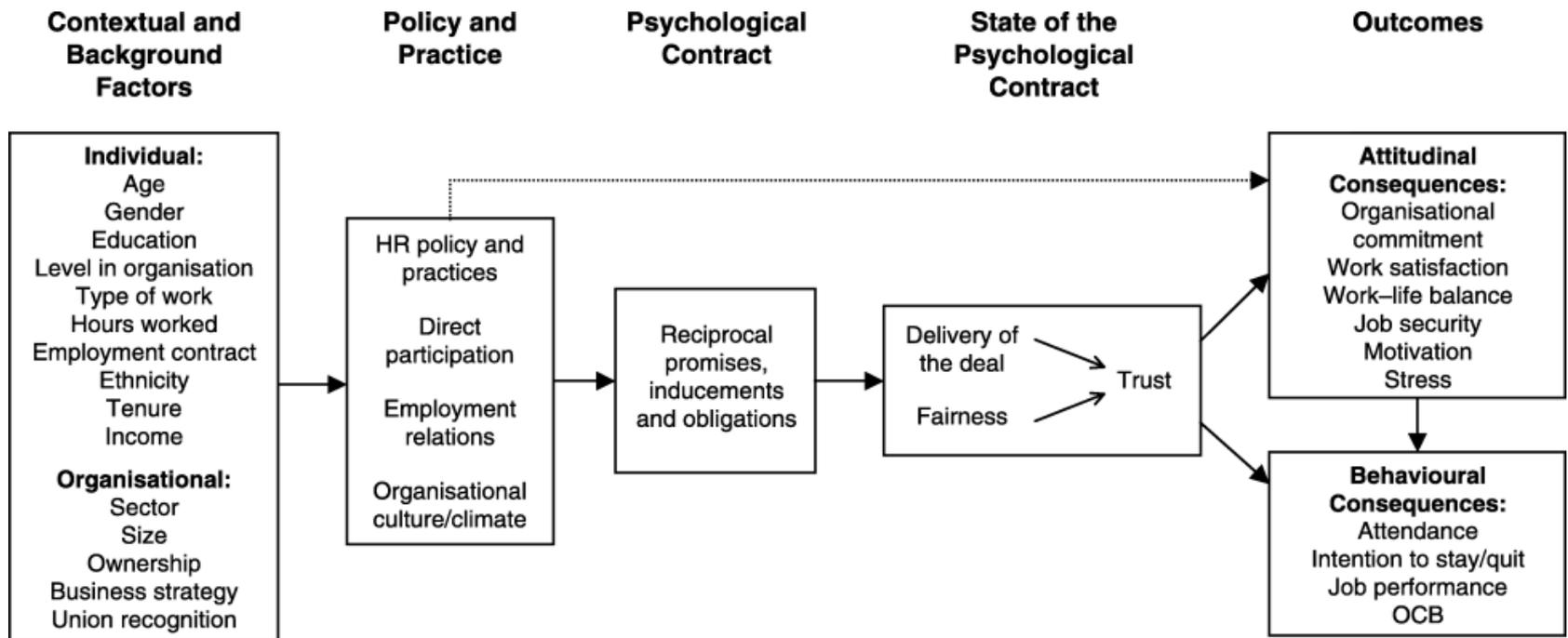


The Psychological Contract and Reward.

The term 'psychological contract' refers to individuals' expectations, beliefs, ambitions and obligations, as perceived by the employer and the worker. The concept emerged in the early 1960s and is core to understanding the employment relationship.



A model of the Psychological Contract



What is covered in the Psychological Contract

Broadly, the psychological contract may cover the following aspects of the employment relationship and how they interact:

- Job security.
- Career prospects.
- Training and development.
- Perceived fairness of pay and benefits.
- Manager support.
- Employer's reputation and impact on the society.

Managers role in the Psychological Contract

Managers responsibilities are:

- To take responsibility for maintaining the relationships.
- Preventing breach in the first place is better than trying to repair the damage afterwards.
- Negotiating or renegotiating the deal, rather than focusing too much on delivery.
- Provide interventions aimed at building resilience skills will help individuals cope better with contract breaches.

People Management and the Psychological Contract

Specific areas of focus include:

- Employer brand: To be clear on what they expect of, and offer to, employees, many organisations have created a set of corporate values or a stated mission.
- Communications: An effective two-way dialogue between employer and employees is a necessary means of giving expression to employee 'voice'.
- Learning and career development: Employability is a key employment offer to many workers.
- Management style: In many organisations, managers can no longer control the business 'top down' - they have to adopt a more 'bottom up' style.
- Managing expectations: Employers need to make clear to new recruits what they can expect from the job.
- Measuring employee attitudes: Employers should monitor employee attitudes on a regular basis as a means of identifying where action may be needed in order to improve performance.

Motivation Theories

Category	Type	Theorist(s)	Summary of theory	Implications
Instrumentality	Taylorism	Taylor (1911)	If we do one thing it leads to another. People will be motivated to work if rewards and punishments are directly related to their performance.	Basis of crude attempts to motivate people by incentives. Often used as the implied rationale for performance-related pay although this is seldom an effective motivator.
Reinforcement	The motivation process	Hull (1951)	As experience is gained in satisfying needs people perceive that certain actions help to achieve goals while others are unsuccessful. The successful actions are repeated when a similar need arises.	Provide feedback, which positively reinforces effective behaviour.
Content (needs) theory	Hierarchy or sets of needs	Maslow (1954) Alderfer (1972)	People are motivated by their needs, which are translated into goal for them to attain. The content of motivation is therefore those needs and the goals they generate to which people aspire. In Maslow's theory a hierarchy of needs exists: physiological, safety, social, esteem, self-fulfilment. Needs at a higher level only emerge when a lower need is satisfied. Alderfer (1978) produced a simpler three-factor non-hierarchical theory identifying three basic needs	Focuses attention on the various needs that motivate people and the notion that a satisfied need is no longer a motivator. The concept of a hierarchy has no practical significance.
Two-factor model	Related to needs theory	Herzberg <i>et al</i> (1957)	Two groups of factors affect job satisfaction: (1) those intrinsic to the work itself; (2) those extrinsic to the job (extrinsic motivators or hygiene factors) such as pay and working conditions	Identifies a number of fundamental needs within the two factor model, ie achievement, recognition, advancement, autonomy and the work itself. It also indicates that satisfaction from a pay increase (extrinsic motivation) does not last long. The research methodology has been strongly criticized and the underpinning assumption that everyone has the same needs is invalid. But it has influenced approaches to job design (job enrichment) and it supports the proposition that reward systems should provide for both financial and non-financial rewards
Process/cognitive theory	Expectancy theory	Vroom (1964), Porter and Lawler (1968)	Effort (motivation) depends on the likelihood that rewards will follow effort and that the reward is worthwhile	The key theory informing approaches to rewards, ie that they must be a link between effort and reward (line of sight), the reward should be achievable and should be worthwhile.
	Goal theory	Latham and Locke (1979)	Motivation will improve if people have demanding but agreed goals and receive feedback	Influences performance management and learning and development practices.
	Equity theory	Adams (1965)	People are better motivated if treated equitably, ie treated fairly in comparison with another group of people (a reference group) or a relevant other person.	Need to have equitable reward and employment practices.

Type of scheme	Main features	Advantages	Disadvantages	When appropriate
Performance-related pay	Increases to basic pay or bonuses are related to assessment of performance.	<ul style="list-style-type: none"> • May motivate (but this is uncertain). • Links rewards to objectives. • Meets the need to be rewarded for achievement. • Delivers message that good performance is important and will be rewarded. 	<ul style="list-style-type: none"> • May <i>not</i> motivate. • Relies on judgements of performance, which may be subjective. • Prejudicial to teamwork. • Focuses on outputs, not quality. • Relies on good performance management processes. • Difficult to manage well. 	<ul style="list-style-type: none"> • For people who are likely to be motivated by money. • In organizations with a performance-orientated culture. • When performance can be measured objectively.
Competence-related pay	Pay increases are related to the level of competence.	<ul style="list-style-type: none"> • Focuses attention on need to achieve higher levels of competence. • Encourages competence development. • Can be integrated with other applications of competency-based HR management. 	<ul style="list-style-type: none"> • Assessment of competence levels may be difficult. • Ignores outputs – danger of paying for competences that will not be used. • Relies on well-trained and committed line managers. 	<ul style="list-style-type: none"> • As part of an integrated approach to HRM where competencies are used across a number of activities. • Where competence is a key factor and it may be inappropriate or hard to measure outputs. • Where well-established competency frameworks exist.
Contribution-related pay	Increases in pay or bonuses are related both to inputs (competence) and outputs (performance).	Rewards people not only for what they do but how they do it.	As for both PRP and competence-related pay – it may be hard to measure contribution and it is difficult to manage well.	When it is believed that a well-rounded approach covering both inputs and outputs is appropriate.
Skill-based pay	Provides employees with a direct link between their pay progression and the skills they have acquired and can use effectively	Recognises skilled performance and encourages the development of skills.	Risk of paying for the acquisition rather than the effective use of skills	When skills can be clearly defined at different levels and the acquisition and use of skills can be measured accurately.
Service-related pay	Provides increments related to length of service in the job.	Unbiased. Easy to manage.	Progression automatic 'A gift that goes on giving'.	In public or voluntary organizations which do not want to use performance pay.