

Guidelines for evaluation of exam paper in Organization Theory. August 2011.
Written Exam, Summer School, Economics Summer 2011. Organization Theory. Master's Course.
24 hours take home exam from 25 August at 10 am to 26 August at 10 am

FORMULATION OF THE ASSIGNMENT TO THE STUDENTS.

Please note that the language used in your exam paper must correspond to the language of the title for which you registered during exam registration. I.e. if you registered for the English title of the course, you must write your exam paper in English. Likewise, if you registered for the Danish title of the course or if you registered for the English title which was followed by “eksamen på dansk” in brackets, you must write your exam paper in Danish (or in Norwegian or Swedish). - If you are in doubt about which title you registered for, please see the print of your exam registration from the students' self-service system.

Focus on Exam Cheating

In case of presumed exam cheating, which is observed by either the examination registration of the respective study programmes, the invigilation or the course lecturer, the Head of Studies will make a preliminary inquiry into the matter, requesting a statement from the course lecturer and possibly the invigilation, too. Furthermore, the Head of Studies will interview the student. If the Head of Studies finds that there are reasonable grounds to suspect exam cheating, the issue will be reported to the Rector. In the course of the study and during examinations, the student is expected to conform to the rules and regulations governing academic integrity. Academic dishonesty includes falsification, plagiarism, failure to disclose information, and any other kind of misrepresentation of the student's own performance and results or assisting another student herewith. For example failure to indicate sources in written assignments is regarded as failure to disclose information. Attempts to cheat at examinations are dealt with in the same manner as exam cheating which has been carried through. In case of exam cheating, the following sanctions may be imposed by the Rector: 1. A warning; 2. Expulsion from the examination; 3. Suspension from the University for at limited period or permanent expulsion. - / The Faculty of Social Sciences, The Study and Examination Office, October 2006.

Assignment

Give an outline of selected theories related to work motivation and discuss their implications for how managers may motivate employees to excellent work performance and the pros and cons of different ways to motivate employees through economic and non-economic incentives.

Maximum length of exam paper:

The maximum size of the exam paper is 10 standard pages. Front page(s), table of contents and list of literature, if any, are not included when the number of pages is counted. A standard page is a page with a 12 pitch-font, all margins set to 2.5 cm and line spacing set to 1.5 cm. The students are welcome to use word processing packages like Scientific Workplace or a kind of Tex in which such a formatting is not natural. The student is then required to ensure that the formal requirements are met. Any tables, charts and footnotes etc. are considered part of the standard page and, consequently, form part of the total number of pages in the paper. If the requirement regarding the maximum number of pages is not adhered to, then the exam paper will be rejected and counted as one exam attempt. Each student writes his/ her own exam paper. Exam papers written by two or more students are not accepted.

The title of the file is your exam registration number – and only that. If your number is 1201, your file must be called 1201.pdf

GUIDELINES FOR EVALUATION OF EXAM PAPER.

The point of departure for evaluation is the academic aims of the course:

- Describe basic principles of the following theories: Classical Organization Theory, Human Relations, Human Resources, Contingency Theory, Institutional Theory, Resource Dependence Theory, Population Ecology, Transaction Cost Theory, New Public Management and Lean Production.
- Describe theories about: Strategy, structure, network, culture, leadership, groups, communication, power, decisions, motivation and learning.
- Analyse and compare the theories, their strengths and weaknesses with regard to obtaining an understanding of concrete organizations and organizational phenomena.
- Analyse the relevance of the theories, their strengths and weaknesses from the point of view of practical action and management of tasks and problems in organizations.
- Select, justify and apply relevant theory in analysis of organizational issues or themes described in a concrete case; and present analysis and proposed solution in a written essay in a grammatically correct, clear and coherent way.
- Describe differences and similarities between economic perspectives on organizations and perspectives from other social science disciplines.
- Describe the difference between Organization Theory as a scientific discipline and management literature.

To write the exam paper one may draw on the following texts in the syllabus: Text 1 in particular chapter 3, 9, 11 and 13 in Text 1A and chapter 2, 7, 8 and 10 in Text 1B; Text 2 in particular chapter 4, 5, 6 and 10; Text 3; Text 4; Text 6; Text 7; Text 9 chapter 14; and Text 10. The most essential texts are Text 2, 4, 6 and 7.

The exam paper may be organized in different ways, for example as follows.

Selection of theories and discussion of their managerial implications.

The student should select theories for presentation and subsequent discussion. The student may select in particular from among the following theories related to motivation: Scientific Management, Human Relations, McGregor, Maslow, Hackman, sociotechnical theory (autonomous work groups), expectancy theory, equity theory, goal setting theory and Frey's theory. Other theories, in particular on leadership, culture and service management may also be considered for selection. The student should define and may also discuss the concept of motivation, including intrinsic and extrinsic motivation and related concepts, different types of theories related to motivation, including content theories and process theories. The concept of excellent performance may be discussed. The discussion of managerial implications may also include an evaluation and a comparison of the selected theories. The student should argue for his/ her selection of theories.

Scientific management: Conception of the worker: Natural laziness, does not want responsibility, limited time horizon, primarily motivated by money, rational as an individual, irrational as group member. This leads to motivation through precise work instructions, some kind of individual performance related pay and management of individuals rather than groups.

Human Relations: Conception of the worker: Social needs (recognition and belongingness) are important. The implication is motivation through democratic and participatory leadership styles, group/team work and leadership thorough influencing group norms which are important for work effort. Satisfied workers produce more. Therefore, management should also attempt to promote job satisfaction.

McGregor: Theory X and Y. Management's conception of the worker is a self-fulfilling prophecy. In societies with good wages and comprehensive social security it is most appropriate to motivate through non-economic motives, i.e. use Theory Y.

Maslow: The hierarchy of needs: Physiological, safety, social, esteem, self-actualization. Management should motivate through needs not yet sufficiently satisfied. The more the lower needs are satisfied the more should management motivate through self-actualization, for example interesting and challenging tasks.

Herzberg: Motivators (primarily job content) and hygiene factors (primarily factors outside job content). Motivators create motivation/ satisfaction and performance. Hygiene factors, e.g. an acceptable wage, prevents dissatisfaction (and absenteeism and turnover) but does not lead to high motivation. The practical consequence is motivation through job enrichment (reduction of the vertical division of labour).

Hackman: Psychological relevant job dimensions: Skill variety, task identity, task significance, autonomy, feedback. These dimensions have impact on psychological states (meaningfulness, responsibility, knowledge of results) which again have impacts on outcomes: Motivation, job satisfaction, work performance, absenteeism and turnover. The managerial consequence is primarily motivation through the content of the job depending, among other things, on the growth need of employees.

Sociotechnical systems: A kind of synthesis of Human Relations and Human Resources (Maslow, Herzberg, Hackman). Employees have a number of specific job related needs which are best taken care of through autonomous working groups with job enrichment, autonomy, flexible division of labour and development of skills. This kind of arrangement promotes high motivation and excellent work performance. The managerial implication is team organization and introduction of autonomous groups.

Expectancy theory (Vroom and Porter/ Lawler): A cognitive rational theory of motivation. *Vroom:* An individual exerts effort depending on: Expectancy (perceived relation between effort and performance), instrumentality (perceived relation between performance and outcome, i.e. wage, recognition, promotion) and valence (the value/ utility of the outcome for the individual). *Porter/Lawler:* Their model is a comprehensive extension of Vrooms model. The implication of expectancy theory is that management should use rewards valued by employees, make job descriptions clear and through recruitment, selection and skills development ensure that employees are able to perform well.

Equity theory: The exchange between the individual and the organisation includes input from the individual (effort and commitment) and output to the individual (economic, social, career etc.). The employee compares his/her input/output ratio/difference with other comparable employees according to explicit and implicit, psychological, contracts. The result is perceived equity or inequity. Inequity may lead to low motivation and performance (reduced input). The consequence of the theory is that management somehow should ensure that the structure of rewards is equitable.

Goal setting theory: This theory says that goals with the following characteristics are motivating: Concrete/ operational, ambitious, realistic, accepted by the employee and coupled with feedback on goal attainment. The sheer formulation of goals has both a cognitive function and an energy mobilizing function. The consequence of the theory is management by objectives and delegation.

Frey's theory: An economic theory of motivation, in contrast to the other psychological and social psychological theories, criticizing Principal Agent Theory and dealing in particular with the relation between intrinsic and extrinsic motivation. A main thesis is that extrinsic motivators (e.g. Performance Related Pay)

under some conditions undermine (crowd out) intrinsic motivation thus leading to lower total motivation and reduced performance. The managerial consequence is that management should be careful to balance intrinsic and extrinsic motivators depending on the type of work and the type of employee.

Leadership styles: Theories on leadership styles deal with the impact of leadership on employee motivation and performance. There are universal theories saying that some type of leadership always leads to the best result (e.g. Blake & Mouton) and there are situational theories emphasising (e.g. Fiedler) that the optimal leadership style depends on the type of employee or other elements of the situation. Theories of transformational and transactional leadership also deal with motivation. Finally, there are theories on value based leadership closely related to the concept of culture.

Culture: Theories of culture emphasize that motivation and commitment of employees are heavily influenced by the culture of the organization. Management may influence the culture of the organization through a number of direct and indirect mechanisms. Through creating an appropriate culture management contributes to fostering identification with organizational goals, loyalty, motivation and commitment.

Discussion of pros and cons of different ways to motivate employees through economic and non-economic incentives.

Motivators and incentives can be conceptualized and classified in different ways. The concepts of economic and non-economic incentives should be defined and may be discussed. The goals of motivation such as work effort/ performance, retention, recruitment and accept of change may also be emphasized as well as the applicability of different ways to motivate in different contexts in terms of types of employees, jobs, organizations and countries. The possible symbolic function of economic rewards and the interplay between motivators and their combination may also be dealt with in the exam paper. The discussion of pros and cons (advantages and disadvantages) can be organized in different ways, for example according to different ways to motivate as indicated below.

Fixed wage; i.e. hourly, weekly or monthly wage/ salary dependent on hours worked, position, experience, job-content (function) and/or qualifications. To some extent this is the wage system in the classical bureaucratic organization. Depending on how the wage system is designed this kind of system may motivate employees to perform well because of fear of being fired, a hope for promotion/ continued employment and due to a crowding in effect. Internal differentiation may serve an allocation function within the organization and wage according to qualifications may motivate employees to go into further training. Other pros are that such system is useful if performance is difficult to measure, it may promote quality, it is transparent and it is often relatively easy to administer. The most important disadvantage is that it includes no monetary incentives to excellent performance. For such system to function well it is important that it is perceived as fair by employees.

Performance Related Pay (PRP) can be of different types: A) Output incentives (objective) and/ or merit rating (subjective). B) Individual or collective (group/unit/organization).

The advantages of *individual output incentives* is that there is a direct relation between the effort/ performance of the employee and his/her economic outcome. The preconditions for output incentives to function well are that output can be measured, workers are able to influence output to a significant extent, output targets must be attainable and workers must believe that management will not reduce piece rates if output is unexpectedly high. Such wage system is consistent with the principal agent theory, goal setting theory, expectancy theory and empirical findings showing a clear impact on productivity of introducing output incentives for employees with relatively simple jobs. The impact on productivity comes through an

impact on work effort and through a selection effect (the most able workers are attracted to PRP). Other advantages may be lower monitoring costs (from the point of view of management) and increased job satisfaction due to more autonomy and higher earnings (from the point of view of workers). The disadvantages of individual output incentives may be: Loss of management control, wage drift and conflict, administrative costs, reduced innovation and less flexibility, crowding out of intrinsic motivation, non-rewarded activity (e.g. knowledge sharing, promoting quality) is neglected and stress and accidents.

The advantage of *individual merit rating* is that it can be used where it is difficult to measure output in an objective way. The most important disadvantage is its subjective character. Some of the advantages and disadvantages of output incentives, cf. above, also apply to merit rating.

Output incentives related to group performance may motivate to increased performance both because of the economic incentive and because of the team spirit, identification with group goals, collaboration, knowledge sharing, innovation and flexibility that a group based reward system may imply. Output incentives related to group performance may also strengthen motivators related to social processes and contents of the job. Such system is in particular appropriate when it is difficult or impossible to identify the contribution of each individual group member. The most important disadvantages are that group incentives may promote free riding, that the relation between individual effort and economic compensation is vague and that groups may develop norms of "output restriction" to protect themselves. Some of the advantages and disadvantages of individual output incentives, cf. above, may also apply to collective output incentives.

Output incentives related to performance at unit or organizational level include among other things gain sharing, profit sharing and stock ownership. Many of the basic advantages and disadvantages of such systems are, in principle, the same as for output incentives related to group performance, cf. above.

Fringe benefits are typically given to all employees in the organization or to certain categories of employees. An advantage is that the employees' attachment to and identification with the organization is promoted. A disadvantage is that such benefits are often independent of performance.

Employment security. The advantage of using employment (in) security as a motivator is that insecurity may motivate employees to perform well to keep their jobs. The advantage of employment security is that it may motivate employees in a broader sense for example by reducing resistance to change and promote innovation and knowledge sharing. Employment security may also promote identification with organizational goals and thus foster other kinds of non-economic motivation.

Social rewards (or punishments), that is recognition from management and colleagues. Human Relations, Maslow, learning theory and other theories emphasize that social acceptance, a feeling of personal worth and supportive social relations are basic human needs which the organization can use to motivate employees. Using social rewards as a motivator can take place thorough establishing teams and autonomous work groups and by ensuring that the social processes in the groups and teams function well and that the norms in the teams and groups are consistent with organizational goals. Management can use social rewards by practising appropriate *leadership styles* such as democratic, participatory and employee centred leadership styles where employees are seen and treated as human beings rather than only as factors of production. The basic advantages of such leadership styles (which often cost the organization only little) are that they may motivate employees to comply with the leader's wishes and organizational goals. To some extent such leadership styles may be learned and this way of motivating may be relevant for a wide range of employees, jobs and organizations. A basic disadvantage is that this kind motivator sometimes can be difficult to use if the leader for some reason is unpopular or if the distance in terms of power between leader and subordinates is too large. Some leaders may for personality reasons be unable to practice employee oriented leadership styles which may also conflict with some leaders' philosophy of management.

Status is a kind of formal and symbolic social reward or recognition and has similarities with other social rewards, cf. above.

Content of the job. Motivation through job content was proposed by Herzberg and others within the Human Resources school. The basic argument is that human beings (or at least many human beings) have an innate drive for self-realization. The energy behind this need can be used by the organization to motivate employees. The practical consequence is job enrichment, delegation, team working and autonomous working groups. The basic advantages are that this method of motivating may promote both high quantity and quality of work, that it may be cheap (relative to wage increase, for example) and that motivation is intrinsic and therefore promotes innovation and flexibility. This method of motivating is also consistent with technological and market developments implying that job requirements in terms of skills and flexibility are increasing as is the level of education of the work force. The disadvantage of the method is that it cannot always be used (certain jobs cannot be enriched) and that it may imply a narrow professional oriented outlook on the part of the employee which may conflict with overall organizational goals.

Values and overall organizational goals. Motivation is created by the employees' belief in the values and goals that the organization is seeking to realise. It is done by creating a corporate culture and values appropriate for the organization and communication of culture and values to employees by, for example, value based management, cultural management, transformational leadership or charismatic leadership. Theories within these fields indicate how organizational founders and managers in general may promote certain values and beliefs in the organization. The basic advantage of this kind of motivation is that it - to the highest possible extent compared to other motivators - aligns the subjective interests of the employee with organizational goals. The organization may take on a value in itself, a non-instrumental value, for the employee. If this kind of motivation is successful it means that there is no perceived conflict of interest between management and employees. This also means that the internal costs of transactions will be low as few monitoring and control mechanisms would be needed because management is confident that the employees will always do what is best for the organization, cf. Ouchi's theory of clans. The basic disadvantage of this motivator is that it is often difficult to use because of clear conflicts of interests between management and employees (unions) about for example wages, staffing, re-location, allocation of tasks and work effort in particular in times where resources are scarce and management attempts to introduce changes with adverse consequences for employees.

Evaluation

The exam paper should be well written and clear also concerning formal aspects. In the exam paper the student should demonstrate knowledge and understanding of concepts, theory and arguments concerning motivation in organizations and an ability to reflect on and analyze the motivational issues with relevant concepts and theories. The exam paper is evaluated as a whole based on an assessment of the student's description and analysis of motivational issues.

SYLLABUS:

1. Daft: Theory and Design of Organizations:
You may use one of these two nearly identical editions:
 - 1A. Richard L. Daft: Understanding the Theory and Design of Organizations. Tenth Edition. South-Western Cengage-Learning, 2010. Chapter 5 and Cases/ Exercises not included.
 - 1B. Richard L. Daft, Jonathan Murphy, Hugh Willmott: Organization Theory and design. South Western. Cengage-Learning, 2010. Chapter 6 and cases/ Exercises not included.
2. Penny Dick & Steve Ellis: Introduction to Organizational Behaviour. Third Edition. London: McGraw Hill Education. 2006. Chapter 1, 3-6 & 10.
3. W. Richard Scott & Gerald Davis: Classical Organization Theory. In: W. Richard Scott & Gerald Davis: Organizations and Organizing. Rational, And Open System Perspectives. New Jersey: Pearson Education. 2007. Page 41-50.
4. David Jaffee: Human Relations and Human Resources. In: David Jaffee: Organization Theory. Tension and Change. New York: McGraw-Hill Higher Education. 2001. Pages 65-73, 78-87.
5. Sytse Douma & Hein Schreuder: Transaction Cost Economics. In: Sytse Douma & Hein Schreuder: Economic Approaches to Organizations. FT Prentice-Hall. Pearson Education. 2008. Page 161-191.
6. Bruno S. Frey & Margit Osterloh (eds.): Successful Management by Motivation Balancing Intrinsic and Extrinsic Motivation. Berlin: Springer. 2002. - Chapter 1 and 3 except page 61-67.
7. John Child: Payment Systems. In: John Child: Organisation. Contemporary Principles and Practice. Malden, MA: Blackwell Publishing. 2005. Page 156-174.
8. Gary Yukl: Leading Change in Organizations. In: Gary Yukl: Leadership in Organizations. Sixth Edition. New Jersey: Pearson. 2006. Page 284-314.
9. Fiona M. Wilson: What Managers Do - Leadership. Chapter 8 & 14 in: Fiona M. Wilson: Organizational Behaviour and Work. A Critical Introduction. Oxford University Press. 2006.
10. Mary Jo Hatch with Ann L. Cunliffe: Organizational Culture. In: Mary Jo Hatch with Ann L. Cunliffe: Organization Theory. Modern, symbolic and postmodern perspectives. 2nd edition. 2006. Page 175-213.
11. Notes to the students: Collection of slides with overview of the course, cf. the plan for the Course, Day 15.