

# Motivation Theory and Performance Measurement:

## *Lessons from Classical Schools of Thought*



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### ABSTRACT

This paper traces the development of motivation theory, particularly as an explanation of human behaviour in the workplace. It provides a new interpretation of recent developments in theory management. It also examines the uneasy relationship between performance measurement appropriate for the purpose of establishing motivational rewards, and performance measurement as an integral part of the financial control systems. The paper is also written in response to a student's question as to whether classical management theories are still relevant. The study of classical management thoughts which involve a set of concepts that started in 1800s, took their roots in the study of organisations. The effects of the sets of theories of organisations have been and are still profound as demonstrated in this paper using Motivation Theory and Performance Management Measurement Concepts.

**Keywords:** theories of motivation, classical theory, neo-classical, performance measurement.



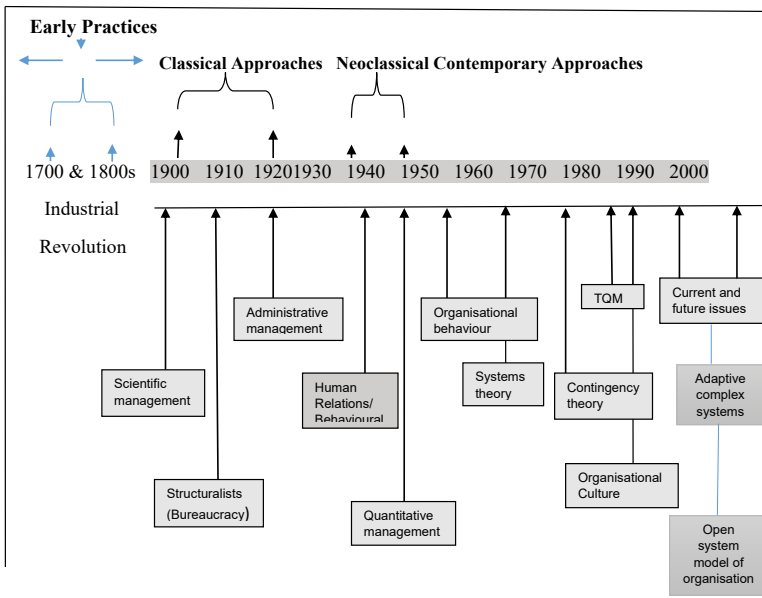
# Introduction

Classical approach of management is the first formal studies of management. It emphasizes rationality and makes organisations and workers as efficient as possible. It offers a convenient framework for the education and training of future managers. Neo-classical approach is the extended form of classical approach, but broadens and expands it; thus it does not totally divorce itself from its predecessor. Rather, neo-classical theory adds a more human element to the science of organisation and management (Sarker, 2013).

Figure 1 depicts the development of Management Theories over the years to the modern day management theory. Classical and neo-classical approaches played a crucial role in the advancement of management theories and practices. They serve as the ‘backbone’ to many current management theories. Though classical theory is now treated as being outdated, it is still important because it introduced the concept of management as a subject for intellectual analysis and provided a basis of ideas that have been developed by subsequent schools of thought of management (Colman, 2012).

# Motivation Theory

The study of motivation has created a number of theoretical bodies of knowledge applicable to the design of employee motivation programmes. There are many ways of classifying motivation theories. One which is particularly useful, is the division into content theories and process theories. Content theories explain those specific variables or factors that motivate the individual. The emphasis is on what motivates. Process theories explain the dynamics of the variables that make up motivation.



**Figure 1:**  
Historical Perspective of Management Theorie  
(Source: Author's Construction)

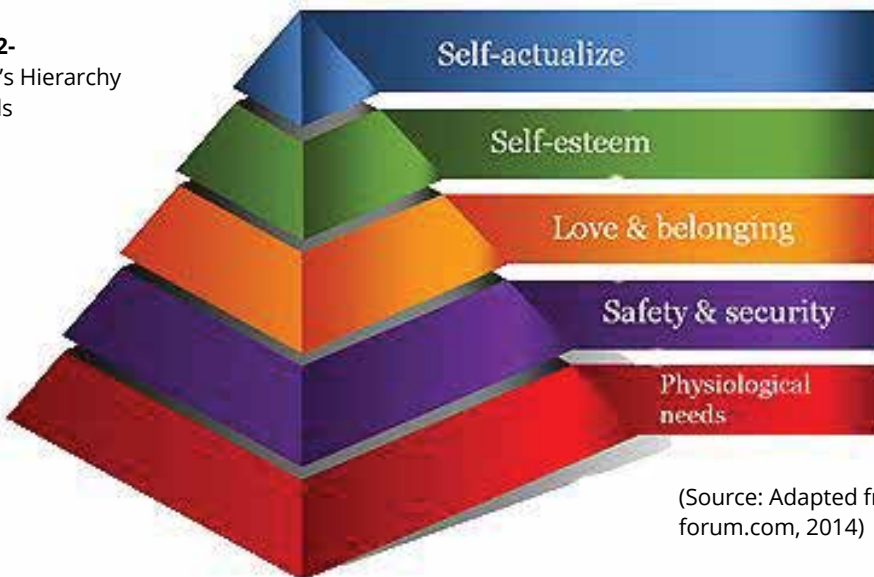
# Content Theory of Motivation

Content theories focus on the factors or variables within a person that energise, direct, sustain and stop behaviour. The usual starting point for any review of the content theory of motivation is Maslow's (1943) theory of individual development and motivation. People are "wanting beings" and what they want depends on what they have. Maslow arranged human needs in hierarchy of importance. His hierarchy consists five (5) levels, shown in Fig. 2. The basic proposition is that individuals will not aspire to high level needs (wants) until the lower level needs (wants) have been satisfied.

Alderfer (1972) condenses the five levels of Maslow's hierarchy into three groups of existence namely: existence needs, relatedness needs and growth needs. Existence needs are concerned with sustaining existence. Relatedness needs are concerned with social relationships and the need for love, affiliation and a sense of belonging. Growth needs are concerned with development of potential. Alderfer's work suggests that lower level needs do not necessarily have to be satisfied before a higher level need emerges as a motivator.

Herzberg (1974) conducted a study using observations of 203 accountants and engineers. He identified times when individuals felt extremely good or extremely bad about their jobs. From this, he proposed that there were two different sets of factors affecting motivation. One set consisted those that caused dissatisfaction, if they were absent. Those were the hygiene or maintenance factors. The other factors if present served to motivate individuals if they were present. Those were the motivators. The hygiene factors included things such as salary, job, security, working conditions, and quality of supervision. Attention to hygiene factors did not lead to satisfaction. Hygiene and satisfier factors did not need to outweigh each other but had to balance on a scale as depicted in Figure 3, so there would be motivation to create satisfaction in the company. It merely led to the removal of dissatisfaction. Proper attention to the motivators was required to motivate workers to do their best. The motivators include personal growth and advancement, responsibility, the nature of work itself and recognition.

**Figure 2-**  
Maslow's Hierarchy  
of Needs

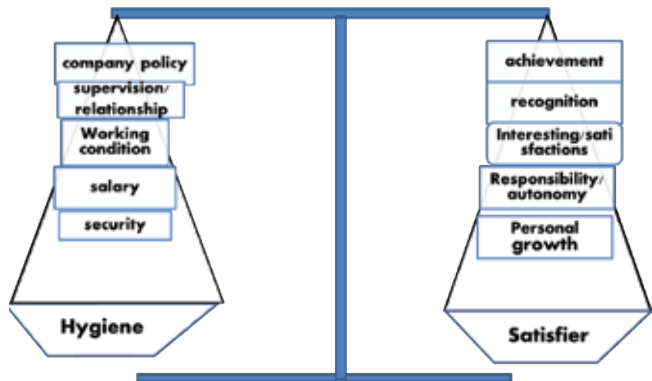


(Source: Adapted from aspirant forum.com, 2014)

McClelland's (1988) initial research into the extent to which hunger led to food domination of thought processes, led him to further research which identified four main arousal-based-socially-developed motives. These were achievement, power, affiliation and autonomy motives. The first three of these motivators are broadly similar to the self-actualisation level of Maslow's hierarchy.

Using different methodologies, these gurus of the organisational behaviour literature, have all produced lists of wants as a means of explaining human motivation.

**Figure 3** Two- Factor Theory of Motivation



(Source: Author's Construction)

## Process Theories of Motivation

Process theories provide a description and analysis of how behaviour is energized, directed, sustained and stopped. Four process theories are predominant. They are reinforcement, expectancy, equity and goal setting. Vroom (1982) was the first person to propose an expectancy theory aimed specifically at work motivation. His original work has been developed by Porter and Lawler (1964), among others. The process variables of his model were valence, instrumentality and expectancy. Valence is the anticipated satisfaction from an outcome. It is usually a two-stage process. Effort may lead to higher productivity/ first level outcome which may then lead to second level need (want) related outcomes. Examples of these are, higher pay, promotion, or praise from a supervisor. The extent to which first level outcomes lead to second level outcomes is the instrumentality. Expectancy is the individual's perception of the probability that effort will lead to desired outcomes. In other words, the theory proposes that there is a link between motivation and valence, through the processes of expectancy and instrumentality.

The equity theory, usually associated with Adams (1965), examines the feelings of the individual as to how fairly he thinks he has been treated in comparison with others. As with Vroom, it is a motivational process based on individual perception.

The goal theory, based on the work of Locke (1968), proposes that an important determinant in behaviour is the goal (s) of the individual. People with defined levels of performance deadlines, will perform better than people with no set goals.

Attribute theory is a more recent approach to the study of motivation. It is concerned with the process by which people interpret the perceived causes of behaviour. The work is associated with Heider (1958), who proposed that behaviour is determined by the combination of perceived internal forces and external process. In this context, the internal forces are personal attributes e.g. ability, skill, effort and fatigue. The external processes include organisational rules, manner of supervisor, etc.

Behaviour may be explained by the locus of control e.g. extent to which an individual perceives outcomes as controlled either by themselves or by external factors. The work has been developed

by Kelley (1973) to suggest specific criteria in determining whether an internal or external attribution is chosen.

## A New Interpretation of Content and Process Theories of Motivation

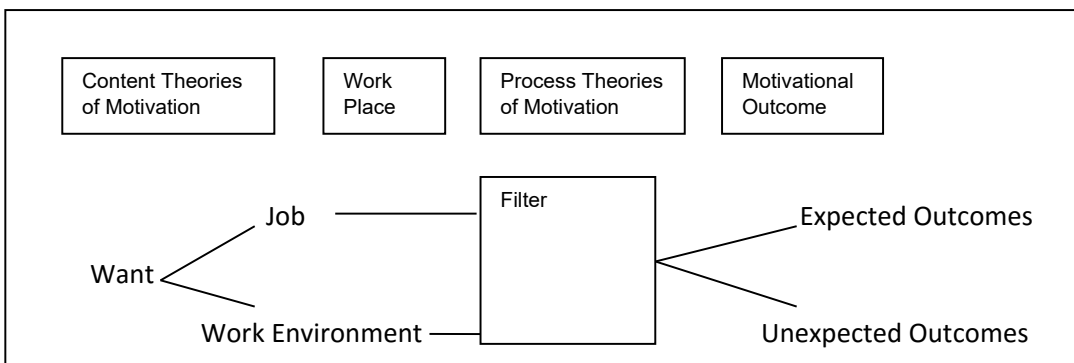
It is suggested that there is a relationship between personal wants, job content, environmental factors, motivational process, and performance outcomes. The content theories of motivation, as they relate to the workplace, have wants, which can be satisfied from the job itself or from the workplace environment. For example, physiological and safety wants can be satisfied from the money (pay) which results from the job itself. Love and social wants can be satisfied from organisational groupings and social contacts. Esteem can come from the jobs itself, as pride in the work or from hierarchical labels. Self-actualisation is the growth and development of the individual, which can

come both from the demands of the job itself or from dealings with others in the organisation.

The process theories of motivation are the filters through which the individual processes information to determine the extent to which his/her chosen outcomes are likely to occur through the job or the work environment. This is illustrated in Fig.4.

Unexpected outcomes will either motivate or demotivate depending on whether or not they are viewed with suspicion, if the individual cannot identify the logic which led to that unexpected outcome.

**Figure 4 - Work Place Interpretation of Motivation Theories**



(Source: Author's Construction)

# Work and the Work Environment

Major developments in management and organisational behaviour have been categorised into schools of management theory. One attempt at classification uses four broad groups –Classical, Human Relations, Systems, and Contingency. These can be viewed as a chronological cataloguing, as well as a content classification.

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## The Classical School

Major writers of the classical school include, F. W. Taylor, H. Fayol, L. Urwick and M. Weber. The two broad strands of the classical approach are Scientific Management and Bureaucracy.

F. W. Taylor (1815 – 1917), is seen as the father of scientific management as reported in Harper and Row (1947) collection on Taylor. He believed that jobs could be analysed into their component parts, to identify a best way of working. This, in itself, could lead to productivity improvements, but greater benefits could be achieved through incentive rewards, based on the quality of work produced. This early attempt at managing work was based on the assumption that people were

motivated by money and would therefore work harder and produce more, in order to achieve the objective of higher pay. In this model, the focus of management is on the task itself. Weber (1964) concentrated on bureaucratic structures, of which Stewart (1986) identifies four main features, Specialisation, Hierarchy of Authority, System of Rules, and Impersonality. Specialisation is concerned with managing the job to be done. Hierarchy of authority, is essentially about the structure required for task completion. System of rules and impersonality are concerned with the work and the environment within which the task will be performed (Alfred, 2015).

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## The Human Relations School

The human relations school concerned itself with social factors at work and the work environment. The Hawthorne Experiments at the Western Electric Company were influential in the development of this school of thought. Several experiments were conducted. One concerned changing the level of lighting at the factory. Another concerned rearranging the workforce, on a boring repetitive job, so that they could have social interaction

(Roethlisberger, 1939). This latter experiment resulted in productivity improvements during the period of the experiment. There has been much criticism of the movement and the methodologies used. Silverman (1970), is particularly destructive in his comments, that they “adopt management perspective, they have unitary frame of reference and have over-simplified theories”.

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## The Systems School

The systems school attempts to focus on the total work organisation, the interrelationships of structure and behaviour and the range of variables within the organisation. The business organisation is seen as an open system that is in continual interaction with the external environment of which it is part. Bertalanffy

(1951), a biologist, was the first person to use the term “Systems Theory” and developed the outline of general systems theory. This approach involves a study of the relationships between technical and social variables. Its focus is on the job, the work environment, social interactions, and the broader organisational context (Anichebe, 2013).

## The Contingency Approach

Contingency approaches are based on structure and management. Leading writers are Burns and Stalker at Edinburg University (1966), and Lawrence and Lorchat at Harvard University (1968). Burns and Stalker identified two divergent systems of management practice and structure, i.e. mechanistic and organic. The mechanistic system is a rigid structure of specialisation, defined duties, and clear hierarchies. In contrast, the organic system is more flexible, with structure adapting to changing conditions. The situation is now “adhocracies” rather than bureaucracies. Lawrence postulates that managerial actions vary depending on key variables such as size, technology, environment, and the individual. System maintenance for survival emphasises resources depending on both internal and external variables. Lorsch’s work is concerned with the extent of differentiation and

integration. The open systems model is more dynamic than the previous models. Managers are no longer thought of as rational decision-makers who control machine-like organisations. There are no immutable laws of administration of the kind proposed by Fayol. Managers have very little time to think, organize, or plan because of unstable, chaotic, and unpredicted world they live in. This was supported by Mintzberg. Differentiation is concerned with the extent to which managers in different functional departments adopt different approaches to managing. Integration is concerned with the extent of co-ordination and co-operation between departments where there are inter-dependent tasks. This period ushered in the open systems model of organisation and goes with the works of Katz and Kahn at Michigan University.

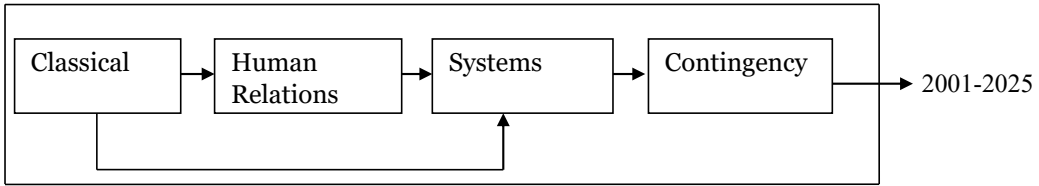
## Neo-Classical

More recently, we have seen the growth of the principle of delayering. This involves the flattening of hierarchies and chains of command, the move to empowerment of the workforce, and the resurgence of performance and creativity-related pay.

It can be argued that these developments have their origins in the classical school of management. Delayering focuses on the structures which were the concern of the classical school. Empowerment is about letting employees discover best ways

of working and is therefore a focus on a job. The objective of finding a “best way” is the same as in scientific management. All that is different is that the person who does the job now identifies the best way, rather than an outside expert. Performance-related pay links with the productivity and payment by results focus of scientific management. It is believed that the essential elements of these developments mirror the classical school of management so closely that we propose a new classification, Neo-Classical, is proposed to cover them.

Figure 5 - Continuum of Schools of Management Theory



(Source: Author's Construction)

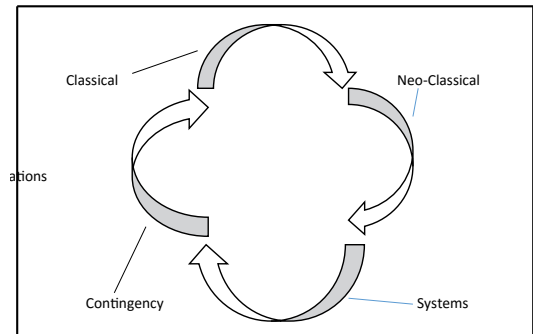
## A New Model of the Development of Theory

Much of the management and organisation theory literature views the schools of management theory as being a straight line and a chronological continuum. Mullins (1966) is typical, with a representation as in Fig 5.

The issues of delayering, empowerment, and performance-related pay make a review of this chronological model important. Delayering, empowerment, and performance related pay, with their concerns for structures, best ways of working, and payment by result are straight from classical school model of business management and motivation. This suggests that a management theory is not a continuum, but is in fact, cyclical. As Fig 6 shows, in approximately 100 years, we have come full circle. It will be interesting to see whether the wheel re-invents itself over the next 100 years or whether a new model will come up during the 2001- 2025 era, which is tagged the Adaptive Complex Systems age or whether the model will gain influence. This model draws upon lessons

learned by ecologists and others who use notions of complexity. The proposition is that equilibrium is a precursor of death. Just as species that cannot adapt will die on companies that cannot adapt to this environment will perish or collapse.

Figure 6 - Cycle of Management Theory



(Source: Author's Construction)

## A Financial Control Perspective of Performance Measurement

### Shareholder performance measurement

The limited liability company concept is used in this analysis as a model of an organisation. Directors are responsible to the shareholders, for the well

being of their investment in the company and are obliged to act in their best interests.

The shareholder's return comes in two ways, that is, dividends paid by the company and an appreciation in the share price. Shareholder



performance measurements are linked to this reward system and cover issues such as dividend yield, dividend cover, return on capital and share price to earning ratio.

### Management financial performance measurement

Internal organisational performance measures are usually based on the delivery of shareholder returns. These will be based on long term plans and shorter term financial budgets. The control comes through achievement of financial budgets. These may be on cost centre basis, where a

department operates within an agreed allocation of resource. They may be profit centre based, where the division or subsidiary is required to produce an agreed level of profits, but the mix of outputs and inputs to achieve this is determined at the profit centre. They may also be investment centre based, where the division or subsidiary is charged with producing an agreed rate of return on investment. The investment centre based performance measures may increasingly be based on maximising the present value of the investment as it becomes more widely recognised that share value is merely a representation of the present worth of the business's future earning capacity (related through dividend flows).

## Reconciling Financial and Motivational Performance Measures

### The motivational mix

What motivates shareholders to invest in and continue to hold shares in a company, is unlikely to be the same as what motivates employees. Indeed, there is no one mix of dividend (income) and increase in share price (growth) which will motivate all shareholders, just as there is no package of financial and other work-related rewards, which will motivate all employees.

### Historic v Future rewards

Financial performance measures have, traditionally tended to be retrospective, that is control of actual performance for a past period of time against the planned or target figures for that same period. Motivational performance rewards, on the other hand, are forward-looking as they motivate the individual to work harder that it will result in the delivery of a future tangible or intangible benefit. It is suggested that financial performance measures based on maximising the present value of the organisation will fit both financial control and

motivational purposes, as the financial focus will be shifted forwards and outwards, in line with the needs of motivational packages.

### Structuring a reward package

In a profit or investment centre, it is easier to define financial motivational measures of performance, because of the local control which managers have over the mix of sales and elements of cost. In the case of an investment centre, they also have control of the investment level to give even greater flexibility to the design of motivational rewards.

What is important is the fact that the motivational reward package is consistent with the achievement of overall shareholder-driven business objectives. A true stakeholder view of organisations is still very much the province of politicians and academics. In the real world of business, it is given little more than lip service by most companies. Current fears about some motivational packages are that they reward current success only, which may be damaging to the longer term prospects of the business, for example:

- A drive for sales growth may store up increased levels of future bad debt.
- A unit trust fund manager may improve current performance of his fund at the expense of a high risk profile of the fund's underlying investments.
- Focus on the cost of production of a product may lead to future quality concerns by customers or higher levels of service costs.

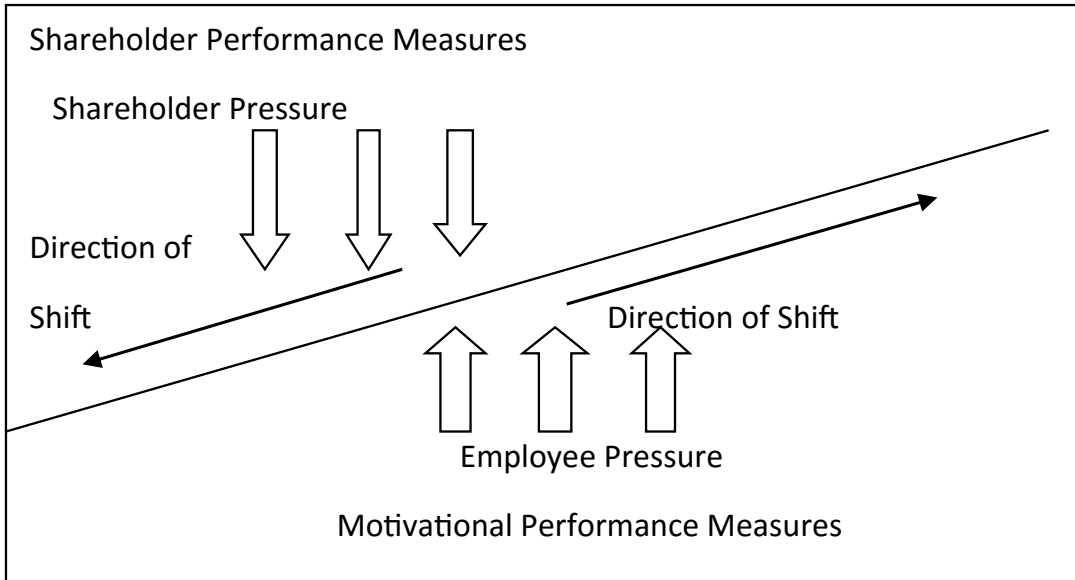
## Conflict of Interest

At the organisational level, both the shareholders and the employees have an interest in the same value added by the business. There can never be harmony if a greater proportion of added value given to employees, reduces the added value available for shareholders. Their interests are in competition, even if they agree on broad organisational goals.

This competition can be viewed as forces along a geological fault line depicted in Fig. 7. Pressures on

the line of fault will lead to disruptive movement along the fault before the organisation settles down to a new uneasy stability. The disruption will be typified in the case of employees in higher labour turnover. Strikes and other damaging protests, reduced productivity, and job satisfaction. If the pressures on shareholder aspirations are too great, there will be a move to sell shares. An increase in the available shares for sale will drive down the price and the company's cost of capital will therefore increase.

**Figure 7-** Motivational v Financial Performance Measures



(Source: Author's Construction)

## Conflict Resolution

This paper has suggested that motivational performance targets are essentially forward looking: that is, their present effort will lead to a level which will bring its future motivational payoff. It has also been suggested that traditional shareholders measures of performance are essentially backward looking. Conflict is likely to exist over dividing up the profits of performance which has been achieved. In my opinion, there is less conflict over performance measures aimed at maximising the present value of a business. The more likely the possibility of increased employment opportunities, the healthier the current share price. Maximising the present value of the business is a valid objective, based on potential rather than the vagaries of past performance, which may or may not be replicated in the future.

## Conclusions

There is a strong link in the workplace between content and process theories of motivation. Much of recent management theory development is consistent with the classical school of management. We have termed these developments Neo-Classical. There must be internal consistency in financial and motivational performance packages. The interests of shareholders and employees are inevitably in conflict in a retrospective financial performance model.

Business objectives designed to maximise the present value of an organisation, provide a way forward in harmonising motivational and financial performance systems.

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