

Case Study: Building Motivation

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In the Case Study 8.1: Building Motivation (Scandura, 2019, pp. 207-208) the pros and cons of using incentives to increase sales is the matter for discussion. In the case of the sales rep at Construction Products, Inc. initially, efforts to increase sale at the stores in his territory were unsuccessful. The Sales rep started offering financial incentives (bonuses) to employees that met the desired sales increase. Despite our inclinations towards bonuses, however, there is now a growing body of research that shows this form of reward can cause adverse effects that are detrimental to our motivation (Deci & Ryan, 1985). Axel and Riphahn (2004) explain that despite most economists and managers believing performance-related pay increases worker effort, there has been little empirical assessment of incentive provisions for workers. Discussed are both sides of using financial and other kinds of incentives to increase sales.

The pros and cons of using incentives to increase sales revolve around how the compensation methods match the needs of the intended recipient of the incentive (Engellandt & Riphahn 2004). Critical to this thought is the contribution of Vroom's (1964) Valence-instrumental-expectancy theory (VIE) and Vroom's Expectancy Theory of Motivation which explain how the goals of individuals influence their efforts and that the behavior individuals select depends upon their assessment of the probability that the behavior will successfully lead to the goal (Vroom, 1990). Expectancy Theory is based on an employee's beliefs as follows:

- Valence - refers to emotional orientations which people hold with respect to outcomes (rewards) – the value the person attaches to first and second order outcomes
- Expectancy – refers to employees' different expectations and levels of confidence about what they are capable of doing – the belief that effort will lead to first order outcomes

- Instrumentality – refers to the perception of employees whether they will actually receive what they desire, even if it has been promised by a manager – the perceived link between first order and second order outcomes.

The three factors interact together to create a motivational force for an employee to work towards pleasure and avoid pain. What is important here is that what the individual perceives as the consequence of a particular behavior is far more important than what the manager believes the individual should perceive (1990).

Companies assessing the findings in the Engellandt and Riphahn study (2004) summarized the following:

The Pros of Incentives

1. They provide extra value to the working relationship. Having a good salary and benefits package is great, but having incentives for a job well done is even better. When workers have the chance to earn a promotion, a raise, or even an extra vacation day, then they feel appreciated.
2. It inspires a heightened sense of loyalty. People are social creatures and they want to form relationships with others that matter to them. When an employer offers incentives for a job well done, this provides a sense of caring or kinship with the worker.
3. It is a simple method of motivation. Everyone at some point looks out for their own best interests. Incentives can help to motivate workers to stay productive because there is a tangible reward they want at the end of the project.

4. They are easy to include in any industry or working environment. Incentives can be added to any job or task. The only stipulation is that the rules which govern how the incentives can be earned must be clear and precise.

The Cons of Incentives

1. It is an easy way to create conflict within the working environment. People who don't receive incentives are naturally going to be jealous of those who do receive them. It doesn't even matter if the worker didn't work hard enough to reach the threshold of the incentive.

This conflict will always limit productivity.

2. Workers who are striving for incentives are only going to provide a high enough quality of work to beat the other workers who want the same incentives. If those expectation levels aren't set consistently high, then the standards that are produced aren't going to be consistently high either.
3. It eliminates productivity from low-level performers. Incentives will typically go to the top performers only. There are certain employees, who are consistent with their performance, but their natural skills and talents may not be as well-defined as others and this puts them at the lower third of the pack when incentives are being handed out.
4. Incentives can become quite costly. Incentives must continue to rise on a scale of cost in order to be effective. Eventually a thank you note from the supervisor isn't enough.

In the case study Case Study 8.1: Building Motivation (Scandura, 2019, pp. 207-208) financial incentives (bonuses) were offered. The pros and cons of financial rewards are:

The Pros of Financial Rewards

1. Because everyone can use more money, this is by far one of the most common and effective ways to motivate staff.
2. A company has broad options in terms of the way to use it. From special bonuses to commission pay to gift certificates and cash rewards, money can be used in a variety of ways to get employees to strive for bigger and better goals.
3. Money appeals to all demographics and can motivate the lowest grade employee all the way to the CEO. This is another distinct advantage of using it to motivate staff because it appeals to all types of staff.

The Cons of Financial Rewards

1. They can lead workers to take shortcuts and act unethically,
2. They can reduce intrinsic motivation, and
3. They can cause envy between workers that could lead to higher employee turnover.

In conclusion, the pros and cons of incentives show that they can be very motivational, but if incorporated improperly, can also destroy the morale of an entire team. Used judiciously, setting limits on what can be awarded, and finding ways to provide incentives to all tiers of a team so that everyone can feel appreciated helps to avoid the destructive aspects that may try to appear.

References

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