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EMPLOYEE MOTIVATION AND PERFORMANCE

Thesis

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ABSTRACT

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| <p>The aim of this thesis was to find out the effect of employees motivation on organization and the different type of motivations. It also obtain an understandings on what motivates an employee to work better for the overall benefit of the organisation, the thesis provides also an avenue for organization to gather information concerning what employees thinks about their job or how employees perceive their present job.</p> <p>The thesis also analyzed various reward systems and how it can be used by a company, also it looks into organizational culture and how it influence employee behaviour.</p> | | |
| Key words Extrinsic, intrinsic, incentives, intangible, motivation, performance, rewards, tangible | | |

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1 INTRODUCTION

Motivation has been extensively researched. In the mid twentieth century the foremost significant motivational theories came up, namely Maslow's hierarchy of needs (1943), Herzberg's two-factor theory (1959) and Vroom's expectancy theory (1964). Those researches centered on motivation in general and employee motivation more particularly. In the preceding years different definitions of motivation were defined, eg. Herzberg (1959) defined employee motivation *as performing a work related action because you want to*.

Normally it is agreed that employee motivation can be distinguished in intrinsic and extrinsic motivation (Staw 1976, 49-52). Staw indicates that one of the first efforts to make that distinction was in Herzberg's Two-Factor Theory. Nevertheless, the discourse on intrinsic and extrinsic motivation is more from latter years (e.g. Amabile, 1993 and Deci & Ryan 2000). The discourse on how intrinsic and extrinsic motivation can enhance employee performance (Ramlall 2008, 128).

The relationship among employee motivation and job performance has been studied in the past (Vroom, 1964). But high statistical relationship between the two were not instituted. Notwithstanding, later on research resolved that employee motivation and job performance are indeed mutually related. This correlation is studied in this thesis and the objective is to render useful information to managers on how employees' performance can be increased by intrinsically or extrinsically motivating them.

Diversity at workplace has provided managers with substantial magnitude of problems, the big difference between employees in every organization means that there is no best way to deal with such problem. What motivates some employee to perform very well may be discouraging to other employee, therefore it poses a big challenge to present day managers. In this thesis, culture in human resource management is discussed as well as performance management and different type of reward system.

2 EMPLOYEE MOTIVATION

Many factors like environment, capital and human resources influences how organization performs. Though human resources is seen as having the most influence on the performance of organization. It is legitimate thus to debate that an organization needs to motivate its employees in order to accomplish its stated goals and objectives. In this chapter motivation is well explained. It is obvious that motivation has been perceived in numerous ways. Many researchers have tried to come up with a concise theory to formulate motivation but all bring in different ideas. Research has been conducted about this subject and many theories were designed which greatly influence organizational behavior. For example Herzberg's theory of motivation (1959) is still used nowadays. According to Staw (1976) Herzberg was one of the first persons who distinguished between intrinsic and extrinsic motivation. That distinction has clarified and also helped in motivating employees at workplace (Staw 1976, 49-52).

2.1 The concept of motivation

Motivation can be specified as a management process, which encourage people to work better for the overall benefit of the organization, by providing them motives, which are based on their unfulfilled needs. The matters arising is: "why managers need to motivate employees?" (Herzberg, 1959). According to Smith (1994) it is because of the survival of the company. Amabile (1993) contributed to this statement by arguing that it is necessary for managers and leaders of organization to learn to understand and effectively deal with their employee's motivation; since motivated employees' are the pillars of successful organization in present and future century. She also indicates that unmotivated employees may probably contribute little effort in their jobs, stay away from workplace as much as possible, go out of the organization and make low quality of work. When employees are well motivated, they help the organization to grow and survive in a fast changing workplaces (Lindner 1998, 36). Lindner also indicates that the most difficult role of managers is to motivate employee, because what motivates employees changes always (Bowen and Radhakrishna 1991, 16-22).

The term motivation was developed in the early 1880's, prior to that time, the term "will" was used by well-known philosophers as well as notable social theorists when talking motivated human behaviours (Forgas, Williams and Laham 2005, 86). According to them motivation is believed to be; *an entity that compelled one to action*. Recently, many researchers has offered unique definitions of motivation.

It has been defined as; *the psychological process that gives behaviour purpose and direction* (Kreitner 1995, 168); *a predisposition to behave in a purposive manner to achieve specific, unmet needs* (Buford, Bedeian & Lindner 1995, 31-34); *an internal drive to satisfy an unsatisfied need* (Higgins 1994, 114).

It is apparent that managers need to motivate employees if they want to get the necessary results for the organization. It can also be said that there is an agreement about the facts that motivation is an individual development, it is depicted as being deliberate, it has several sides and the aim of motivational theories is to predict behaviours. It appears that Herzberg and Maslow theories are still used today because they were among the first researchers at this topic.

2.2 Herzberg and Maslow

Herzberg (1959) introduced a well-known motivation theory, which is the two-Factor Theory, he described in his theory between motivators and hygiene factors. He emphasized that the factors can either be motivators or hygiene factors, but can never be both at the same time. (TABLE 1.)

Intrinsic motivational factors are challenging work, recognition and responsibilities. Hygiene motivators are extrinsic motivational factors such as status, job security and salary. Motivating factors can, when present, lead to satisfaction and Hygiene factors can, when not present, lead to dissatisfaction, but the two factors can never be treated as opposites from each other (Saiyadain 2009, 158.)

TABLE 1. Herzberg Two-Factors theory (Net MBA 2016)

| Motivators (Leading to Satisfaction) | Hygiene (Leading to dissatisfaction) |
|--------------------------------------|--------------------------------------|
| Achievement | Company policy |
| Recognition | Supervision |
| Work itself | Relationship with boss |
| Responsibility | Work condition |
| Advancement | Salary |
| Growth | Relationship with peers |
| | Security |

The two-Factor Theory of Herzberg (1959) is related to Maslow's (1943) theory of motivation, Maslow in his book outlined his theory of motivation. In his need hierarchy Maslow states that there are at least five set of goals which are called the basic needs.

1. **Physiological needs:** These needs are directly related to survival of individual or species. These are typically concrete needs such as eating, dressing and sleeping. The lack of these needs can cause bodily or make the human not to function up to capacity, physiological needs are thought to be the most important and must be met first.
2. **Security needs:** This type of need is to protect against various threats, if a person's security needs are relatively satisfied, their safety needs take precedence and dominate behavior. In the absence of physical safety due to war, natural disaster, family violence, childhood abuse, people may experience post traumatic stress disorder. The absence of economic safety due to safety due to economic crises and lack of work opportunities, these safety needs will manifest itself in ways such as preference for job security.
3. **Social need of belonging to group:** It disclose the need of social dimension of the individual who needs to feel accepted by groups in his family, work, intimacy, friendship and associates. According to Maslow, human needs to feel and have the sense of belonging and been accepted among social groups in life they choose to belong or finds themselves in. these group maybe large or small, some large groups may include, religion group, co-workers, professional organisations, sports team or gangs, while small groups may include love relationship, members of the family, mentor, colleagues and confidants.
4. **The esteem needs, respect and trust:** Human have a need to feel respected, this includes the need to have self-esteem and self-respect. Esteem presents the typical human desire to be accepted and valued by others. People usually involves themselves in a profession or hobby to gain recognition. These activities give the person a sense of recognition or value.
5. **Personal development:** According to Maslow, this need aims to get out of condition purely material to reach fulfillment. This level of needs is the desire to accomplish everything that one can and to become the most that one can be (Srivastava 2005, 69.)

In 1943, Maslow argued that human beings have an internal needs compelling them in the direction of self-fulfillment and personal superiority. He then came up with a opinion that there are five unique position of needs and once we to satisfy a need at one position of the hierarchy it will have an influence on our attitude. At such stage our attitude starts to decrease, we now put more powerful influence for the need at the next stage up the hierarchy.

Firstly, individuals are motivated by Psychological needs, this psychological needs builds the fundamental need for survival, it may include warmth, clothing, food and shelter. When people are thirsty and don't have clothing or shelter, they are more motivated to accomplish these needs because these needs turns to be a great influence on their behaviour. But then again, when individuals have surpluses in those basic needs (psychological needs), they tend to move to the second level where it was seen by Maslow as the higher order of needs. The second level is the security needs: it is the most important need to people at this level. This is seen and conveyed in the safety of the employee's health and family. The social needs came third. When an employee feel secured and safe at work, he will then take the rule and regulations of the organization serious and stick to the guidelines, also a good friendship, love and intimacy will be formed. Going up the hierarchy is the self-esteem needs. It is the fourth level of needs by Maslow and it introduce the recognition to be accepted and valued by others. The fifth level of Maslow needs is the self actualization needs. The self actualization was developed into what an individual is to become or what he is competent to become. (Srivastava 2005, 69) Figure 1 demonstrates Maslow's five hierarchies of needs.

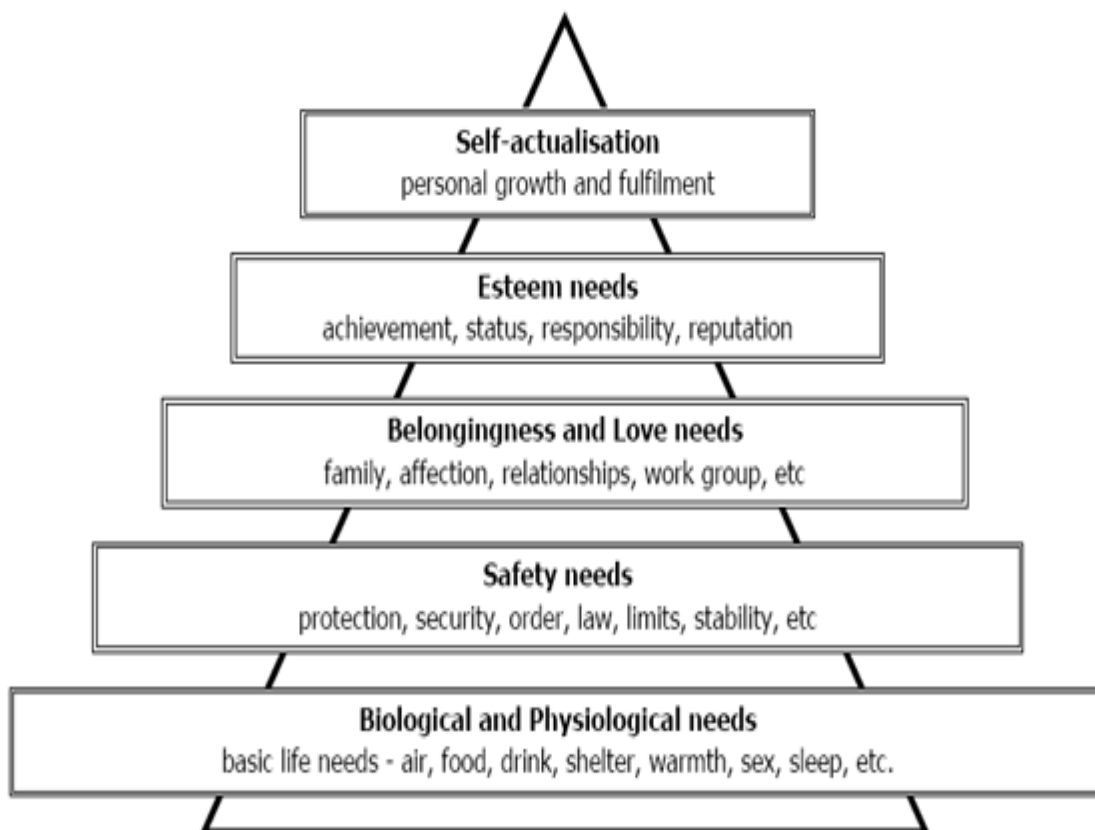


Figure 1. Abraham Maslow's hierarchy of need.

2.2.1 Intrinsic and extrinsic motivation

Motivation can be classified as intrinsic and extrinsic motivation. Intrinsic or internal motivation and extrinsic or external motivation. The two motivation differs in the source of pressure or pleasure that boost each of them. Amabile (1993) elaborates further, by saying the followings:

- Individuals are intrinsically motivated when they seek enjoyment, interest, satisfaction of curiosity, self-expression, or personal challenge in the work.
- Individuals are extrinsically motivated when they engage in the work in order to obtain some goal that is apart from the work itself (Amabile 1993, 185-201.)

Intrinsic motivation

This type of motivation comes out from an individual pleasure or interest in the task and it does not involve working on activities for the sake of external rewards, it instead necessitates the feeling of inner pleasure in the activity itself. It can be seen as a force that involves doing activities without external incentive. According to Amabile (1993), individuals are intrinsically motivated when they seek enjoyment, interest, satisfaction of curiosity, self-expression, or personal challenge in the work (Amabile 1993, 185-201).

Extrinsic motivation

It is the opposite of intrinsic motivation, it regards the carrying out of an action in order to achieve an external rewards. The source of extrinsic motivation is from an individual physical environment. More job benefits, bigger salary, incentives and job promotion are some rewards that leads to extrinsic motivation. (Deci 1972, 217-229) describes extrinsic motivation as money and verbal reward, mediated outside of a person, on the other hand intrinsic motivation is mediated inside the person. A person can be intrinsically motivated to do a task if there is no clear reward for the task done except the task itself or the feelings which upshot from the task. Amabile (1993) argues that employees can either be intrinsically or extrinsically motivated or even both. (Amabile 1993, 185-201)

It is obvious that intrinsic and extrinsic motivators apply differently to persons. Vroom (1964) indicates that some employees concentrate on intrinsic outcomes while others are centered on extrinsic

outcome. According to Story et al. (2009), individuals high in intrinsic motivation seem to prefer challenging cognitive tasks and can self-regulate their behaviours, so, offering rewards, settling external goals or deadlines, will do little for them, unless they are also high in extrinsic motivation. For employees that are high in intrinsic motivation, emphasis could be placed on the engaging nature of the task and encouragement of self-set goals and deadlines (Story et al 2009). Furnham et al (1998) argue that introverts are more extrinsically motivated and extraverts are more intrinsically motivated. However, it does not only seem that persons are differently motivated but intrinsic and extrinsic motivation also have effect on each other. (Story et al 2009, 391-395)

2.2.2 The relationship between intrinsic and extrinsic motivation

The difference between intrinsic and extrinsic motivation is apparent, yet researchers argue that intrinsic and extrinsic motivation also have an effect on each other. Deci (1972) claims that in some cases extrinsic motivation can minify intrinsic motivation. He argues that if money is administered contingently, it minifies intrinsic motivation. But this event will not occur if the money is non-contingently distributed. Amabile (1993) respond to this discussion by stating that although extrinsic motivation can work in opposition to intrinsic motivation, it can also have a reinforcing effect: "once the scaffolding of extrinsic motivation is taken care of, intrinsic motivation can lead to high levels of satisfaction and performance". She went further to state in her research that both intrinsic and extrinsic values can motivate employees to do their respective work, however intrinsic and extrinsic motivation can have very different effects on employees. (Amabile 1993, 185-201)

In conclusion, it can be stated that employees can be intrinsically and or extrinsically motivated to carry out certain work (Amabile, 1993), and that extrinsic and intrinsic motivation can reinforce each other, but in some cases extrinsic motivators can also minify intrinsic motivation (Deci 1972, 14-23). Moreover, researchers, argue that not all people are evenly motivated, some employees are more intrinsically and others are more extrinsically motivated (Furnham et al 1998, 1035-1043).

Motivation in the workplace is a broadly researched topic (Rynes et al 2004, 381-394) earlier research has been conducted by Maslow (1943) and Herzberg (1959), who were innovators at their subject. Many definition has been composed, e.g. Herzberg's definition of motivation in the workplace is: performing a work related action because you want to (Herzberg, 1959). Some divergence took place about the important of certain aspects, but consensus is in the fact that motivation is an individual pro-

cess, it is described as being deliberate, it is multifaceted and that the purpose of motivational theories is to predict behavior (Mitchell 1982, 80-88.)

The difference between intrinsic and extrinsic motivation is also explained. Namely, individuals are intrinsically motivated when they look for pleasure, interest, satisfaction, enjoyment and curiosity, self-expression or personal challenges in the work. And individual are extrinsically motivated when they engage in the work in order to gain some goal that is apart from the work itself (Amabile, 1993). Both intrinsic and extrinsic motivators are necessary in motivating employees (Herzberg, 1959). It must be argued that managers must not only concentrate on the necessary factors, since, according to Herzberg (1959) managers need to address all hygiene and motivator factors to motivate employees (Saiyadain 2009, 158).

3 EMPLOYEE PERFORMANCE

An effective performance management action is an important tool for employee motivation for optimal performance. However, it is not an enough condition for effective performance management. The most important issue with any performance management system is how critically it is taken and how devotedly it is used by managers and employees. (Pulakos 2009, 103) Performance management is all about perfection, synchronizing, upgrading to create value for and from customer with the result of economic value creation to stockholders and owners. The expansion of performance management is clearly very large, which is why performance management must be viewed within an enterprise as a tool to improve on employee motivation for high performance. (Cokins 2009, 9) Efficient management of performance requires a strong apprehension of the performance domain. That is, apprehending the obligation and projects that are part of the job description within a company or organization. Once you have a full skills of what the job requires, you have the basis for assessing and enhancing performance. This is the foundation for assessing and improving performance within a company. When this is lacking, the outcome is a missing link in evaluating employee performance and the possibility of improving on the employee performance within the organization. Moreover, there is also the missing link in assessing employee's performance in relationship to other colleagues in the same job description (Robert 2003, 7).

3.1 Performance in organization

Performance in organization can be divided into organizational performance and job performance (Otley 1999, 363-382). According to Otley, the performance of organization is subjected to the performance of employee's job performance and other components such as environment of the organization. The difference between organizational and job performance is apparent; an organization that is performing well is the one that is successfully reaching its objectives, in other words: one that is in effect carrying out an appropriate plan and job performance is the single outcome of an employee's work. Furthermore, high job performance is the ability of the employee himself. The employee must be able to give a better results and also have a high productivity (Hunter, 1986, 72 - 98).

3.2 Job performance

A good employee performance is necessary for the organization, since an organisation's success is dependent upon the employee's creativity, innovation and commitment (Ramlall 2008, 128). Good job performance and productivity growth are also important in stabilizing our economy; by means of improved living conditions, high wages, increase in the availability of goods for consumption, etc (Griffin et al 1981) Griffin et al. also argue that therefore research of individual employee performance is important to society in general.

Employee production and employee job performance seems to be related; e.g, in the U.S. performance in some cases are measured as the number and value of goods produced. However, in general, productivity is associated with production-oriented terms (e.g, profit and turnover) and performance is linked to efficiency or perception oriented terms (e.g. supervisory ratings and goal accomplishments (Griffin et al 1981, 655-664)

3.3 Measuring job performance

In every organization, the decision to elevate, retain or sack an employee have to be made on a regular bases. These decisions were made through nepotism and patronage, where personal relationships within the organization had a massive effect on employee's promotion and sacking decisions. Personal relationships are still significant today, though, many organization are systematically assessing employees performance in order to increase productivity and ultimately profits. According to Perry and Porter (1982), the performance of many employees probably will be measured despite the lack of availability of general accepted criteria. (Anthony & Govindarajan. 2007, 462).

Performance measurement is defined as "the regular measurement of the results (outcome) and efficiency of services or programs," this implies the steady measurement of progress towards accurate outcome (it is a fundamental component of any attempts at managing for results), a customer tailored procedure that focuses on maximizing benefits and minimizing negative cost for customers of services and programs. When performance is not measured or is measured incorrectly, those using the information will be misinformed and bad verdict will be likely followed, therefore, the old adage "garbage in garbage out" provides more credence. (Hatry 2006, 14-16) Performance measurement offers general information that can be exploited for decision making purpose both for management and for all levels

of employees. Performance measurement system can become the instrument panel. This instrument panel is used for strategic maneuvering, day to day running of the organization and planning, implementing improvements and changes (Andersen & Fagerhaug 2002, 7 – 8).

The conventional measures of organizational performance were finance and accounting based. Presently, it has developed into modern systems which have many functions. Firstly, the financial measures as a tool were used to control the financial resources of companies in order to support organizational objectives. Secondly, financial performance measures acted as barometers to point at accomplishments against major organization objectives. Thirdly, they also serve as incentive for future achievements. Moreover, by providing a window of the past they were thought to be the influencing factors for future successes. Notwithstanding the advantages of the financial and accounting measures in assessing performance, the reality that they were cost based and back ward looking provides little motivation (Manzoni & Islam 2009, 8).

The inadequacies of conventional finance based measure of performance prompted the search for enhanced metrics to measure performance. Financial specialists adopted measures such as: activity based cost, economic value added, the balanced scorecard that has been happily welcomed and has drawn so much interest in the world of commerce as the most cited work in 1998, 2000 and 2002 at the performance measure association conference. (Manzoni & Islam 2009, 9) Economic profit, often referred “economic value added or EVA” can be depict as the after tax operating profit remaining after deducting a charge for the capital employed in the business. (Savarese 2001) EVA could also be outlines as the profit that remains after deducting the cost of capital invested to bring forth the profit. (Gey 2007, 15) Economic value added is a particular form of economic profit that try to capture the true profit of an enterprise by removing some deformations from accounting profit. Economic value added is net operating profit minus an appropriate change for the opportunity cost of all capital invested in the enterprise, that is: $EVA = \text{Net Operating Profit After Tax (NOPAT)} - (\text{Capital Employed} \times \text{Average Cost of Capital})$, Eva is considered to be a good placeholder for value creation and with a positive EVA, the company is seen as creating value for shareholders; when negative, the company is said to be ruining shareholders value. (Spitzer 2007, 242 – 243).

Activity based costing is a methodology for apprehending the activities, processes, services and products of a business. The ABC spotlights functional work areas that managers with timely actions will most likely have a greatest impact on profit or cost. Managers could try to recapitulate a product, which is bringing up prices for products that makes big demands for support resources and bring down

prices to more competitive levels for the high volume products and services that have been subsidizing the lower volume products. They can search for ways to reduce overall resources consumption by lowering the number of times activities are performed to achieve the same output or decreasing the resources consumed to produce and service the existing mix of products and customers. This will mean employing productivity and continuous improvement program to enhance quality, decrease setup time and upgrade factory layouts. When functional work area managers recognize that they have attained the point at which they can get the same output with either little staff members or little machines, they can simply decrease spending on those resources. (Forrest 1996, 306 – 311) The activity based costing lets the organization to decide the actual cost associated with each product and service produced by the organization. Instead of using large arbitrary percentages to apportion costs, ABC tries to make out the cause and improve relationship between costs and activities in order to assign costs more objectively. ABC can make out areas of excessively high overhead cost per unit for specific products, services or customers. Distinguishing cost that don't add values focuses care on these activities so that strong work can be directed at decreasing specific cost drivers instead of cutting cost throughout the board. Also distinguishing costs that associated with particular customers or customer segment, so that marginal customers can be stopped from draining resources. (Spitzer 2007, 240 – 241).

Notwithstanding, the ABC is more costly to formulate and maintain compared to traditional costing system. For example, an ABC system with 25 cost pools applied to 100 different products. In practice, the ABC is used to develop the full cost products. Full cost includes apportioning of costs that fixed (depreciation and supervisory salaries), the costs per unit rendered by the ABC system doesn't measure the incremental cost needed to produce items, incremental information is needed for decision making. (Khan & Jain 2009, 17)

Investment is an item or asset that we buy with the hope that it will bring forth income or will appreciate in the future. The variation between what we put in and what we get back is the return. Hence, companies invest in order to have a return on their investment. For financial assets return include both the profits companies get when they finally sell them to someone else or they mature, as well as the income earned between purchase and sell. Return is a repay for giving up the use of capital in the meantime that is $ROI = (\text{Gain from investment} - \text{Cost of investment})$. For most investment at the outset we cannot be sure of the value of the income and profits we will get. The range of instruments we could invest in renders deviating degree of return uncertainty. (Feibel 2003, 1) The most convincing approach to HRM evaluation is to compare the cost of HRM programs with the gains derived from them. In most cases, the cost of HRM programs can be developed or monitored. Though disarray

sometimes exists concerning ways to allocate specific costs, overall program costs can usually be pointed out. (Phillip et al 2001, 8 – 11)

Nonetheless, if there is little investment in ROI it can result in more short-term gains but long-term decline, since ROI disregards events outside the current period. ROI can be determined by the past investments that have not been fully devalued, because of that obscuring the effect of the current period actions. Moreover, ROI is not a dependable figure for the discounted cash flow rate return, both at individual and complete collections of company projects. (Carton & Hofer 2008, 89)

The balance scorecard is a planning system that is used in businesses to align business activities to the vision and strategy of the company and monitor organization performance. A balance scorecard usually includes performance measures for customer services, innovation and learning and internal processes. Performance measures for learning and innovation often revolve around a company's research and development efforts. For example, the number of new products developed during the year and the time it takes to get to the market are performance measures for innovation. Performance measures for learning could comprise the number of employee training sessions and the number of employees who are cross-trained in several skills. Performance measures for customer service consist of the number of customer complaints and the number of repeat customers. Customer survey can also be used to measure customer satisfaction with the company as compared to competitors. The performance measures of internal processes take account of the length of time it takes to manufacture a product, the amount of waste is a measurement of efficiency of a company's manufacturing processes. The number of customer returns is a performance measure of both the manufacturing and sales ordering processes. The financial measures includes income from operations, rate of return on investment and residual income. (Warren et al 2008, 332–333).

4 REWARD SYSTEM FOR EMPLOYEES

Employee reward system consist of an organisation's incorporated policies, processes and practices for rewarding its employees in union with their contribution, skills and competence and their market value. It emerges within the framework of the organizations reward philosophy, plan and policies. The reward systems of employees has arrangements in the form of processes, practices, structures and procedures which will provide and maintain appropriate types and levels of pay, benefits and other forms of reward. The reward system comprises of financial rewards (Fixed and variable pay) and employee benefits, which together contain total compensation. The system also incorporates non-financial rewards (recognition, praise, achievement, responsibility and personal growth) and in many cases, performance management processes. (Armstrong 2002, 4)

Organisation's reward system is the way by which it encourages and discourages certain characteristics of the employees. The most crucial machinery of the reward system includes salaries, bonuses and privileges. The reward system as a means to support innovation by employees is a fairly mechanical but still an effective management technique. Once member of an organization apprehend that they will be rewarded for such activities, they are most likely to work creatively. The initiative to bring financial and non-financial rewards to people and group who develop innovative ideas is important for organisations. But it is equally important to avoid punishing creativity when it does not result in extremely successful innovation. (Griffin 2006, 346) A reward system is important because it gives preference to service over self-interest. These means there need to be a just distribution of wealth. One test of equity is how well to affirm the fact that the success of the institution is in the hands of the people at each level. An institution's wealth and value, in the fullest sense, it then a community creation (Block 2005, 173).

4.1 Purpose of reward

Reward system is very crucial in any organization as the process that is in control of human attitude within organization. It helps to assert not only performance in relation to present goals but also determines the possibility of people joining and remaining in an organization. It also influence the degree to which effort is directed in the growth of the organization future capacities. If correctly dispensed, reward system can lead to charming attitude for an organization. On the other hand, if incorrectly dispensed, reward system can lead to the rapid drop of an organization (Flamholtz 1996, 99).

Every good organization is in constant contest with other organization in same businesses or in another businesses for recruiting and retaining skilled employees. For example, two professional call center may search for good candidate for front-office jobs. Two bicycle repair shop may need the service of an accountants. The managers in these condition must keep in mind that the potential candidates are employable in different kinds of businesses. An accountant might find a job in a construction company, a university, a hospital or in a law firm. Hence, the managers must guarantee that its reward system is equal to the market rate. An efficient reward system shall allow competitiveness with those of the other firms searching for a specific kind of ability and skill which is more striking to future candidates. According to Lawler, company managers can structure rewards system to lessen absenteeism by connecting bonuses to levels of attendance.

This plan is specifically positive in compensation for low job content and poor working circumstances that cannot be amended. Moreover, some of the jobs in real estate management companies, may be easy and routine and so may be missing motivational properties. The real estate manager may try to reduce such absenteeism by connecting some rewards to attendance. For example, the manager may set a policy of giving a cash bonus or extra days of paid leave for a good or reasonable attendance. Company's potency is increase through employee performance that in turn can be alleviated by an efficient reward system. Porter and Lawler propose that connection between performance and reward (intrinsic and extrinsic reward) is a solid element influencing subsequent performance (Chelladurai 2006, 234).

4.2 Financial reward

Lots of financial bonuses are available. Some of these bonuses provides the employee with monetary cash. Incentives based on performance against budget, quality or other measures may be used as prompt financial inducement. Management rewards by incentives have become famous in some organisation as a means of supplying employees with a quick booster for finishing a project or activity. Though the figure of companies handing over cash award has risen, only 7 percent actually use such reward at present. (Ulrich & Lake 1990, 157)

Major companies make use of financial compensation plan to incite their employees. Sales competition is a short term inducement programs that is an efficient motivational tool if it is carefully and precisely

designed. A sales competition should have an accurate aim, such aim may be to raise sales within a short period sales of slow moving products or to gain new customers. The aim of the sales competition should consider the following points; each of the sales person must have an equal opportunity to win, use sales quotas and choose from an open ended in which limitless number of sales persons can win. Additional to the above, closed ended competition can be use in which there are determined number of sales person winning the competition. Prizes should be captivating, each comprising of a cash prize. At least 10 % of the budget should be spent on the sales competition, that should bring and excitement in the company. Adequate care should be considered so that employees do not use unethical methods to attain their targets. In order to reduce the undesirable method is not to announce the comtest period in advance. (Havaladar & Cavale 2007, 18)

Upper level executives of major companies have distinguish compensation programs and plans. These programs is required to reward these executives for their performance and for the performance of the company. Senior executives collect their compensation in two forms. One is a basic salary as the case maybe with the staff members or professional members of the company. The basic salary is a clear amount that the employees will be paid. Above the basic salary, most executives also receive one or more forms of inducement pay. The established character of incentive pay for executives is in form of bonuses. The bonuses in turn are generally decided by the performance of the company. Therefore, at the end of the year, some fraction of a corporation profit may be turn aside into a bonus pool. The senior executives will receive a bonus expressed as a percentage of this bonus pool. The chief executive officer and president are obviously to obtain a bigger percentage bonus than a vice president. In addition to salary and bonuses, lots of the executives receives other type of compensation as well, this compensations could be in form of stocks. Stock option plan was design to give senior managers the option to buy company's stock in the future at a biased fixed price. The idea was that if managers contribute to a great level of the company performance, then the company stock should increase in value. This means that executives will be able to purchase stock at a set price, which theoretically should be lower than the future market price. (Griffin 2006, 456 – 457).

4.3 Nonfinancial reward

Organization with positive aspirations could make available a model within which high level motivation could be attained through non financial reward systems by the provision of opportunities for learning and development. But personal management skills still have a key role to play in positioning their

own motivation skills to get individual inside their organization to give their best performance by making good use of the motivational system and processes provided by the company. (Armstrong 2008, 221)

Recognition is appreciation of performance by the organization of an act done by the team or team member. In usual language, it is sometimes expressed as “I caught you doing something good” it is an approach of showing appreciation for the special or extra effort done by an employee inside an organization. Recognition has two important goals; to encourage the employee or team to continue or repeat the behavior and to encourage other employees to do the same. Most team recognition plans fall into celebrating organizational target habitually as an event, developed to admit the success completion of important company goals. This is to create a bigger consciousness or to remind people of the significance of the goals achieved inside the company. For instance, a part of a big telecommunication company held an all hands meeting at an off-site facility to celebrate the reaching of their set goals. (Parker 2003, 125) Recognition, either formal (written remarks and events) or informal (oral), has been the most cost efficient way to strengthen needed actions for performance inside an organization. Still, when recognition is acting in isolation of compensation and equity rewards, it’s frequently loses much of its appeal. (Wilson 2003, 330)

Feedback and constructive criticisms is important for the overall expansion and development of an employee. Negative reinforcement such as pointing out mistakes and menacing an employees with job termination, may lead to employee adjusting their behaviour to avoid punishment. It may bring forth a positive result at the job but it won’t yield enthusiasm. Negative reinforcement brings about response like “that’s not my job” or “I don’t know.” Contrary, periodic positive performance review brings out extra or brings out the employee ability to act or decide according to his own discretion or judgement. Positive feedback motivates the employees to work as a team. Employee will bring forth response like “I don’t know but I will figure it out” or “that is not my job but I will find someone who can help you” once a year discussion with an employees will not produce extraordinary endeavours (Baum & Zablocki 1996, 135 – 136).

According to Herzberg, managers do not motivate employees by granting employees higher wages, more benefits or status symbols. Instead, employees are motivated by their own integral needs to achieve something tangible at a demanding task. The manager’s job then is not to motivate employees to get their tasks accomplished, instead, the manager should supply opportunities for people to accomplish their task so that they will become motivated. (Marchington & Wilkinson 2005, 368) motivating

an employees through a variety of jobs, departments or functions is particularly an excellent approach to expose the employees to challenging task. This is very desirable to employees who have been on a job for a long time and are no longer dispirited by the job but instead who have a firm need for activities to change. By giving the opportunity to change jobs, the manager has decidedly exposed the employees to new issues and it will let the employees to put their best in order to meet up to expectations. (Stone 2003, 40 – 41). This thus produce an enabling environment for a bigger motivation and performance within the organization.

In the next chapter, we are going to discuss the importance of culture in work environment and how it can be use to motivate employee, since the scope of this thesis is to influence employees for the overall benefits of an organisation. To further explore the cultural relationship to employee performance, some general information about culture needs to be analyzed.

5 CULTURE IN HUMAN RESOURCE MANAGEMENT

The conception of organizational culture, which for reason of briefness is simple called culture, though it is difficult to define. The complexness to a certain extent stems from the wide and different use of the term culture. Moreover, the complexness to some extent is the result of the fact that most culture is hidden from the eyes of the beholder. It is hence like the known large mass of floating ice, which only one tenth of it is visible out of the water. That is why we can go by the coherent biblical saying that “one knows the tree by its fruit” as a worthy account to fit the metaphor, to say culture develops the everyday reality of an organization (Schabracq 2007, 7).

5.1 The concept of culture

Managements behaviours to a large extent shape the culture of an organization and in turn have determined upon the effectiveness of the organization. Organizational culture relates to a system of shared meaning held by members that differentiates the organization from other organizations. (Dwivedi 1995, 3 – 9) Organizational culture is defined as a pattern of basic assumptions that a group has devised, discovered and developed in learning to cope with its problems of external adaptation and integration. This is delivered in a system of shared values defining what is necessary and norms, defining appropriate attitudes and behaviours, will guide individual position and demeanours. (Pfister 2009, 36)

Many founders of big companies have a major effect on the company culture right from inception. Thomas Watson at IBM, J Edgar Hoover at the FBI and Henry Ford at Ford Motor Company are examples of individuals and organisations, who are closely connected. They have a vision of what their organization should be. Thus based on their visions, customs, traditions and general ways of doing things within the company were largely shaped by them. Depending on the level of achievements that has been accomplished with those efforts, a strong or weak culture is created. In a strong culture, the company’s indispensable values are both vividly held and widely shared inside the organization. The more members accept the core values of the organization and the bigger their commitments to those values, the stronger the culture. The stronger the company culture, the greater the influence on employee’s attitude because of the high level of sharedness of that particular culture within the company. In addition to that, firm company culture can act as a replacement for formalization (Dwivedi 1995, 18).

The cultural dimension is fundamental in all aspects of organizational life. Even in those organisations where cultural consequence receives little expressed attention, how people in a company think, feel, value and act are guided by ideas, meanings and beliefs of a cultural nature. Whether there is no typical corporate culture it doesn't reduce the importance of culture. Senior organizational members are always in one way or another managing culture by underlining what is crucial and what is less crucial and underscoring how the corporate world should be understood. Culture is significant and difficult as it is hard to grasp and use in a thankful way. Consciousness and care in culture differs between managers and companies. It is tempting to underline the importance of corporate culture for performance, growth and success. In the starting of the 1980s some authors identified features of excellent companies in the USA such as Peter and Waterman, and the secret behind its success. At the time of extremely successful Japanese company the Ouchi, identified corporate culture as important in the company's performance. This belief has been shaken by problems of many of the companies presented by Peter and Waterman as excellent some years after the publication of the book as well declining performance of the Japanese companies in the recent years. (Alvesson 2002, 1)

Studies have shown a big relationship between culture and performance. However, strong cultures that don't affirm adaptation can harm the organization. A menace to many successful companies is that the culture becomes set and companies neglect to adapt as the environment revolutionize. When companies are successful, the respects, ideas, and practices that assist to attain success becomes institutionalized. As the environment varies, these values may be damaging to the future performance. (Daft 2009, 387) Looking at the abstract reality to better understand the challenges and complexity of organisational culture to performance, we can now make a record the dimension of culture.

5.2 Understanding cultural dimensions

Many approaches and theories has been build up to give explanations to cultural differences and their impact in the workplace. The most relevant work was by Geert Hofstede that principally dealt with clustering countries on work related value dimation. Between 1967 and 1973, Hofstede carried out, maybe, the most comprehensive study of how values in the workplace are prejudiced by culture. His research covers large and most powerful effort to group countries by cultural values. His conclusion

were based on a survey that asked over 116000 employees of a big multinational corporation in more than seventy countries about their values and beliefs. (Johann 2008, 5)

5.3 Geert Hofstede Dimensions

Hofstede carried an examining research approach to develop his cultural dimensions model, using answers from employee's personal ambitions and beliefs, Hofstede and his fellow took out analysis in country differences and thereby identified four cultural dimensions: Power distance, uncertainty avoidance, individualism/collectivism and masculinity/femininity. Afterwards during his research, he let in the fifth dimension: Long-term/short-term orientation. The dimension of Hofstede are seen in greater details below.

The cultural dimension of power distance is describe as the relationship in power inequality in a given culture. It is seen as an asses of interpersonal power and influence, which depicts the view of the less powerful member of a hierarchy. Power distance is self-enforcing in logic that employees in powerful positions make every attempts to maintain or increase their power. Then again, employees with less power are motivated to minimize this distance, particularly if the power is already relatively small. Hofstede argues that national culture institutes the degree to which power distance is accepted and supported by the social environment. Hofstede also states that culture sets the degree of power distance. To him, the propensity of the powerful in an organization is to keep or grow the power distance: is countered by the propensity of the less powerful to reduce the power distance. This impression will lead to a natural equilibrium inside an organization. The average for differential prestige, power and wealth in high power distance cultures often are expressed by authoritarian values and support in accordance. (Schumann 2009, 63 – 64).

In companies with a less power distance, the decentralised decision structure is less concentrated in an authority which projects a flat organization pyramids. moreover, little proportion of supervisory personnel with an ideal boss as a resourceful democrat and seeing his or her self as practical, neat and trusting on support. Adding to that, managers depends on personal experience and on subordinates through which the subordinates are expected to be consulted. Then again in high power distance organization it is highly centralized with a tall organization pyramid, on a big ratio of supervisory personnel. Moreover, managers depends on their formal rules and subordinates are expected to be told on what to do. (Hofstede 2001, 107)

Uncertainty avoidance reflects the opposition to change and the character in accepting risks of individual from different countries. As most project are components of change and includes risk, the stakeholders analysis and management activities can certainly be more complete and successful when the national differences are been recorded. Individuals from countries with stiff uncertainty avoidance are more declined to annul risks, hence taking pleasure to work with tight rules and control systems which resist innovation. Team members are likely to take satisfaction in work that requires precision, punctuality and strong work. They feel more secured with detailed planning and more short-term feedback. Stakeholders from weaker uncertainty avoidance index delight innovation, accept higher risk level and are repositful with open ended learning situation. The team members lean to resist stress better and take work packages with lower levels of definition. Having a good combination of people from different countries in the project team allows the organization of insight exercise to discover how to win over the resistance and obtain buy-in from different type of stakeholders. (Binder 2007, 27) The dimension of uncertainty avoidance formulates to what give rise to a culture, feels threatened in unprecedented and unclear situations. Moreover, they try to avoid those situations through the development of rules, the impatience towards unmoral ideas and attitudes. This means in a land with eminent level of uncertainty avoidance there are much more rules of conduct written and unwritten ones. In general, the laws are rigorous with much emphasis on accomplishing task correctly. (Ditzel 2007, 7)

Individualism / collectivism conveys the level to which individual are incorporated into group. It is used to decide the point to which a culture values individual achievements instead of highlighting the interests of the group. Individualism means a loosely knit social structure where people are concern about themselves and immediate families only. The individualism versus collectivism dimension makes stress a compulsory work goal in which the individual is industrious and independent of the organization, instead of those that the individual is dependent on the organization. Companies or person with prominent individualism are inclined to value their personal time, freedom, independence, personal goals and pleasure. They have high need for accomplishment and likely to consider that personal interest are more important than group interests. Collectivism tend to perceive people in a group instead of individual terms, hence place the significant of the group task. In addition to accentuating group welfare, collectivism value the interchange of favours, a sense of belonging, and respect for tradition. (Tian 2004, 20 – 21). According to Hofstede individualistic societies emphasize “I” awareness, liberty, emotional independence, individual initiative, right to privacy, autonomy, pleasure seeking. Collectivistic societies, from another point of view stress “We” awareness, collective identity, emotional dependence, group solidarity, sharing and group decision. (Kim 1995, 4)

Masculinity / Femininity exhibits the type of achievements valued by the culture. In societies where masculinity wins through, for example the UK, Germany, Japan, South Africa and Italy, importance is being placed on money, material possession and ambition with clear differentiation amongst male and female role. Much significance could be positioned on challenges and advancement and people are encouraged to be individual decision makers. By demarcation, where femininity strives through, (for example in the Netherland and Scandinavia) importance is being placed on cooperation, friendly atmosphere, job security, caring, quality of life and the environment, with obscured line drawn between gender roles and greater equality. Group decision making are welcomed and managers find it easy to pledge to the value of giving liberty to subordinates. (McShane 2003, 492) Masculine environments as well supports conflict and competition at the work place. Cultures that places high measures on sensitivity, demonstrates passive or feminine as well as negotiation and compromise. (Johnson & Turner 2003, 203)

5.4 Managing cultural differences

Managing cultural difference in the work place is not the sole responsibility of the administration manager, but of each and every individual in the organization, it is a collective effort to yield a successful management of diversity in the workplace. Managers working with diverse individual must first of all educate themselves for the management of diversity. The manager can enhance an organizational attempt to handle diversity by reaching for understanding, empathy, tolerance and communication. Few managers can grab the basic concept of equal employment opportunity to an unimportant level. They know that by law, they cannot discriminate against the people on the basis of features such as gender and race. Therefore, in following this authorization, they come to consider they must treat everyone the same inside the organization regardless of race, culture, religion or gender. Though this consideration can cause problem when it is translated into workplace behaviours among employees after they have been hired. People are not the same; on the other hand they need to be treated fairly. Hence, managers must realize that diversity among people exists. Any attempt to treat everyone the same way inside the organization, without considering their fundamental human differences will only lead to problems. It is thus significant for managers to see that cultural forces cause people to act in different ways and that differences should be admitted. Besides, employees should endeavour to show empathy at their respective work environ and employees should attempt to realize the view of others. Empathy allows an individual to place his or her self in another individuals place so that he can see and feel things from the

person point of view. Moreover, cultural diversity may amplify problems because people are filled with fear or not willing to openly discuss issues that relates to diversity. For communication to work, it must be two way. (Erasmus et al 2004, 441 – 442)

6 CONCLUSION

Firstly, it can be concluded that it is surely potential to motivate employees to work well for an organisation and that it is vital task for managers. It appear to be that there exist a self-rewarding circular correlation amongst the performance, satisfaction and motivation of an employee; an employee accomplish a high performance, hence inner satisfaction springs up and the employee is motivated to perform well in the future. It is said that a high performance can be attained when the organisation renders certain job characteristics.

Secondly, it is stated that employees can be intrinsically and extrinsically motivated at the same time to perform very well. Most of the jobs are both intrinsically and extrinsically motivated (Amabile, 1993). We can also conclude by claiming that intrinsic factors can or may contribute in a greater length to employee motivation than extrinsic factors. Many researchers discussed that a lone rise in extrinsic factors does not contribute to a rise in performance. Research shows that to intrinsically motivate employees, the organization needs to reach high on five job characteristics; skill variety, task identity, task importance, autonomy and feedback. On the other hand, to extrinsically motivate employees, the organization needs to reach high on commitment to supervisors and peers, salary and job security. It is significant that managers supply all job characteristics, since it will give way to high employee performance. Nevertheless, it must be discussed that this correlation is not infinite, it maybe that the employee do not derive satisfaction from his/her performance as usual or that one of the three psychological stages is no longer available. Hence, organisations must ensure that performances continually amended.

It can now be argued that there are many ways to enhance performance of employees in organization (e.g. diversity, leadership, etc.), therefore, managers should not focus solely on motivation. It can also be concluded that intrinsic factors in particular can greatly enhance employee productivity.

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