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When motivation theories create demotivation and impair productivity

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ABSTRACT

This article discusses motivation theories in a historical perspective and underlines the paradoxical results sometimes occurring when applying motivation theories out of context. Some of the motivation theories from the past may result in demotivation and in organizational ineffectiveness harming the core of a business or the main purpose of an organization today. The increasing complexity, the global challenges and the rate of change demand new types of leading and managing, and the motivation theories underpinning performance management and incentive systems used not long ago, are now changing in order to facilitate caring and innovation. Also, the notion of, what drives motivation changes. Organizations that implement managerial concepts from the past, or do not adapt their approach fast enough risk losing their competitive edge.

KEYWORDS

motivation; performance management; incentives; change; paradoxes

Introduction

The interest in motivation has many faces and the theories of motivation have historically been characterized by the time and societal framework under which they are constructed. In this text¹, I will discuss, why we are now seeing large companies move away from the kind of performance management and incentive systems, that inspired both New Public Management (NPM) and Human Resource Management (HRM) a few decades ago – but in some places, particularly in public organizations, e.g. schools, are still prevailing. I will also like to point out, what are now emerging approaches for the 21st century.

In New Public Management and Strategic Human Resource Management (HRM), the many faces of motivation theories often appear as opposing approaches within performance management and leadership, respectively. Performance management is based on a notion of man as driven by self-interest and rationality, *homo economicus*² (originating from the term ‘the Economic Man’), while many management theories are based on an understanding of motivation originating from a notion of man as *homo sociologicus*. In this perception, man does not act on his own benefit, but either based on ‘innate forces’ (an essence) or an interest in fulfilling social roles/internalized social norms.

Hood (1991) pointed out the inconsistency in NPM, which emphasizes both professionalization of the management functions and performance management through documentation, evaluation and rewards (building on the economic theory of the principal-agency problem (Ross, 1973)). The two very different human perceptions are thus put into play at the same time. The

question is whether this makes sense and whether there is a ‘reasonable’ balance between the two opposing motivation approaches and human understandings. The alternative could be that, overall, motivation theories, as well as public management, need a review.

Inspiration from private sector – which is now changing the approach

The NPM was inspired by the private sector. In the 1980s, large American companies were leading the performance management wave (for example, General Electric, Accenture, Deloitte, Microsoft, etc.). At the same time, they were the source of inspiration for NPM. Nowadays, when change occurs all the time, it has become crucial to get the employees involved in a continuous innovation and development process. Therefore, the art of designing and perceiving the performance management systems in a much more reflexive and learning-oriented way has become essential. ‘Command and control’ is dimmed and replaced by ongoing goal-setting processes and coaching (Bersin, 2015). The balance, thus, is shifted so that more emphasis is placed on leadership than on performance management. At the same time, it is worth noting that the aforementioned large companies have now departed from a direct link between the salary incentives and performance management. Deloitte emphasizes that the salary incentive for the majority of employees does not have a great impact. The salary merely has to be competitive and fair in relation to the type of job. Only a small group of

high-potential employees find the pay incentive important (*ibid.*).

One case, described in the article by Eichenwald (2012): 'Microsoft's Lost Decade', strongly points out how wrong it may end, if performance management and payroll systems are used in the wrong way. The article describes, how Microsoft, with their performance review system, created a culture in which employees did not collaborate, but rather counteracted each other, because managers had to rate them on a scale from top to bottom performers. In particular, top performers would not cooperate with each other, because it would give them worse scores. The lack of collaboration gave competitors like Apple and Google a head start, and Microsoft lost ground. Employees were rated biannually, which helped to focus on short-term goals and not long-term innovation. Microsoft scrapped their system in 2013.

Another danger of incentives is about 'tunnel vision', which can make it difficult to 'think innovatively out of the box', as shown by the historical experiment called 'the candle problem'³ (Duncker, 1925, 1945). This experiment and the tunnel vision are explained in a well-performed TED Talk by Pink (2009).

Adverse effects at a societal level of widespread use of incentivizing reward systems in the form of, e.g. bonus's supporting a short-term gain in taking risks were manifest during the financial crisis. This crisis is described to be as much of a management and HRM crisis as it was a financial crisis (Sears, 2010), as the payroll systems within the financial institutions supported the risk appetite that led to the financial crisis.

Last, but not least, it should be mentioned, that Hood, who was the first to describe and analyse the phenomenon of NPM (Hood, 1991), in 2015 made up the results of 30 years with NPM in Great Britain (Hood & Dixon, 2015), and concluded that 30 years of NPM had not created a public sector that works better or cost less.

Under-utilization of the employees' potential

Another discussion is that the homo economicus view seems to under-utilize the potential of employees, both in many private companies and in the public sector. The homo economicus view leads to a transactional leadership, where motivation occurs through incentive management linked to extrinsic motivation. That kind of leadership promotes an achievement of the measured behaviour, but not an achievement beyond the expected, where people creatively solve problems in new ways. The latter is better supported by a transformative leadership that is more oriented towards intrinsic motivation and is driven by an

idealized influence, inspirational motivation, intellectual stimulation and individual considerations (in the management theory, this is called the 4 'I's') (Northouse, 2015, p. 161ff.). A study by Andersen and Pedersen (2014) on governance and motivation in the public sector in Denmark shows that common to all studied public disciplines are two basic forms of intrinsic motivation: (1) the work in itself, and (2) making a positive contribution to the society. The latter is called Public Service Motivation (PSM) and builds on an increasing stream of research (e.g. Bozeman & Su, 2015; Kim & Vandenabeele, 2010; Perry, Hondeghem, & Wise, 2010; Perry & Wise, 1990; Ritz, Brewer, & Neumann, 2016; Vandenabeele, 2007). Although not all public servants exhibit PSM, and although maximization of self-interests may be part of the PSM (Le Grand, 2003), Andersen and Pedersen (2014) point out significant benefits, if the public sector is able to raise awareness about the way in which one communicates and implements goals and management tools at the individual institutions. This slightly 'soft' wording is used because of the fact that there are also studies showing that, e.g. measurement and control tools are not, by definition, demotivating and can be used supportively and as a learning tool rather than as micro-management (see, for example, Jacobsen, Hvitved, & Andersen, 2014). However, there is some evidence that PSM, which is measured to generally be high in the Danish public sector (Thuesen, 2010), is currently under-utilized and therefore does not play a significant role in productivity development.

The increasing complexity, the global challenges and the rate of change, demands new types of leading and managing

As the rate of change has grown, the boundaries of transformative leadership are also challenged (Lord, 2008) – how can a leader set a direction, when the future is so volatile, unpredictable and unknowable? Here, employees' reflexive self-management becomes even more important. Recent leadership theories thus also emphasize the importance of shared leadership, distributed leadership and emergent leadership (Clarke, 2018; Denis, Langley, & Sergi, 2012; Drescher, Korsgaard, Welpé, Picot, & Wigand, 2014; Raelin, 2016; Zhu, Liao, Yam, & Johnson, 2018), and the importance of being able to lead networks (Edelenbos, Buuren, & Klijn, 2013; Klijn, 2005). In addition, the development of leadership theories is countered by an equal interest in followership theory (e.g. Uhl-Bien, Riggio, Lowe, & Carsten, 2014). Furthermore, so-called pro-social leadership theories, such as authentic leadership, ethical leadership and servant leadership (Northouse, 2015) as

well as purpose-driven leadership (Birkinshaw, Foss, & Lindenberg, 2014; Gyori, Kazakova, & Gyori, 2018; Quinn & Thakor, 2018; Rey, Bastons, & Sotok, 2019) have come to the fore. The notion, that a visionary leadership can reside 'at the top of the pyramid' and manage through the implementation of strategies, performance management, and incentives is on decline in a world, where problems are complex, requiring reflection, collaboration, and involvement from many perspectives. When the environment of organizations is characterized by great uncertainty, volatility and unknowability, agility becomes important in a way that can only be redeemed by greatly decentralized ability to act without centralized directions, while having competences, language and tools to collaborate and reflect on the challenges. This shows the reason why the kind of performance management and incentivizing reward systems that inspired both New Public Management (NPM) and Human Resource Management (HRM) a few decades ago is now in decline, and emphasize now is on performance management systems underlining learning and reflexivity. It looks more like an understanding of man, as *Homo Sociologicus* than as *Homo Economicus*, but maybe it is better characterized as *Homo Curarum* (the man who cares) ... or maybe even *Homo Curarum Creativus* (the man who cares creatively).

Notes

1. Much of this article is based on a Danish book-chapter, I have previously published: Neisig (2017).
2. *Homo economicus*, also called 'The Economic Man', is often associated with Adam Smith (1723–1790) and David Ricardo (1772–1823). Thus, Smith wrote in *The Wealth of Nations* (Smith, 1986/1776, p. 119): 'It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard for their own interest.' 'The Economic Man' is first mentioned by Persky (1995, p. 221–231) in a critique of John Stuart Mill's (1806–1873) work on political economy and the term '*homo sociologicus*' was introduced by Ralf Dahrendorf (1959).
3. The candle problem or candle task, also known as Duncker's candle problem, is a cognitive performance test, measuring the influence of functional fixedness on a participant's problem-solving capabilities. Duncker originally presented this test in his thesis on problem-solving tasks at Clark University.

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No potential conflict of interest was reported by the author.

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