

12

MOTIVATING

After studying this chapter, you should be able to:

- A Describe motivation and explain why it is important in organizations.
- A Identify four content theories of motivation and discuss their similarities, differences, and relative validities.
- A Discuss three process theories of motivation and how they can be used to explain employee effort and performance.
- A Describe management by objectives, including its potential costs and benefits.
- A Explain how learning theory may be used in organizations, including rules for application of organizational behavior modification.
- A Discuss the implications of motivation theories for managerial behavior and the design of reward systems.

Managers have always tried to find ways to motivate their employees to work harder, more efficiently, and more intelligently. For instance, consider the way workers are motivated at Lincoln Electric, described in Situation 1. Notice the many factors, such as pay, strikes, turnover, pressure, interpersonal relationships, and quality, which may be affected by attempts at motivation.

SITUATION 1

Motivating at Lincoln Electric

Lincoln Electric Company decided in 1907 on the way it wanted to motivate workers. It has liked the results ever since. The company pays most of its 2,500 employees on a piecework basis. In 1933, it added an annual bonus system. Bonuses, based on performances, can exceed regular pay. Employees have averaged as much as \$45,000 a year in good times.

Lincoln Electric has no unions, and it avoids strikes. Turnover is only 0.3 percent a month. Sales volume and profits have risen over the years to record levels. Customers praise product quality, and Lincoln is now one of the leading makers of arc-welding equipment.

Employees can buy stock in the company at book value. About 70 percent own stock, holding a total of nearly half the shares outstanding.

Employees are each responsible for the quality of their own work. They inspect their own parts and correct any imperfect work on their own time. If customers or Lincoln's quality control people discover defects that have slipped by, the worker's pay is lowered.

Workers complain of the pressure, saying they sometimes want to slow down. They may have to work 50 hours or more a week in boom times, and they must accept any position in any department, even at a cut in pay. A certain number of merit points are given to each department, so a high rating for one person usually means a lower rating for another. One worker with nearly 20 years service says, "There's a saying around here that you don't have a friend at Lincoln Electric."

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Recently, motivation has gained increased attention, sometimes out of feelings of despair over "the sorry state of worker motivation" today, and sometimes out of hope. One reason for concern about motivation grows out of the awareness that the annual productivity growth rate for the United States is declining and is now far lower than those of such countries as Japan and West Germany (though absolute levels of productivity remain relatively high). While much of the decline can be attributed to relatively low investments in new technology, there is also a concern that worker motivation to produce has eroded. Such concerns are bolstered by regular reports of the high job involvement and company loyalty evidenced by some foreign workers, particularly the Japanese.

WHAT IS MOTIVATION?

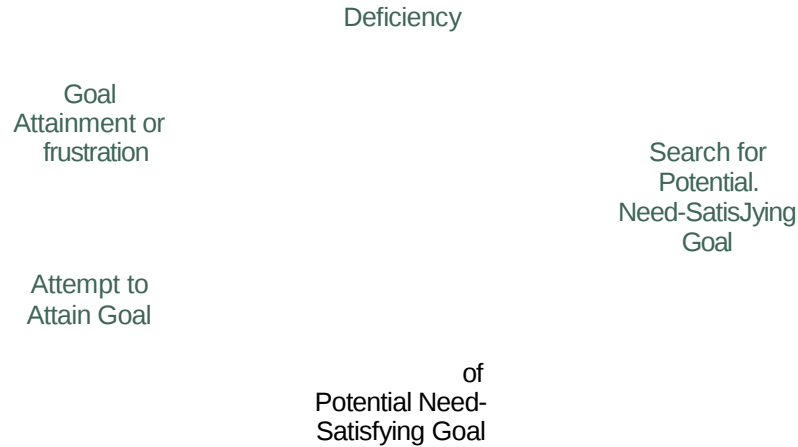
Motivation is a set of energetic forces, originating both within and outside the individual, that initiate behavior and determine its form, direction, intensity, and duration.¹ This definition indicates that motivation represents a set of forces that drives people to behave in certain ways. It recognizes that many forces, internal and external to the individual, may simultaneously play roles. And, it sees motivation as not only initiating behavior but also guiding it, influencing its strength, and determining whether it is sustained or terminated.

As shown in Figure 12-1, motivation flows from a state of need deficiency—people want something. It continues as people search to satisfy those needs, and then as they perceive potential need-satisfying goals. Attempts are made to attain the goals. If those attempts are successful, the state of need deficiency will become less strong and thus less motivating.²

1. This definition is based on C. C. Funder, *Work Motivation: Theory, Applications* [Glenview, IL: Scott, Foresman & Co., 1984], 8.

2. While this is a useful framework, we will see that not all approaches are need based.

12-1 THE MOTIVATION PROCESS



CONTENT, PROCESS, AND REINFORCEMENT THEORIES OF MOTIVATION

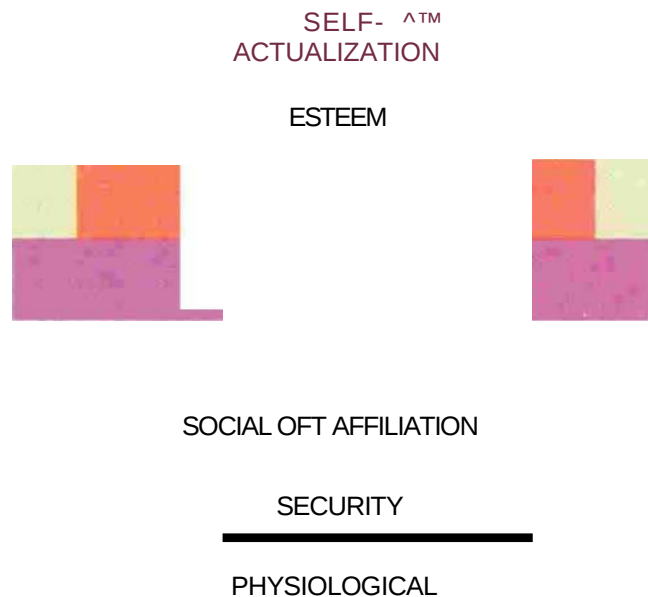
Theories of motivation are generally classified as content theories, process theories, or reinforcement theories. **Content theories** focus on the underlying needs which motivate a person. We will consider four examples—Maslow's need hierarchy theory, Alderfer's ERG theory, McClelland's achievement motivation theory, and Herzberg's motivation-hygiene theory. **Process theories** consider the processes which lead a person to behave in a certain way. Three theories examined in this chapter, expectancy theory, equity theory, and goal theory, are process theories. Finally, **reinforcement theories** focus on the environmental events which influence behavior. We will see in this chapter that current applications of learning theory have characteristics of reinforcement theories as well as [in their cognitive forms) of process theories. Together, these various perspectives provide a solid (and generally consistent) set of tools for employee motivation.

MASLOW'S NEED HIERARCHY

In Chapter 3, we introduced Abraham Maslow's need hierarchy. Recall that Maslow hypothesized that people have five sets of needs,

arranged in a hierarchy, with physiological needs at the base and need for self-actualization at the top. That hierarchy is shown in Figure 12-2. Further, Maslow felt that as needs at a particular level of the hierarchy were satisfied, they would lose importance while those at the next higher level would become most important.

THE MASLOW NEED HIERARCHY



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Abraham Maslow began his career as a psychologist studying primate behavior.³ In particular, Maslow observed mounting behavior of primates. He was fascinated to learn that such behavior often appeared to be motivated not by sex drives but by desires for dominance. He also observed that ferocity involved in dominance behavior decreased at higher levels in the primate hierarchy. While monkeys used dominance to terrorize, chimpanzees used it to protect.

Maslow then studied dominance behavior in humans, conducting interviews with female college students. He found that highly dominant women were more likely to be sexually active and experimental than less dominant women. Interestingly, though, among women who were psychologically secure, there was little relationship between dominance and sexual behavior. This was the first indication that a state of psychological health might transcend a lower drive. Maslow's greatest contribution in his later work was to focus attention on positive psychological health rather than solely on neuroses and psychoses. His hierarchy, with its recognition that higher order needs such as self-actualization are as important as deficiency needs such as hunger and sex, fostered a fundamental reorientation of thinking.

3. For an interesting discussion of Maslow's life and professional development, see Leonard, "Abraham Maslow and the New Self," *Esquire* (December 1983), 326-36.

Maslow's need hierarchy has great intuitive appeal. We can all think of examples of people who seem to focus on the various needs in the hierarchy. And, we recognize that if we're very hungry or thirsty, we temporarily set aside thoughts of esteem or self-actualization. The theory can also be used to explain historical developments. For instance, workers first focused on economic rewards in order to satisfy physiological and security needs and then shifted more of their attention to social needs and job challenge-However, Maslow intended his theory to provide a basis for further testing, not as the final word on human needs. In fact, he wrote with refreshing candor about his concern that the need hierarchy was "... being swallowed whole by all sorts of enthusiastic people, who really should be a little more tentative in the way that I am."⁴ Research which has been conducted on the Maslow need hierarchy yields mixed results. People do seem to have a variety of needs and to be motivated to fulfill them. And, the importance of needs does change over time. However, other findings contradict some of the specifics of Maslow's theory. For instance :⁵

- A People's needs don't seem to fall into five distinct categories. Instead, research suggests that there are no more than two or three categories of needs.
- A While need satisfaction and need importance are negatively related for needs near the base of the hierarchy, they are positively related for those needs near the top. As we eat, the importance of eating temporarily declines. But, as we realize that we're capable of achievement and acceptance of responsibility, we may emphasize them even more.
- A While people typically place great importance on physiological needs which aren't satisfied, they don't proceed up the hierarchy in any orderly fashion once they are satisfied. No clear pattern is evident concerning which needs will become most important when physiological needs are satisfied.

Despite these negative findings, the value of Maslow's work should not be underestimated. He provided a testable framework which could be used to build refined theories of human needs. And, he forced us to divert our gaze to the higher parts of the human mind.

4. A. H. Maslow, *Eupsychian Management* (Homewood, IL; Dorsey-Irwin, 1965), 56.

5. For discussions of Maslow's theory and its validity, see D. T. Hall and K. E. Nogaim, "An Examination of Maslow's Need Hierarchy in an Organizational Setting," *Organizational Behavior and Human Performance* 3 [1967]: 12-35; E. E. Lawler, 111, and J. L. Suttle, "A Causal Correlational Test of the Need Hierarchy Concept," *Organizational Behavior and Human Performance* 7 [1972]: 265-X7; A. H. Maslow, "A Theory of Human Motivation," *Psychological Review* 50 (1943): 370-96; M. A. Wahba and L. G. Bridwell, "Maslow Reconsidered: A Review of Research on the Need Hierarchy Theory/" *Organizational Behavior and Human Performance* 15 [1976]: 212-40.

ALDERFER'S ERG THEORY

Maslow's need hierarchy provided a starting point for an improved theory of human needs. Clayton Alderfer developed the existence-relatedness-growth (ERG) theory which revised Maslow's theory to make it consistent with research findings concerning human needs.

There are a number of differences between Alderfer's ERG theory and Maslow's need hierarchy theory. First, since studies have shown that people have two or three sets of needs rather than the five Maslow hypothesized, Alderfer collapsed Maslow's categories into three sets:

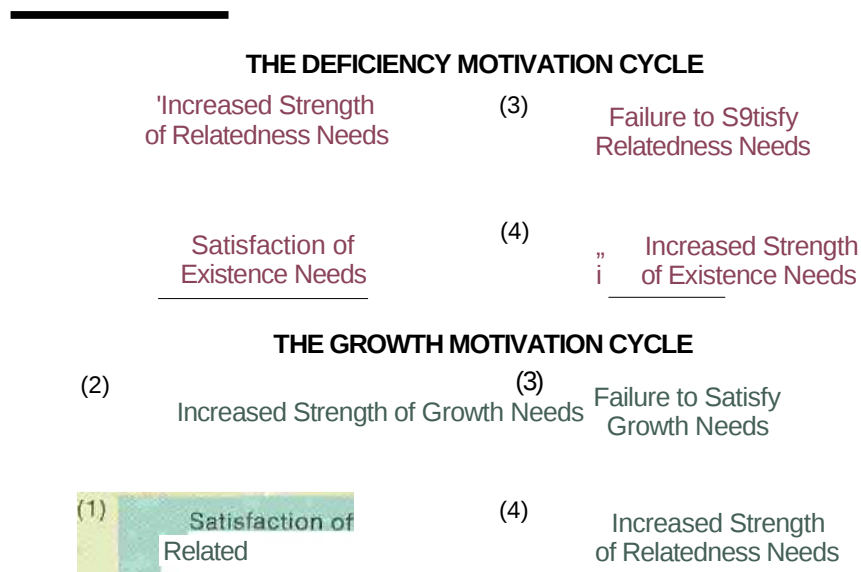
- ▲ Existence needs. These include all forms of material and physical desires.
- A Relatedness needs. These include all needs that involve relationships with other people we care about. Relatedness needs include anger and hostility as well as friendship. So, the opposite of satisfaction of relatedness needs is emotional distance rather than hatred.
- A Growth needs. These are all needs that involve persons making creative efforts on themselves and the environment.

Alderfer revised Maslow's theory in other ways as well. First, he argued that the three need categories form a hierarchy only in the sense of increasing abstractness, or decreasing concreteness. As we move from existence to relatedness to growth needs, the ways to satisfy the needs become less and less concrete.

Second, Alderfer recognized that, while satisfying our existence and relatedness needs may make them less important to us, such is not the case for growth needs. Instead, our growth needs become increasingly important as we satisfy them. As we are able to become creative and productive, we raise our growth goals and are again dissatisfied.

Finally, Alderfer reasoned that we are likely to focus first on needs which can be satisfied in concrete ways and then attend to those with more abstract means of satisfaction. This sounds similar to Maslow's idea of satisfaction progression. However, Alderfer added the idea of frustration regression. Frustration regression occurs when our inability to satisfy needs at a particular level in the hierarchy causes us to regress and focus on more concrete needs. If we are unable to satisfy growth needs we will "drop back" and focus on relatedness needs. If we are unable to satisfy relatedness needs, we will focus on existence needs. As shown in Figure 12-3, the combination of satisfaction progression and frustration regression result in cycling as we focus on one need, then another, then back again.

Since Alderfer's ERG theory was in part a response to research findings which contradicted Maslow's theory, it was designed to be consistent with those findings. The relatively little research testing the then-



ry has generally been supportive. For instance, it supports the contentions that there are three independent sets of needs and that growth needs (and perhaps relatedness needs) become more important as they are satisfied. Further, some research suggests that people do move through the three needs in the ways Alderfer proposed,⁶

McCLELLAND'S ACHIEVEMENT MOTIVATION THEORY

Maslow felt that people were born with a particular set of needs. Henry Murray (1938) believed that needs were acquired through the interaction of the individual with the environment. Murray developed a very lengthy list of such needs. While his work had little direct impact on

6. For discussions of Alderfer's theory and related research, see C. P. Alderfer, "An Empirical Test of a New Theory of Human Needs," *Organizational Behavior and Human Performance* 5 (1969): 142-75; _____, *Existence, Relatedness, and Growth: Human Needs in Organizational Settings* (New York: Free Press, 1972); R. E. Kaplan and K. A. Smith, "The Effect of Variations in Relatedness Need Satisfaction on Relatedness Desire," *Administrative Science Quarterly* 19 (1974): 507-32; and J. P. Wanous and A. A. Zwany, "A Cross-Sectional Test of Need Hierarchy Theory," *Organizational Behavior and Human Performance* 18(1977): 78-97.

organizations, it did draw the interest of David McClelland and others. McClelland was particularly interested in one of Murray's needs—need for achievement. Murray defined **need for achievement** as the need:

... to accomplish something difficult. To master, manipulate, or organize physical objects, human beings, or Ideas. To do this as rapidly and as independently as possible. To overcome obstacles and attain a high standard. To excel oneself. To rival and surpass others. To increase self-regard by the successful exercise of talent.⁷

Like Murray, McClelland felt that need for achievement was air acquired need, developed in childhood as the result of encouragement and reinforcement of autonomy and self-reliance by parents. He also felt; though, that it could be taught in adults.

Measuring Need for Achievement

McClelland used a variety of interesting techniques to assess strength of need for achievement, as well as of need for power and for affiliation.* For instance, he measured the achievement needs for various nations by looking at the number of achievement ideas per 100 lines in children's stories in public school textbooks. He reasoned that spirit prevailing in the country would be reflected in the power, friendship, achievement, or other orientations of the stories. McClelland also felt that national achievement levels were tied to achievement motivation as expressed in that literature:

Normally, we found, a high level of concern for achievement is followed some 50 years or so later by a rapid rate of economic growth and prosperity. Such was certainly the case in ancient Greece and in Spain in the late Middle Ages. Furthermore, in both cases, a decline in achievement concern was followed very soon after by a decline in economic welfare.⁹

McClelland also studied needs by use of projective tests. With projective tests, individuals are shown a series of pictures and asked to write stories based on each picture. An achievement motivation score is calculated based on the number of achievement-oriented ideas in the story-

7. Henry A. Murray et al., *Explorations in Personality* (New York: Oxford University Press, 1938), 164, Reprinted with permission.

8. For instance, see D. C. McClelland, "Business Drive and National Achievement," *Harvard Business Review* 40 (1962): 99-112; and D. C. McClelland and D. H. Brown, "Power Is the Great Motivator," *Harvard Business Review* [March-April 1976], 100-110.

9. Reprinted by permission of the *Harvard Business Review*. An exhibit from "Business Drive and National Achievement" by David C. McClelland (July/August 1962), Copyright © 1962 by the President and Fellows of Harvard College; all rights reserved.

for instance, thinking of ways to solve problems or anticipating the consequences of success or failure. McClelland felt this technique was useful in measuring differences between groups of people. For instance, he found that business managers in several countries generally scored much higher on achievement motivation than did professionals. He also found major differences across countries. As an example, the average score for professionals in the United States was twice that of Italian professionals.

Characteristics of Individuals with Strong Needs for Achievement

McClelland argued that people with high needs for achievement shared the following characteristics:

- A A strong desire for personal responsibility;
- A A desire for quick, concrete feedback concerning the results of their actions,-
- A The derivation of intrinsic satisfaction from doing a job well. For them, the monetary and other material rewards associated with accomplishment are seen more as a kind of feedback concerning performance than as ends in themselves; and
- A A tendency to set moderate achievement goals.

This last characteristic may seem surprising. That is, we might expect that people with strong need for achievement would set very high goals. Instead, they set goals which are easy enough to be within their abilities but difficult enough to be meaningful

Developing Need for Achievement

Again, McClelland believed that need for achievement could be developed in adults. He felt this required a four-stage process in which the individual would be encouraged to:

1. Speak the "language of achievement." The individual is encouraged to think, talk, act, and perceive others as would a person with a high achievement motive. He or she is taught how to take moderate risks to maximize expected payoff and is shown how to code thoughts and fantasies to measure achievement needs.
2. Feel that he or she can and should change and focus on specific personal goals for change in the near future.
3. Develop an honest picture of himself or herself, and his or her desires and possibilities.
4. *Feel* emotionally supported by instructors and other group members in attempts at self-change.

McClelland used these techniques with some success. For instance, he found American executives he trained to be promoted faster than similar executives he had not trained. He also trained a large number of businessmen in India and found their degree of unusual achievement activity (such as starting a business, sharply increasing profits, or diversifying) to almost double. That of businessmen who couldn't get in the program because of space constraints remained about the same.

Need for Achievement and Job Success

We should note that McClelland didn't feel that achievement motivation would be necessary or even particularly useful in all occupations. He reasoned that individuals with strong need for achievement would be drawn to certain occupations—such as sales, entrepreneurship, or promotion—which offered quick feedback and personal responsibility for results. Jobs such as accountant, research scientist, or personnel manager would probably not be suitable for such individuals. McClelland found that even Nobel prize-winning research scientists—who must often wait years to learn whether their ideas are successful—had only moderate levels of need for achievement.

Need for Affiliation and Need for Power

McClelland also considered two other needs—the need for affiliation and the need for power. Need for affiliation is the desire to establish and maintain friendly and warm relations with other persons. It is much like Maslow's social needs. Persons high on need for affiliation welcome tasks requiring considerable interaction, while those low on the need! may prefer to work alone.

Need for power is the desire to control other persons, to influence their behavior, and to be responsible for other people. While McClelland felt that need for achievement was most important for entrepreneurs, he saw need for power as quite important in large organizations. Those high on need for power can try to satisfy the need in either of two ways.¹⁰ Personalized power seekers try to dominate others for the sake of dominating, deriving satisfaction from conquering others. Personalized power use appears to be undesirable from the point of view of the organization; Personalized power seekers often divert their attention from organizational goals to their own ends. They have also been found to engage in heavy use of alcohol and to fantasize about power. Socialized power seekers satisfy their power needs through means that help the organization; They may show concern for group goals, find goals to motivate others, or work with a group to develop and achieve goals. McClelland felt that

10. D. C. McClelland et al., *The Drinking Man: Alcohol and Human* (New York: Free Press, 1972)

Mcclelland suggested that some workers have a high need for affiliation.



need for power, when exhibited in the form of socialized power acquisition, was the most important determinant of managerial success. Persons high in need for achievement, he felt, might be overly concerned with personal achievement, and those with high need for affiliation might be reluctant to take necessary actions which could offend the group.

HERZBERG'S TWO-FACTOR THEORY

Frederick Herzberg tried a different approach to the study of employee motivation. He reasoned that if we could understand what causes employees to be satisfied or dissatisfied, we could get a handle on ways to motivate them.

Motivators and Hygiene Factors

Herzberg began by interviewing 200 engineers and accountants in nine companies. He used the critical incidents method, asking these individuals to describe past work experiences that were critical in the sense of being "exceptionally good" or "exceptionally bad."

Herzberg analyzed these interviews and concluded that there are two relatively distinct sets of factors in organizations. One set, which he called **satisfiers** or **motivators**, resulted in satisfaction when adequate. The other set, labelled **dissatisfiers** or hygiene **factors**, caused dissatisfaction when deficient. Herzberg's theory is thus known as the **two-factor theory** or the **motivation-hygiene theory**.

Mary Kay
Cosmetics is
renowned for
rewarding its top
salespeople with
automobiles.



Some motivators and hygiene factors are shown in Figure 12-4. Hit motivators are typically **intrinsic factors**, largely administered by the employee. The hygiene factors are **extrinsic factors**, under the control of the supervisor or someone else other than the employee.

Figure 12-4

HERZBERG'S MOTIVATORS AND HYGIENE FACTORS



Motivators (Satisfiers)

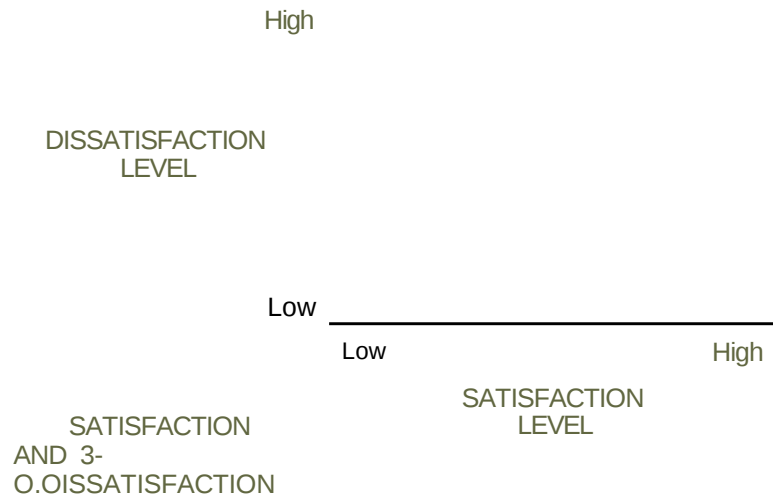
Achievement
Challenging job
Responsibility
Growth
Advancement
Recognition
Work itself

Hygiene Factors (Dissatisfiers)

Pay
Technical supervision
Working conditions
Work rules and company policy
Fringe benefits
Seniority rights

The important point here was that Herzberg did not see satisfaction and dissatisfaction as being at opposite ends of the same continuum. Instead, as shown in Figure 12-5, they were seen as two separate continua. The opposite of satisfaction is not dissatisfaction but no satisfaction/ opposite of dissatisfaction is not satisfaction but no dissatisfaction.

Figure 12 5 THE TWO-FACTOR THEORY



Organizational Implications of the Two-Factor Theory

If valid, Herzberg's theory has profound implications for organizations. It says that things such as pay, fringe benefits, and working conditions don't cause worker satisfaction and motivation. Below a certain level, they may cause dissatisfaction, but once improved to that level, they will have little positive impact. As a result, it would make sense to direct attention away from dissatisfiers and toward such satisfiers as opportunities for achievement, challenge, growth and recognition. For many firms, this would demand a major reorientation of reward systems.

Criticisms of the Two-Factor Theory

However, it appears that the two-factor theory is flawed.¹¹ For example, criticisms of the theory include:

11. The two-factor theory remains quite controversial, with both critics and supporters. For instance, see F. Herzberg, *Work and the Nature of Man* [Cleveland: World Publishing, 1966]; -----, "One More Time: How Do You Motivate Employees?" *Harvard Business Review* (January-February 1968), 53-62; R. J. House and L. A. Wigdor, "Herzberg's Dual-Factor Theory of Job Satisfaction and Motivation: A Review of the Evidence and a Criticism," *Personnel Psychology* 20 [1967]: 369-89; and D. A. Whitsett and E. K. Winslow, "An Analysis of Studies Critical of the Motivator-Hygiene Theory," *Personnel Psychology* 20 (1967): 391-415.

Herzberg implies that satisfaction and motivation are essentially the same. We know, though, that motivation is often the result of dissatisfaction. So, it is dangerous to draw conclusions about what motivates employees on the basis of what satisfies them. Motivation and satisfaction may occur together, but they may not.

If research results are valid, we would expect them to hold up when other methodologies are used to test them. However, Herzberg's findings appear to be tied to his critical-incidents methodology. That is, the two factors revealed by Herzberg only show up when employees are asked to recall satisfying and dissatisfying events. Using any other methodology, this distinction breaks down. Is Herzberg's methodology the only one which is correct, or does it erroneously "cause" the findings? It seems that the latter explanation is more likely. Recall from Chapter 3 the self-serving bias in causal attribution. That is, we are likely to attribute good things to internal factors and bad things to external factors. Herzberg's results may just be a reflection of this self-serving bias. When asked to recall a satisfying incident, individuals make an internal attribution. When asked to recall a dissatisfying event, they find an external source. So, rather than reveal something new about employee motivation, Herzberg's findings may simply be a reflection of bias in attribution. Herzberg classified items as satisfiers or dissatisfiers on the basis of the relative number of times they were mentioned as causing satisfaction or dissatisfaction. For instance, as shown in Table 12-1, achievement was called a satisfier because it was.

Table 12a "SATISFIERS" AND "DISSATISFIERS" IN SIX STUDIES REPORTED BY HERZBERG

Item	Times Mentioned as Satisfying	Times Mentioned as Dissatisfying
Achievement	440	122
Recognition	309	110
Working conditions	20	108
Relations with superiors	15	59
Relations with peers	9	57

associated with satisfying events about four times as often as it was associated with dissatisfying events. Conversely, relations with superiors was called a dissatisfier since it was associated with dissatisfying events about four times as often as with satisfying events.

However, the data in Table 12-1 can be interpreted differently. If we consider the absolute number of times items are mentioned as satisfying or dissatisfying, achievement and recognition are actually more often associated with dissatisfaction than are the so-called dissatisfiers of working conditions, relations with superiors, and relations with peers.

These criticisms notwithstanding, Herzberg's work has had a major impact on organizations. It has caused managers to pay increasing attention to intrinsic factors, rather than just to pay and other extrinsic rewards. This altered focus is appropriate since research indicates that intrinsic rewards are very important, both in terms of satisfaction and dissatisfaction. Herzberg's work was certainly a major impetus for the job enrichment movement with its heavy emphasis on intrinsic rewards.

EXPECTANCY THEORY

Expectancy theory is an approach to the understanding of motivation which examines the links in the process from effort to ultimate rewards. Thus, unlike the theories we have just considered, it is a process theory of motivation rather than a content theory. Developed by Victor Vroom (1964), it says that three conditions must be present if an employee is to be motivated to behave in a certain way. First, the employee must believe that greater effort will in fact make the desired behavior more likely. Second, the desired behavior must lead to various outcomes. Third, those outcomes must be desired by the employee.

Expectancy Theory Concepts

The key elements of expectancy theory are presented in Figure 12-6. A discussion of each element follows.

First-Order Outcome. A **first-order outcome** is the direct consequence of effort. The first-order outcome may be performance, creativity, low absenteeism, low turnover, or any other desired behavior. There may be more than one first-order outcome.

Second-Order Outcome. A second-order outcome is anything, good or bad, which may result from attainment of the first-order outcome. Typically, there are many second-order outcomes, such as pay, esteem of co-workers, approval of the supervisor, and so on.

Expectancy. Expectancy is the perceived linkage between effort and the first-order outcome. There is an expectancy for each first-order outcome. If a worker feels that trying harder won't improve his or her performance, the expectancy of effort for the attainment of performance

would be low. If a worker feels that greater effort will translate directly into higher performance, that expectancy would be high. Expectancies are often expressed as probabilities.

Figure H2-6-

THE COMPONENTS OF EXPECTANCY THEORY

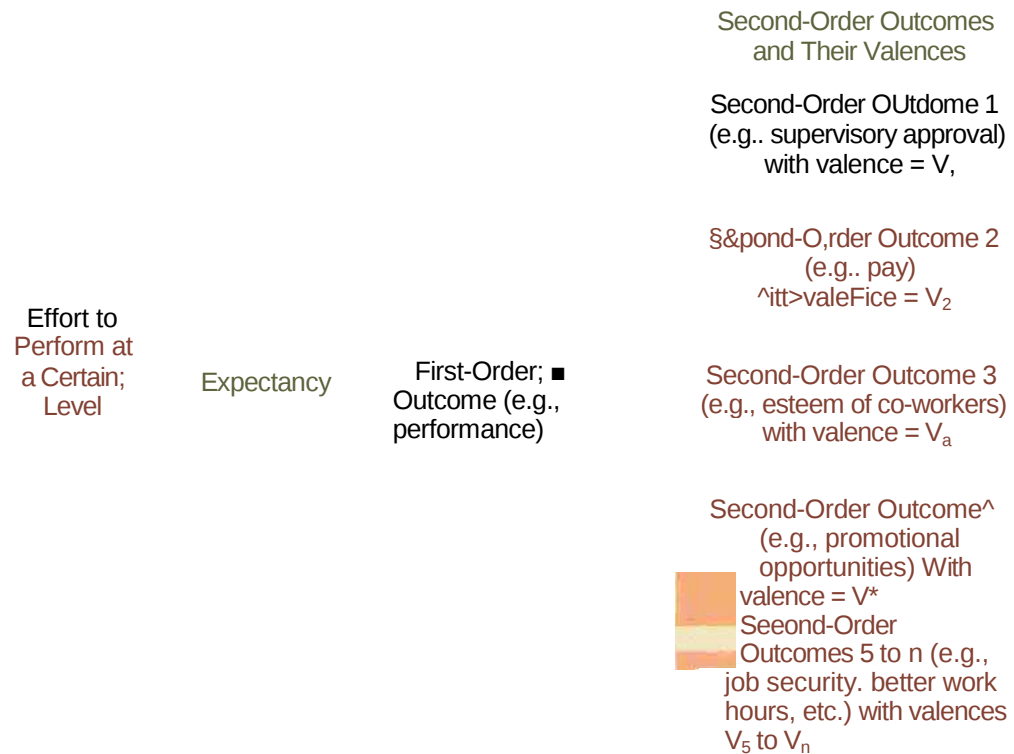
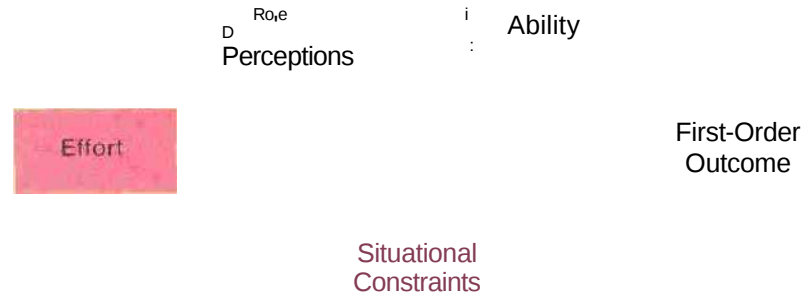


Figure 12-7 shows that a number of things may affect the actual linkage between effort and the first-order outcome of performance. One of these, of course, is ability. If ability is completely lacking, effort won't help much. Another is the situation. In some situations, such as assembly line, the employee is constrained. Greater effort simply won't speed up the line. A final factor is role perceptions. If employees don't know what their roles are (that is, what is expected of them), their effort will probably be misdirected. Expectancies are likely to be influenced by each of these factors.

Instrumentality. Instrumentality is the perceived relationship between a first-order outcome and a second-order outcome. There is

figure 12.7

THE LINKAGE OF EFFORT TO A FIRST-ORDER OUTCOME



instrumentality for each combination of first- and second-order outcomes. Like expectancy, instrumentalities are often expressed as probabilities.¹² If an employee feels that higher performance will lead to pay increases, the instrumentality of performance for the attainment of pay increases would be high. If an employee feels that performance and pay are unrelated, that instrumentality would be zero.

Valence. **Valence** is simply the value an individual attaches to an outcome. The valences of second-order outcomes are the values of such things as pay increases, supervisory approval, security, and esteem of co-workers. The valence of a first-order outcome, such as performance, depends upon the valences of second-order outcomes and on the instrumentalities of the first-order outcome for the attainment of those second-order outcomes. In particular, it is the sum of the products of the valence of the first-order outcomes and the instrumentality of the first-order outcome for the attainment of the second-order outcomes. That is:

$$\text{Valence of First-Order Outcome} = \sum_{i=1}^n \text{Valence of Second-Order Outcome } i \times \text{Instrumentality of First-Order Outcome for the Attainment of Second-Order Outcome } i$$

Force to Perform, or Effort. As shown in Figure 12-8, the degree to which an employee exerts **force to perform**, or **effort**, to attain a first-order outcome depends on both the expectancy that effort will lead to an increase in that first-order outcome and valence of the first-order outcome.

12. Both expectancies and instrumentalities are also sometimes expressed as correlations. Unlike probabilities, correlations can take on negative values. Outcomes would be restated accordingly.

Eigiare 12-8 THE DETERMINANTS OF EFFORT TO PERFORM AT A PARTICULAR LEVEL

VALENCE OF FIRST-ORDER OUTCOME

EXPECTANCY

For instance, expectancy theory would predict that an employee^ would exert no effort to perform at a higher level either if the employee? saw no possibility that effort would lead to higher performance or it higher performance was not valued. Formally:

Effort to attain a First-Order Outcome = Expectancy Valence of the First-Order Outcome

Expectancy theory is at base, then, a theory which focuses onva!-I ties and perceived [or subjective) probabilities. People may place different]" values on outcomes, and they may have very different perceptions about! probabilities. Expectancy theory suggests that managers should not assume they know what employees want or think. Instead, valences; expectancy perceptions, and instrumentality perceptions should directly assessed. Questionnaires can be used to make these assessments^ In those questionnaires, valence is usually rated on a scale of -ID + 10. Expectancies and instrumentalities are usually rated on scales oft (no chance the outcome will occur] to 1 (it will definitely occur).

Use of Expectancy Theory

Suppose a survey reveals that a particular employee has the follow] ing valences for second-order outcomes (note that some of the outcome may be seen as undesirable):

	Second-Order Outcome	Valence
Higher pay	10	
Supervisory approval	5	
Supervisory reprimand	"-\$	
Peer group approval	8	
Peer group reprimand	—&	
Intrinsic rewards	10	
All others		

These valences show that intrinsic rewards and higher pay are very important to this employee. Approval and reprimand by peers are a bit less important than these, but more important than supervisory approval and reprimand.

Suppose the survey also indicates that the employee perceives that increased performance (a first-order outcome) will have the following instrumentalities for the attainment of the preceding second-order outcomes:

Second-Order Outcome	Instrumentality
Higher pay	.2
Supervisory approval	.1
Supervisory reprimand	-.5
Peer group approval	.8
Peer group reprimand	-.9
Intrinsic rewards	.5

The instrumentalities indicate that the employee feels that higher performance is rather weakly related to higher pay and supervisory approval, though it does have a moderately strong link to intrinsic rewards. On the other hand, there is a very high probability that peers would react negatively to higher performance.

Finally, suppose that expectancy = 0.6. That is, the employee feels that there is a moderately high probability that higher effort would lead to higher performance.

According to expectancy theory:

$$\begin{aligned} \text{Valence of Performance} &= \sum_{i=1}^6 \text{Valence of Second-Order Outcome } i \times \text{Instrumentality of Performance for the Attainment of Second-order Outcome } i \\ &= (10 \times .2) + (5 \times .1) + (-5 \times -.5) + [8 \times .8] + (-8 \times -.9) + [10 \times .5] = 0.3 \end{aligned}$$

And:

$$\begin{aligned} \text{Force: to perform (Effort)} &= \text{Valence of Performance} \times \text{Expectancy} \\ &= 0.3 \times 0.6 \\ &= 0.18 \end{aligned}$$

So, what does a score of 0.18 mean? First, the sign is positive, indicating that on balance there is a positive force to perform. However, the magnitude is clearly quite low. To fully interpret it, we would need some basis for comparison. For instance, what was the score last month? How does it compare to scores of other employees in the department? How does it compare with the average score for employees in the firm? Whatever those comparisons reveal, it does seem that force to perform is very low in an absolute sense.

To make sense of the score, we can examine its components. Expectancy seems reasonable, but valence of performance is low. Since valence of performance is a function of valences of second-order outcomes and instrumentalities, we can examine these components to gain insight into why valence of performance is low. In this case, the instrumentalities are quite revealing. They show that both pay and supervisory approval are seen as only loosely linked to performance. Quite simply, the employee doesn't feel higher performance will be extrinsically rewarded. Further, there is a very strong perceived link between performance and peer group reprimand. This would appear to be a situation where there is agreement among employees to restrict production. Employees working faster are apparently seen as "rate busters," endangering the pay of others and making them look bad. Each of these components—expectancy, instrumentalities, and valences—provides valuable information for managers and suggests where action could be taken to improve employee effort.

The Predictive Power of Expectancy Theory

Expectancy theory treats individuals as rational, maximizing their expected values. Evidence concerning related theories making similar assumptions in the decision theory literature suggests that they do a reasonably good job of predicting behavior. Of course, people are not entirely rational, and the instruments used to assess valences, expectancies, and instrumentalities are not perfect. Further, there is some question whether people combine information in the ways that expectancy theory assumes.

Reviews of expectancy theory typically show that it can be used to explain about 25 percent of the variance in workers' satisfaction (though that is not its primary goal) and about 10 percent of the variance in their performance when predictions are made across people; that is, when it is used to predict relative levels of motivation across a variety of individuals. When expectancy theory is used to predict the various levels of effort an individual will exert on different tasks [as it was originally intended to do], it does quite a bit better, explaining 25 percent to 35 percent of the variance in effort.¹³ Any theory that can explain such a substantial proportion of employees' behaviors is a valuable management tool.

13. For evaluations of expectancy theory, see H. G. Heneman, III, and D. P. Schwab, "Evaluation of Research on Expectancy Theory Prediction of Employee Performance," *Psychological Bulletin* 79 (1972): 1-9; R. M. House, H. T. Shapiro, and M. A. Wahba, "Expectancy Theory as a Predictor of Work Behavior and Attitude: A Re-Evaluation of Empirical Evidence," *Decision Sciences* 5 (1974): 481-506, and D. P. Schwab, J. D. Olian-Gottlieb, and H. G. Heneman, III, "Between-Subjects Expectancy Theory Research: A Statistical Review of Studies Predicting Effort and Performance," *Psychological Bulletin* 86 (1979): 139-47.

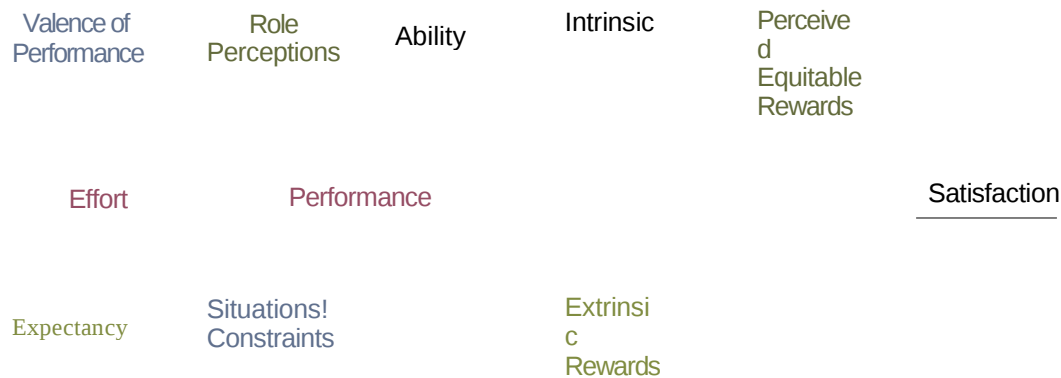
An Expanded Model

We can now present an expanded model of employee behavior. To do so, we first need to discuss one other relationship. In Chapter 3, we noted that it does not appear that satisfaction leads to performance. In fact, the evidence suggests that performance leads to satisfaction. Performance leads to rewards which, after comparison with perceived equitable rewards, influence satisfaction. We will explore the issue of perceived equitable rewards shortly.

Figure 12-9 presents a more complete model of employee behavior which incorporates this reasoning as well as Figures 12-7 and 12-8. It also includes two feedback loops—from satisfaction to valence of performance and from performance to expectancy. That is, as our needs are satisfied, their importance changes. And, as we are able to perform successfully at a certain level, our expectancy perceptions are likely to increase, and vice versa.

figure 12-9

A MODEL OF EMPLOYEE BEHAVIOR



Source; L. W. Porter and E. E. Lawler, *Managerial Attitudes and Performance* (Homewood, IL: Dorsey-twin, 1968). Reproduced with permission.

EQUITY THEORY

Equity theory is one of a family of theories which argues that people want to maintain balance. By focusing on the balance of the inputs, or contributions, people make to the outcomes they receive, equity theory

helps us understand how employees determine whether they are being treated fairly.

Why Be Fair?

According to equity theorists, people want to maintain distributive fairness. Distributive fairness exists when someone thinks people are receiving the outcomes they deserve—not less, certainly, but not more either. Research evidence supports this contention.¹⁴ A reasonable question is "Why?" There seem to be a number of reasons why people want distributive fairness:¹⁵

- A When people experience a situation they feel is not fair, they experience an unpleasant state of tension. Restoration of distributive fairness reduces that tension.
- A Some people try to be fair because they think others will reward them for being fair.
- A Behaving fairly may bolster a person's self-esteem.
- A Most people find it comforting to believe that life is fair. By giving others what we think they deserve, we strengthen belief.

Employers may have other, more specific reasons for wanting to treat their employees equitably.¹⁶ They may, for instance, want to conform to business world norms. For instance, people in business generally agree that employees who do better work should get more rewards. They may want to attract superior workers to their company and to weed out inferior workers. If rewards are equitably tied to performance, a positive relationship between satisfaction and performance should result. Thus, high performers should be satisfied and disposed to stay with the firm while low performers should be dissatisfied and leave the firm. Finally, employers may want to motivate employees to produce. As expectancy theory indicates, tying rewards to performance should enhance instrumental perceptions and thus increase motivation to perform well.

Determining Equity

How do people determine whether outcomes are equitable? Stacey Adams (1965) proposed the following equation for an equitable

14. See E. Walster, G. W. Walster, and E. Berscheid, *Equity: Theory and Research* (Boston: Allyn and Bacon, 1978) for a review of studies on this issue.

15. G. S. Leventhal, "Fairness in Social Relationships," ed. I. Thibaut, J. T. and R. Carson in *Contemporary Topics in Social Psychology* (Morristown, NJ: General Learning Press, 1976)

16. This listing is based on G. S. Leventhal, "The Distribution of Rewards and Resources in Groups and Organizations," ed. L. Berkowitz and E. Walster in *Advances in*

relationship. It is based on the writings of an earlier student of behavior, Aristotle:¹⁷

Oo

I_p

Where:

O_o is the person's perception of the outcomes he or she is receiving.

I_p is the person's perception of his or her inputs.

O_o is the person's perception of the outcomes some comparison person (or comparison other) is receiving. I_o is the person's perception of the inputs of the comparison other.

This equation says that equity exists when a person feels the ratio of his or her outcomes to his or her inputs is equal to that ratio for some comparison other. Neither is seen as getting less or more than their inputs justify. Note that each of the elements in the equation is a perception. While actual conditions may (or may not) influence those perceptions, they do not directly enter the equity calculations.

The comparison other can be another individual (such as a co-worker or friend), a number of other people (such as workers on another job), some abstract combination of people, or even the perceiving person at an earlier point in time.

Inputs and Outcomes

Some possible inputs and outcomes are presented in Figure 12-10. Note that some outcomes of the job, such as fatigue and dangerous working conditions, may be viewed negatively. At base, inputs and outcomes are whatever the individual making the equity comparison perceives them to be. Clearly, different people care about different inputs and outcomes. An input for one person may even be an outcome for another. For instance, one worker may value increased responsibility, viewing it as an outcome. Another may see that same increased responsibility as a burdensome input.

Restoring Equity

If an individual perceives a situation to be inequitable, there are many feasible ways to restore equity. For instance, suppose that an **employee, Frank**, feels underpaid relative to his co-worker, Karen. He **could try to** restore equity by:

Experimental Social Psychology 9 (New York: Academic Press, 1976).

17. While there are some more sophisticated equity formulations (for instance, see, Walster, Walster, and Berscheid, *Equity*, 1978), this formulation is adequate in most cases.



Academic Profile

ROBERT P. VECCHIO

Robert P. Vecchio (Ph.D., University of Illinois) is Franklin O. Schurz Professor of Management at the University of Notre Dame. Professor Vecchio's research has focused on issues in the areas of motivation, social influence, and leadership. His work has been published in a variety of major management and psychology journals, and he is completing work on an organizational behavior text. He is a member of the editorial review board of the *Academy of Management Review*.

Q: Your work on equity theory has been widely cited. In your opinion, what does a manager gain from an equity theory perspective?

A: Equity theory offers an important perspective for the understanding of attitudes and behavior in that feelings of inequity can underlie a great range of dysfunctional acts [e.g., employee sabotage, restricted production, grievances, etc.]. Managers need to be sensitive to issues of equity and to display a commitment to maintaining equity in the work setting. More specifically, managers must explore employee perceptions of personal inputs and outcomes and question employees on their beliefs regarding the inputs' and outcomes of comparison others. Further, equity theory suggests that managers must be aware of, and help to manage, the norms that relate to what rewards an employee may expect as a return for his or her efforts. **Q: What problems do you think managers face when trying to apply equity theory? How can those problems be alleviated?**

A: Application of equity theory principles can present some unique problems. For example, one would not want to deliberately create a sense of underreward inequity within an hourly-based compensation scheme in order to increase the quantity of output as the likely negative consequences for morale would offset any hoped-for gain in productivity. However, creating a sense of guilt by making others feel overrewarded is used with some frequency by employees to influence their coworkers. Similarly, an employee may try to create the belief in the mind of a supervisor that underreward inequity exists [in the hope of getting the supervisor to increase compensation or otherwise improve condi-

tions!]. Also, some managers deliberately seek to induce a sense of inequitable treatment in the minds of poor performers in order to encourage them to quit. The effectiveness of this tactic is, of course, open to question. Perhaps the biggest problem managers face in applying notions which are derivable from equity theory is the creation of systems of performance appraisal and reward distribution which will be seen as being equitable. **Q: Equity theory predicts that individuals who feel over-rewarded will feel guilty and dissatisfied and take steps to restore equity. How would you respond to a student or manager who says that this "just doesn't happen in the real world"?**

A: In fact, guilt motivates many people to engage or not engage in certain activities. Of course, not all people feel such moral imperatives or constraints, or to the same degree. It appears that an individual's degree of conscience may play a critical role in determining a person's reaction to overreward inequity. To be sure, the type of guilt that occurs in overreward inequity is probably quite transitory in that it can be quickly reduced by employment rationalizations. Most people find persistent uncomfortable and, therefore, are motivated to fill self-satisfying explanations and justifications for being overrewarded. Employees are rarely told they are overpaid or made to feel incompetent regarding their ability to perform their jobs. Employees are typically in an exchange relationship with an organization rather than another person. Employees usually have a difficult time seeing their organization as being treated unfairly, if they see themselves as overcompensated, as no specific individual is clearly injured by their being overrewarded.

Figure 12 LO SOME WORK INJPPIS AND, OUTCOMES

Inputs	Outcomes
Seniority	Pay
Age	Promotional opportunities
Effort	Job status
Performance	Job interest
Social class	Approval by supervisors
Time	Esteem of co-workers
Dedication to organization	Dangerous working conditions
Education	Monotony
Sex	Praise
Intelligence	Job insecurity-
Provision of needed tools	Fringe benefits
Appearance	Fatigue

Source: Reprinted by permission from MANAGING ORGANIZATIONAL BEHAVIOR by Aldag and Bnef; Copyright © 1981 by West Publishing Company. All rights reserved.

A *Raising his actual outcomes.* For instance, Frank might demand and get a raise.

A *Lowering his inputs.* Frank might slow down on the job, withhold important information, or stop doing unpaid overtime work. A *Perceptually distorting his inputs and/or*

outcomes. Frank

could reason that he was actually getting things out of the job he hadn't been considering, or he could downgrade the values of his inputs. A *Perceptually distorting Karen's inputs and/or*

outcomes. Frank

could devalue the nonpay outcomes Karen is receiving, or could increase his estimates of Karen's inputs. A *Leaving the*

situation. With a great enough feeling of inequity,

Frank might psychologically withdraw from the situation or might actually apply for a transfer or quit. A *Taking*

actions to change Karen's inputs and/or outcomes.

Frank could try to convince Karen to raise her inputs, could talk to the boss about lowering Karen's pay, or could take steps to try to make Karen leave her job. A *Changing the comparison*

other. Frank could begin to compare

his situation to that of Paul, rather than that of Karen.

People do use these mechanisms to restore equity. For instance, field studies and laboratory experiments have shown that individuals withdraw from tasks when they are inequitably treated—even, in some

cases, when they are overpaid.¹⁸ There is also considerable evidence that people change their perceptions to restore equity.¹⁹ Underpaid workers often perceive that they have made relatively low inputs and begin to see themselves as less qualified than others.²⁰ Some also exaggerate their outcomes, rating their jobs as far more interesting than others do.

The most intriguing findings concerning equity theory, though, relate to changes in actual inputs as a result of perceived inequity. \, Stacey Adams and William Rosenbaum (1962) reasoned that employees' reactions would depend upon whether they were underpaid or overpaid and on whether they were paid on an hourly basis or for each unit of output. Figure 12-11 shows the input changes that would restore equity in each case.

Figure 12-11

CHANGES IN INPUTS TO REDUCE PERCEIVED INEQUITY

		BASIS OF INEQUITY	
		Underpayment	Overpayment
BASIS OF PAY	Hourly	Produce Less and/or Lower Quality Work	Produce More and/or Higher Quality Work
	Piece-Rate	Produce More and/or Lower Quality Work	Produce Less and/or Higher Quality Work

This figure suggests that underpaid workers will sometimes reduce their output, and will sometimes raise it. Overpaid workers will sometimes increase their output and, surprisingly, they will sometimes reduce it. There is a great deal of controversy over the question of how workers change actual inputs in response to inequity. This is partly because it is hard to experimentally alter equity perceptions without also influencing other things such as self-esteem and feelings of job security. Also, relatively few long-term studies have been conducted to assess the over-reward condition. However, of 22 studies involving hourly workers almost 70 percent at least partially supported Adams' predictions, than 85 percent of studies involving piece-rate workers gave partial or full support to those predictions.²¹ A study by Robert Vecchio (1982) of piece-rate workers at four different geographic locations over a thirteen-month

18. for instance, see E. Jaques, *Equitable Payment* (New York: John Wiley 1961); and R. D. Pritchard, M. D. Dunnette, and D. O. Jorgenson, "Effects of Perceived Equity and inequity on Worker Performance and Satisfaction," *Journal of Applied Psychology Monograph* 56 (1972): 75-94.

19. See Walster, Walster, and Berscheid, *Equity*. 1978, for a review of related >

20. *Ibid.*

21.

period was similarly positive, supporting equity theory performance predictions in 11 of 12 comparisons. In overpayment conditions, quantity of performance decreased an average of 17 percent relative to equitable situations, while quality increased 26 percent. In underpayment conditions, quantity increased 34 percent while quality decreased 12 percent.

While equity theory would permit any of a wide range of adjustments to restore equity, it would be useful to know specifically which change is most likely to occur. Adams (1965) has provided the following set of propositions concerning how people choose from among the alternatives available to reduce inequity:

- A They will first try to maximize valued outcomes.
- A They will be reluctant to increase inputs that are difficult or costly to change.
- ▲ They will resist actual or perceived changes in inputs or outcomes that are central to their self-concept and self-esteem.
- A They will be more resistant to changing perceptions about their own inputs and outcomes than about their comparison other's inputs and outcomes.
- A They will leave the situation only when the magnitude of inequity is great and other means of reducing it are not available. Partial withdrawal, such as absenteeism, will occur more frequently and under lower conditions of inequity.
- A They will be reluctant to change their comparison others.

Other Rules for Determining Distributive Fairness

Equity theory is based on the contributions rule. The **contributions rule** says that distributive fairness is determined by equating contributions (inputs) with outcomes. However, people may use other rules when determining distributive fairness. They may, for example, employ the **needs rule**, feeling it is fair to give people what they need rather than what they contribute. Or, they may employ the **equality rule**, arguing that it is fair for everyone to get the same amount.

A variety of things determine the weights we give to these various rules. They include:

- A *Self-interest*. People tend to assign higher weights to rules **that** favor them. A high performer will tend to favor the contributions rule, while a needy person will favor the needs rule.
- A *Conformity*. People tend to conform to the beliefs and behaviors of others with whom they regularly interact. So, if all of a manager's co-workers favor the equality rule, the manager may also apply that rule.
- A *Availability of relevant information*. People are reluctant to use **a** rule for which they don't have sufficient information. For

instance, if a manager doesn't know what subordinates need, the needs rule probably won't be applied.

In addition, some things affect the weights given to specific rule. For instance, if it is important that high performers maintain their output levels, the contributions rule will be weighted heavily. When someone feels responsible for the receivers' welfare, the needs rule is likely to be applied. And, the equality rule is easy to apply. People may also turn to the equality rule when needs and contributions are hard to assess.

Procedural Fairness

Distributive fairness is concerned with whether receivers get what they deserve. People may also be concerned with whether the process used to allocate outcomes was fair—that is, whether there is procedural fairness. If procedures seem unfair, people may also question the distribution of rewards. On the other hand, even if people don't get what they want, they may be satisfied as long as they believe the allocation process was fair.

Not surprisingly, people tend to think procedures are fair when they favor their interests. They also believe procedures to be more fair when they have some control over the allocation process. Further, they are likely to consider a procedure to be unfair when it uses questionable means to obtain information about the receivers' behavior (such as the use of hidden cameras) or if the evaluations of receivers seem to be based on unreliable or irrelevant information (such as faulty performance appraisals).

GOAL SETTING

A goal is simply a desired end state. Edwin Locke has written I

A cardinal attribute of the behavior of living organisms is goal directedness. It may be observed at all levels of life: in the assimilation of food by an amoeba, in the root growth of a tree or a plant, in the stalking of prey by a wild animal, and in the activities of a scientist in a laboratory.²²

Certainly, goal directedness is also evident in employee behavior. Employees may strive to reach quotas, to win a contest, to make,

22. Reprinted with permission of author and publisher from: Locke, E. A. without consciousness: a contradiction. *Psychological Reports*, 1969, 25, 991-1009.

through the workday, or to outperform their co-workers. Sometimes their goals are difficult, sometimes easy. Sometimes they are very specific, and sometimes vague. It seems that the nature of employee goals, and how they are set, can be very important.

Table 12-2 summarizes results of a review of studies that reported the effects of individual monetary incentives, group monetary incentives, goal setting, job enrichment, or participation on performance.

Table 12 2 MOTIVATION AND PERFORMANCE

Motivational Technique	Median Improvement in Performance
Money (individual incentives)	30%
Money (group incentives)	20%
Goal setting	16%
Job enrichment	9%
Participation	0.5%

Source: From "The Relative Effectiveness of Four Methods of Motivating Employee Performance" by E. A. Locke, D. B. Feren, V. M. McCaleb, K. N. Shaw, and A. T. Denny, ed. K. Duncan, M. Gruneberg, and D. Wallis in *Changes in Working Life*. Copyright (C) 1980 John Wiley & Sons, Ltd. Reprinted by permission of John Wiley & Sons, Ltd.

The figure clearly shows that monetary incentives help. And, as we discussed in Chapter 10 as well as elsewhere in this chapter, individual incentives often work better than group incentives. Job enrichment, discussed in Chapter 9, also typically leads to increased performance (recall that many of its other benefits relate to employee satisfaction and well-being). Participation doesn't seem to do very well, with only a median 0.5 percent performance increase. We'll see later that this may be a bit misleading. In some cases, participation may be very important and in others it may be unnecessary or even harmful. It is also evident from the figure that goal setting can be very beneficial. Since, relative to monetary incentives and job enrichment, it is simple and inexpensive, goal setting certainly deserves a closer look.

Functions of Goals

The reasons goals are so important become clear when we review their many functions. For instance:²³

23. This listing is drawn from E. A. Locke and G. P. Latham, *Goal Setting for Individuals, Groups, and Organizations*. (Chicago: Science Research Associates, Inc., 1984).

- A Goals can clarify expectations. They make it clear to employees what they are expected to do.
- ▲ Goals can relieve boredom. Consider how boring most gami; would be if you didn't keep score and try to reach goals.
- ▲ When people attain goals and get feedback indicating that goals have been reached, they have increased liking for the¹ and satisfaction with their performance on the job.
- ▲ Feedback on goal accomplishment gives a person recognition E| peers, supervisors, and others.
- A People who are able to attain goals report feelings of increasci! self-confidence, pride in achievement, and willingness to accep future challenges.

Goal Characteristics

Figure 12-12 shows a variety of goal attributes which may make I difference. Let's review evidence concerning their roles.²⁴

Goal Specificity. Quite simply, specific goals lead to performance than just "do your best" goals. This finding held up remarkable 51 of 53 studies reviewed by Edwin Locke, Karen Shaw,

Figure 12-12 GOA1 CHARACTERISTICS AND PERFORA1ANCE



24. This section is based primarily on reviews by R. M. Steers and L. W. PorQ Role of Task-Goal Attributes in Employee Performance," *Psychological Bulletin* B1

Saari, and Gary Latham (1981)]. In fact, "do your best" goals have about the same effect as no goal at all. Imagine a runner circling a track, shouting to her coach "How much farther do I have to go?" A reply from the coach of "Just do your best" won't help much.

Specific goals are so powerful as to overwhelm other things. In one study, subjects were assigned to either a "low-motivation" or a "high-motivation" group based on performance, ability, and attitude ratings.²⁵ The low-motivation group was given specific task goals, while the high-motivation group was told to "do your best." Performance of the low-motivation group quickly caught up to that of the high-motivation group.

Of course, goals must be appropriate. If some goals are specific and others are not, the nonspecific goals will not receive much emphasis. Also, there is a danger that a manager may commit goal displacement. **Goal displacement** occurs when the manager really cares about X but, because Y is easier to quantify, will set goals for Y instead.

Goal Difficulty. There is a positive, linear relationship between goal difficulty and task performance. This relationship holds for various kinds of tasks, time horizons, and ages of subjects. However, the goal must be seen as attainable. If not, it will not be accepted. Also, people pursue many goals at the same time. If one is seen as too difficult, people will focus on other, more attainable goals. Interestingly, when people are faced with difficult goals, they engage in more problem analysis and creative behavior than when, faced with simple goals. So, they both work harder and work smarter.

Feedback on Goal Progress. Feedback keeps behavior on track. Feedback may also stimulate greater effort (recall from Chapter 9 that feedback from the job itself is part of the job's Motivating Potential Score). A video game without a score would soon be abandoned. And, when people get feedback concerning their performance, they tend to set personal improvement goals. The nature of the feedback makes a difference. As noted in Chapter 9, feedback from the job itself is generally better than that provided by others. Finally, feedback is clearly more important for some people than for others. We've seen elsewhere, for instance, that people with high need for achievement have especially strong desires for feedback.

Peer Competition for Goal Attainment. If employees are working toward individual goals, such as salespersons pursuing independent sales goals, competition for goal attainment may be useful. Its impact is especially great in zero-sum situations, where there is a fixed

434-52; and E. A. Locke et al., "Goal Setting and Task Performance: 1969-1980," *Psychological Bulletin* 90 (1981): 125-52.

25. J. F. Bryan and E. A. Locke, "Goal Setting as a Means of Increasing Motivation," *Journal of Applied Psychology* 51 (1967): 274-77.

pie to divide up. However, competition can hurt if tasks are interdependent. Also, if competition focuses on the quantity of output, quality may suffer.

Goal Acceptance. Goal acceptance is the degree to which individuals accept particular goals as their own. If a goal is not accepted, other goal attributes don't matter. Goal acceptance is likely to be lacking if goals are seen as unreachable or if the individual sees no benefit from reaching the goal.

I

11

Goal Commitment. Goal commitment is the degree to which individuals are dedicated to trying to reach the goals they have adopted! Like goal acceptance, it is a necessary condition for goal-directed effort! Goal commitment is affected by the same factors as goal acceptance! Those factors influence goal acceptance before the goal is set and goal commitment once the individual is pursuing the goal.

D

Participation in Goal Setting. Participation shouldn't be viewed as a panacea. Some people simply don't like to participate, and in some situations [such as under severe time constraints] it may be inappropriate. In general, though, participation increases understanding and acceptance of the goal. Participation often leads to setting of more difficult goals, which may in turn lead to higher performance.

Of course, most goal setting involves changes in a number of job attributes. As one example, Gary Latham and James Baldes (1975) conducted a field experiment in the logging industry. Trucks carried logs from the woods to the mill varied in the number of trees they hauled each time to the next since the trees varied in size. As a result, considerable judgment entered into the decision of what was a full load. However, analyses indicated that trucks were carrying an average of only about 60 percent of their legal net weight. Eventually the researchers, management, and the union decided that a goal of 94 percent of legal net weight was difficult but reachable. The drivers, who were responsible for loading the trucks, were assigned this 94 percent goal. After about a month, performance increased from the initial 60 percent to about 80 percent of capacity. It then dipped to 70 percent for another month before rising to 90 percent, where it remained for the next six months. Company accountants estimated the results translated into a savings to the company of a quarter of a million dollars worth of new trucks alone. Several goal attributes had been changed—goals were difficult, were more specific than in the past, and had apparently been accepted.

|

Management by Objectives (MBO)

Management by objectives (MBO) was introduced by Peter Fiedler and Douglas McGregor in the 1950s and has been widely adopted.

organizations.²⁶ While it has many variants, there are four basic steps:

1. Goals for the employee are jointly set by the employee and his or her superior.
2. The employee tries to meet the goals established.
3. Performance is evaluated against the goals established.
4. New goals are jointly set for the next time period.

This seems like a simple enough process, and it combines a variety of desirable characteristics. For example:

- ▲ MBO forces planning,
- A Concrete feedback is a basic part of the MBO process.
- ▲ Specific goals are set.
- ▲ The process guarantees that the superior and subordinate agree on what goals are to be met.
- A The employee participates in the goal-setting process, and is therefore more likely to understand and accept the goals.
- A MBO allows for individual differences in the goal-setting process and permits goals to be tailored to the employee.
- A MBO serves as a control mechanism, regularly checking to see if performance is on track.

Unfortunately, MBO hasn't been evaluated as rigorously as its popularity would suggest. It does seem that MBO is generally successful—one review estimated that successes were at least five times as common as failures.²⁷ However, success in that review was defined only as a statistically significant increase in performance, not as full realization of the potential of goal setting. In fact, there have been a number of criticisms of MBO, including:

- A In some cases, it may be very difficult to set goals.
- A MBO is time-consuming and may involve a lot of paperwork.
- A Employees may continue to pursue fixed goals even though conditions have changed. So, MBO may build rigidity into the system.
- A MBO focuses on concrete, quantifiable goals, so less tangible criteria may suffer. For example, MBO has been criticized for rewarding productivity while downplaying creativity.
- A The favorable impact of MBO may deteriorate over time.

26. See P. Drucker, *The Practice of Management* (New York: John Wiley & Sons, 1954); and D. McGregor, *The Human Side of Enterprise* (New York: McGraw-Hill Book Co., 1960).

27. J. N. Kondrasuk, "Studies in MBO Effectiveness," *Academy of Management Review* 6 [1981]: 419-30.

A Proper implementation of an MBO program may take as long as three to five years. ▲ Unless there is a visible commitment from the top of the organization, MBO is unlikely to be successful.

Thus, MBO is not a cure-all. Like any major program, its probable costs and benefits should be weighed. If undertaken, it should be carefully planned and implemented and steps should be taken to monitor its effectiveness over time.

LEARNING THEORY

In Chapter 3 we discussed three sorts of learning—classical conditioning, operant conditioning, and social learning. We will see now how learning theory can be used in organizations to increase employee motivation. We will first see how rewards and noxious consequences can be used to influence behavior. Next, we will examine partial reinforcement schedules. Finally, we will briefly consider organizational behavior modification.

Arranging the Contingencies of Reinforcement

Recall from Chapter 3 that operant conditioning, based largely on the work of B. F. Skinner (1969), uses rewards or noxious consequences in an attempt to strengthen desired behaviors or to weaken undesired behaviors. Positive reinforcement and avoidance learning are two basic ways to strengthen desired behaviors. Nonreinforcement and punishment are ways to weaken and ultimately eliminate undesired behaviors (called **extinction**).

Positive Reinforcement. Positive reinforcement involves giving a reward when desired behavior occurs in order to increase the likelihood that the behavior will be repeated. A bonus for a job well done or a pat on the back for a good effort would be examples.

II

Escape Conditioning. Another way to increase the likelihood of desired behavior is to remove some noxious consequence when the behavior occurs. For example, suppose a rat is subjected to a loud, irritating noise until it presses a lever. Once it presses the lever, the noise stops. The rat would soon learn to press the lever to escape the grating noise. This is called **escape conditioning**. If pressing the lever would act to prevent the onset of the noise, this would be called **avoidance conditioning**. In some companies, there are certain jobs that employees find very good, and others that are clearly "the pits." If employees feel they will be reassigned from the bad jobs to the good jobs if they perform

well, we have an example of escape conditioning. Clearly, though, escape conditioning is not easy to use in organizations.

Nonreinforcement. Nonreinforcement causes extinction of an undesired behavior by removing the reinforcing consequence that previously followed the behavior. Consider the case of Sam Whiner. We have (unintentionally), been teaching Mr. Whiner to make constant unwarranted demands by regularly giving in to those demands. How can we get him to stop? One answer is simply to stop rewarding him for that undesired behavior. That is, don't give in to the demands. He will learn that unwarranted demands aren't rewarded, and he will eventually stop making them.

Punishment. Another way to try to stop Mr. Whiner's unwarranted demands would be to punish him whenever he makes those demands. Punishment is defined as presenting a noxious consequence, or removing a desired consequence, whenever an undesired response occurs. So, we could put a letter of reprimand in his file when he makes such demands (a noxious consequence), or we could stop interacting with him socially (removal of a desired consequence). Note that both nonreinforcement and punishment can involve removal of a desired consequence. With nonreinforcement, the reward we would withhold (accession to demands) was the one previously tied to the behavior. With punishment, the reward withheld (social interaction) was not previously a reinforcer for that behavior.

Punishment is frowned on by many managers. Most managers don't like to punish others. And, punishment is likely to embitter the employee, leading to dissatisfaction and perhaps to turnover. Further, managers who use punishment frequently may find that their subordinates obey their orders only when they are present. When they are absent, the employees may secretly rebel. Finally, since punishment only stops undesirable behavior, the task of increasing desired behavior remains.

Partial versus Continuous Reinforcement

There are many ways to reinforce behavior. One basic distinction is whether or not behavior is reinforced every time it occurs (such as for every widget produced). Continuous reinforcement occurs if every behavior is reinforced. Continuous reinforcement leads to rapid learning. However, if for some reason it is necessary to stop reinforcing (for instance, if it is necessary to leave the room), rapid extinction occurs. Most of the time, it is simply impractical to reinforce on a continuous basis, so a partial reinforcement schedule is used.

Partial reinforcement schedules can be time-based or behavior-based. Also, they can be administered on a fixed, unchanging basis, or can be varied around some mean. There are four basic reinforcement schedules.

Fixed Interval. With a **fixed-interval schedule**, a reinforcer is given at fixed-time intervals, such as once a week. A weekly paycheck, 01 monthly inspections, are common examples. Fixed-interval schedules, while easy to use, result in slow learning and moderately fast extinction rate. They also have a low response rate (that is, frequency of response per reinforcement) and very low response stability [people speed up just before the time of reinforcement and then slow down).

Variable Interval. A **variable-interval schedule** also is time-based. However, a reinforcer is administered randomly around some average interval. For instance, an instructor might announce that there will be four pop quizzes during the semester, but will not say when they will occur. Learning rate, extinction rate, response rate, and response stability are all better for the variable interval than for the fixed-interval schedule. However, they are generally not as good as for ratio-based schedules,

Fixed Ratio. A fixed-ratio schedule provides a reinforcer after a given number of acceptable behaviors. Commissions given on the basis of sales and bonuses given for periods of perfect attendance are examples. Fixed-ratio schedules have very high response rates—pigeons have been trained to peck at rates faster than machine-gun fire—and response stability. They have high learning rates but, unfortunately, rapid extinction rates as well.

Variable Ratio. While a fixed-ratio schedule reinforces every n responses, a **variable-ratio schedule** reinforces on average every n responses. For instance, a one-armed bandit might have a payoff on average of once in every ten pulls of the handle. However, precisely when the payoff will occur is unknown. Response rates and response stability are similar to those for fixed-ratio schedules but learning is slower. However extinction is very slow. Companies have made some creative attempts to use variable-ratio schedules. For instance, in one firm, names of employees who didn't use their sick leave were placed in a lottery for a substantial prize. Sick leave costs were reduced by 62 percent.²⁸

Figure 12-13 summarizes how these schedules differ in terms of learning rate, response rate, response stability, and extinction rate.

Organizational Behavior Modification

Organizational behavior modification (OB Mod) is the use of learning theory principles to manage behavior in organizations. OB Modification and theorists typically use a combination of operant conditioning

28. W. Nord, "Beyond the Teaching Machine: The Neglected Area of Organizational Conditioning in the Theory and Practice of Management," *Organizational Behavior and Human Performance* 4 (1969): 37S-4Q1.

12-13

COMPARISON OF SCHEDULES OF REINFORCEMENT

I Measure	SCHEDULE OF REINFORCEMENT				
	Continuous	Fixed Ratio	Variable Ratio	Fixed Interval	Variable Interval
Learning Rate	Fast	Fast		Very Slpw	Moderate
Response Rate	Very Low	Very High	Very High	Low	Moderate
^Response Stability	Very High			Very low	Low to Moderate
inction n Rate	Very Fast	Fast	Very Slow	Moderately Fast	Slow

ing techniques and social learning to achieve their goals. That is, they use both cognitive and noncognitive approaches.

Rules for Using Learning Techniques in Organizations. Clay and Ellen Hamner [1976] have presented a set of rules for effectively using learning techniques in organizations. They are;

1. *Don't give the same reward to all.* Reward those who exhibit desired behaviors (such as high performance) more than those who don't.
2. *Failure to respond to behavior has reinforcing consequences.* Managers must remember that inaction, as well as action, has reinforcing consequences. They should ask, "What behavior will I reinforce if I do nothing?"
3. *Tell a person what behavior gets reinforced-* Make the contingencies of reinforcement clear to workers. Don't make them guess which behaviors will be rewarded.
4. *Tell a parson what he or she is doing wrong.* If the manager does not make clear to the employee why a reward is being withheld, the employee may attribute the action to a past desired behavior rather than the behavior the manager wants to extinguish.
5. *Don't punish in front of others.* When workers are punished in front of others, they "lose face" and are doubly punished. This can cause a variety of problems.
6. *Make the consequences equal to the behavior.* Overrewarding desired behavior makes a worker feel guilty. Underrewarding desired, behavior causes anger.

Notice that most of these rules rely heavily on cognitions, recognizing that employees can learn through observation and receipt of advice as well as from their own experiences.

Behavioral Shaping. OB Mod often uses behavioral shaping. **Behavioral shaping** is the learning of a complex behavior through successive approximations of the desired behavior. Initially, the employee is rewarded for any behavior which is in any way related to the desired behavior. Subsequently, responses are not reinforced unless they are more- and more similar to the desired behavior. Responses are "shaped" until the desired complex behavior is achieved.

Evaluation of Learning Theory. There doesn't seem to be much doubt that, properly applied, learning theory works. Many firms, including Emery Air Freight, General Electric, and Weyerhaeuser, have implemented very successful programs. In fact, some critics are concerned that learning theory works too well, possibly pushing the employee to exhaustion or to other undesirable behaviors. This is seen as especially troublesome since this behavior—especially when noncognitive, operant conditioning is used—is to some extent outside the control of the employee, overriding free will. Learning theory has also been criticized for ignoring individual differences in valued rewards and for focusing on quantity rather than quality.

It is our feeling that, intelligently applied, learning theory can be very useful. We are, after all, reinforcing behavior all the time. The trick is to do it right. Cognitive approaches, in which employees are told why they are being rewarded or punished and are aware of the contingencies of reinforcement, overcome some of the concerns that employees are being ruthlessly manipulated.

IMPLICATIONS FOR MANAGEMENT

Motivation of employees is an ongoing and crucial task of the manager. As a manager, you will need to energize your employees to initiate, direct, intensify, and sustain their behaviors. By properly motivating your employees, you can enhance both performance and the quality of work life. The theories presented in this chapter should serve as useful tools.

While there are some differences among the theories presented in this chapter, they share some important implications. The theories are, unanimous, for example, in stressing the need to determine what employees want. Managers who treat all employees the same, or who assume they know what is important to their subordinates and others, are likely to do a poor job of motivating.

Managers can deal with individual differences in needs in a variety of ways. One possibility is to try to learn what each employee wants perhaps through surveys—and tailor programs, behaviors, and rewards to the individual. Another possibility is to use cafeteria-style benefit plans. With cafeteria-style benefit plans, employees can choose from a wide

range of alternative benefits. In that way, employees of differing ages, marital status, and needs can tailor benefits to their particular situations. One may choose all salary with no other benefits, another may use part of the total allowance for pension and insurance contributions, and so on.²⁹ Yet another way to help insure that rewards are satisfying is to invite employees to participate in the reward-setting process.³⁰

Another point on which the content theories agree (and the process theories and reinforcement theory are silent) is that managers should pay attention to their subordinates' higher order or growth needs. Recall that in Chapter 9, these growth needs were seen to be important determinants of how employees respond to enriched task characteristics. While it is unwise to automatically assume that employees have particular need structures, it is probably safe to say that growth needs have often been neglected in the past. Consider your full arsenal of potential rewards, intrinsic as well as extrinsic, when developing motivational strategies.

As a manager, be willing to employ creativity in applying motivational techniques. Unusual benefits, a variety of arrangements of contingencies of reinforcement, and even lotteries may all have their places.

Expectancy theory provides some very useful managerial guidelines. For instance, it suggests that managers should attempt to examine carefully the expectancies and instrumentalities perceived by their employees. If expectancies are low, the manager should see whether the cause is perceived inability, situational constraints, or ambiguity concerning expected behaviors. If instrumentalities are low, the manager should ask why. Is there actually a weak link between the first-order and second-order outcome, or is the employee misperceiving the situation? If the former, actions to strengthen the linkage may help. If the latter, the manager may need to communicate the true nature of the link.

Good managers recognize that they must treat employees and others fairly. Keep in mind when trying to be fair to employees that perceptions are critical. Try to learn what your subordinates see as inputs to the job, and what are viewed as outcomes. Recognize, too, that some employees will base their equity perceptions on the contributions they make, others on their needs, and still others on the desire for equal outcomes. Finally, remember that fairness in procedures, as well as in distribution of outcomes, is important.

Few areas provide clearer, more easy to apply guidance to the manager than goal theory. As a manager, try to set specific and difficult goals and make sure that feedback is provided, preferably from the task itself.

29. For more on cafeteria-style benefit plans and other innovative approaches, see D. C. Feldman and H. J. Arnold, *Managing Individual and Group Behavior in Organizations* (New York: McGraw-Hill Book Co., 1983).

30. for more on this issue, see G. D. Jenkins, Jr., and E. E. Lawler, III, "Impact of Employee Participation in Pay Plan Development," *Organizational Behavior and Human Performance* 28 (1981): 111-28; and E. E. Lawler, III, "New Approaches to Pay: Innovations That Work," *Personnel* vol. 53, no. 5 (1976): 11-23.

Keep in mind that goal acceptance and commitment are necessary. Take steps, perhaps including subordinate participation in the goal-setting process, to secure such acceptance and commitment.

Use a bit of common sense in using motivational techniques. Some managers apply new tools without really considering whether they are appropriate. Others simply apply them incorrectly. For example, how would you feel if you were a sales manager in Situation 11

SITUATION 2

One Bean Motivation

La Costa's sales department and special events coordinators sometimes get some rather unusual and bizarre requests, but Electrolux, the national vacuum manufacturing company, has to be near the top of the list in originality for its recent national sales managers' meeting at the resort.

At the meeting's dinner banquet, the room was divided with chicken wire and the company's top grossing sales managers sat separately from the others during the evening. Caterers decorated one side of the room with tables covered with white cloths, china, silver and fresh flower centerpieces for those bringing the best number of sales to the company.

The top sales managers dined on filet mignon, potatoes, asparagus and chocolate mousse, while their counterparts on the opposite side of the banquet hall ate baked beans and jello, washing it down with a cup of hot water laced with a single coffee bean.

Source: From the *Reporter*, newsletter of the La Costa Hotel and Spa Conference Center, Carlsbad, CA, as reported in *The New Yorker* (January 2, 1984)

Finally, remember that these motivational tools can be applied!) any behaviors, not just productivity. You may want to use them, for instance, to increase attendance, retention, creativity, or flexibility. The range of behaviors which may be changed, and the variety of ways in which motivational techniques can be employed to attempt those changes, are basically limited only by your imagination.

KEY TERMS AND CONCEPTS

avoidance conditioning
behavioral shaping cafeteria-
style benefit plans content
theories continuous
reinforcement contributions
rule dissatisfiers or hygiene
factors

distributive fairness
equality rule equity
theory escape
conditioning existence
needs existence-relatedness
growth (ERG) theory

expectancy expectancy	nonreinforcement
theory extinction extrinsic	organizational behavior
factors first-order outcome	modification (OB Mod]
fixed-interval schedule	partial reinforcement schedule
fixed-ratio schedule force	personalized power seekers
to perform or effort	positive reinforcement process
frustration regression goal	theories punishment
displacement growth	reinforcement theories
needs instrumentality	relatedness needs satisfiers or
intrinsic factors	motivators second-order
management by objectives	outcome socialized power
(MBOI	seekers two-factor theory 01
need for achievement	motivation-hygiene theory
need for affiliation	valence
need for power needs	variable-interval schedule
rule	variable-ratio schedule

REVIEW QUESTIONS

1. What is motivation?
2. How valid is Maslow's need hierarchy theory?
3. In what ways does Alderfer's ERG theory differ from Maslow's need hierarchy theory- How is it similar?
4. What is need for achievement? What are characteristics of individuals with strong need for achievement?
5. Cite three organizational implications of Herzberg's two-factor theory.
6. What are the three conditions which expectancy theory says are necessary for employee motivation?
7. Describe distributive fairness and the contributions rule.
8. Name five goal characteristics and indicate how each is related to goal-directed effort.
9. What is MBO? How is it related to goal setting?
10. Describe four partial reinforcement schedules.
11. Give four rules for effectively using learning techniques in organizations.

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CASE 12 A Tying Managers' Pay to Performance

David Margolis works for a generous company—a very generous company. Last year, Mr. Margolis, the president, chairman, and chief executive officer of Colt Industries Inc., received a bonus of \$555,000, more than double the bonus for chief executives of similar-sized companies. And, that bonus was \$115,680 *more* than his base salary. Total compensation: close to \$1 million.

Colt says its largess is well-founded. In 1984, the year on which the bonus was based, the company had a record return on equity and several other benchmarks. "We have no shame or trepidation about the fact that our people are highly paid," says Karyl Lynn, Colt's personnel director. "They've earned it."

A similar attitude can be found in increasing numbers of board rooms across the country. After years of regularly receiving hefty increases in salaries and bonuses—regardless of their company's success or failure—more top executives are now finding

their compensation linked directly to corporate performance. The trend is even extending to division managers.

"There's been so much scrutiny that I boards have been taking a closer look at compensation," says Pete Smith, national director of Wyatt Co.'s compensation consulting business. As a result, companies are relying less on salary and more on bonuses and other performance-linked compensation to reward executives. They are also tightening the criteria for earning those rewards;

Bonuses and other long-term compensation are becoming more important. In 1975, salary made up 60 percent of the pay* of a chief executive officer of a company with \$1 billion to \$2 billion in sales. By 1985, that proportion fell to 50 percent.

During the last recession, ailing companies were still obliged to pay salaries that had risen at double-digit rates in the preceding years. Now, directors reason, they can trim compensation costs swiftly, if neccs-

sary, by putting more money into bonuses and less into salaries. "Salaries are a fixed cost; bonuses are a variable cost," says Charles Peck, a compensation specialist at the Conference Board.

Executive bonuses were always supposedly tied to targets such as growth in earnings per share, but the bonuses came to be looked on simply as additional salary. "The past standards were so loose that bonus plans were designed to pay off no matter what," says a corporate compensation manager. Such plans also gave executives an incentive to maximize short-term profits at the expense of long-term goals. Now, however, compensation, is being pegged to three-year or five-year gains in such perfor-

mance measures as return on equity, return on assets, and earnings per share.

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According to expectancy theory, what impact would the changes noted in this case have on motivation- According to learning theory?

Does goal theory suggest any benefits of this approach: Any dangers: In view of the potential benefits of performance-contingent bonuses, why do you think they are not universally applied?

