Modelling Factors of Motivation in a Not-For-Profit Organisation

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Abstract
This paper reports on a study undertaken in an organisation providing services for people with disabilities. The organisation in which this research was undertaken is facing a changing funding model. The essential research issue of the paper is an understanding of the influence of both intrinsic and extrinsic rewards on the motivation of not-for-profit staff.

The organisation concerned is made up of two units, in one of which employees can earn a performance bonus. This situation highlights the issue of how extrinsic rewards are perceived by staff as a source of motivation.

The technique of discriminant analysis was used to investigate the importance of a number of variables on staff motivation.

The important findings of the study are, first, that intrinsic rewards play a significant role in motivation. Second, extrinsic rewards, but in combination with intrinsic rewards, also motivate staff.

Keywords: Intrinsic rewards, Extrinsic rewards, Motivation, Not-for-profit

1. Introduction
The aim of this study is to develop an understanding of the factors that motivate employees to work in a Not-for-Profit (NFP) organisation. It is an attempt to model the factors explaining why people work in the sector and what motivates them. In particular, the study models the relative importance of intrinsic and extrinsic rewards to employees. An important aspect of the study is that the motivational effect of both intrinsic and extrinsic rewards is examined in a two-sector organisation: one sector paying a performance bonus (an obvious extrinsic reward) and the other sector not.

The organisation in question is in the open employment sector, finding employment for disabled people. In Australia the open employment sector experiences higher staff turnover than other sectors in the economy, resulting in unnecessary costs and disruption (Graffam, Noblet, Crosbie and Lavelle 2005). The open employment sector is facing a changed funding model being introduced by the Australian Federal Government. The sector will no longer receive block funding, paid irrespective of employment found for the clients of the organisation but will be paid on the basis of clients being placed in employment. The payment from the government will be reduced the longer it takes to find employment for the client. The funding changes have the potential to create uncertainty and increased pressure to find placements for their unemployed clients as speedily as possible, irrespective of their needs.

The issue to be considered in this article is what motivates people to work in and remain in the NFP sector despite being paid less than their private sector counterparts. While Gupta and Mitra (1998) argue that money is an important motivator. However, the NFP literature indicates that intrinsic rewards are important to staff in NFP sector organisations and argues that classical agency theory is inadequate to explain the motivation of employees in this sector. Extrinsic rewards, such as monetary bonuses, are incentives provided by others and are external to the recipient. Intrinsic rewards are personal, “internal” responses, such as satisfaction or pride in an accomplishment. The debate about the influence of extrinsic and intrinsic rewards on motivation appears to be cast in dichotomous terms. However, as will be discussed further, where an organisation’s mission and policies support and enable staff to help the organisation’s clients there will be a congruence of motives between the organisation and its employees.

Both sides of the debate point to research evidence supporting the importance of extrinsic and intrinsic rewards, respectively, to motivation. However, much of the evidence indicating the importance of extrinsic rewards comes from the business sector or was obtained using an experimental research method in which the context of the task is
not considered. In fact participants in experiments are often required to perform trivial tasks. The focus of the experiment is usually to determine the effects of changing the level or frequency of rewards rather than what the participants are required to do. However, in a human services context the nature of the task is not trivial and in all likelihood is the reason for the employee being in the sector. The fact that the employee is working in an NFP organisation is indicative of a set of values in which extrinsic rewards are not the first consideration (Weisbrod (1983), Preston (1989), Roomkin and Weisbrod (1999)).

Human behaviour is complex and not easily analysed by research that ignores the context of that behaviour. While extrinsic rewards cannot be ignored in motivation, the role attributed to them by agency theory is not necessarily correct – it is probably overstated. In this paper there is an attempt to understand the roles of intrinsic and extrinsic rewards by modelling motivational factors in the context of a disability employment organisation.

The paper continues (section 2) with a statement of the context of the problem – the role of intrinsic and extrinsic rewards in the disability employment sector. In section 3 is discussed the literature dealing with intrinsic and extrinsic rewards; followed by section 4 which is a brief description of the organisation in the study. In section 5 is highlighted the theoretical issues raised in section 3 (literature review) and which give rise to the research question. Section 6 outlines the research method, and section 7 summarises the statistical findings. Finally, section 8 states the conclusions.

2. The Context of this Study

This theoretical discussion about the role of intrinsic and extrinsic rewards in the motivation of staff employed by NFP organisations has practical implications for the disability employment sector in Australia as it is grappling with greater than average employee turnover. In a study undertaken by Graffam, Noblet, Crosbie and Lavelle (2005) it was found that the employee turnover rate in the open disability employment industry was 27.3 per cent in comparison to the all industries average of 12.4 per cent. The higher than average employee turnover is problematic for the industry. According to Graffam, Noblet, Crosbie and Lavelle (2005) the costs to the industry including the recruitment of replacement personnel, administrative, advertising and screening costs are significant. Other costs include interviewing, security checks, the processing of references, lost productivity and the cost of training, and costs associated with the period prior to departure when employees tend to be less productive. Therefore the issues of workforce satisfaction and motivation are important for the sector.

The literature discussed below points to two contrary positions regarding rewards. One position argues that extrinsic rewards will be a source of motivation while the other argues that intrinsic rewards have greater impact, particularly in a non-commercial setting. In the next section, Extrinsic Rewards, agency theory will be considered. This will be followed by an examination of the role of intrinsic rewards in motivating NFP staff. The organisational context and the research method will be discussed. This will be followed by a reporting of the research findings. Finally there will be a discussion of the results and conclusions drawn.

3. Rewards in the Not-for-Profit Sector

3.1 Extrinsic Rewards

Performance of activities and the measurement of that performance occur in an organisational context in which, according to agency theory, there is a contractual relationship between the employer (principal) and an employee (agent) both of whom are considered to be self-interested (Jensen and Meckling 1976; Eisenhardt 1989; Baiman 1990). Agency theory suggests that people are motivated by extrinsic rewards and that employees will only perform tasks for which they are rewarded. In theory this means that people will only work to the best of their abilities if they consider their remuneration to be adequate. There should be constant regard for the trade-off between effort and reward. Therefore, people would only engage in employment that provided maximum extrinsic rewards. According to Jensen and Meckling (1976) agency theory states that individuals are wealth maximisers. Altruism is not considered to be a part of the principal/agent relationship.

Agency theory argues that extrinsic rewards will motivate people and improve performance. Gupta and Mitra (1998) using meta-analysis found that financial incentives have a strong relationship with performance. They found that financial incentives were particularly powerful with respect to performance quantity. However, results were uncertain when regarding performance quality – an important consideration in the human services sector. Also, according to the authors, their meta-analysis does not indicate the relative value of money to intrinsic rewards. However it does show that money is important.

The results of research in the public sector would appear to contradict the conclusions of Gupta and Mitra. According to O’Donnell and Shields (2002) the application of performance-related pay in the Australian Public Service (APS) has been problematic. Similarly the research of Marsden and Richardson (1994) found that
performance-related pay had limited motivational effects. Also, there were widespread concerns about the procedural fairness of the system. O’Donnell (1998) found that the attempt to apply performance bonuses to senior officers of the APS did not contribute to an improvement in performance. Also, the OECD (1993) questioned the motivational effects of pay increases and bonuses, particularly for senior public service managers. However, Gaertner and Gaertner (1985) report that performance appraisals that placed emphasis on the development needs of public sector managers had the potential to increase the performance of the manager. This finding suggests that extrinsic reward coupled with training or feedback that could assist the individual to improve performance has greater significance than extrinsic rewards alone. The application of extrinsic rewards usually requires the need for performance appraisal. However, according to Williams (1998) performance appraisals are often poorly done, and are seen as being contentious and the source of disagreement between the employee and management.

O’Donnell and Shields (2002) point out that there is evidence that a goal-setting approach in the public sector may be more effective in improving performance than performance appraisal that is behaviourally-based. Similar results were reported by Dowling and Richardson (1997) who showed that UK National Health Service (NHS) managers were positive about role and goal clarity, and feedback and support from superiors. Redman et al. (2000) found that two-thirds of NHS managers reported that a performance management system contributed to their motivation and job satisfaction. However, the performance-related pay component of the system was perceived negatively. Respondents were particularly critical of performance pay being given to individuals in instances where performance was heavily dependent on a team effort.

The findings of Gaertner and Gaertner (1985), Dowling and Richardson (1997), Redman et al. (2000) and O’Donnell and Shields (2002) suggests that extrinsic rewards by themselves are problematic and that staff motivation also involves to intrinsic rewards such as pride at doing a good job and a sense of doing something worthwhile. Kohn (1993) argues that extrinsic rewards are similar to bribes and send a message to employees that the tasks they undertake are not worthwhile. However, people working in the third sector do so despite generally lower pay, because they consider the task to be important.

3.2 Intrinsic Rewards

Williams (1998) points out that people have different values, motives and perceptions and are not passive recipients who will automatically respond to work systems as management wishes. In keeping with the findings of Etzioni (1988) and Larson (1977), values are considered to be important in the development of an individual’s commitment to an organization. Holcombe (1995) argues that bringing about a congruence of individual values with organizational values is creating a sense of mission that is an employee’s personal commitment to the mission of the organization. In her study of the Grameen Bank in Bangladesh, Holcombe demonstrates how important employee identification with the organization’s goals and values is to the achievement of the organization’s mission. According to Brown and Yoshioka (2003) NFP staff, particularly volunteers, tend to be motivated by the values and mission of the organisation. They also found that a perception that pay was inadequate was a source of dissatisfaction, which could lead to a reduction of commitment to the organisation. The authors referred to point to the values and the mission of the NFP organisation as being an important source of motivation while also pointing out that extrinsic rewards cannot be ignored.

Yet agency theory cannot explain why people work for NFP organisations despite generally receiving less pay than for equivalent jobs in the business sector. Almer, Higgs and Hooks (2005) argue that most agency models of compensation are only concerned with financial benefits. However Etzioni (1988) states that individuals may also derive utility from non-economic factors or rewards. Larson (1977) reports that serving the public good and control over the work environment can modify the behaviour of individuals. Therefore, while pay cannot be ignored, these writers argue that there are factors other than pay that attract people to NFP organisations.

According to Berry, Broadbent and Otley (1995) organisational control, including such elements as goal setting, performance measurement and rewards, is pluralistic and people working in the ‘caring services’ may consider remunerative reward as less important than the normative reward of ‘doing a worthwhile job’. This is in keeping with the arguments of Etzioni (1988) and Larson (1977) and also that of Brown and Yoshioka (2003).

Further, Brown and Yoshioka (2003) cite Mason (1996) as stating that many individuals in NFP organisations conceptualise money as a means to accomplish larger objectives and not as an end in itself, either personally or organisationally. Therefore financial incentives and controls may not be as effective in NFP’s. Speckbacher (2003) quotes Rose-Ackerman (1996) as stating that NFP organisations may more easily attract committed employees precisely because the absence of owners is a signal to such employees that their selflessness will not be enriching someone else. This position has been supported empirically by Weisbrod (1983), Preston (1989), and
Roomkin and Weisbrod (1999). The literature quoted so far has argued that intrinsic rewards are important in the NFP context.

In fact Deckop and Cirka (2000) are of the opinion that intrinsic rewards have a greater impact in NFP organisations than in other organisations. Results reported by them support the contention of Osterloh and Frey (2002) that extrinsic rewards can ‘crowd out’ intrinsic motivation. Deckop and Cirka (2000) found that a merit pay scheme may reduce intrinsic motivation for those employees who were highly motivated intrinsically before the scheme was introduced. This position has been questioned by Gupta and Mitra (1998) who argue that their meta-research does not show the crowding out of intrinsic rewards by extrinsic rewards. However, the authors do not provide the context of these findings.

4. The Organisation

The organisation in which this study took place provides services for people with disabilities employment agency that finds open-market employment for people with various degrees of intellectual and physical disability. The organisation is divided into two units: the Employment unit, is the larger of the two and finds employment in the open market for its clients, and the Lifestyles unit, which provides independent living skills for intellectually disabled people. The organisation can be regarded as successful as it has operated for six years, has a staff of about 60 people and has received public recognition for its work, including complimentary newspaper reports. The organisation is located on a number of sites across Melbourne’s western suburbs, with each site having a manager. There is an executive manager for the organisation as a whole, and a separate manager for each of the Lifestyles and Employment units. Each staff member in the Employment unit looks after approximately 20 clients, while Lifestyle unit staff develop and present programs for individuals and small groups. There are a number of part-time employees in both units. Many staff reside in close proximity to one of the sites. Staff and management in both units expressed a strong sense of comradeship. While the two units are aware of each other they consider themselves to be operating independently, having different clients and different sources of funding.

While the Employment unit staff have considerable autonomy, Lifestyles staff are on duty for the period that clients are in the unit – from 8.30 am to 3.00 pm. This requirement makes it difficult to have meetings or training as staff are responsible for the welfare of their clients. The Lifestyle staff have an open-plan staff room that encourages collegiality. Employment unit staff are spread over a number of sites and are often away from their home site.

The organisation has two main sources of funding. The Employment unit has, to date, received block funding from the Australian Federal Government, while the Lifestyles unit is funded by Victorian State Government grants. The relationship between the Federal Government and the organisation is defined contractually and reflects the introduction of business ideology into the NFP sector. These changes were seen as potentially disruptive requiring the organisation to adopt a more business-like approach in an attempt to maintain performance.

The Federal Government has decided to fund open employment agencies on the basis of the number of clients they find employment for rather than by a set grant, that was paid irrespective of the number of clients who had been found employment. This change had been mooted for a number of years and management decided to improve employment unit staff performance by offering a bonus if they were able to increase the number of clients placed in employment. However, management did not extend the bonuses to Lifestyle unit staff as it was felt that it would be inappropriate.

5. Issues

In this study the context is particularly relevant as it defines employee activities and rewards. Staff of the Employment unit can participate in the bonus scheme, while staff in the Lifestyles unit cannot. The context also means that staff of the two units work under differing conditions, as outlined above. Both groups work in a sector in which pay is less than for an equivalent job in the business sector. Of particular significance is that any intrinsic rewards are closely linked to the type of work staff do.

NFP organisations are dependent upon the continued motivation of their staff, because they have the option of being employed in the business sector where pay is generally higher than in the NFP sector. However, pay does not appear to be the only source of motivation. The literature suggests that the mission and values of the NFP organisation and intrinsic rewards play an important role in the motivation of NFP staff. The NFP literature, discussed above, questions the effectiveness of extrinsic rewards as a significant source of motivation.

6. Research Method

The essential research method used was a model to identify key variables – “predictor variables” – that are important employee motivators. Discriminant analysis (using SPSS) was used as the supporting technique for the model, which technique revealed the importance of extrinsic and intrinsic rewards in the motivation of staff in an
A survey given to the 60 staff of the organisation provided the data. The instrument was developed in conjunction with a manager in the organisation. The survey consisted of 18 questions – 13 statements regarding motivational aspects of work and five demographic questions. Responses to these 18 questions provided the “predictor variables” data.

Participants indicated their opinions to the 13 statements by circling a number, one to five, on a five-point likert scale. Response categories ranged from strongly disagreeing to strongly agreeing. Respondents returned 52 useable responses.

7. Statistical analysis

Of the 18 predictor variables (see Appendix, Table 3) used in the model, the six strongest, in order of importance as motivators, are:

1. Position in the organisation – ranging from “manager” to “auxiliary” (cleaner, other)
2. Provision of training opportunities to do the job better
3. Strong association with someone outside the organisation who has a disability
4. Having fun while working at the organisation
5. Happy with working conditions at the organisation
6. Highest completed qualification

These six most important predictor variables are predominantly intrinsic in nature, particularly numbers 2, 3, 4 and 5. Predictor variables 1 and 6 share both intrinsic and extrinsic properties, but their extrinsic aspect is strongly bound up with the internal evaluation of them by the staff member concerned.

The specified model is significant at the 5 per cent level ($p = .012$) (see Appendix, Table 1); and it explains 68 per cent of the variation between employees as to whether or not they are satisfied with their pay (see Appendix, Table 2).

8. Conclusions

A model was formulated and estimated to distinguish between staff motivated by pay and those not motivated by pay. The distinction between these two groups of staff was made on the basis of their responses to a questionnaire in which they indicated whether or not they were satisfied with their pay, as well as their responses to 18 predictor variables. The study was an exploratory one, and the findings stem from a small-sample research exercise.

The six strongest variables in predicting whether or not staff are motivated by their pay are: position in the organisation, training opportunities, strong association with someone outside the organisation who has a disability, having fun at work, satisfaction with working conditions, and level of highest completed qualification. What this suggests is, first, in order for an organisation to have its staff motivated by intrinsic factors, staff need to be satisfied with training opportunities and working conditions within the organisation, and “having fun” while at work. Second, motivation is also related to the three variables: position in the organisation, association with someone who has a disability and highest level of qualification. Surprisingly, the demographic factors of age and gender are not important predictor variables; but age may be captured by the predictor variable, “position in the organisation”. With the exception of “position in the organisation”, these six factors are largely of an intrinsic nature, and thus, in contrast to Gupta and Mitra (1998), intrinsic factors are important in the motivation of staff.

There are extrinsic elements, though, in the motivation of staff. However, these extrinsic elements are not independent: they are bound up with the intrinsic factors. For example, with respect to the issue of position in the organisation, which, on the surface, is an extrinsic reward, anecdotal evidence suggests that the real effect of a promotion in position is to confirm in the mind of the employee that their performance is regarded favourably.

There is a literature for the NFP sector indicating that intrinsic motivation of staff is important; in particular, Weisbrod (1983), Preston (1989), and Roomkin and Weisbrod (1999)). The findings of this study support the contention that intrinsic factors are of fundamental importance to NFP organisations. Our conclusion in this respect is strengthened by the fact that intrinsic variables were found to be important motivators in both organisational units – the one paying employees a performance bonus and the other one not.

References


Appendix: *SPSS output*
Table 1.

<table>
<thead>
<tr>
<th>Function</th>
<th>Wilks' Lambda</th>
<th>Chi-square</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.319</td>
<td>34.231</td>
<td>18</td>
<td>.012</td>
</tr>
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</table>

Table 2.

<table>
<thead>
<tr>
<th>Function</th>
<th>Eigenvalue</th>
<th>% of Variance</th>
<th>Cumulative %</th>
<th>Canonical Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.130</td>
<td>100.0</td>
<td>100.0</td>
<td>.825</td>
</tr>
</tbody>
</table>

(.825) squared = 68.06 per cent

Table 3. Standardized Canonical Discriminant Function Coefficients

<table>
<thead>
<tr>
<th>Function</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
<td>1.200</td>
</tr>
<tr>
<td>Length of time employed with distinctive options</td>
<td>.108</td>
</tr>
<tr>
<td>Highest completed qualifications</td>
<td>.526</td>
</tr>
<tr>
<td>Do you have a strong association with someone outside of the organisation that has a disability or have a disability yourself</td>
<td>.828</td>
</tr>
<tr>
<td>Age</td>
<td>.321</td>
</tr>
<tr>
<td>Gender</td>
<td>-.300</td>
</tr>
<tr>
<td>Our pay is not comparable with others working in similar organisations</td>
<td>-.263</td>
</tr>
<tr>
<td>I am unhappy with working conditions at Distinctive Options</td>
<td>-.739</td>
</tr>
<tr>
<td>Working at the organisation allows me to achieve a good work / life balance</td>
<td>.028</td>
</tr>
<tr>
<td>Occupational Health and Safety is of little concern at the organisation</td>
<td>-.386</td>
</tr>
<tr>
<td>I have fun while working at the organisation</td>
<td>-.796</td>
</tr>
<tr>
<td>I don't feel supported at the organisation</td>
<td>-.312</td>
</tr>
<tr>
<td>I am motivated by the achievements of my clients</td>
<td>.320</td>
</tr>
<tr>
<td>I believe that bonus schemes can increase work performance</td>
<td>-.196</td>
</tr>
<tr>
<td>I would prefer a reward system based on my individual outcomes rather than based on my team outcomes</td>
<td>.356</td>
</tr>
<tr>
<td>I am provided with training opportunities to do my job better</td>
<td>.874</td>
</tr>
<tr>
<td>I am not provided with training for career development</td>
<td>-.069</td>
</tr>
<tr>
<td>It is easy to have my opinions heard at the organisation</td>
<td>-.242</td>
</tr>
</tbody>
</table>

a. First 1 canonical discriminant functions were used in the analysis.
The Evolvement of Chinese Corporation 
Information Management Pattern in Modern Times 
From Three Main Managements to Personal Management 

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Abstract 
This article firstly analyzes the connotation of data management, information management and knowledge management; secondly expatiates the evolvement about the three main patterns of Chinese corporation information management; thirdly further analyzes their function to the decision-making of corporations; finally, forecasts the trend of corporation management, that is, personal management. 

Keywords: Data management, Information management, Knowledge management, Personal management, Corporation management 

1. Foreword 
As the day of knowledge economy comes, knowledge has become the core resources of corporations and mainly contents of management. Knowledge management has become the theme of management idea. As the step of international informationlization accelerates, a bran-new management idea has risen up, that is, knowledge management, which is believed to be the extend of corporation information management. 

Chinese corporation informationlization is active and dovish. Its management is in the wake of the international trend, which contains data management, information management and knowledge management. At first, these three parts advances each other, then the proportion changes, and the significance of development management is enhanced. 

2. The partition of seedtime about corporation management pattern 
Traditional data management localizes in data processing, which is in defect of the exploiture of information resources. However, knowledge plays a pivotal role in corporations’ decision-making. As a result, information management walks up to knowledge management. 

Corporation information management provides information guarantee for corporations, which contains data guarantee, information guarantee and knowledge guarantee. Considering the relationship of data, information and knowledge, the information comes form the merchandise currency is carved up to data currency, information currency and knowledge currency. Every part plays different roles in enhancing the competition ability and general strength of corporations. According to the degree of information management and exploiture, the different parts of information currency and information guarantee, corporation information management pattern can be carved up to three parts: data management, information management and knowledge management(just as figure 1). 

3. The evolvement of the three seedtimes about corporation information management 
In the middle of eighties of twentieth century, American expert D.A.Marchand puts forward that information management can be carved up to four seedtimes: literature management (form1900to1950), automatization technique management (from the middle of sixties to seventies), information resource management (from the middle of seventies to eighties) and knowledge management (from late eighties to nineties). 

Data management consists of data headstream (create), data currency (transfer), database (store), data network (collocate) and data application (analyse). The content of data management includes definituding data definition, regulating data element standard, found data dictionary, optimizing data structure, building database, corresponding data use, expending the maximum function of data and so on. 

The notable character between traditional corporation and modern times corporation is applying information technique generally, especially the computer technique. Data management is the foundation of information management, and information management is the development of data management. They have unattached areas but