

## **Different aspects of employee motivation, including subcontractors and contingent workers**

### **- a literature review**

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#### *Introduction*

This review gathers together some new aspects and research results concerning employee motivation. The idea is to present new approaches towards personnel engagement and, especially concerning contingent workers and subcontractors. The findings presented are gathered from recent journal articles and conference papers. Most of them were about construction projects where the use of subcontractors is very common. Support for this research was provided by CLEEN SGEM (Smart Grids and Energy Markets) project funding and Tekes – the Finnish Funding Agency for Technology and Innovation.

For decades financial incentives were assumed to automatically improve motivation. This view has, however, been questioned during the last few years. (e.g., Rose & Manley 2010) At the same time, researchers have begun to study the different kind of employee models and their effects to motivational aspects.

This short review introduces the following themes/articles:

- boundaryless workers; who are they and how do they differ from “traditional workers”
- social identity theory; into what company does a subcontracted worker feel commitment? To the subcontractor or to the company at which location she/he is working at or both?
- commitment of work-groups; how do work-groups differ from e.g., teams and are the participants of a work-group more committed to the group or to the whole organization?
- motivation of subcontracted employees; how to promote positive motivational behavior in subcontractor crews?
- defining effective financial incentive mechanisms; what should be taken into account?

### *Demand for temporary employees*

The use of temporary employees is often explained to be a part of organization's strategic process to increase profitability and stakeholder return (Marler et al. 2002). Marler et al. (2002) quote Lepak and Snell's distinction of two types of external employment arrangements: out-sourcing and partnering. Out-sourcing involves acquiring low value, low unique skills whereas partnering entails engaging someone with unique skills for a short period of time.

Marler et al. (2002), also distinct workers into boundaryless workers and traditional workers. Even though the majority of workers still are traditional workers, i.e., they prefer a permanent work, there is a growing group of workers who have adopted a boundaryless career path. They state that when individuals become boundaryless, their security is rooted in their own skills and in their ability to sell those skills in the external labour market. For boundaryless workers, they quote earlier research, security is not about keeping a job but about how easily one can find another job. They also claim that boundaryless workers identify with their occupation or skill set and not with the organization they work for.

Marler et al. (2005) emphasize that boundaryless workers are quite different from other temporary workers and HR practices may also have to vary depending on which temporary type is employed. According to them, job characteristics and incentive systems probably have different motivating effects, depending on temporary type. This, however, they stress, is an understudied area.

### *Social Identity Theory*

During the last years, many companies have undergone changes in the way they function: the work may have been restructured around self-managed work teams and the use of suppliers and subcontractors has increased. (Lipponen et al. 2005) Thus it is not rare that there are several kinds of employed work force working at the same site at the same time. This, however, leads to challenges for research on organizational commitment, as it has been pointed out that people often feel multiple commitments at work (ibid.).

To understand organizational commitment, Lipponen et al. (2005) investigated different organizational profiles. They base their research on social identity theory (SIT), according to which individuals define themselves in terms of their social group memberships. They refer to earlier research results, according to which the more a person identifies him/herself with a certain group, the more his/her attitudes are assumed to be affected by that group membership.

Lipponen et al. (2005) investigated 20 shipyard subcontractors with over 100 contingent workers and subcontractor workers all operating in the same shipyard. They labeled four different identifications among employees:

1. multiple identifiers (employees who had strong identification with both the subcontractor and the shipyard)

2. subgroup identifiers (employees who had strong identification with the subcontractor and weak identification with the shipyard)
3. superordinate identifiers (employees who had weak identification with their employer but strong identification with the shipyard they were working in) and
4. non-identifiers (employees who had weak identification with both of them).

Lipponen et al. (2005) found some strong predictors of identification: First, perceived group prestige was the strongest predictor of identification: the more prestigious the group was perceived by its members, the greater was the employees' identification with the group. Second, there was found a connection between subgroup size and identification profiles. The smaller the subgroup, the more likely it was that the employee belonged to the "subgroup identifiers". According to their research, it was also found that the competition between subgroups does not affect to the way the employees feel towards their actual employer and their workplace.

These results could be of use when planning e.g., incentive models. It is important to know, how much the employee identifies him/herself with the company he/she is enrolled in and how much to the company he/she is working at.

#### *Organizational commitment of work-groups*

The survey made by Lipponen et al. (2005) was directed at individuals working for subcontractors. Self et al. (2005) have investigated the organizational commitment between employees and their work-group. Their survey consisted from a sample of employees working in a telecommunications firm in United States.

Self et al. refer to Katzenbach & Smith's earlier research according to which many organizations that claim to be team-based are actually based on work-groups. According to them, teams are interdependent, performing through coordinated efforts whereas workgroups are not interdependent. Their members are directly responsible for their performance and indirectly for the group's performance.

Self et al. (2005) claim that employees don't only identify with the global organization, but they also value their immediate work group. In their survey, the employees rated work-group support more highly than the perceived organizational support. However, they stress, that this is an area which has not been much studied. They mention, that if the leaders are attempting to measure e.g., organizational support, they'll have to be able to identify the level they are measuring: organizational support, team support or work-group support.

#### *Motivating subcontractor-based employees*

Incentives are powerful tools for motivating workers, but they have to be used correctly (Cox et al. 2006). Cox et al. (2006) have developed a subcontractor base motivational model for construction industry. Their model consists of four steps presented in the following Figure 1:

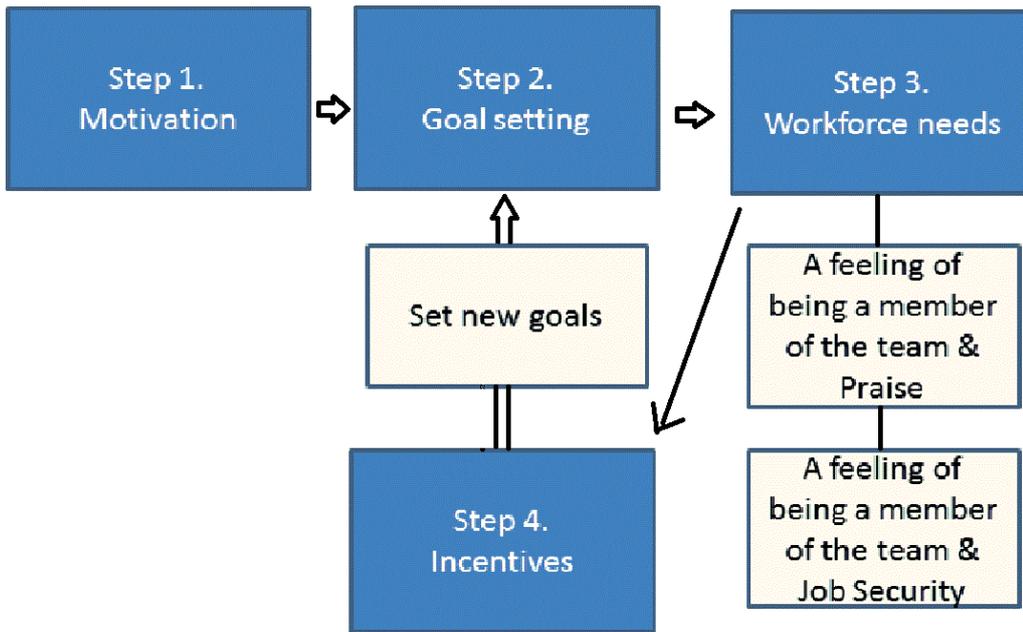


Figure 1. A subcontractor based motivational model (Cox et al. 2006)

In step 1, the intention is to create positive motivation in reference to confidence based on worker competence and/or by the use of incentives. In step 2, the target is to set goals in reference to quality of work and/or safety performance, which, in construction business is extremely important. In step 3, are presented two separate goals to reference worker needs: praise and job security. In step 4, are presented reward goals that are reached with money. (Cox et al. 2006)

To assist in developing the motivational model, Cox et al. (2006) made a survey, which contained four areas: motivation, goal setting, workforce needs and incentives. According to them, the most interesting findings was related to workforce needs: “it was surmised that essentially a worker must first receive praise before they feel as if they are a member of the team/crew and once they feel like a member of the team, they begin to acquire feelings of job security”. However, they also found differences in responses of different demographic groups such as age, years of experience or number in crews.

#### *Defining of effective financial incentive mechanisms*

Developing an effective financial incentive mechanism is extremely challenging. They are widely used, but very little is known about how financial incentives should be applied to maximize their effectiveness (Rose and Manley 2007). Rose and Manley (2007) tried to identify motivation factors in a large construction project and to explain their characteristics in a project context. In their example, they found out that even though the intention was to use a financial incentive mechanism to promote motivation, the result was a failure.

However, gathering the experiences from the surveyed project, Rose and Manley (2007) ended up giving the following five recommendations:

1. The incentive participant should have control over their performance to achieve the financial incentive mechanism goals. This includes as well the managing contractor as well the subcontractors.
2. Incentive goals should cover all project performance areas. The goals should be based on overall project priorities. A wide range of performance goals can assist in maximizing motivation through multiple reward opportunities.
3. Incentive measurement process and reward opportunities should be perceived to be fair and equitable. If the distribution plan is perceived to be inequitable, it can have a negative effect on team performance and individual behavior.
4. Financial incentive mechanism goals and measurement should be flexible. If it turns out that the goals are not achievable, the mechanism should be so flexible that it the incentive goals be redirected towards other relevant priorities.
5. Relationship management should be considered when designing a financial investment strategy. The target should be in promoting “overall” motivation and preventing “calculative individualistic behavior”.

### *Conclusions*

The previous examples demonstrate both the importance and the difficulty of motivating and rewarding employees and contingent workers. Lipponen et al. (2005) quote Fichman & Goodman (1996) who have stated that “in many cases, a company’s future rests upon how well it can develop and manage relationships with the employees of key suppliers and subcontractors”. In future, it is probable that the work will be even more structured around work teams and boundaryless workers, which means that the importance of motivation issues will also increase further.

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