

## Extrinsic motivation and incentives

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<p>Motivation is a term everyone heard about but not everyone can explain how to use motivation and implement it in daily life. This thesis analyses extrinsic motivation and several aspects of motivating employees.</p> <p>It explains about motivation, what kind of advantages and threats it possess. The research method is quantitative. Most of research I have done at the time of August, September and October 2016. First, I chose the subject of research and then started to look for right literature.</p> <p>There were analyzed different sides of motivation and represented different theories that describe extrinsic motivation. Motivating is an important tool today because many companies are looking for good managers who can influence on staff positively and lead company to progress. There are threats, which can occur with wrong use of motivation, that have to be avoided.</p> <p>There are explained how people must be motivated, what kind of attitudes there and given some new ideas. There are described ways to build friendly relationship with subordinates in order to make them happy at work and seek more productivity from them.</p> <p>At last part there are for both sides: managerial and subordinates advantages they will get with right cooperation and using impulse.</p>	
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# 1. Motivation

What is motivation? This is a psychological term to explain human's behavior. Motivation represents people's action in order to achieve what they desire and is a cause of why people repeat that behavior. Motivation is your own wish, reward reason what forces to do an action. In fact, motivation presents in any industry and any company. It can be either at IT center or hotel, or school and etc. Some people may want to get a bigger salary, business wants to attract more people to buy what it produces, children wish to get good marks. All of them are motivated in order to achieve something what they dream about. (Ball2015)

## 1.1 Overview of motivation

Motivation is indicated from a systematic analysis of how personal, task and environmental characteristics influence on behavior and job performance. It is not a fixed feature. It cites to a dynamic internal condition resulting from the impact of personal and situational factors.

Motivation influences on behavior more effective than on performance. Created initiatives to increase job performance by enhancing employee motivation may not be successful if there is a weak relation between employees effort and job performance. (Wiley 1995)

The studies date back to 1940<sup>s</sup> focused on the question "why do workers work?" If a company knows what drives employees to work it is a good chance to induce their performance at work. (Kovach 1987, 58)

Usually there are three things that determine employee performance at work:

1. Ability to work
2. Work environment
3. Work motivation (Wiley 1997)

From psychologically point of view there are many theories that explain why people behave this way and what kind of motivation is driving them. For example, these are: temporal motivation theory, achievement motivation theory, drive-reduction and many others. In total, there are more than 10 theories. Each of these theories have different purpose, fundamentals and processes to attain targets. All psychological theories are based on surveying behavior, needs and analyzing them. (Steel & Konig 2006)

## **1.2 Importance of motivation**

It is hard to overstate the importance of motivation nowadays. Many managers think that they know how to motivate and keep the level of motivation of employees. But actually this ability is one the most difficult to do from day to day. One writer once said: "Poorly motivated people can nullify the soundest organization". Good motivated people can achieve not only company goals but also what they dream about.(Singla 2008)

Baron (1983) said that motivational rewards affects on staff's behavior and productivity. Comparing to all other efficient methods on employees' productivity, motivation is the most important and significant one. (Gohari, Kamkar, Hosseinipour, Zohoori 2013)

Motivation is an unitary phenomenon. All people need not only different amount of motivation but also different type of motivation. So they can vary from not only in level of motivation (amount of it) but also in orientation of motivation (kind of motivation). Type or orientation of motivation treats to relationships and purposes that lead to action and it treats to why of action.(Ryan&Deci 2000)

## **2. Extrinsic motivation**

To extrinsic motivation relate incentives or rewards that come from external sides. Such rewards like money, promotion, recognition, career opportunities and others. In other words, it is something usually tangible or a purpose that come needs to be chased by an employee.

Extrinsic motivation includes different theories that describe psychological behavior and different methods of motivating. This chapter explains indetails these theories and include some examples and experiments that are done to prove the theories.

### **2.1 Difference between extrinsic and intrinsic motivations**

These two groups are completely opposite to each other and narrate about different ways of how people are motivated to do something. Both meanings of these theories are on the surface. "Extrinsic" means external factors that motivates a man or a group of men to do something. For instance, it can be money reward, career, prize for employees competition and etc. At the same time intrinsic one means that factors that incite humans for action are internal or come from inside minds

While intrinsic motivation comes from within of humans and not as an effect of external impulse. If a person is motivated intrinsically, he or she will complete a task because it is interesting itself for him or her. To intrinsic motivation relate curiosity, interest, involvement or positive challenge. When people are motivated because that action is important for their own and appears self-sustained, then it can be said that it is they are intrinsically motivated. (Edwards, & Johansen 2015)

There is no right answer on question, which motivation is better. Some people are more motivated intrinsically and some prefer to be motivated extrinsically. In fact, the main difference factor between this two motivations is so that extrinsic originates from outside and intrinsic comes from within. Besides, researchers have found that these two types of motivation can influence in different ways on people's behavior and lead to different conclusions.

Extrinsic motivation has a big power and with write use can lead to high results. External rewards can stimulate interest and participation in which person has not had initial interest Praises are able to induce to obtain new skills or knowledges. In the moment when people have studied more they become more motivated intrinsically. External rewards can be a good sign that a worker does a good job and give a chance to understand that their performance is achieved reinforcement. (Cherry 2016)

Relevant using of external incentive can increase productivity and performance at work but at the same time implementing less amount of incentive such as rewards or recognition can lead to decreasing of employee's wish to work. (Reena & Shakil 2009)

A good example to illustrate it is a desire of service employee (waiter, sales managers and etc.) to do everything for his or her customer that he or she would be very happy and glad to contact this company again. Therefore, this employee endeavors not for praise from the customer or employer but only to make his client happy.

At the same time scientist affirm that extrinsic motivation should be used carefully, especially with children and introduce it when there is a reason for it. Mostly, extrinsic motivation is a good tool when a worker does not show any interest at what he or she is doing or has lack of skills to be able to do work completely correct. In fact, these rewards should be given by small pieces and should be tied to achieve a specific behavior. As soon as intrinsic interest has become to grow and some essential skills are established, the external tools of motivation should be decreased slowly. (Ledford, Gerhart & Fang 2013)

Why intrinsically rewarded people become disinterested on doing something if they are rewarded externally? The main reason is that they do not need to be rewarded. They understand their role at work completely and relate responsibly to what they do. This kind of people engage in an activity on their own reasons. In fact, intrinsically motivated people enjoy of work they do with some other reasons but not for benefits they receive from employer. (Frank 2010)

Some researchers think that intrinsic is better and more effective than extrinsic. However, sometimes people do not have internal desire to participate in activity and they need to have external influence. Besides researchers have developed three main conclusions concerning influence of extrinsic motivation on intrinsic one.

1. Sudden extrinsic rewards do not drop intrinsic motivation
2. Praise can increase an intrinsic motivation
3. Intrinsic motivation will decrease if external rewards are given for a small work or individual task. For instance, if an employer will always praise his employee for daily tasks, he will become less interested intrinsically motivated to do these tasks in the future. (Cherry 2016)

## **2.2 Self-determination theory**

According to Self -Determination theory (Deci & Ryan, 1985) types of motivation are differentiated by different reasons that give a push to action. It explains the most basic differentiations between intrinsic and extrinsic motivations. The intrinsic one relates to doing something because it is substantially interesting or enjoyable, and extrinsic because it drives to a separable outcome. (Ryan& Deci 2000)

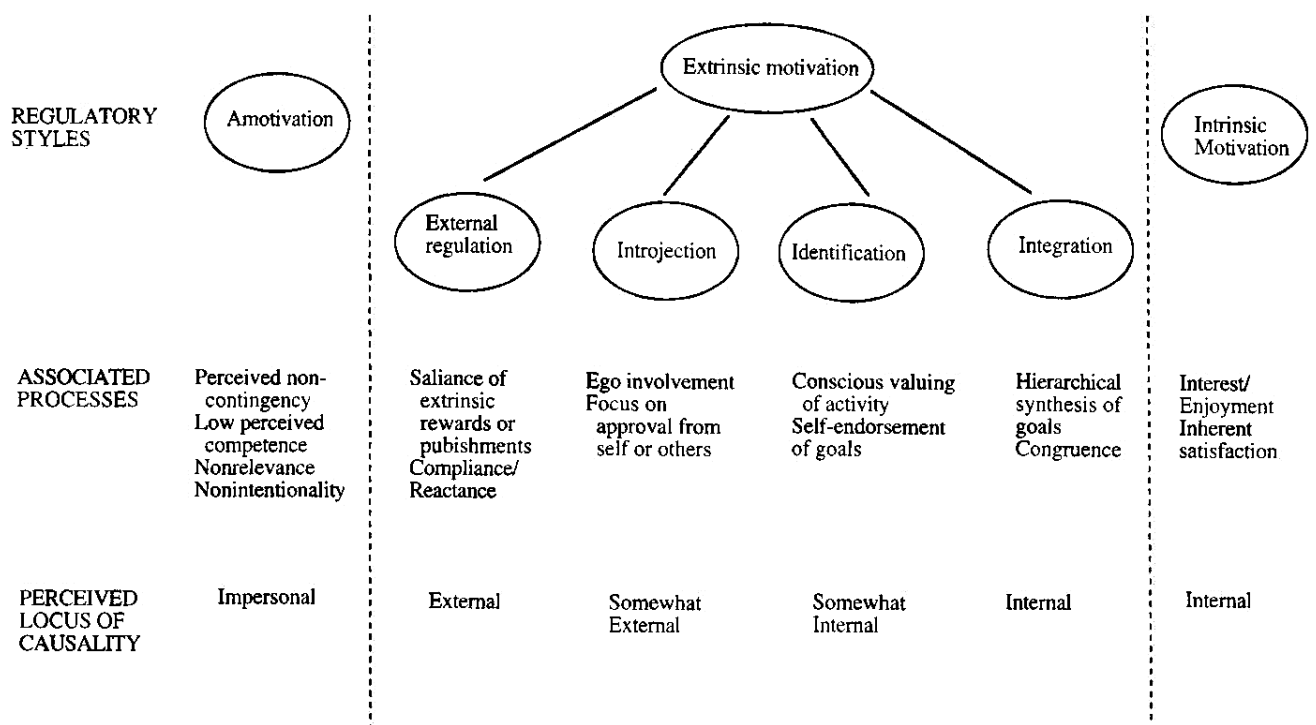
The theory can be described as a meta-theory and includes different mini-theories like, for example, psychological needs, organismic integration, individual differences and environmental influences. (Neighbors, Lewis, Fossos & Grossbard 2007)

Self -Determination theory (SDT) also illustrates humanistic prospects on motivation considering that persons make efforts to perform fundamental needs for competence, relatedness and autonomy. (Neighbors, Lewis, Fossos & Grossbard 2007)

It indicates intrinsic and varied extrinsic sources of motivation and a definition of corresponding of intrinsic and types of extrinsic in cognitive and social development and in individual differences. Besides, SDT theory concentrates on social and cultural factors that help people to show initiative even if they perform qualitatively. Conditions helps persons to receive more experience in autonomy, compete and relatedness to encourage the most willed and high quality to forms of motivation and attracting for activities, including raising performance, creativity and perseverance. (Self-determination theory 2016)

## **2.3 Organismic theory of motivation**

Organismic theory of motivation (OTM) is a sub theory of Self-determination Theory. Authors Deci and Ryan created the theory to introduce different forms of extrinsic motivation and the contextual factors that either promote or prevent internalization or integration of the regulation for these behaviors (Deci & Ryan 72, 1985). Organismic theory states that contextual help for autonomy, completeness and relatedness contributes internalization and integration. In other words, persons prefer more to internalize and integrate value, experience choice with respect to it and connection with those who provide it. According to SDT, the more autonomous motivation is the more perseverance and productivity employees show. (Wellbeing in Developing Countries 2009)



**Figure 1**

Figure 1 shows the OIT systematization of types of motivation, disposed from left to right in terms to extent to which the motivation for one's behavior emanates from one's self. (Ryan& Deci 2000)

At the left side there is amotivation, which means the condition when of lacking an intention to act. On other words, amotivated employee is an employee's behavior lacks of aspiration.

To the right of the table a category represents the least autonomous of extrinsic motivation. Behavior like these are performed to fulfill external requires or to receive external rewards. Persons usually meet externally regulated behavior as controlled or estranged and their actions have an external perceived locus of causality (EPLOC; deCharms, 1968)

A second type of motivation is called introjected regulations. Introjection describes a type of internal regulation that is controlling because of humans execute actions because they feel pressure in order to avoid fault or concern or to attain ego-enhancements or pride. A classic form of interjection is ego involvement, where a person makes an action to increase or support self-esteem or the feeling of value.

A more self-determined or more independent form of extrinsic motivation is regulation through identification regulation. Here a person understand the significance of behavior and so accepted it's regulation as his or her own.



In the last, right, part there is the most autonomous form of extrinsic motivation which is named integrated regulations. Integrated regulation appears when identification one has fully assimilated by a person. This can appear when self-examination and new regulations are implemented into coherence others values and needs. As more regulations are internalize the causes for action and assimilate them to the self, the more extrinsically motivated actions become self-defined.

At the far right, there is located intrinsic motivation type. Including intrinsic one accents that it is a prototype of self-defined activity. Besides, it does not mean that “extrinsic regulations become more internalized they are transformed into intrinsic motivation”. (Ryan & Deci 2000)

## **2.4 Expectancy theory**

Expectancy theory belongs to Process theories of motivation was created by Victor Vroom in 1964. This theory is probably the best to indicate the relationship between employees personal goals and organizational rewards or work outcomes. The main question for this theory is “to what extend organizational rewards fulfill employees’ personal goals and do they attractive for employees?”(Pranav & Shilpi 2014) This theory does not give any suggestion about motivation. It mostly focuses on cognitive processes based on the idea that people believe that they will receive satisfied rewards if they put enough efforts at work. (De Simone 2015)

There are three main relationships on several variables: individual effort and performance, organizational rewards and personal goals.

Expectancy- is a relationship between efforts and performance. Expectancy depends on employee’s estimate about task that he is going to complete. Expectancy vary from 0 to 1. So if an employee understands that his efforts will drive to the desired performance level the value will be 1 and on the other hand if he realize that the task will be completed, the value will be 0.(Lunenburg 2011)

Instrumentality – is a relationship between performance and rewards. It is a situation when an employee can improve his performance because of dreaming to get good bonuses.

Valence -is a relationship between rewards/work outcomes and personal goals. It measures attractiveness, value and preference of rewards that are received by an employee. Value of valence can be positive and negative and vary from -1 to 1. Considering it, stress and weariness are negative and increased pay or bonuses are positive. For successful motivation, the sum of valence must be positive.(Pranav&Shilpi 2014)

This theory is very common at different organization. It explains gamut of motivation by breaking it on different recognizable stages. Many managers who applied it at their teams were successful. Managers are able to create positive environment at work, climate and culture. These advantages can increase employees' motivation and give new push to achieve new goals. (Pranav & Shilpi 2014)

However, some researchers consider that the theory is complicated to implement. First of all, because it is hard to calculate, as it required, motivation valence and difficult to choose what kind of bonus to use for individuals. (Pranav & Shilpi 2014) At the same time Lawler (1964) said that the one weakness of the theory is that employees will make efforts only if they are sure that they will get enough money rewards like bonuses or salary increase. (Liquisearch)

## **2.5 Hygiene theory of motivation**

Hygiene theory of motivation or two factors theory was developed by Frederick Herzberg. According to the theory satisfaction and psychological growth was a factor of motivation factors. However, dissatisfaction was a factor of hygiene factors. (Value based management, 2016)

Based on the theory there are some factors that provide satisfaction and some jobs that prevent dissatisfaction. The opposite of "satisfaction" is "no satisfaction" and opposite of "dissatisfaction" is "no dissatisfaction".

Herzberg classified these job factors on:

- Hygiene factors- these factors are significant for subsistence of motivation at workplace. They do not lead to positive satisfaction for long term. But if these factors are absent they conduct to dissatisfaction. These factors are extrinsic ones to work. Hygiene factors are also known as dissatisfied or maintenance factors because they demand to avoid discontent. The hygiene factors illustrate psychological needs which people would like to fulfill.

To psychological factors relate:

Pay. Money or salary that employees receive must be the same level and competitive in the industry of location.

Company policies. Company working rules must be not very strict. They have to include breaks, vacations, dress code, sometimes flexible working hours and etc.

Extra benefits. This aspect of psychological factor includes such bonuses as medical health insurance, some benefits for family members, employees help program and etc.

Physical working conditions. Workplaces have to be well-equipped, maintained and updated with need. There have to be safe, clean and hygienic.

Status. Employee's status should be familiar to others and retained.

Interpersonal relationships. There have to be positive relationship between employee, subordinates and peers. They have to be acceptable and corresponding. Conflicts and humiliations must be avoided.

Security of job. Employer is responsible for job security.(Management study guide 2015)

Certainly, there are some critics that impugn this theory. For example, Sinha (2016) says that only few professions (accounts and engineers) used for research and this does not give enough information about other professional jobs satisfaction of dissatisfaction. Plus Herzberg did not put enough attention to pay, status, interpersonal relationships.

## **2.6 Intrinsic motivation**

Opposite of extrinsic motivation is an intrinsic one. The name of it is also conclude how this motivation exists. Compare to extrinsic motivation intrinsic does not come from outside but it comes from inside of humans.

Intrinsic motivation can be defined as doing an activity because of inherent satisfaction. A persons, who engaged into action, does it because of fun or invocation involves rather than because of external pressures or rewards.(Ryan &Deci 2000)

Good examples that prove intrinsic motivation are:

- Doing sport because you enjoy of active pastime
- Play games not to win but because it is exciting
- Studying well to get good grades
- Doing sport to win medals and trophies
- Cleaning your room to avoid be punished by your parents
- Competing with group mates to get more scholarship and etc. (Cherry 2013)