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Fostering Employee Performance: A Literature Review

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Abstract

Human resource is an important and indispensable part of a business organization. Qualified workers ensure greater productivity. Strengthening employee performance ultimately benefits the company. Qualified, skilled, and motivated workforce contributes a lot to achieve the organization's success. Motivation is a key determinant of job performance. If the employees are poorly motivated then there will be excessive staff turnover and negative morale which will increase cost. Therefore, management spends much time to know what exactly stimulates their staff so that resources are not misused. There is a tremendous research on motivation. The researchers have tried to find out what actually stimulates the performance and to what extent. In this paper we have reviewed many literatures on motivation and have found that traditionally it was believed that money or extrinsic reward can boost performance. But in present day money alone cannot stimulate employee behavior. Now employees are more aware of their career development, job enrichment, association with management and empowerment. By ensuring a congenial and harmonious work atmosphere organizations can motivate employees and foster their performance.

Keywords: Human resource, motivation, staff turnover, extrinsic reward, job enrichment, empowerment.

1. Introduction

Human resource is an important factor of production. A well trained, motivated workforce makes it possible to achieve the organization's success. For this reason management has to supply not only raw materials, facilities, and equipment, but it also has to motivate its employees. Productivity, quality and customer relation are the key areas of success and these depends on performance of the employees. Employees will perform well if they are motivated. So, irrespective of the organizational differences, managers face a common challenge of fostering a motivating work environment. A motivated workforce is essential because the complete participation of employees will certainly drive the profitability of the organization (Carlsen, 2003). Motivation has an influence on productivity. For this reason management need to understand what motivates employees to reach the highest performance. To increase employee motivation is a difficult task because employees respond in different ways to their jobs. Motivated behaviors are voluntary choices controlled by the individual employee. The supervisor wants to influence the factors that motivate employees to higher levels of productivity. Darmon (1974) believe motivation is the educating of employees to channel their efforts towards organizational activities and thus increasing the performance of the said boundary spanning roles. If management neglects to educate and motivate their employees, they will become dissatisfied or lose their interest to job. This lack of interest in the workplace leads to absenteeism, turnover, sick leave, strikes, grievances and even accidents. But a motivated workforce would alleviate dissatisfaction felt by employees and improve these factors (Denton, 1991). According to Denton (1991), a motivated workforce will lead to greater understanding, acceptance, commitment to implementation, understanding of objectives and decision making between management and employees. While exercising different motivational techniques, management get involved with employees and this participation is related with the increase in performance of employees. Therefore, there is a direct result between the levels of motivation and management's participation. (Tyagi, 1982).

Motivation is a key determinant of job performance and a poorly motivated force will be costly in terms of excessive staff turnover, higher expenses, negative morale and increased use of managements' time (Jobber, 1994). Therefore, management must know what exactly stimulates their staff so resources are not misallocated and dissatisfaction develops among employees (Jobber, 1994). As Green (2000) has described motivation to be proactive in the sense of; in dealing with employees who are high performers, motivation is essential, otherwise their performance will decline or they will simply leave the job. While dealing with low performers, motivation is a prerequisite; otherwise these employees will drag results down, lower productivity and certainly would not leave the organization, as they will have nowhere else to go.

2. Objective of the study

Purpose of this study is to identify the factors that promote positive motivational behavior among the employees to guarantee organizational success. Furthermore the study will identify consistencies in the rewarding system and the corresponding result in employee behavior as the motivated, satisfied, committed and loyal employees are vital part in the workplace.

3. Methodology of the study

The study is mainly a literature review with a special focus on motivation and the human resource management. A conceptual framework was developed through review of existing literature on motivation. This study leaves a scope for conducting further research and survey on employees of different industrial sectors.

4. What is motivation?

Motivation is an internal process which directs any one to behave in a particular way. It is a force that boosts enthusiasm and it differs depending on situation (Rogers, 1996). It is the development of an aspiration in an employee to accomplish a task to the greatest ability based on that individual's own initiative (Rudolf and Kleiner, 1989). It is the strive to reach peak performance every day, to enjoy the continual challenge of improving results, to genuinely care about their peers and their company, and to maintain positive results (Evenson, 2003, p.21). It is the willingness to exert high levels of effort toward organisational goals, conditioned by the person's ability to satisfy some individual need (Robbins, 1993 as cited in Lu, 1999, p.63). Motivating is the ability to instruct the employees with a unity of purpose and to maintain a continuing, harmonious relationship among all people. It is a force which persuades and promotes an eagerness of every employee to cooperate with every member of the team. Through motivation the organizational climate becomes harmonious to all the work groups and the company as a whole gets benefited.

Borcherding and Oglesby (1975) stated that job dissatisfaction can be one factor that will increase costs, produce time delays and generally reduce productivity on most types of projects. One way that management can increase productivity is by how it influences worker's attitude, which is a major element in worker motivation and determine how much work will be accomplished.

5. Theories of Motivation

5.1 Frederick W. Taylor's scientific management

Toward the end of the 19th century, Frederick W. Taylor introduced the application of scientific principles to the management of work and workers which is known as scientific management,. Taylor suggested that each job be broken down into its separate tasks. Managers should determine the best way to execute each task and the level of production that should be expected. The best person for each job will be selected and trained. Taylor believed that people work only to earn money and therefore money should be matched to output. This gave rise to the piece-rate system, a compensation system under which employees are paid a certain amount for each unit of output they produce.

5.2 Hawthorne Studies

Elton Mayo conducted an experiment between 1927 and 1932, which is called the Hawthorne Studies, to find out the effects of the work environment on worker productivity. The first set of experiments used different levels of lighting in the plant for one group, and a stable level of light in the control group. But the result was surprising as productivity increased in both groups. Then Mayo used the piece-rate system with groups of workers, rather than individuals and found that production remained constant. It was concluded that human factors were responsible for the results. In the lighting experiment the members felt important as they were involved in a group. In the second experiment, groups maintained a steady pace because of a desire for social acceptance. These conclusions generate that for better performance workers should be satisfied.

5.3 Maslow's Hierarchy of Needs

Abraham Maslow first presented the five-tier hierarchy of needs in 1942 to a psychoanalytic society and published it in 1954 in Motivation and Personality (New York: Harper and Row). He identified that the most basic need emerges first and the most sophisticated need last. He suggested that people start on the bottom and put efforts to go up to needs hierarchy. When one need is fulfilled, it loses its strength and the next level of needs is activated. A satisfied need is longer a motivator. The most powerful employee motivator is the need which has not been satisfied. According to Maslow, physiological needs are the things we require for survival, like, food, clothing, shelter, and sleep. In corporate world, adequate wages represent such type of needs. Next level is of safety needs, which are necessary for physical and emotional security. Through job security, health insurance, retirement benefits, and safe working environments, these needs are satisfied. Moving up to the third level is the social need, where people seek for love, affection and belonging. Relationships in the work environment and in the informal organization, as well as in social networks with family and friends outside the organization are good examples of social needs. Next level is the esteem need, where we urge for respect, recognition, accomplishment and worth. The management can fulfill such needs by matching the skill and ability of the employee to the job, by showing workers that their work is appreciated. Finally, the self-actualization needs, which are the desires to grow and develop up to ones fullest potential.

5.4 Alderfer's ERG model

Clayton Alderfer identified three categories of needs: existence needs, relatedness needs and growth needs. Existence needs are the desires for physical well being. Relatedness needs are the urges to satisfactorily relating to others by establishing and maintaining interpersonal relationships. Growth needs are the desires to self development, creativity, growth, and competence. According to Alderfer, one may be motivated by needs on several levels at the same time and when individuals are frustrated in meeting one level needs, they may concentrate on the next lower level needs.

5.5 McClelland's Needs Theory of Motivation

David C. McClelland divided motivation into needs for power, affiliation, and achievement. People having need for Power seek positions of leadership. They always try to control or dominate others. They like to exercise their influencing power. They are forceful, argumentative, hardheaded, and outspoken. Affiliation motivated people usually get pleasure from being loved and socialized with others. Achievement motivated people have an intensive craving for attaining goals and success. They want to control the situations in which they are involved. They take moderate risks and set realistic targets. They want to be challenged and like to analyze problems.

5.6 Herzberg's motivation-hygiene theory

In the late 1950s, Frederick Herzberg interviewed 200 accountants and engineers in his research and examined motivation in the light of job content and contest. According to Herzberg, motivators or satisfiers are those that increase motivation, but whose absence does not necessarily result in dissatisfaction. They include achievement, recognition, advancement and growth in the job. Dissatisfaction occurs when the maintenance or hygiene factors are absent in the job. Examples of such dissatisfiers are: working conditions, company policy and administration, salary, status, job security, peer relations, and quality of supervision. These factors will not produce motivation, but their absence can create employee dissatisfaction.

5.7 Vroom's Expectancy Model

Victor Vroom developed a model of motivation based on individual needs and motivation. He suggests that employees work for different reasons and these reasons can change over time. So managers should design an environment for performance considering the differences in various situations. Expectancy theory is complex, but it is consistent with real life situations.

5.8 Equity theory

The important aspect of equity theory is that people make subjective judgment about fairness in the rewarding system related to inputs (such as their competencies, qualifications and effort), in comparison of rewards of others. If they feel that they are not equitably treated they may be dissatisfied. If they feel that they are receiving more rewards, then they will improve their quantity and quality of work or they may discount their rewards. (Adams). Bowditch and Buono (1997) believed that although equity theory was originally concerned with differences in pay, it can be applied to other forms of tangible and intangible rewards in the workplace. The motivation process will be difficult if the input- output ratio is not in balance.

5.9 Goal-setting theory

The proposition is that employees are motivated if goals are meaningful, challenging, clear, attainable and measurable. When employees are encouraged to set goals for themselves and supervisor reviews and approves them, then they take challenges for achieving those targets. If goals are completely unrealistic, employees will become demotivated. Goal-setting theory helps a manager to design rewards that match employees' requirements. But it is not the only one method to managers. Tolchinsky & King in 1980 discovered that, while financial benefits influence job performance, the relationship is not mediated by goal-setting. That means, goal-setting and financial incentives have independent effect on job performance (Perry, Mesch & Paarlberg, 2006).

5.10 Reinforcement theory

The psychologist B.F. Skinner[2] of Harvard developed this theory. He suggests that human behavior can be influenced through the use of rewards. If the work environment is properly designed and employees' performances are praised, then they are motivated. For poor performances if there is any punishment, that will generate negative consequences.

5.11 McGregor's Theory X and Theory Y

In 1960 Douglas McGregor set forth the concepts of Theory X and Theory Y, which assumes that there are different views about human nature. The traditional assumptions about the nature of peoples are included in Theory X which states that employees dislike work and will function only in a highly controlled work environment where managers must coerce, control, and threaten employees to attain organizational goals. On the other hand, Theory Y states that employees are responsible and feel work as an important part of their lives. If they get personal rewards, they will work toward organizational targets. Theory X and Theory Y have increased the importance of social factors in the organization for motivating employees.

5.12 Theory Z

After studying business practices at American and Japanese firms in the 1970s, William Ouchi proposed Theory Z. He observed that businesses of these two countries are dominated by two different management systems. In Japan most of the firms were characterized by group discussions in taking decisions, lifetime employment, collective responsibility for the outcomes, slow appraisal and promotion, and employees were treated as people. Ouchi termed these firms as type J firms. In America type A firms dominated, which offered short-term employment and decisions were taken individually so that responsibility for outcomes goes to that person. There employee evaluation and promotion were rapid, and employees were treated only as employees. From this research he suggested that theory Z which sets between type A and type J practices is best for American business.

5.13 Fifty-Fifty Theory

According to John Adair's perception people motivate themselves by fifty percent and from the environment they are motivated by the remaining fifty percent. This environment includes work conditions, colleagues and especially leaders. The Fifty-Fifty rule recognizes that leaders have a key role in influencing motivation of employees at work. The relationship between leadership and motivation is crucial to determine employee's motivation. But leaders alone cannot motivate the employees fully as they are self motivating in various degrees.
These are the challenges that management faces to stimulate employee motivation with the work environment. (John 2007, 38-41).

6. Money as a motivator

The primary objective of employees is to earn for a better life. Money is an extrinsic reward and it can be used to influence employees' behavior (Darmon (1974). Extrinsic rewards are granted by another individual, and can include salary, fringe benefits, and so on (Kreitner, 2005). Rudolph and Kleiner (1989) and Sujan (1986) described these rewards as those basic material requirements which management must meet for the employee. These rewards can vary in type and scope, depending on place of employment. Organizations that reward their members in accordance with performance typically experience fewer problems than organizations that do not. (Muczyk, et al.1984). Bonuses, as extrinsic rewards, can be a good tool to motivate workers for better performance (Groves et al. 1994; Laffont and Tirole, 1996). Dauten (1998) illustrated that employees are best motivated by having them bet on their own success. When management ties their performance in with their bonuses, they take it as a challenge to generate greater performance for receiving bigger financial reward. Money is important, but it is not the ultimate tool for motivation. For a lot of people, the feeling of being recognized and valued appears more important than money (Laurie 2007, p.255). Leadership, career development, and flexibility are what are critical for motivating and maintaining a productive workforce. Stajkovic and Luthans (2003) argued that feedback combined with money and social recognition produced the strongest effect on job performance. Nelson (2003) believes the ability for money to serve as incentive is diminished as monetary rewards are viewed as a right rather than a reward.

7. Techniques for increasing employee motivation

Now-a-days money alone cannot motivate employees. A variety of techniques are used for motivation. Many intrinsic rewards other than money work as psychological incentives (Rudolph and Kleiner, 1989). These rewards may be expressing, thanks, providing inputs, job rotation, job enlargement, management by objectives, and so on. Employees who are motivated intrinsically enjoy performing job-related tasks, such as influencing customers and learning about the company (Sujan, 1986, p.42).Several techniques for increasing employee motivation are described below:

7.1 Open-book management

In open-book management, the firm trains all employees to interpret key performance measures that affect the firm's profits and value. Workers understand how they can contribute to the firm. Management delegates some power to the employees for taking decisions. For their contribution in attaining goals they receive compensation.

7.2 Job enrichment

The work itself can motivate employee behavior. If the conditions for the work are attractive and creative (Cuendet, 1996) and the responsibilities are constantly renewed by the management, employees will be motivated. Such an example is job enrichment that provides employees with more variety and responsibility in their jobs. Employees gain new skills and get a better understanding about the organization. Job can be enriched by allowing the employees some authority in decision making, encouraging their participation, providing feedback on their performance, and involving them in analysis of challenging tasks.

7.3 Empowerment

Employee empowerment is a process by which individual or group capability is improved to enable them to take fruitful decisions. Many organizations today are using employee empowerment as a motivational technique to increase its productivity. Through empowerment employees get the opportunity to attain intrinsic rewards from their work, such as a greater sense of achievement and a feeling of importance. Motivated employees give more effort to attain organizational as well as their own goal. When decisions require task-specific knowledge, those on the front line can better identify problems. In such situation empowerment works well.

7.4 Flexible Work Schedules

Flextime is a work schedule in which employees set their own work hours within set boundaries. The firm allows each employee to choose arrival and departure time on the job and establishes a fixed time of the day when everyone must be at work.

7.5. Flexibility in incentives

If employees are allowed to choose their own incentives, they get motivated and perform well (Green 2000). For example, if there is an option that they can select cash, or a customized trip, or even a holiday as a reward, they feel it convenient for them to make proper utilize of the benefit and get energizes to perform better.

7.6 Behavior modification

In this system positive rewards are given to encourage desirable actions and punishments for undesirable ones, though research has shown that the positive reinforcements are far more effective. Experts suggest that management should reward quality, loyalty, and productivity.

7.7 Employee ownership

Under employees stock ownership plans, or ESOPS, companies give shares to the employees. The employees perform better because they own the company and if the company flourishes they will get benefit directly.

7.8 Wellness Programs

Different wellness Programs like stress reduction, healthy eating and living clinics, weight-loss and smoking-cessation programs, exercise facilities, massage breaks, and health screenings etc. in work place can boost up employee performance (Kreitner, 2005).

*7.9 Online service*s

Through online services employees can work staying at home either all of the time or for a portion of the workweek. They can set their own hours and communicate by using internet, fax machines, voice mail, cell phones, and email.

7.10 Teams

A team is a group of workers performing together as a unit to accomplish a common objective. Within the team, each member has a role to play. In addition to the team leader role, various members may play the task-specialist roles. In a team every member gets closer to one another and sometimes there arises informal relations among them. As they have one common goal, they put full effort for the accomplishment.

8. Conclusion

Workforce is an important and inseparable part of organization. Productivity mostly depends on qualified workers. So boosting employee behavior means strengthening employee performance and ultimately benefiting the company. To strengthen performance offering only monetary rewards cannot be a useful tool. Sometimes these rewards can work negatively. For example, when employees see that a drop in productivity results in monetary incentives for a return to normal productivity levels, they may repeatedly reduce their performance. At present day employees give less emphasis on monetary rewards and put more value to their professional development. If the company nurtures the growth and development of employees, they will positively work for the company. By creating a sense affiliation within the organization, management can ensure higher levels of productivity and a higher retention rate. There is a close relation between motivation and retention of employees in the organization. Demotivated and frustrated employees typically leave the job which has a negative impact on production. Money is not the ultimate solution, Rather job enrichment, affiliation, and even simply expressing thanks can motivate employees and foster their performance.

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