CHAPTER – II:

THEORIES & CONCEPTS

- About Motivation
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CHAPTER - II

THEORIES & CONCEPTS

(A) ALL ABOUT MOTIVATION

MOTIVATION DEFINITION:

Internal and external factors that stimulate desire and energy in people to be continually interested and committed to a job, role or subject, or to make an effort to attain a goal is known as Motivation. It results from the interaction of both conscious and unconscious factors such as the (1) intensity of desire or need, (2) incentive or reward value of the goal, and (3) expectations of the individual and of his or her peers.¹ These factors are the reasons one has for behaving a certain way. An example is a student that spends extra time studying for a test because he or she wants a better grade in the class. The following definitions give a clear view of what does Motivation really mean.

- It is the act or process of giving someone a reason for doing something
- It is the act or process of motivating someone
- It is the condition of being eager to act or work: the condition of being motivated
- It is a force or influence that causes someone to do something

EMPLOYEE MOTIVATION:

Employee motivation can be defined as "psychological forces that determine the direction of a person's behavior in an organization, a person's level of effort and a person's level of persistence."² It is important to understand that employee motivation is a separate and distinct topic apart from motivation. Vast articles and

¹ From Business Dictionary. (online)
studies exist on this topic indicating the level of importance employee motivation has in business success. A study conducted by the District Chief of the Tulsa, Oklahoma Fire Department concluded that morale does, in fact, have a direct impact on employee productivity. Employers who understand the theories of motivation have a greater ability to understand what motivates employees, to boost employee morale and thus obtain the advantage of greater organizational productivity.

Employee Motivation is a widely practiced exercise today across all corporate sectors regardless of their size of being either big or small. Just like the psychological need for any individual to be appreciated over his efforts, the same idea of thought stems the need for rewards and recognition in order to increase the work drive of an employee and increase his efficiency and seriousness towards work. Today organizations from all around the world strive to motivate its employees in order to survive and compete in dynamic corporate environment successfully as motivation puts human resources into action, improves level of efficiency of employees, enables the organizations to attain sustainable competitive advantage over the rivals and ultimately leads to the achievement of organizational goals. The concept of motivation is derived from a Latin word “movere” which means “to move”. Motivation is what moves the employees from dullness to interest. It is just like the steering of the vehicles that directs and shapes employees’ activities. Motivation has been defined as the “Drive or energy that compels people to act with energy and persistence towards some goal”.4

HISTORICAL PERSPECTIVES OF MOTIVATION:

a. Early Views of Motivation

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One early view of motivation derives from the concept of Hedonism – the idea ‘that people seek pleasure and comfort and try to avoid pain and discomfort’⁵. This philosophy, which argues that pleasure is the ‘ultimate importance and is the most important pursuit of humanity’, dominated and shaped early thinking of human motivation.⁶ Even if this theory seems reasonable as far as it applies to the current society, there are still many kinds of behavior that it cannot explain. For instance, why do recreational athletes train themselves very hard willingly and regularly while hedonism suggests that people are always seeking to relax? And why do volunteers spend their time working untiringly to collect money for charity events? As experts eventually realized that the concept of hedonism is very limited and does not adequately explain the view of human behavior, other perspectives of motivation stood out.⁷

b. The Scientific Management Approach

The Scientific Management Approach strongly emphasizes the belief that people are motivated by money. Frederick W. Taylor, the supporter of this approach, assumed that employees are ‘economically motivated’ and will work hard to earn as much money as they can.⁸ Researchers, however, soon found out that human behavior is far more complex and cannot simply be explained by the assumption of the scientific management theory.

c. The Human Relations Approach

The human relations approach suggested that employees are motivated by social factors other than money, in other words, they respond to their social environment at work. Job satisfaction is assumed to be the crucial motive in improving employees’ performance. The development of Maslow’s hierarchy of

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⁵ Moorhead and Griffin, 1998, pp. 121
⁷ Moorhead and Griffin, 1998, pp. 122
⁸ Moorhead and Griffin, 1998, pp. 122
needs theory, which is our next main topic of discussion, has played a vital role in helping scientists answer questions related to human behavior.\(^9\)

**THE NATURE AND IMPORTANCE OF MOTIVATION:**

Managers and scholars alike have long been inspired in attempting to find out why some employees tend to work harder than others. The study of motivation helps managers understand this variance in performance. Furthermore, knowledge of what motivates people allows managers to take ‘constructive steps’ to improve their employees’ work performance.\(^10\)

Before understanding the different types of motivation, we need to examine closely the nature of motivation. The term motivation derives from the Latin word movere, meaning, ‘to move’\(^11\). This means that no one can understand a person’s motivation until that person ‘behaves or literally moves’. Kreitner describes motivation as ‘the psychological process that gives behavior purpose and direction’, while Moorhead and Griffin explain motivation as ‘the set of forces that causes people to engage in one behavior rather than some alternative behavior’\(^12\).

Employees are essentially the most important aspect of an organization. Managers strive to motivate their employees so that they are willing to perform at their highest levels. When employees work hard, come to work regularly and continue making positive contributions to the organization, the business will be able to cut costs and yield more profit, both of which are the ultimate goals of any organization. On the contrary, unmotivated employees will mean the organization will have people that are not willing to do well in the jobs or have to hire more

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\(^9\) Moorhead and Griffin, 1998, pp. 123


people to do different jobs, which contribute to higher operating costs and a reduction in profit.

According to an article entitled ‘Need-based Perspectives on Motivation’ by Moorhead and Griffin, job performance depends on three main factors: Motivation, Ability and Environment. In order for an employee to reach a higher level of performance, he/she must ‘want to do the job’ (motivation), ‘be able to do the job’ (ability), and ‘must have the materials, resources, and equipment to do the job’ (environment). For this reason, the following relationship can be established:

\[ \text{PERFORMANCE} = \text{MOTIVATION} + \text{ABILITY} + \text{ENVIRONMENT} \]

Deficiency in any one of these factors will result in a lower level of job performance. Managers always need to ensure that these three conditions are met.\(^\text{13}\)

Of all the three factors, it is generally accepted that motivation is the most difficult factor to manage. This is mainly due to the fact that human’s attitude/behavior is full of complexities and thus difficult to manage. As for the other two factors, an employee has been recruited with the awareness that he/she has the skills and capacity needed to perform the tasks as well as the fact that resources are readily available. If the manager feels that the employee lacks training of some sort, he/she can be sent to training programs to learn those skills. If the person is not suitable for the level, he/she can be directed to work at lower jobs. On the other hand, if resources are not available, i.e. the environment factor, the manager can take action to ensure that they become available. For example, if an employee needs a photocopier, he/she can formulate request to the management team and ask for one. For this reason, it is quite clear that the most challenging job for every employer is how to motivate their employees to strive their best to work for the organization.

TYPES OF MOTIVATION:

We can turn our attention to the types of motivation that managers can take into consideration in order to successfully motivate their employees.

➤ **Money and Motivation**

‘No one works for free, nor should they’.

Pursuing money with hard work to provide security and comfort for oneself and their family is not the same as pursuing money with a negative motive. Obviously, employees want to earn fair wages and salaries, and employers want them to know this is what they are getting for their hard work. Unsurprisingly, this all leads to the fact that employees and employers would all view money as the fundamental incentive for satisfactory job performance. Two general suggestions can be provided to managers are:

1. Financial incentives are very important but their effectiveness also depends on organizational conditions. Differences in organizational conditions contribute to possibility and effectiveness of various monetary incentives. Therefore, to ensure the success the implementation of any changes to existing incentives plans, companies are recommended to study those environment conditions.

2. Group incentive systems can also be very effective in private sector settings. Team-based or small-group incentives are described as rewards for individuals’ hard work as a team. In general, its effectiveness depends on the characteristics of its reward system, the organization, the team and the individual team members. Research suggests that equally divided small-group incentives maintain high level of productivity.

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Motivation through Job Design

Considering the fact that the average adult spends half of their waking lifetime at work, to effectively motivate them no longer relies on the importance of money or other material objects. As jobs are the central feature of ‘modern existence’, feelings of having a challenging and interesting work can attach people to their jobs whereas a boring and tedious job, on the other hand, can become a serious obstacle to motivating people, not to mention the effect it has on an individual’s physical and mental health. This is when Job design comes in to deepen a good manager's understanding and persuade them to adopt different approaches of dealing with employee mediation rather than the typical approach of motivating people through financial means.15

There are two main strategies a manager can take to motivate employees:

Strategy one: Fitting people to jobs

To avoid continual dissatisfaction and reinforce motivation, three alternatives with proven track records include realistic job previews, job rotation, and limited exposure, each of which explains how a manager could fit the right people to the right jobs.

a. Realistic Job Previews: Managers commonly make unrealistically high expectations in recruits to persuade them into accepting a position. Dissatisfaction often appears in this kind of circumstances when high expectations of the jobs are brought down to earth by terrible or boring work. Realistic job previews - giving out honest information of what works involve in the job - have been useful in this kind of situation. Research has been done on two groups of telephone operators whose jobs are ultimately repetitive and boring. By giving out realistic job review film to the first group of telephone operators before getting hired, they actually had fewer thoughts of resigning and in contrast, another telephone operators

15 Kreitner, 1986, pp. 392
group was given the "good news only" job review film before they got hired was found to have a higher thought of resigning from their jobs. This would prove that realistic job previews could be useful in reducing staff turnover.16

b. Job Rotation: Job rotation is an alternative to eliminating job boredom. It refers to the action of periodically moving people from one specialized job to another. It can help neutralizing the boredom barrier in highly specialized jobs, but of course, it should be noted that balance is needed to achieve its ultimate effects. Frequency of rotating jobs cannot be too high or too low or it will lead to unsatisfactory outcomes instead.

c. Limited Exposure: Another way to deal with a tedious job is to limit the individual's exposure to it. This technique is called 'contingent time off' (CTO), it is about establishing a challenging yet fair daily performance standard, and letting employees go home if standard is met. CTO plan was implemented in a large manufacturing plant where employees were producing about 160 units a day with 10 percent rejects: "...if the group produced at 200 units with three additional good units for each defective unit, then they could leave the work site for the rest of the day. Within a week of implementing this CTO intervention, the group was producing 200+ units with an average of 1.5 percent rejects. These employees, who had formerly put in an 8-hour day, were now working an average of 6.5 hours per day and importantly, they increased their performance by 25 percent." Some employees find the CTO plan extremely motivating.17

Strategy two: Fitting jobs to people

This second strategy is for managers to consider changing the job itself instead of the people. Two techniques are provided in this field: Job Enlargement and Job Enrichment.

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16 Kreitner, 1986, pp.393-394
17 Kreitner, 1986, pp.394
a. **Job Enlargement:** Job enlargement is the process of combining two or more specialized tasks in the workflow sequence into a single job. For instance, a clerk working in an insurance claims department whose job is normally to type only the client's name and address on the claim form may be asked to add in works of typing in the claim description and disposition. A moderate degree of complexity and freshness can be introduced in this manner. However, critics claim that having two or more typically boring tasks do not necessarily help making a job challenging. Besides, job enlargement has as well been criticized by organized labor that it is a tricky tactic for adding more work in getting the same amount of salary. For one condition, if pay and performance are kept in balance, boredom barrier can be reduced a bit by job enlargement.18

b. **Job Enrichment:** In general terms, job enrichment is to redesign a job to increase its motivating potential, in other words, it is to increase the challenge of one's work. Unlike job enlargement, this is about building more complexity into jobs by introducing planning and decision-making responsibility that is normally carried out at higher levels.19

According to experts, jobs can be enriched by upgrading the five core dimensions of work:

- **Skill variety:** The degree to which jobs are completed with a variety of different activities in the use of one's different skills and talents.
- **Task identity:** The degree to which a job is done from beginning to end with a visible outcome.
- **Task significance:** The degree to which the jobs involve significant impact on other people whether they are from the organization or the world at large.

18 Kreitner, 1986, pp.395  
19 Kreitner, 1986, pp.395
• Autonomy: The degrees to which the jobs provide significant freedom, independence, and discretion to the individual in completing their work by letting them schedule the work and determine the procedures to be used.

• Job feedback: The degree to which clear and direct feedback is provided to the individual when completing their work activities.\textsuperscript{20}

Note that, however, not all employees will respond positively to enrich jobs. Personal traits and motives influence the connection between core job characteristics and desired outcomes. Only those who have necessary knowledge and skills plus the desire for personal growth can be successfully motivated by enriched work. Job enrichment can effectively work when it is carefully planned, when management is committed to its success, and when employees truly desire additional challenge to their jobs.\textsuperscript{21}

➢ Motivation through Rewards

Employees, or volunteers who donate their time and efforts for good causes, expect to receive rewards of some sort for their contributions. Managers have found that rewards play a significant role in motivating employees to work harder and longer. This section, therefore, attempts to identify the numerous types for rewards that can be administered by managers. There are two types of rewards: \textbf{Extrinsic} and \textbf{Intrinsic}.\textsuperscript{22}

Extrinsic rewards are external outcomes granted to someone by others, such as money, employee benefits, promotions, recognition, status symbols, and praise.\textsuperscript{22} In other words, this kind of reward is provided by another person or by organizational system to individuals.\textsuperscript{23}

\textsuperscript{20} Kreitner, 1986, pp.396
\textsuperscript{21} Kreitner, 1986, pp.397-398
\textsuperscript{22} Kreitner, 1986, pp.398
\textsuperscript{23} Schermerhorn 2002, P.363
In contrast, intrinsic reward derives internally from individuals and can be experienced through their work, such as the feelings of competency, sense of accomplishment, personal development and self-esteem. The importance of being self-administered offers great advantages and power of "motivating from within". As a 50-year-old Steve Schifer, who works at a small copper kettle manufacturer in northern Ohio, once said, ‘It gets in your blood and you can't get rid of it, it's something you can create with your hands and no one else can’.24

There are four ways in which extrinsic rewards can be administered in order to improve job performance and efficiency.

i. **Reward must satisfy individual needs**: Motivation is an unlikely outcome if the reward does not satisfy individual needs. Since different people have different needs, what they expect to be rewarded from their work is also different. Some people tend to focus more on high wages, while others would prefer to be promoted to a higher position in the organization.

ii. **One must believe that effort will lead to reward**: An employee tends to work harder if they believe their efforts will lead to reward. According to the expectancy theory, an employee will not endeavor for a reward if they perceive it as unattainable. For example, a company has promised to pay for the leading salesperson to go on a trip for two to Hawaii. This will only prompt those who feel they have a good chance of winning it to work hard and try to sell as many of their products as possible. Those who believe the reward is highly unlikely to achieve will not be motivated to try any harder.25

iii. **Rewards must be equitable**: Reward must be fair and equitable. For instance, if the reward is a bonus payment of 100$, so each member, considering other

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24 Schermerhorn 2002, P.363  
25 Kreitner, 1986, pp.400
things equal, should be rewarded with the same amount of money. In contrast, inequity will lead to jealousy and dissatisfaction in work.26

iv. **Rewards must be linked to performance:** The manager can increase staff motivation by providing rewards to those who ‘give that little extra’ hard work. Schemes that can be used to reward employee based on their performance include profit sharing, annual bonus, and stock purchase.27

➢ **Motivation through Quality-of-work-life innovations**

One of the world authorities on this subject has once described Quality-of-work life (QWL) as "a process by which an organization attempts to unlock the creative potential of its people by involving them in decisions affecting their work lives." In other words, QWL program is an interpersonal connection between employees and the organization; it touches every aspect of modern work life. Three main categories of QWL program are flexible work schedules, participative management, and workplace democracy. The common characteristic of these three categories is that they give employees a degree of control over their own work lives, or to say that every step and decision they make does not only affect the company but also themselves, which leads to another kind of employee motivation.28

a. **Flexible Work Schedules:** The standardized and normal work life starts from 8.am to 5.pm, 40 hours a week; things started to be different when Flexible work schedules were introduced. Flexi-time is a work-scheduling plan that offers employees the chance to determine their own arrival and departure times within specified limits. All employees must be present during a fixed time. Supposed an eight-hour day is required, the early bird can choose to arrive at 7.am, take a half an hour lunch break, and leave work at 3.30.pm, on the other hand, people who

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26 Kreitner, 1986, pp.400
27 Kreitner, 1986, pp.400
28 Kreitner, 1986, pp.408
like to come late can decide to come in at 9 am and leave at 5.30 pm. Flexible work schedules can be introduced in several types, such as compressed workweeks (40 hours in less than 5 days), permanent part time (less than 40-hour workweeks), and job sharing (corresponding schedule that allows two or more part timers to share a single full-time job). For all these years, employees have been working under the standard of the 40-hour, five days’ workweek. These flexible work schedules represent a significant adjustment to individual needs and circumstances.  

b. Participative Management: By years of research and implementation, management scholars have tried hard to determine which part of management should be appropriate for employees to participate in, and fortunately, one scholar came up with the final answer of the four key areas of participative management. Employees are allowed to participate in (1) setting goals, (2) making decisions, (3) solving problems, and (4) designing and implementing organizational changes. Employee motivation and performance are said to have significant improvement via personally involved in one or more of the management areas. Participative management connects employees to their companies, making them more dedicated to their jobs.

To achieve the ultimate effect of participative management, some barriers are needed to overcome:

- Every level of management may resist employee participation because they do not believe in its underlying philosophy.
- To believe that its short-run costs outweigh its long-term benefits can end this program from the start.

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29 Kreitner, 1986, pp.408
• Fear that participative management might threaten the authority and power over some part of management.
• Managers who lack experience with consensual decision-making might fight the process.

Participative management is more than just a new motivation method, it involves great planning and a good background work is often needed to make sure that supportive climate exists.

c. Workplace democracy: Generally, workplace democracy covers all efforts to increase employee self-determination. This could be achieved through providing stocks and shares to employees. Letting the employees own part of the company's stock does not necessarily mean that they can take control over the company, but as stockholders, employees will be more dedicated to their work to increase the company's profitability. The harder they work, the greater their stock dividends will be. Another way would be to ask employees to manage the company. However, this concept has raised a lot of questions from scholars and managers and is highly debatable.

THEORIES OF MOTIVATION:

Motivation is the force that initiates, guides and maintains goal-oriented behaviors. It is what causes us to take action, whether to grab a snack to reduce hunger or enroll in college to earn a degree. The forces that lie beneath motivation can be biological, social, emotional or cognitive in nature. Researchers have developed a number of different theories to explain motivation. Each individual theory tends to be rather limited in scope. However, by looking at the key ideas behind each theory, you can gain a better understanding of motivation as a whole.

Instinct Theory of Motivation:

According to instinct theories, people are motivated to behave in certain ways because they are evolutionarily programmed to do so. An example of this in the
animal world is seasonal migration. These animals do not learn to do this; it is instead an inborn pattern of behavior. **William James** created a list of human instincts that included such things as attachment, play, shame, anger, fear, shyness, modesty and love. The main problem with this theory is that it did not really explain behavior, it just described it. By the 1920s, instinct theories were pushed aside in favor of other motivational theories, but contemporary evolutionary psychologists still study the influence of genetics and heredity on human behavior.

**Incentive Theory of Motivation:**

The incentive theory suggests that people are motivated to do things because of external rewards. For example, you might be motivated to go to work each day for the monetary reward of being paid. Behavioral learning concepts such as association and reinforcement play an important role in this theory of motivation.

**Drive Theory of Motivation:**

According to the drive theory of motivation, people are motivated to take certain actions in order to reduce the internal tension that is caused by unmet needs. For example, you might be motivated to drink a glass of water in order to reduce the internal state of thirst. This theory is useful in explaining behaviors that have a strong biological component, such as hunger or thirst. The problem with the drive theory of motivation is that these behaviors are not always motivated purely by physiological needs. For example, people often eat even when they are not really hungry.

**Arousal Theory of Motivation:**

The arousal theory of motivation suggests that people take certain actions to either decrease or increase levels of arousal. When arousal levels get too low, for example, a person might watch an exciting movie or go for a jog. When arousal levels get too high, on the other hand, a person would probably look for ways to
relax such as meditating or reading a book. According to this theory, we are motivated to maintain an optimal level of arousal, although this level can vary based on the individual or the situation.

**Humanistic Theory of Motivation:**

Humanistic theories of motivation are based on the idea that people also have strong cognitive reasons to perform various actions. This is famously illustrated in Abraham Maslow’s hierarchy of needs, which presents different motivations at different levels. First, people are motivated to fulfill basic biological needs for food and shelter, as well as those of safety, love and esteem. Once the lower level needs have been met, the primary motivator becomes the need for self-actualization, or the desire to fulfill one’s individual potential.30

**NEED THEORIES OF MOTIVATION:**

Need theories represent the ‘starting point’ for most contemporary thought on motivation. These theories argue that humans are motivated by ‘deficiencies’ in one or more important needs or needs categories. Human beings then try harder to satisfy those needs and thus become motivated. The two best-known need theories are Maslow’s hierarchy of needs and Alderfer’s ERG theory.

*a. Maslow’s Hierarchy of Needs Theory*

The hierarchy of needs, developed by Abraham Maslow in the 1940s, was arguably the most famous need theory – famous probably because it was so straightforward and ‘intuitively appealing’ to those interested in work behavior.31 Maslow, who labeled human beings as ‘wanting’ animals, asserted that people

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30 *Kendra Cherry,* “Theories of Motivation-A Closer Look at Some Important Theories of Motivation” (online) available from (http://psychology.about.com/od/psychologytopics/tp/theories-of-motivation.htm) accessed on 28 February 2014

31 *Kreitner,* 1986, pp. 385
have an ‘innate’ desire to satisfy a predictable five-step hierarchy of needs. These needs have been categorized in an order of importance, with the most basic needs at the foundation of the hierarchy.\textsuperscript{32} The three sets of needs at the bottom of the hierarchy can be grouped as ‘deficiency needs’, which must be satisfied in order for a person to be comfortable, while the top two sets can be named ‘growth needs’, which focus on the growth and development of an individual. Having looked at the basic concepts of Maslow’s hierarchy of needs theory, we are going to examine each one of the five needs very closely.

**Physiological Needs**: these needs refer to the desire to fulfill physical satisfactions such as water, sleep, food, air and sex. These needs are considered the most important needs because without them, human beings cannot survive. No other needs would be of any importance if physiological needs have not been satisfied.\textsuperscript{33}

**Safety Needs**: Maslow’s theory states that human beings strive to meet these needs once the physiological needs are satisfied. It is about individual safety - being away from evils and threats. It is also believed that most modern employees are able to fulfill these needs through earning an income or depending on unemployment benefits. Maslow asserts that individuals who have ‘prolonged deprivation of physiological and safety needs’ may become ‘seriously maladjusted’ people.\textsuperscript{34}

**Love/Belongingness Needs**: Once the physiological and safety needs are satisfied, human beings tend to focus on the needs for love and affection. People endeavor to obtain a sense of belonging with others. This category of needs is a very powerful motivator of human behavior. \textsuperscript{35}

\textsuperscript{32} Moorhead and Griffin, 1998, pp. 124
\textsuperscript{33} Kreitner, 1986, pp. 386
\textsuperscript{34} Kreitner, 1986, pp. 382
\textsuperscript{35} Kreitner, 1986, pp. 386
Esteem Needs: A person who wishes to be a highly valued individual in the society always desires for high self-esteem. This self-esteem needs derive from self-respect, which in turn comes from being accepted and respected by the society. It is essential for those who are considered the people to help achieve an organization’s targeted objectives to be able to fulfill this category of needs. Once again, according to Maslow, esteem needs to be met for an individual to move to higher-level needs.

Self-actualization Needs: The fifth and final category at the top of Maslow’s hierarchy of needs is the needs for self-actualization. This means ‘realizing our full potential and becoming all that we can be’. In other words, it involves to the need to become more and more what we are, and to become everything that we are capable of becoming, which makes self-actualization an open-ended category. Specific examples of these types are given below, in both the work and home context. (Some of the instances, like "education" is actually satisfiers of the need.)

<table>
<thead>
<tr>
<th>Need</th>
<th>Home</th>
<th>Job</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-actualization</td>
<td>education, religion, hobbies, personal growth</td>
<td>training, advancement, growth, creativity</td>
</tr>
<tr>
<td>Esteem</td>
<td>approval of family, friends, community</td>
<td>recognition, high status, responsibilities</td>
</tr>
<tr>
<td>Belongingness</td>
<td>family, friends, clubs</td>
<td>teams, depts, coworkers, supervisors, subordinates</td>
</tr>
<tr>
<td>Safety</td>
<td>freedom from war, poison, violence</td>
<td>work safety, job security, health insurance</td>
</tr>
<tr>
<td>Physiological</td>
<td>food water sex</td>
<td>Heat, air, base salary</td>
</tr>
</tbody>
</table>

36 Moorhead and Griffin, 1998, pp. 125
Achieving all of the above characteristics is almost an impossible task. After all, it is still debatable whether an organization should have more or fewer self-actualized managers. On the one hand, this type of managers will play an important role in breaking barriers to creativity and providing new initiatives as to where the organization should be heading. On the other hand, too many ‘unconventional nonconformists’, i.e. self-actualized individuals, can also provoke chaos in one organization.  

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b. Alderfer’s ERG Theory

Another very important theory of motivation is the ERG Theory, which was developed by Yale psychologist Clayton Alderfer. The ERG Theory – E stands for Existence Needs, R for Relatedness Needs and G for Growth needs – has many aspects that are very similar to those of Maslow’s hierarchy of needs, although there are still a number of very important differences between the two.  

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For Alderfer’s ERG Theory, The Existence category is similar to Maslow’s Physiological and Safety needs, while Maslow’s Love and Self Esteem needs are placed in the Relatedness needs category. Finally, the Growth category is similar to the self-actualization and self-esteem needs of Maslow’s theory.  

39 The ERG Theory, in contrast to the Hierarchy needs theory, emphasizes that more than one kind of need may motivate a person at the same time. Also, an even more important difference between the two theories is that the ERG includes two main components: The Satisfaction-Progression Component and The Frustration-Regression Component.  

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The satisfaction-progression component explains that after an individual has satisfied one category of needs, he then moves on to the next level.

37 Kreitner, 1986, pp. 387  
38 Moorhead and Griffin, 1998, pp. 125-126  
40 Moorhead and Griffin, 1998, pp. 126
This concept agrees with that of hierarchy of needs’ theory. The Frustration-Regression Component, on the other hand, argues that if an employee is not able to satisfy a higher level of needs, he becomes ‘frustrated’ and eventually ‘regresses’ to the previously satisfied level.\(^{41}\)

**OTHER THEORIES OF MOTIVATION:**

A. **McClelland's Human Motivation Theory**

McClelland’s Theory is one of content theories of motivation emphasizing those human needs and incentives cause human behavior. McClelland has identified three types of basic motivating needs:

1) Need for Power
2) Need for Affiliation
3) Need for Achievement.

**Need for Power or Power Motive \((n/PWR)\)**—The ability to induce or influence behavior is power. The individual’s life style is characterized by striving to compensate for the feelings of inferiority which are combined with the innate drive for power. People with a high power need have a great concern for exercising influence and control. Such individuals are generally seeking positions of leadership; they are forceful, outspoken, and hard headed and demanding.

**Affiliation Motive or Need for Affiliation \((n/AFF)\)**—Since people are social animals, most individuals are generally like to interact and be with others in situations where they feel they belong and are accepted. According to this theory, people with high need for affiliation usually derive pleasure from being loved and tend to avoid the pain of being rejected. They are concerned with

\(^{41}\) Moorhead and Griffin, 1998, pp. 126
maintaining pleasant social relationships, enjoying a sense of intimacy and understanding, and enjoy consoling and helping others in trouble.

**Need for Achievement or Achievement Motive**— some people have an intense desire to achieve. According to this theory, the need for achievement is a distinct human motive that can be distinguished from other needs. This theory has identified four basic characteristics of high achievers.

I. **Moderate risks**—Taking moderate risks does the simple most descriptive characteristic of the person possess high achievement need.

II. **Immediate feedback**—Person with high need for achievement desires activities which provide immediate and precise feedback information how he is progressing toward a goal.

III. **Accomplishment**—Person with high need for achievement finds accomplishing a task intrinsically satisfying in and of itself, or he does not expect or necessarily want the accompanying material rewards.

IV. **Preoccupation with the tasks**— Once a high achiever selects a goal, he tends to be totally preoccupied with the task until it is successfully completed. He will not feel satisfied unless he has put his maximum effort in completing the task.

According to this theory managers show high on achievement and power and low on affiliation. Chief executives of smaller companies show higher achievement motive as compared to those of large companies. Need for achievement can also be developed by training people in the various elements of the achievement syndrome. Managers do not need high achievement motivation. The implications of McClelland's theory are particularly significant in the sphere of selection, placement and training processes. Every employee or recruit should be placed in a position where the characteristics of his job fit with his needs. An employee who has a high need for achievement can be placed on a job which is
neither very easy nor very difficult and which provides to the employee regular and concrete, feedback as to how well he is doing.

**Understanding McClelland's Theory:**

In the early 1940s, Abraham Maslow created his theory of needs. This identified the basic needs that human beings have, in order of their importance: physiological needs, safety needs, and the needs for belonging, self-esteem and "self-actualization". Later, David McClelland built on this work in his 1961 book, "The Achieving Society." He identified three motivators that he believed we all have: a need for achievement, a need for affiliation, and a need for power. People will have different characteristics depending on their dominant motivator.

According to McClelland, these motivators are learned (which is why this theory is sometimes called the Learned Needs Theory). McClelland says that, regardless of our gender, culture, or age, we all have three motivating drivers, and one of these will be our dominant motivating driver. This dominant motivator is largely dependent on our culture and life experiences. These characteristics are as follows:

<table>
<thead>
<tr>
<th>Dominant Motivator</th>
<th>Characteristics of This Person</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Achievement</strong></td>
<td>Has a strong need to set and accomplish challenging goals.</td>
</tr>
<tr>
<td></td>
<td>Takes calculated risks to accomplish their goals.</td>
</tr>
<tr>
<td></td>
<td>Likes to receive regular feedback on their progress and achievements.</td>
</tr>
<tr>
<td></td>
<td>Often likes to work alone.</td>
</tr>
<tr>
<td><strong>Affiliation</strong></td>
<td>Wants to belong to the group.</td>
</tr>
</tbody>
</table>
|                    | Wants to be liked, and will often go along with whatever the rest of the
Using the Theory:

McClelland's theory can help you to identify the dominant motivators of people on your team. You can then use this information to influence how you set goals and provide feedback, and how you motivate and reward team members. You can also use these motivators to craft, or design, the job around your team members, ensuring a better fit. Let's look at the steps for using McClelland's theory:

**Step 1: Identify Drivers**

Examine your team to determine which of the three motivators is dominant for each person. You can probably identify drivers based on personality and past actions. For instance, perhaps one of your team members always takes charge of the group when you assign a project. He speaks up in meetings to persuade people, and he delegates responsibilities to others to meet the goals of the group. He likes to be in control of the final deliverables. This team member is likely primarily driven by the power. You might have another team member who never speaks during meetings. She always agrees with the group, works hard to manage conflict when it occurs, and visibly becomes uncomfortable when you talk about doing high-risk, high-reward projects. This person is likely to have a strong need for affiliation.
Step 2: Structure Your Approach

Based on the driving motivators of your workers, structure your leadership style and project assignments around each individual team member. This will help ensure that they all stay engaged, motivated, and happy with the work they're doing.

Comparative Theories:

McClelland's theory of needs is not the only theory about worker motivation. Sirota's Three-Factor Theory also presents three motivating factors that workers need to stay motivated and excited about what they're doing: equity/fairness, achievement, and camaraderie. Sirota's theory states that we all start a new job with lots of enthusiasm and motivation to do well. But over time, due to bad company policies and poor work conditions, many of us lose our motivation and excitement. This is different from McClelland's theory, which states that we all have one dominant motivator that moves us forward, and this motivator is based on our culture and life experiences. Use your best judgment when motivating and engaging your team. Understanding a variety of motivational theories will help you decide which approach is best in any given situation.

B. Herzberg's Dual-Structure Theory:

In the late 1950s and early 1960s, Frederick Herzberg developed what would be a very famous theory known as the Dual-Structure Theory. Originally called the ‘Two-Factor’ Theory, it went on to play a very important role in influencing managers’ decisions on employee motivation.42

Herzberg and his associates started by asking around 200 accountants and engineers in Pittsburgh recall times they felt satisfied and motivated by their jobs and

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42 Moorhead and Griffin, 1998, pp. 127
times they felt dissatisfied and unmotivated. He then went on to ask them to describe the reasons behind those good and bad feelings.43 Surprisingly, Herzberg found that ‘entirely different’ factors were related to the employees’ feelings about their jobs. For instance, those who stated they were not satisfied because their jobs were ‘low-paid’ would not necessarily identify ‘high pay’ as a cause of satisfaction and motivation. Those people instead claimed that factors such as recognition or achievement were some of the main causes of job satisfaction and motivation.44

These findings led Herzberg to conclude that the traditional view on job satisfaction and dissatisfaction, motivation and un-motivation was ‘incorrect’. The theorist insisted that ‘the opposite of job satisfaction is not job dissatisfaction but, rather no job satisfaction; and similarly, the opposite of job dissatisfaction is not job satisfaction, but no dissatisfaction.’45 These two different dimensions led to him naming his theory the ‘Dual-Structure’ theory.

In addition, Herzberg claimed that the primary factors that cause satisfaction and motivation are called Motivation factors, such as achievement and recognition. The presence of these factors results in job satisfaction and motivation, while their absence leads to feelings of ‘no satisfaction’ rather than dissatisfaction. The other set of factors is called Hygiene factors, which refer to things such as job security, pay and working conditions. Without these factors, people will be dissatisfied; and if they are present, there will be feelings of ‘no dissatisfaction’, rather than satisfaction.46

Examples of Herzberg's 'hygiene' needs (or maintenance factors) in the workplace are:

- Policy
- Relationship with supervisor

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43 Moorhead and Griffin, 1998, pp. 127
44 Moorhead and Griffin, 1998, pp. 127-128
45 Kreitner, 1986, pp.389
46 Moorhead and Griffin, 1998, pp .128
- Work conditions
- Salary
- Company car
- Status
- Security
- Relationship with subordinates
- Personal life

Herzberg’s research identified that true motivators were other completely different factors, notably:

- Achievement
- Recognition
- Work itself
- Responsibility
- Advancement

**Evaluation of the theory:**

Due to its fast gain in popularity, the dual-structure theory has been studied and analyzed by scientists more than most other theories in organizational behavior. One criticism to this theory is that the original sample of accountants and engineers may not ‘represent the general working population’. Skeptics argue that the theory does not take into account the individual differences. In addition, further research has found that one factor, for example salary, may influence satisfaction in one sample and dissatisfaction in another, and that individual’s age and organizational level has a huge impact on the outcome of any one factor. Finally, the theory does not clearly identify the relationship between satisfaction and motivation. Such criticisms obviously led to the shrinking popularity of the theory by organizational behavior researchers.

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47 Moorhead and Griffin, 1998, pp.128
Nonetheless, its early esteem would mean that the theory still has a place and role to play in the field of organizational motivation.\textsuperscript{48}

Herzberg’s findings revealed that certain characteristics of a job are consistently related to job satisfaction, while different factors are associated with job dissatisfaction. These are:

<table>
<thead>
<tr>
<th>Factors for Satisfaction</th>
<th>Factors for Dissatisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achievement</td>
<td>Company policies</td>
</tr>
<tr>
<td>Recognition</td>
<td>Supervision</td>
</tr>
<tr>
<td>The work itself</td>
<td>Relationship with supervisor and peers</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Work conditions</td>
</tr>
<tr>
<td>Advancement</td>
<td>Salary</td>
</tr>
<tr>
<td>Growth</td>
<td>Status</td>
</tr>
<tr>
<td></td>
<td>Security</td>
</tr>
</tbody>
</table>


The conclusion he drew is that job satisfaction and job dissatisfaction are not opposites.

- The opposite of Satisfaction is No Satisfaction.
- The opposite of Dissatisfaction is No Dissatisfaction.

Remedying the causes of dissatisfaction will not create satisfaction. Nor will adding the factors of job satisfaction eliminate job dissatisfaction. If you have a hostile work environment, giving someone a promotion will not make him or her satisfied. If you create a healthy work environment but do not provide members of

\textsuperscript{48} Moorhead and Griffin, 1998, pp. 129
your team with any of the satisfaction factors, the work they're doing will still not be satisfying.

According to Herzberg, the factors leading to job satisfaction are "separate and distinct from those that lead to job dissatisfaction." Therefore, if you set about eliminating dissatisfying job factors you may create peace, but not necessarily enhance performance. This placates your workforce instead of actually motivating them to improve performance. The characteristics associated with job dissatisfaction are called hygiene factors. When these have been adequately addressed, people will not be dissatisfied nor will they be satisfied. If you want to motivate your team, you then have to focus on satisfaction factors like achievement, recognition, and responsibility.

To apply Herzberg's theory, you need to adopt a two stage process to motivate people. Firstly, you need eliminate the dissatisfactions they're experiencing and, secondly, you need to help them find satisfaction.

**Step One: Eliminate Job Dissatisfaction:**

Herzberg called the causes of dissatisfaction "hygiene factors". To get rid of them, you need to:

- Fix poor and obstructive company policies.
- Provide effective, supportive and non-intrusive supervision.
- Create and support a culture of respect and dignity for all team members.
- Ensure that wages are competitive.
- Build job status by providing meaningful work for all positions.
- Provide job security.

All of these actions help you eliminate job dissatisfaction in your organization. And there's no point trying to motivate people until these issues are out of the way! You can't stop there, though. Remember, just because someone is not dissatisfied, it
doesn't mean he or she is satisfied either! Now you have to turn your attention to building job satisfaction.

**Step Two:** Create Conditions for Job Satisfaction:

To create satisfaction, Herzberg says you need to address the motivating factors associated with work. He called this "job enrichment". His premise was that every job should be examined to determine how it could be made better and more satisfying to the person doing the work. Things to consider include:

- Providing opportunities for achievement.
- Recognizing workers' contributions.
- Creating work that is rewarding and that matches the skills and abilities of the worker.
- Giving as much responsibility to each team member as possible.
- Providing opportunities to advance in the company through internal promotions.
- Offering training and development opportunities, so that people can pursue the positions they want within the company.

**C. The Expectancy Theory:**

Both Maslow's and Herzberg's motivation theories have been criticized for generalizing about human motivation. Our practical experience can show that ‘the same people are motivated by different things at different times and that different people are motivated by different things at the same time’. The Expectancy Theory first proposed by Victor H. Vroom in the 1960s, somehow focuses more on highly personalized rational choices that an individual makes when dealing with the prospect of having to work hard to achieve rewards. ‘Expectancy’ refers to the ‘subjective probability’ that one thing will result in another. Individual perception is therefore an essential part of Expectancy theory.

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49 *Kreitner*, 1986, pp.390
According to the expectancy model, people's motivation strength increases as their perceived effort-performance and performance-reward probabilities increase. Although the two terms may sound very complicated, they can easily be understood through simple examples. For instance, how strong can you be motivated to study if you expect to score poorly on your tests no matter how hard you study (low effort-performance probability) and when you know that the tests will not be graded (low performance-reward probability)? In contrast, your motivation to study will increase if you know that you can score well on the tests with just a little hard work (high effort-performance probability) and that your grades will be significantly improved (high performance-reward probability). Employees are no different to students - they are motivated to work harder when they believe their hard work will lead them to achieve personally valued rewards.\textsuperscript{50}

If employee contributions are based on their expectations, managers can take steps to try to cultivate favorable expectations among their employees. When people can expect personally valued rewards, they will undoubtedly work harder to try to accomplish their tasks. A good manager will listen to his/her employees, learn from his experience and try to discover what rewards certain employees’ value. By so doing, the manager can potentially enhance their employees’ willingness to put more efforts into their work.\textsuperscript{51}

D. Adams’ Equity Theory

Regarded as one of the ‘justice’ theories, Equity theory was first developed in 1962 by John Stacey Adams. It attempts to explain the satisfaction that derives from the fairness and equality that a manager brings to his/her employees. Equity theory places value on fair treatment, which is believed to be the major motivational factor among employees. An individual will consider that he is treated fairly when he feels

\textsuperscript{50} Kreitner, 1986, pp.390
\textsuperscript{51} Kreitner, 1986, pp. 390-391
that the ‘ratio of his inputs to his outcomes’ is the same to other people around him. In this case, it would be acceptable for an employee who has much more work experience and who is a more senior colleague to receive higher compensation/salary for his/her job. On the other hand, if an employee feels that another individual who has the same qualifications and provides the same amount of efforts is earning more recognition or compensation, he will feel he’s treated unfairly and thus perform at a lower level on his tasks.\(^{52}\)

An employee who feels he is over-compensated may increase his effort. However, he may also change the perceptions of his inputs and feel a sense of superiority, which may lead to him decreasing his efforts instead.\(^{53}\) However, just like other motivation theories, Equity theory has its own criticisms. Critics argue that a number of ‘demographic and psychological variables’ affect people’s perceptions of equality. In other words, what a manager feel is equal may be considered unfair by his employees. Secondly, because much of the research supporting the propositions of this Equity theory has been conducted in laboratory settings, some people may believe that it does not apply to the practical situations. Finally, skeptics have also argued that employees might perceive equity/inequity not only in terms of their relationships with their colleagues, but also with the overall system. This means that, for instance, an employee may view his inputs and outputs are relatively similar compared to his colleagues, yet may feel that the system as a whole is unfair.\(^{54}\)

Nevertheless, Adam’s Equity theory reminds us that people are hugely concerned of the way they are treated in their surrounding environment, team and system. For this reason, they must be managed, controlled, and treated fairly.

E. Reinforcement Theory

\(^{53}\)Wikipedia. (2009), Equity Theory
\(^{54}\)Wikipedia. (2009), Equity Theory
Operant Conditioning is the term used by B.F. Skinner to describe the effects of the consequences of a particular behavior on the future occurrence of that behavior. There are four types of Operant Conditioning: Positive Reinforcement, Negative Reinforcement, Punishment, and Extinction. Both Positive and Negative Reinforcement strengthen behavior while both Punishment and Extinction weaken behavior.

- Positive reinforcement - Strengthening a behavior. This is the process of getting goodies as a consequence of a behavior. You make a sale, you get a commission. You do a good job, you get a bonus & a promotion.
- Negative reinforcement - Strengthening a behavior. This is the process of having a stressor taken away as a consequence of a behavior. Long-term sanctions are removed from countries when their human rights records improve. Low status as geek at Salomon Brothers is removed when you make first big sale.
- Extinction - Weakening a behavior. This is the process of getting no goodies when do a behavior. So if person does extra effort, but gets no thanks for it, they stop doing it.
- Punishment - Weakening a behavior. This is the process of getting a punishment as a consequence of a behavior. Example: having your pay docked for lateness.

<table>
<thead>
<tr>
<th>Apply</th>
<th>Withhold</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reward</strong></td>
<td></td>
</tr>
<tr>
<td>positive reinforcement</td>
<td>negative reinforcement</td>
</tr>
<tr>
<td>(raise above baseline)</td>
<td>(raise up to baseline)</td>
</tr>
<tr>
<td><strong>Stressor</strong></td>
<td></td>
</tr>
<tr>
<td>punishment</td>
<td>extinction</td>
</tr>
<tr>
<td>(bring down below baseline)</td>
<td>(stay at baseline)</td>
</tr>
</tbody>
</table>
Reinforcement schedules:

The traditional reinforcement schedule is called a **continuous reinforcement schedule**. Each time the correct behavior is performed it gets reinforced. Then there is what we call an **intermittent reinforcement schedule**. There are fixed and variable categories. The **Fixed Interval Schedule** is where reinforcement is only given after a certain amount of time has elapsed. So, if you decided on a 5 second interval then each reinforcement would occur at the fixed time of every 5 seconds. The **Fixed Ratio Schedule** is where the reinforcement is given only after a predetermined number of responses. This is often seen in behavior chains where a number of behaviors have to occur for reinforcement to occur. The **Variable Interval Schedule** is where the reinforcement is given after varying amounts of time between each reinforcement. The **Variable Ratio Schedule** is where the reinforcement is given after a varying number of correct responses. Fluctuating combinations of primary and secondary reinforcers fall under other terms in the variable ratio schedule; For example, Reinforces delivered intermittently in a Randomized Order (RIR) or Variable Ratio with Reinforcement Variety (VRRV).

<table>
<thead>
<tr>
<th>Interval</th>
<th>Fixed</th>
<th>Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>give reward after first proper response following a specified time period (yearly raise) [short term]</td>
<td>give reward after a certain amount of time w/ the amount changing before the next reward (unexpected bonus based on merit) [medium term]</td>
</tr>
</tbody>
</table>
F. McGregor’s X and Y theory

Douglas McGregor, an American social psychologist, proposed his famous X-Y theory in his 1960 book 'The Human Side of Enterprise'. Theory x and theory y are still referred to commonly in the field of management and motivation, and whilst more recent studies have questioned the rigidity of the model, Mcgregor's X-Y Theory remains a valid basic principle from which to develop positive management style and techniques. McGregor's XY Theory remains central to organizational development, and to improving organizational culture.

McGregor's X-Y theory is a salutary and simple reminder of the natural rules for managing people, which under the pressure of day-to-day business are all too easily forgotten. McGregor's ideas suggest that there are two fundamental approaches to managing people. Many managers tend towards theory x, and generally get poor results. Enlightened managers use theory y, which produces better performance and results, and allows people to grow and develop. McGregor's ideas significantly relate to modern understanding of the Psychological Contract, which provides many ways to appreciate the unhelpful nature of X-Theory leadership, and the useful constructive beneficial nature of Y-Theory leadership.

Theory x ('authoritarian management' style)

✓ The average person dislikes work and will avoid it he/she can.
Therefore most people must be forced with the threat of punishment to work towards organizational objectives.

The average person prefers to be directed; to avoid responsibility; is relatively unambitious, and wants security above all else.

Theory y ('participative management' style)

Effort in work is as natural as work and play.

People will apply self-control and self-direction in the pursuit of organizational objectives, without external control or the threat of punishment.

Commitment to objectives is a function of rewards associated with their achievement.

People usually accept and often seek responsibility.

The capacity to use a high degree of imagination, ingenuity and creativity in solving organizational problems is widely, not narrowly, distributed in the population.

In industry the intellectual potential of the average person is only partly utilized.

Understanding the Theories:

Your management style is strongly influenced by your beliefs and assumptions about what motivates members of your team: If you believe that team members dislike work, you will tend towards an authoritarian style of management; On the other hand, if you assume that employees take pride in doing a good job, you will tend to adopt a more participative style.
Theory X: Theory X assumes that employees are naturally unmotivated and dislike working, and this encourages an authoritarian style of management. According to this view, management must actively intervene to get things done. This style of management assumes that workers:

1) Dislike working.
2) Avoid responsibility and need to be directed.
3) Have to be controlled, forced, and threatened to deliver what's needed.
4) Need to be supervised at every step, with controls put in place.
5) Need to be enticed to produce results; otherwise they have no ambition or incentive to work.

X-Type organizations tend to be top heavy, with managers and supervisors required at every step to control workers. There is little delegation of authority and control remains firmly centralized. McGregor recognized that X-Type workers are in fact usually the minority, and yet in mass organizations, such as large scale production environment, X Theory management may be required and can be unavoidable.

Theory Y: Theory Y expounds a participative style of management that is decentralized. It assumes that employees are happy to work, are self-motivated and creative, and enjoy working with greater responsibility. It assumes that workers:

1) Take responsibility and are motivated to fulfill the goals they are given.
2) Seek and accept responsibility and do not need much direction.
3) Consider work as a natural part of life and solve work problems imaginatively.

This more participative management style tends to be more widely applicable. In Y-Type organizations, people at lower levels of the organization are involved in decision making and have more responsibility.
Comparing Theory X and Theory Y:

Motivation: Theory X assumes that people dislike work; they want to avoid it and do not want to take responsibility. Theory Y assumes that people are self-motivated, and thrive on responsibility.

Management Style and Control: In a Theory X organization, management is authoritarian, and centralized control is retained, whilst in Theory Y, the management style is participative: Management involves employees in decision making, but retains power to implement decisions.

Work Organization: Theory X employees tend to have specialized and often repetitive work. In Theory Y, the work tends to be organized around wider areas of skill or knowledge; Employees are also encouraged to develop expertise and make suggestions and improvements.

Rewards and Appraisals: Theory X organizations work on a ‘carrot and stick’ basis, and performance appraisal is part of the overall mechanisms of control and remuneration. In Theory Y organizations, appraisal is also regular and important, but is usually a separate mechanism from organizational controls. Theory Y organizations also give employees frequent opportunities for promotion.

Application: Although Theory X management style is widely accepted as inferior to others, it has its place in large scale production operation and unskilled production-line work. Many of the principles of Theory Y are widely adopted by types of organization that value and encourage participation. Theory Y-style management is suited to knowledge work and professional services. Professional service organizations naturally evolve Theory Y-type practices by the nature of their work; even highly structure knowledge work, such as call center operations, can benefits from Theory Y principles to encourage knowledge sharing and continuous improvement.
G. Ouchi’s Theory Z

Theory Z is not a McGregor idea and as such is not McGregor's extension of his XY theory. Theory Z was developed by not by McGregor, but by William Ouchi, in his book 1981 'Theory Z: How American management can Meet the Japanese Challenge'. William Ouchi is professor of management at UCLA, Los Angeles, and a board member of several large US organisations. Theory Z is often referred to as the 'Japanese' management style, which is essentially what it is. It's interesting that Ouchi chose to name his model 'Theory Z', which apart from anything else tends to give the impression that it's a McGregor idea. One wonders if the idea was not considered strong enough to stand alone with a completely new name... Nevertheless, Theory Z essentially advocates a combination of all that's best about theory Y and modern Japanese management, which places a large amount of freedom and trusts with workers, and assumes that workers have a strong loyalty and interest in team-working and the organization.

Theory Z also places more reliance on the attitude and responsibilities of the workers, whereas McGregor's XY theory is mainly focused on management and motivation from the manager's and organization's perspective. There is no doubt that Ouchi's Theory Z model offers excellent ideas, albeit it lacking the simple elegance of McGregor's model, which let's face it, thousands of organizations and managers around the world have still yet to embrace. For this reason, Theory Z may for some be like trying to manage the kitchen at the Ritz before mastering the ability to cook a decent fried breakfast.

Ouchi's Theory Z makes certain assumptions about workers. These include the assumption that workers tend to want to build cooperative and intimate working relationships with those that they work for and with, as well as the people that work for them. Also, Theory Z workers have a high need to be supported by the company, and highly value a working environment in which
such things as family, cultures and traditions, and social institutions are regarded as equally important as the work itself. These types of workers have a very well developed sense of order, discipline, and moral obligation to work hard, and a sense of cohesion with their fellow workers. Finally, Theory Z workers, it is assumed, can be trusted to do their jobs to their utmost ability, so long as management can be trusted to support them and look out for their well-being.

One of the most important tenets of this theory is that management must have a high degree of confidence in its workers in order for this type of participative management to work. For this to work, employees must be very knowledgeable about the various issues of the company, as well as possessing the competence to make informed decisions.

Theory Z stresses the need for enabling workers to become generalists, rather than specialists, and to increase their knowledge of the company and its processes through job rotations and continual training. In fact, promotions tend to be slower in this type of setting, as workers are given a much longer opportunity to receive training, and more time to learn the intricacies of the company's operations. The desire, under this theory, is to develop a work force that has more of a loyalty towards staying with the company for an entire career, and be more permanent than in other types of settings. It is expected that once an employee does rise to a position of high level management, they will know a great deal more about the company and how it operates, and will be able to use Theory Z management theories effectively on the newer employees.

While several similarities and differences surround the ideas of McGregor and Ouchi, the most obvious comparison is that they both deal with perceptions and assumptions about people. These perceptions tend to take the form of how management views employees, while Ouchi's Theory Z takes this
notion of perceptions a bit farther and talks about how the workers might perceive management.\textsuperscript{55}

MOTIVATION IN HEALTHCARE INDUSTRY:

Managers can boost morale and help motivate employees to achieve creative productivity over the long term by understanding the progress principle — that workers are influenced by making progress in meaningful work. Small wins are important. The ways that managers validate or dismiss the contribution and ideas of subordinates matter. Managers can motivate by demonstrating how the work that employees do is meaningful. Managers should position themselves as resources and find ways to ‘check in’ without ‘checking up.’\textsuperscript{56}

As a result of globalization and the rise of the service sector due to continuous technological development and economic growth in the health sector have increased the importance of the quality of the services sector. Especially, with the adaptation of customer-oriented marketing by the all companies operating in all sectors, organizations in health sector aims to raise the quality of the service through various initiatives.\textsuperscript{57}

The biggest problem of health care management is joining what is needed with the behavior which is awarded. Although it is a big problem, it mainly remains unsolved. Work reward may be material or moral. Accordingly, motivation may be divided into material and moral. However, it is clear that soon or later, moral motives get transformed into the material ones in the consciousness of employees and thus, material motivators have incomparably greater power for motivation.


Moral motives may be also called collective motives—especially for team work in health care organizations whereas material motives are called personal. Such classification is rooted in the fact that medals, recognitions and similar awards are given to employees based on their merits for the benefit of entire institution. People (employees) want different things. Manager must be able to identify and understand these differences and help employees satisfy their wishes and needs through organization. It is surprising that many managers are not sure what rewards are worthy for their employees. Experts need not agree upon everything that motivates employees and upon effects of working conditions in the course of their careers, but they agree that organization must:

- Attract people and encourage them to remain;
- Let people perform their tasks they are employed for and
- Stimulate people to overcome routine performances (routine performance of tasks) and to become creative and innovative in their work.

Accordingly, in order to become effective, one health care organization must motivate employees in the right manner, i.e. take into account their wishes and needs in order to make them productive members of the organization and thus attain final goal of the institution through efficient and qualitative service provision to its beneficiaries.

**Work motivation strategy:**

Health care managers use different strategies to motivate employees to work. Each strategy is aimed at satisfying the needs of organization members through appropriate organizational behavior. However, it is very difficult to say which of the strategies is the most efficient since each of them shows certain effects in different organizational situations. Practice has shown that combination of known strategies is

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58 Marić Lj, Miljković S. Menadžment u zdravstvu, Niš: Klinički centar, 2003
the best in the process of work motivation where dominant role belongs to the strategy that best fits to the current organizational situation.

The first (basic) motivation strategy is communication. Good communication among managers (hereinafter referred to as: Director) and his/her subordinated structures provides satisfaction of elementary human needs. Managers must be implementers of good communication. Their affinity towards subordinated ones, readiness to learn their problems and solve them shall make employees feel more secure, have the feeling of affiliation to the health care institution and thus the feeling of self-esteem through the work in health care institution. Security, affiliation and self-recognition are basic human needs valid for members of the organization too, and communication is one of key instruments for attainment of these needs.

The second strategy of work motivation is manager's attitude towards employees. This strategy is based on McGregor's theories X and Y, i.e.-on negative (X Theory) and positive (Y Theory) assumptions of managers related to subordinated members of the organization.\(^5^9\) If the content of negative attitude includes assumptions about the mediocrity of the subordinated, their lack of interest for the quality and contribution to the health care organization, why they are often threatened, it does not yet mean that such attitude will have non-motivational effects. However, manager's positive attitude of employees being valued, eager to sacrifice and identify with the health care organization-will, for sure, have motivational impact on employees.

The third category of motivation of employees is work conceiving and enrichment. This strategy may be applied to middle level medical personnel (nurses-medical technicians) and is aimed to reduce usual routine of the workplace as well as attainment of higher efficiency at work, that is, during work performance. One of the

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oldest manners for elimination usual routine of workplace through work conceiving is job shift. The employee does not remain for a long period of time at the same job (especially: intensive care ward, dialysis, coronary ward, etc.) but is shifted from one task to another by the manager during a certain time cycle. Of course, job shift requires multiple qualifications of an employee (in case of complete shift from one job to another) but if the job content on positions the employee is shifted throughout is similar or the same, it is not necessary that he/she is multi qualified. Then it is about a partial shift. Work enrichment includes introduction of motivators into the work process and at the same time, health care institutions has the opportunity to have multi-qualified middle level personnel for the certain type of pathology. This type of shift is rarely related to the profile of a person in charge of instruments and anesthetist due to the specific knowledge and specific traits of the person for the same occupation.

The fourth strategy of work motivation is based on the concept of so-called behavior modification. This concept is based on stimulating certain behavior depending on the consequences that such behavior produces. That is why an individual tends to repeat that behavior which gets rewarded and to eliminate the one that is being punished. If managers want to modify behavior of their subordinates, they must know in advance what consequences such modification will produce. So-called positive reinforcement of behavior is a desired consequence of behavior change. For example, if an employee arrives on time every morning, appraisal of such behavior will reinforce such behavior. If an employee is late at work all the time and gets criticized by the superior or gets reduced salary, that will encourage his behavior in opposite direction from the present one-that is, the employee will try to get on time at work. In such case, there will be so-called negative behavior reinforcement, i.e. stimulation of the behavior contrary to the previous one. Punishment is manifestation of consequences of undesired behavior. In

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60 Jovanović-Božinov M. Živković. Cvetkovski T. Organizaciono ponašanje. Beograd; Megatrend Univerzitet primenjenih nauka; 2003
spite of the fact that punishment may cause behavior change in terms of rapid transfer from the undesired into the desired behavior, it may also have a set of undesired side effects.

For example, salary reduction based on being unpunctual may cause increased absence from work that may be long-term consequence with higher damage to health care institution than having an employee who is unpunctual. In order to have actual positive impacts on work motivation by behavior change strategy, management must inform employees in a clear manner about behavior at work and its consequences. On the other hand, every programme of behavior change tending to be effective must involve the following elements:

1. Identify different levels of rewarding for different employee performance quality,
2. Warn clearly the employee when his/her behavior deviates from the common one,
3. Punish the employee in a discrete manner, not before his/her colleagues he/she is working with,
4. Always reward good work and behavior and punish negative behavior and reluctance for work in order to have medical employees convinced in the serious determination of management in its efforts to attain positive changes of work behavior.

MOTIVATION MEASUREMENT:

One of the basic problems in study and work motivation strategy change is: how to measure motivation? It is possible by the application of method with three basic motivational techniques:

• Conducting surveys of medical personnel, that is, opinion polls on what motivates them to work.
• Assessment of behavior of employees in changed (different) work situations.
Conducting surveys of employees as the technique of work motivation is the easiest to apply. It is enough to make a questionnaire that will, besides usual, standard data, such as sex, age working experience of a respondent and similar, have a seven level scale where number 1 will designate assessment "completely no motivated", numbers 2,3,4 and 5 - "partially motivated" and number 7 - "very motivated". Respondents will circle the number offered in the scale according to their own feeling of motivation degree.

Employees' behavior assessment, as a technique for motivation measurement, is more delicate than the above mentioned technique. Namely, the same employees will perform the same tasks in other hospitals, under different conditions, in a completely different way. The example for this is one of the most advanced hospitals, orthopedic-neurosurgery hospital known worldwide as "Alpha Clinic" from Munich and it is recognized for the least invasive methods of Prof. Dr Jurgen Toft. Besides these internationally recognized methods, it is also known for famous luxury equipment including modern equipment and seasonal uniforms for employees. It was very easy to observe and evaluate behavior of employees under changed working situations. Namely, employees who were working on the same jobs in the city hospital in Munich had much better performance once they were transferred from this city hospital into this modern and luxury hospital. Although almost the identical technology was applied, many factors made them work better, more efficiently, more productively and with better quality and politeness and understanding for their patients. First of all, the fact that they work in a "famous clinic" "Alpha Clinic" whose patients are often celebrities from show business gave the employee the feeling of a special status, not only in the hospital but in the society, family, and friends. Then, work control was intensified. Finally, opportunity to earn better salaries was far higher than in all other hospitals in Munich. Behavior assessment of employees within this technique may be done by bringing conclusions

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based on one simple observance of actions of employees under changed working conditions. However, more precise results may be obtained by gathering data through interviews, surveys and from personal employee cards. This data are then statistically processed, by means of methods such as: multivariate analysis and multiple linear regression analysis where a dependable variable would be work motivation and in dependable variables would be divided into structural, personal and environment ones. Finally, identification of relation between in dependable variables and work motivation under changed working conditions shall provide measured level of work motivation of employees.

Performance measurement is the most exact technique for work motivation measurement, but not the most reliable. Work standards fall in a very sensitive area of health management actions and therefore there are sometimes errors that are impermissible when medicine and health care is concerned. Treatment complications, so-called „error in treatment“, feasible errors in examinations (such as insufficient diagnosis measures, wrong diagnosis in examination, missed diagnoses, wrong indications, complications of medical interventions, inadequate nurse service) cause dangers from error that may be double: firstly, if standards are set too low and secondly, if they are set too high. In both cases, loss in quality and work efficiency is present. In the first case, employees shall achieve the set standard easily (bigger number of nurses for a smaller number of patients), maybe even after 3-4 hours of work meaning that full performance will be achieved with half of their real abilities. This is undoubtedly harmful to health care institution since available human resources are not used in full. In the second case, employees will not be able to achieve 100% of the planned activities that will anyhow harm reputation of health care organization, such as impolite personnel, inadequate service provision, etc. If other positions in the same work process are properly standardized-it will be so-called “bottle neck” of that process. Accordingly, it is very important to identify the required effort the employee can really put in the course of eight hour working day. Different jobs require different efforts and what effort an individual is going to put
depends on the level of his/her motivation. So, measuring effort (the highest possible performance for specific task and its deviation) may measure the level of work motivation of an individual.

**MERITS AND DEMERITS OF EMPLOYEE MOTIVATION:**

Employee motivation is a major factor in the success and productivity of any business. The demoralization and cynicism of an unmotivated workforce can feed on itself, leading to high employee-turnover, decreased efficiency and lost profits. Employers and managers should remain cognizant of the advantages that accrue to both labor and management when steps are taken to keep employees motivated, engaged and happy. Employee motivation had the following merits to the organization.

**Production:** While management may control the direction of the business, the actions of employees are what directly determine the rate of production. The cumulative effect of their levels of motivation will have a huge effect on how productive a company is. If employees are goofing off, working slowly, taking extended breaks, arriving late or leaving early, this will quickly affect the bottom line. Employees who are paid well, offered profit sharing options and told how necessary they are to the company are less likely to engage in these practices that undermine productivity.

**Work Environment:** A work environment that is populated by people who are engaged in their work, excited about the potentials of the company and appreciative of their position will be a happier place to work than one that is filled with people who are just there for the paycheck. Either of these situations will tend to be self-perpetuating; a positive and fun workplace will make employees happier, and a negative and alienated workplace will tend to breed negative and alienated employees. Creation of an engaged and interesting work environment is a critical aspect of a business startup. Since the nature of the workplace is self-perpetuating,
it's critical that management start out with a positive space so that the developing employee culture is productive and not destructive.

**Retention:** Hiring and training is an expensive process in a business. A firm that is able to retain skilled staff and minimize turnover will decrease that expense and increase its profits. The best way to do this is to create a corporate culture that nurtures motivated, engaged employees. Businesses develop reputations as good or bad places to work. If you manage to gain a reputation as one of the former, you'll have a constant stream of people who want to work for you, and those who are presently employed will be hesitant to leave. All of these factors will help to develop a stable and productive corporate culture.

**Hiring:** Finding good employees can be a challenge for many businesses. Nurturing employee motivation will cause employees to share their positive experiences with people they know. This will motivate a higher quality of workers to apply to work at your business, and you’ll eventually accumulate a pool of resumes and references to fall back on when hiring is necessary. The larger the pool, the less likely that you’ll end up hiring an unqualified or inappropriate employee. Hiring the right people the first time will avoid a great deal of hassle and expense.62

Motivation provides us with energy to pursue outcomes. The energy may come from an inside source or an outside source. These sources can be defined as either extrinsic or intrinsic motivation.63 Extrinsic motivation “lies outside of the individual and the task being performed”, whereas, intrinsic motivation “lies within the individual and task”. The task is found to be enjoyable and worthwhile alone.

There are several advantages and disadvantages to each type of motivation.

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Advantages of Intrinsic Motivation:

- Long-lasting
- Self-sustaining
- Focuses on the subject rather than the reward or punishment

Disadvantages of Intrinsic Motivation:

- Slow to change the behavior
- Requires lengthy preparation and special attention
- A variety of approaches may be needed to motivate students

Advantages of Extrinsic Motivation:

- Quickly changes behaviors
- Requires little effort or preparation
- Requires little knowledge of the student

Disadvantages of Extrinsic Motivation:

- Provides distraction from learning
- Difficulty in determining appropriate rewards and punishment
- Ineffective after a long period of time
- Once the reward is removed, motivation is lost

Both motivational types can influence the learning behavior of a student. Research suggests that extrinsic rewards can have a negative impact on intrinsic motivation; therefore, extrinsic methods should be used carefully and sparingly.64

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(B) RETENTION

EMPLOYEE RETENTION:

The word Retention is derived from the Latin word ‘retineo’ in which ‘re’ means ‘back, again’ and ‘teneo’ means ‘hold, keep’. The definitions for retention are given as follows:

i. The act of retaining.
ii. The condition of being retained.
iii. Capacity or power of retaining.
iv. An ability to recall or recognize what has been learned or experienced; memory.⁶⁵

Employee retention refers to the ability of an organization to retain its employees. Employee retention can be represented by a simple statistic (for example, a retention rate of 80% usually indicates that an organization kept 80% of its employees in a given period). However, many consider employee retention as relating to the efforts by which employers attempt to retain employees in their workforce. In this sense, retention becomes the strategies rather than the outcome.

A distinction should be drawn between low performing employees and top performers, and efforts to retain employees should be targeted at valuable, contributing employees. Employee turnover is a symptom of a deeper issue that has not been resolved. These deeper issues may include low employee morale, absence of a clear career path, lack of recognition, poor employee-manager relationships or many other issues. A lack of satisfaction and commitment to the organization can

also cause an employee to withdraw and begin looking for other opportunities. Pay does not always play as large a role in inducing turnover as is typically believed.66

RETENTION: A HISTORY OF FAILURE

In the 1980s, as minimum competency testing took hold, city after city implemented retention policies in which low scores on tests forced students to repeat a grade. In city after city, the policies failed: after a few years, students who were held back did no better than comparably-scoring students who were not retained, but those held back were up to twice as likely to leave school. As a result, many retention programs were dropped in the early 1990s or scaled way back. Still, a 1998 report from the National Academy of Sciences, High Stakes, pointed out that millions of children, disproportionately boys and children of color, were being retained – despite the evidence that the policy is counter-productive.

With the onset of test-based “accountability” in late 1990s, grade retention has expanded again. Chicago was one of the first cities to implement such a policy, and the harmful consequences soon appeared (Examiner, Fall 2000). Several recent reports from the Consortium on Chicago School Research have thoroughly demolished claims of the practice’s value. New York City education officials maintain that this time they will implement retention properly by providing extra assistance to students, such as summer school. However, the Chicago program promised the same. As the Sun Times explained in 1997, “Some experts say Chicago’s promotion policy – with its multi-layered safety nets – is a whole new animal.”

It turns out that summer school programs focusing on boosting test scores provide at best a one-to-two-year modest gain that then disappears, whether or not participating students are retained. Indeed, New York’s own “promotional gates” program of the 1980s also purported to provide extra help but was dropped

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when it became clear it was an educational disaster. Independent educators and parents in New York argue that New York should focus on helping students in grades K-3 before they fail, rather than jumping in with retention programs in grade 3.

NEED FOR EMPLOYEE RETENTION:

Employee Retention refers to the techniques employed by the management to help the employees stay with the organization for a longer period of time. Employee retention strategies go a long way in motivating the employees so that they stick to the organization for the maximum time and contribute effectively. Sincere efforts must be taken to ensure growth and learning for the employees in their current assignments and for them to enjoy their work. Employee retention has become a major concern for corporates in the current scenario. Individuals once being trained have a tendency to move to other organizations for better prospects. Lucrative salary, comfortable timings, better ambience, growth prospects are some of the factors which prompt an employee to look for a change. Whenever a talented employee expresses his willingness to move on, it is the responsibility of the management and the human resource team to intervene immediately and find out the exact reasons leading to the decision.

- Hiring is not an easy process: The HR Professional shortlists few individuals from a large pool of talent, conducts preliminary interviews and eventually forwards it to the respective line managers who further grill them to judge whether they are fit for the organization or not. Recruiting the right candidate is a time consuming process.

- An organization invests time and money in grooming an individual and make him ready to work and understand the corporate culture: A new joinee is completely raw and the management really has to work hard to train him for his overall development. It is a complete wastage of time and money when an
individual leaves an organization all of a sudden. The HR has to start the recruitment process all over again for the same vacancy; a mere duplication of work. Finding a right employee for an organization is a tedious job and all efforts simply go waste when the employee leaves.

- When an individual resigns from his present organization, it is more likely that he would join the competitors: In such cases, employees tend to take all the strategies, policies from the current organization to the new one. Individuals take all the important data, information and statistics to their new organization and in some cases even leak the secrets of the previous organization. To avoid such cases, it is essential that the new joinee is made to sign a document which stops him from passing on any information even if he leaves the organization. Strict policy should be made which prevents the employees to join the competitors. This is an effective way to retain the employees.

- The employees working for a longer period of time are more familiar with the company’s policies, guidelines and thus they adjust better: They perform better than individuals who change jobs frequently. Employees who spend a considerable time in an organization know the organization in and out and thus are in a position to contribute effectively.

- Every individual needs time to adjust with others: One needs time to know his team members well, be friendly with them and eventually trust them. Organizations are always benefited when the employees are compatible with each other and discuss things among themselves to come out with something beneficial for all. When a new individual replaces an existing employee, adjustment problems crop up. Individuals find it really difficult to establish a comfort level with the other person. After striking a rapport with an existing employee, it is a challenge for the employees to adjust with someone new and
most importantly trust him. It is a human tendency to compare a new joinee with the previous employees and always find faults in him.

- It has been observed that individuals sticking to an organization for a longer span are more loyal towards the management and the organization: They enjoy all kinds of benefits from the organization and as a result are more attached to it. They hardly badmouth their organization and always think in favour of the management. For them the organization comes first and all other things later.

- It is essential for the organization to retain the valuable employees showing potential: Every organization needs hardworking and talented employees who can really come out with something creative and different. No organization can survive if all the top performers quit. It is essential for the organization to retain those employees who really work hard and are indispensable for the system.

The management must understand the difference between a valuable employee and an employee who doesn’t contribute much to the organization. Sincere efforts must be made to encourage the employees so that they stay happy in the current organization and do not look for a change.

**THE IMPORTANCE OF STAFF RETENTION:**

A moderate level of staff turnover can be good for a business; it means fresh ideas and approaches. However, every organization needs to have a strategy in place to retain the high performers that give it a competitive edge; they are the ones you can’t afford to lose. Ignoring high levels of employee turnover can be very costly; it lowers internal morale and it could harm an organisation’s external reputation and cost it business. So, understanding the importance of staff retention is vital. It’s essential to try to learn more about the reasons why people resign. The reasons might simply be more attractive jobs elsewhere or chances for lifestyle
reshapes, in which case it might be out of your hands to retain these employees. However, many people leave their jobs because they are dissatisfied with their current situation. There are ways of retaining these people, highlighted below.

**Main reasons people leave a job**

The most common negative reasons for leaving a job are:

- Poor salary and benefits
- A lack of training and development opportunities.
- Dissatisfaction with management
- Not getting along with colleagues
- The journey to work
- Lack of work/life balance

**Methods to find out why staff are leaving include:**

- Confidential attitude surveys.
- Questionnaires sent to former employees around six months after their departure.
- Exit interviews

However, while companies do conduct ‘exit’ interviews to try and ascertain the reasons behind a departure, because of the necessity to obtain a decent reference, people often tone down or completely fabricate their reasons for leaving.

**WAYS TO IMPROVE STAFF RETENTION:**

By adopting a mix of the following methods, improved retention can be seen

- Ensure those being recruited have a realistic idea of what the job entails
- Improved career development opportunities.
- Effective appraisals
- Strong diversity policies.
A practicable means of dealing with bullying.

A good work/life balance.

A mechanism for staff to register dissatisfaction, whether it be appraisals, grievance proceeding and so on.

Leadership training for managers.

Make your employees feel valued and proud of the work that they do will not only do wonders for your employer branding strategy, but will immediately improve your turnover rate. Develop a work culture that encourages diversity and creativity and put in place effective anti-discrimination policies that promote flexible working, where possible.

Adopting a strategy for staff retention is not always easy, but it will greatly benefit your organization.

**EMPLOYEE RETENTION STRATEGIES:**

A comprehensive people strategy is not comprehensive if it doesn’t include a proven retention strategy for holding on to the employees you’ve worked hard to recruit into your company. That may sound logical, but many, if not most, small businesses overlook this critical component in their human resources program. In a recent Watson Wyatt survey, more than 50 percent of the responding companies said they didn’t have a formal strategy for retaining employees once they had been successfully recruited. So why is that? I think the answer lies in a misperception about what factors actually drive retention.

Most business owners and managers think retention is based on compensation issues—wage and salary levels, incentives, and golden handcuffs—when in reality the drivers go much deeper into the human psyche to the actions and attitudes that make employees feel successful, secure and appreciated. As a result, a sound retention strategy should focus on and tactically address four key elements—performance, communication, loyalty and competitive advantage.
1. **Performance.** The benefit of having measurable objectives for employees is fairly obvious to most business owners and managers, but this perception usually stops short of relating performance metrics to employee retention. Study after study confirms that people have a deep desire to feel they’re succeeding and that their talents and capabilities are being used in a way that makes a difference to the business. When people sense their actions are fulfilling this desire, they begin to develop a sense of belonging and a feeling that your company is their company. Human beings are often the happiest when they’re in the process of achieving a goal. Clear, achievable objectives that gauge personal, team and company performance provide the feedback employees need to confirm they’re making valuable contributions and accomplishing desirable goals.

2. **Communication.** The second essential element in a retention strategy is communication, specifically a communications process that’s structured to inform, emphasize and reaffirm to employees that their workplace contributions are having an impact. Since we’re dealing very directly with how employees feel about their performance, the company and their work environment, the question becomes, “How do you know how they feel about these matters?” Properly done, communication with your staff will provide you with the insights you need in order to know how your employees feel about working for your business. Do you communicate on a frequent basis with your employees? Do you have regular meetings with your people? Is it two-way communication, and do you have a nonthreatening channel for them to offer comments and suggestions? Do you conduct employee surveys to gather opinions on company issues and activities? Are your managers and supervisors good listeners? An effective and sensitive communications plan can provide you with insight on exactly what’s driving employee morale and how your staff members feel about your company.

3. **Loyalty.** The third element in a successful employee retention strategy is employee loyalty. True loyalty is not an enforced requirement but an earned response to the
trust, respect and commitment shown to the individuals in your company. When you demonstrate loyalty to your employees, they’ll reciprocate with commitment and loyalty to your business. Remember that people don’t begin their employment with you as loyal employees, but will develop loyalty over time as they’re trusted, respected and appreciated by you. So how are you going to demonstrate your commitment to them? How loyal are you to your employees? Are you more concerned about their success or their contributions to your company’s success? In actuality, these two considerations are not mutually exclusive but are both essential and should work together.

4. Competitive advantage. The fourth and final element in your strategy to retain employees has to do with your competitive advantage. While that may seem odd at first, think about it: People want to work for a winner. What sets your company apart from your competition? How are you—and as a result, your employees—making a difference in your industry, in your community, and for your customers? Take the time to identify and inform your clients and your employees about your unique competitive advantage. If your product is similar to others in the marketplace, your service can be what distinguishes you (and probably should in any case). People want to be with a winner…and that includes employees.

Together, these four elements can provide you with a retention strategy capable of producing amazing results. You may even have some of them already in place, such as performance metrics and a communications process. The key is to make sure you’ve integrated all four elements into a strategy for retaining employees that’s grounded in a genuine commitment to serving your customers and employees well over the long haul.

Strategies for Effective Retention:

To understand how to retain good employees, first we need to know what they’re looking for. Today, the best employees want:
1. Career development opportunities and a chance to grow in their chosen field
2. Regular feedback on how both they and the company are doing
3. A chance to contribute directly to the organization and be recognized for doing so
4. Flexible work schedules that recognize their need for work/life balance
5. A good salary or wage and an opportunity to increase it over time
6. Benefits tailored to their individual needs

Good retention starts from the time of hiring employees to the time they leave the company. See how tweaking some of the employment practices can have a big impact on employee retention:

- **Recruitment and hiring.** It’s worth spending time and effort on recruiting. When there’s a good match between employees and your organization, retention is less likely to be an issue.

- **Orientation and onboarding.** Again, it’s worth having good practices in place. Treating employees’ right in the critical early stages of employment has been proven to enhance retention.

- **Training and development.** Training and development are key factors in helping employees grow with your company and stay marketable in their field.

- **Performance evaluation.** When employees know what they’re doing well and where they need to improve, both they and your organization benefit.

- **Pay and benefits.** While today many employees tend to rate factors such as career development higher than pay, good pay and benefits still count.

- **Internal communication.** Effective communication can help ensure that employees to want to stay with your company. Employees need to know—and be reminded on a regular basis—how the organization is doing and what they can do to help.
- **Termination and outplacement.** Employees who leave on good terms are much more likely to recommend your company, and in doing so, help you attract and retain future employees.

Engaging the employees—that is, making sure that they are committed and productive in their work—can benefit as much as it benefits employees. If we hire the right employees, chances are good they’ll be engaged—committed to our business and happy in their work. But to ensure ongoing engagement, we as an employer must play a major role, particularly when it comes to communication. Consider these five strategies:

- Be clear on what your business stands for. Your company’s mission and vision and brand must be front and center in everything you do.
- Communicate well and often. Your employees need to know—on a continuous basis—how both they and your company are doing.
- Understand generational differences. To get the best out of all your employees, know what motivates different generations.
- Find out what your employees need. Ask your employees on a regular basis how they’re doing, and be ready to follow up on their input.
- Empower all employees to do their best. Provide the leadership, resources, and training your employees need to realize their potential.

Understanding what engages employees can help during all phases of the employment cycle—from recruitment to training to performance assessment and beyond. It’s also much easier to retain employees who are engaged and committed to the company’s success.

**EMPLOYEE RETENTION IN HEALTH CARE INDUSTRY:**

Successful healthcare organizations emphasize attracting human resource assets and aggressively seek to resolve and prevent high employee turnover. Understanding the key components surrounding the importance of measuring employee turnover, learning how it affects patient care, and realizing what is needed
to retain quality employees is central to the resolution. Measuring employee turnover in a healthcare department is fundamental to the success of the organization and the quality of care it delivers. Some studies indicate the cost of turnover can average 150% of the employee’s annual salary. Furthermore, when employees leave, their duties are shifted to the remaining personnel who feel obligated to shoulder the additional burden. The most important impact of employee turnover may be the effect on patient care. Generally, all patients prefer to be cared for by the same members of a healthcare team each time they require treatment. This involves building relationships between the patients and their respective healthcare organizations. These relationships are important to the success of the facility, especially in cases where the same treatment/care can be received elsewhere. Creating an organizational environment that is dedicated to the retention of talented personnel is the first step in reducing employee turnover. Determining why employees are leaving an organization is an important part of developing an effective strategy. One way this information can be obtained is by conducting detailed exit interviews. Organizations should focus on the following issues in order to maintain their qualified workforce in the long term: communication; decision making; compensation, benefits, and career development; recruitment; appreciation and understanding; and management.67

STRATEGIES FOR HEALTHCARE EMPLOYEES RETENTION:

Healthcare industry turnover hovers around 18 percent, according to a 2004 survey by Compensation Resources. But this figure, just slightly above the 17.6 percent overall national average the survey found, doesn’t tell the whole story: The US Department of Labor predicts that from 2002 to 2012, 10 of the 20 fastest-growing occupations will be in health services, and the industry will grow 28 percent, adding 12.5 million new jobs. Compound these facts with a 2004 American Health Association survey that revealed roughly one-third of hospitals are operating in the

67 Collins SK, ”Employee retention: an issue of survival in healthcare”, 2004 Jul-Aug;26
red, and you have a serious, growing problem: Not enough workers and a shortage of resources to entice them.

**Why Employees Stay:**

In Love ’Em or Lose ’Em: Getting Good People to Stay, authors Beverly L. Kaye and Sharon Jordan-Evans surveyed 12,000 people, identifying 20 reasons why they remained at a company. “Fair pay” was fourth — not even in the top three. Chief responses were intangibles, such as “exciting work and challenge,” which came in first, followed by “career growth, learning and development” and “working with great people.” “Being recognized, valued and respected” and “meaningful work and making a difference” were sixth and eighth, respectively. Healthcare professions offer ample opportunities to satisfy employees in these areas.

**Why Employees Leave**

A 2003 study of 28,000 former healthcare employees by J. Walter Thompson Specialized Communications concluded, “More employees leave because of bad managers than for any other single, controllable reason.” As an HR professional, you can initiate and drive training and development programs to improve your managers’ ability to inspire staff loyalty. “Different managers have different needs,” says Irving Stackpole, president of Stackpole & Associates, a healthcare consulting firm in Brookline, Mass. “Surveys that ask the right questions can help you identify which supervisors are more effective and the precise areas where they need to improve.”

Paul Copcutt, a medical industry recruiter with Square Peg Solution in Hamilton, Ontario, says some people leave the industry entirely, because “many healthcare workers are disenchanted with their profession and feel undervalued.” He recommends that employers build job satisfaction by acknowledging and appreciating their employees’ work. “Most employers aren’t tying employee satisfaction to the bottom line,” he says. “They should be.”
Some essential strategies which can be used for employee retention in health care industry include:

1. **Flexible Schedule:** Healthcare’s round-the-clock nature means you can offer your employees a wide array of scheduling options. Having this kind of control over their jobs increases employee satisfaction.

2. **Respect:** Pharmacists are an integral part of the Hospice healthcare team and are valued for their expertise. At your organization, be sure all employees are appreciated for their role in patient care and the organization’s success. This attitude of respect must be a cultural expectation, reinforced by individual managers.

3. **Challenging Work:** Hospice pharmacists essentially serve as consultants to home-care nurses and physicians and face new challenges every day. Encourage your professionals to do what they love best. If nurses are drowning in paperwork, for example, consider streamlining procedures, adding clerks or implementing new technology. If doctors are frustrated by insurance issues, create a new manager-level position, and hire someone with insurance expertise. Ask your employees — they’ll tell you their frustrations and give your ideas on how to improve the situation.

4. **Learning and Growth:** McGuire keeps up to date through constant reading and professional development. He finds it stimulating to learn new things and put them to use. Be sure you are encouraging employees to develop their professional skills as well as allowing them to flex them.

**ADVANTAGES OF EMPLOYEE RETENTION:**

Employees are an organization’s intellectual asset that is responsible for the day-to-day business operation. Although retaining competent employees in an organization generates goodwill in the work force, it also has a positive effect on the product or services a company offers. Employee retention is a financial gain for organizations.
Acquiring Talent: When organizations retain their employees, they avoid hiring costs. These are often hidden costs. The cost to post on job boards can be annual or a one-time expense. Agencies charge a percentage of an employee’s annual wages. Larger companies may have staffing departments whose sole responsibility is screening and interviewing talent. Other companies may assign this task to department heads or other individuals in the organization. The time an individual spends screening and reviewing resumes takes him away from his main job responsibilities. The hiring process is risky. Background checks, personality testing and aptitude testing can predict a candidate’s capability, but there is still a risk.

Training and Development: Retaining workers reduces training costs. Recruits need to be trained in business practices specific to the employer’s software, culture and office practices. Training requires one or more current employees to take time away from their job responsibilities to educate the new employee on the organization’s way of doing business. Two or more people are on the company payroll producing the results of one person. In the first 90 days, a new hire costs the company money. When companies retain employees, training dollars can be used to further develop the work force. Long-term associates have the experience to review what has worked before and apply that knowledge to future situations.

Skilled Labor Force: Employment retention develops a strong staff. Working individually or in teams these individuals share knowledge and expertise. The future managers of an organization come from this work pool. These employees are the historians of an organization’s successes and challenges, and provide mentoring to new hires. They are committed to the continued growth of the organization and its work force. These individuals have finessed the inner workings of an organization. As they continue to develop their skills, the organization benefits.

Impact on Customer Service: Employee retention has a positive impact on customer service. Turnover brings disruption in customer service, loss of business and possible negative business impacts. An organization’s customer base expects
consistent and reliable service. There is a learning curve with new hires and thus the potential for error or poor communication with a client. This can impact business relationships. Long-term employees develop relationships with customers. They know the clients’ preferences and can anticipate future needs. This knowledge develops over time.\textsuperscript{68}