

Motivation within an innovative work environment



Curriculum Topics

- Motivation
- Maslow (hierarchy of needs)
- Taylor (scientific management) and Herzberg (2-factor theory)
- Mayo (human relations approach)

Introduction

Individuals work for many different reasons. Financial rewards are frequently a key factor in influencing why individuals undertake certain jobs. However, money is not everything. Employees want to enjoy their work, be challenged by it and achieve personal fulfilment. For many people, their careers are on-going learning experiences. This is known as **intrinsic motivation**. When individuals are intrinsically motivated, they are interested in their work. Put simply, it creates enjoyment whilst enabling them to achieve and contribute to desired goals. However, individuals also need **extrinsic motivation**. This is motivation arising from factors outside the immediate work that an individual undertakes. For example, this might include pay, conditions, grades and promotional opportunities.

This case study will analyse motivational theory in the context of the employees of ARM Holdings PLC. It illustrates that, although extrinsic motivation is a very important element in motivating employees, it is really intrinsic motivation that engages individuals and contributes to company performance.

ARM is the world's leading semiconductor intellectual property supplier. The ARM **business model** involves the design and **licensing** of intellectual property in the field of semiconductor chips. ARM was founded in 1990 and now has offices around the world. ARM's main technology is its microprocessor which is at

the 'brain' of most modern gadgets. More than 8 billion ARM processors will be shipped in 2011 by its partners. Technology from ARM is used in 95% of the world's mobile phone handsets and in over a quarter of all electronic devices which include virtually all tablet computers, all smart phones, digital cameras, set top boxes and digital televisions. Increasingly ARM processors are becoming the standard in virtually all areas from healthcare to cars to hi-fi. ARM does not manufacture or sell the actual finished products. More than 600 licences are sold to more than 200 companies. ARM then receive royalties for each of these licences. With more than 15 billion chips manufactured, this has enabled ARM to grow dramatically and become a global player in the semiconductor industry.

ARM has a diverse global workforce. Its 2,050 employees work across 30 sites in 15 countries. Employees come from a wide range of backgrounds from over 50 nationalities. ARM is a knowledge intensive business focused on innovation. This innovation comes from the whole business and not just its research and development team. ARM therefore relies on its people to achieve this innovation. Its HR strategy is focused on global learning and development, talent management and appropriate reward systems in order to develop and retain the skills and expertise its people need to create **innovative** solutions. This will enable the business to achieve its business strategy of providing sustained returns for shareholders and employees.

Intrinsic motivation: Motivation driven by interest in the tasks where individuals are effective in reaching desired goals.

Extrinsic motivation: Motivation that comes from outside an individual, such as through rewards, grades and promotions.

Business model: Way of working which enables a business to create and deliver value for its customers.

Licensing: Process of granting the right – to an organisation or an individual – to carry out a particular activity.

Innovative: Tending to devise and/or adopt novel or breakthrough ideas.

Due to the technical nature of the business, the organisation is constantly changing as technologies advance. Managing change effectively requires employee **engagement**. ARM describes engagement as *'commitment to the job, manager, team and organisation which drives effort and intent to stay, resulting in improved performance and retention'*.

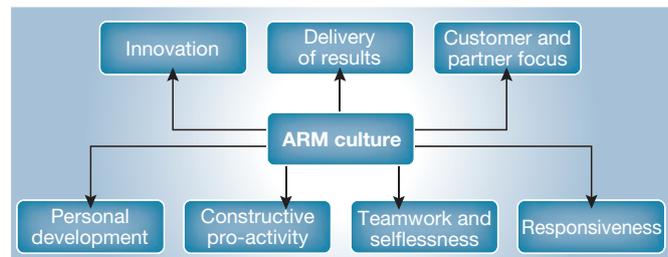
Connecting and collaborating with others enables them to develop practical solutions to problems. Research has shown that a 10% increase in employee commitment can lead to a 6% increase in employee effort. This has enabled ARM to take leadership in its field in world markets. Ensuring high levels of motivation amongst its employees is integral to ARM's HR strategy. Teamwork is of vital importance within this innovative environment.

Motivation

Motivation is the level of commitment individuals have to what they are doing. Motivation theory is concerned with how individuals behave in the workplace. By understanding what motivates individuals it is possible to create an efficient workplace. It also helps to ensure that employees are happy at work. This in turn will create satisfied employees, who will work with more enthusiasm and focus on the goals of the organisation. Research has indicated that around 75% of an organisation's employees are neither 'engaged' nor 'disengaged'. Considering ARM's description of how engagement can drive performance, this means that, if more of these employees were engaged, the organisations could expect to improve performance.



Motivating people benefits not just the individual. It also provides significant benefits for the business. A series of **values** help to underpin ARM's approach to motivation. These include respecting and involving others, being proactive and adopting a 'can-do' approach to solving problems. For example, ARM employees work in teams within which they are encouraged to communicate openly and honestly and act on behalf of the business. They are also encouraged to produce solutions to problems. This all helps not just the business but also their personal development. By working as a team, ARM's engineers are able to develop the highest performance, lowest power chips in the world which have long battery life whilst enjoying ever greater functionality. The team not only draws on the expertise of each individual but also works with internal customers, such as sales and marketing. They also have direct contact with customers to ensure they get the product they want. This is all about collaborating to create novel products.



ARM demonstrates how it gains employee engagement through the various elements of its HR strategy of global team working:

- Buying into and sharing common values supports a collaborative approach to innovation.
- Sharing knowledge helps to develop relationships and networks within the business and leads to the creation of new ideas.
- Developing talent through training to acquire or improve expertise benefits individuals but also helps to ensure ARM will have key skills despite global shortages in some areas.
- Providing opportunities for individuals to grow into new roles also supports succession planning for future leadership.
- Various reward systems, including equity in the company, recognise individual and team effort.

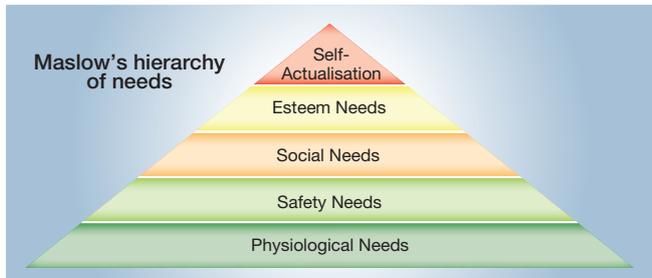
Maslow (hierarchy of needs)

In the early 1950s Abraham Maslow developed a theory of motivation. This was arranged in the form of a hierarchy of needs. At the bottom of the hierarchy are the basic needs. For example, these reflect that people work primarily to provide basic things that enable them to live, such as food and accommodation.

Engagement: Encouraging individuals to become personally committed to their work so that they can contribute to its wider purpose.

Values: Set of ethical or operating principles that guide decision making.

This is followed by safety needs that enable individuals to protect themselves and their families. These are followed by social needs as individuals develop a sense of belonging. As individuals satisfy one form of need, they move up the hierarchy towards the higher order needs.



ARM provides employees with opportunities to fulfil higher order needs such as those of esteem and **self-actualisation** through challenging and interesting work. Engaging employees in change programmes and providing solutions enables them to contribute to the direction of the business. For example, recently more than 120 ARM employees were involved in developing ideas to improve how the company is run. Their ideas led to a wide variety of initiatives including 'innovation days' and an increased use of social networking, such as 'ARM TV' – an internal YouTube. The responsibilities associated with this helps individuals to fulfil their potential in a creative way, providing them with the opportunity for developing self esteem.

ARM takes a 'self betterment' approach to talent management. For example, its people can take up opportunities for on-demand e-learning as and when it suits or going on international assignments to test and develop new skills. Employees therefore take responsibility for their own jobs and are constantly involved in improvement and change. This enables individuals to build their self-esteem and realise their full potential. This process is known as self-actualisation. ARM employees are involved at all levels within the business, thinking and acting for the good of the company. This in turn helps employees to feel good about themselves as they can see and evaluate the contribution that they make.

Teamwork within ARM provides employees with the social opportunity to share knowledge and ideas across the organisation. An example of this includes engineering conferences where groups of between 50 and 200 engineers meet to share their latest ideas and inventions. It also enables them to contribute to innovation and this helps them to see how their

ideas influence processes and products. Central to effective team working is the need for open and honest communication. ARM has an 'open door' policy where employees can go to senior managers at any time with questions or issues. This supports the focus on information and knowledge sharing. ARM also uses different methods of communications such as internal conferences, newsletters, director Q&A sessions (formal) and internet blogs (informal).

Safety and physiological needs are addressed through such factors as a good working environment and competitive pay. ARM encourages its employees to work hard. However, it also wants them to have fun. For example, ARM's people frequently take part in team events such as marathons or team bike rides.

Taylor (scientific management) and Herzberg (2-factor theory)

Frederick Taylor was involved with **scientific management**. Taylor specifically linked pay to rates of output. His theories illustrated that monetary reward was the most important motivating factor. However, his view of motivation applied to people who worked within narrow job confines, such as on a production line. It was all about a fair day's pay for a fair day's work.

Taylor's view has limited relevance at ARM. His approach was narrow and simply related pay to output. ARM is not about more pay bringing more output. Creating innovative products in teams needs people to genuinely want to do whatever it takes to make a product work. This is not just a product of time but of how people feel, how they communicate and how they work together to achieve a common vision. Its employees are intrinsically motivated.



Self-actualisation: Personal fulfilment arising from undertaking tasks that use somebody's full potential.

Scientific management: Using logical methods to achieve objectives at the lowest cost.



They are expected to understand a range of different fields. They are also expected to be flexible and creative using advancements in technology to deliver changes to the complex environment in which the business operates in. For example, various forms of communication, including **video conferencing** help employees from different parts of the world to share their ideas in a way that engages them in everyday problems and issues.

Henry Herzberg's theory of motivation is of more relevance to ARM employees. His theory is sometimes called the two-factor theory. He looked at motivators and **hygiene factors**. Hygiene factors, often referred to as 'dissatisfiers', are elements in the work environment that could make employees unhappy. For example, if an organisation has an **autocratic** management style this may have a negative impact on motivation. Motivators, often referred to as '**satisfiers**', are aspects of the work environment that provide employees with job satisfaction. For example, recognition for effort and performance. Satisfied employees then become more productive.

ARM uses employee engagement as a key tool in motivation. This is a satisfier as employees develop a genuine attachment to the teams in which they work. A variety of other satisfiers are used at ARM, such as employees receiving shares in the company as well as bonuses based on how well the business as a whole is doing. The aim is for employees to act and feel like owners of the business. These also help them to be recognised for their contribution.

Mayo (human relations approach)

Elton Mayo founded the Human Relations Movement. Experiments undertaken by Mayo took place at the Hawthorne plant in the USA during the 1930s. His work illustrated that if the company or managers took an interest in employees and cared for them, it had a positive effect on their motivation. When managers took a greater interest in employees they felt more valued and **empowered**. His work also showed that employees often work best in teams. He also showed that they were more motivated if they were managed and consulted more.

The Mayo principles are very much in line with ARM's focus on developing its people as part of its business strategy. Employees at ARM work within learning and development teams. Information is shared and employees are viewed both as partners in the business and as internal customers. Managers have responsibility for motivating individuals and their teams. Important elements of this include:

- Communicating and explaining the ARM vision, values and strategy to all team members so everyone is working to the same level.
- Providing appropriate training and induction for new employees as well as coaching for all in order to develop skills, confidence and self-reliance.
- Carrying out one-to-one meetings and employee reviews to assess performance and set personal and team objectives.
- Putting in place succession planning for the team and manager roles to ensure long term performance.

Personal development is a key HR strategy at ARM. Regular reviews encourage individuals to reflect upon the contributions that they make whilst providing feedback and support that enables them to develop their professional capability.

Conclusion

ARM's HR strategy places great importance on employee engagement to create a motivated team. This is vital given the innovative and highly skilled nature of the business. Through placing emphasis on training and development, open communication channels and a fun approach, ARM has created a productive and committed global workforce. Lack of motivation amongst employees can lead to higher absenteeism, lower levels of productivity and higher staff turnover. This is why a motivated workforce is essential if an organisation is to remain competitive in global markets.

1. Describe what is meant by motivation.
2. Explain how intrinsic motivation differs from extrinsic motivation. Use examples to support the points that you make.
3. Analyse how and why the motivation theories of Maslow and Herzberg are more relevant to ARM employees than that of Taylor.
4. Evaluate what intrinsic motivation factors would most influence employees within a workplace and why. Use theories to support any of the points that you make.

QUESTIONS

Video conferencing: Transmission of images and text between two or more remote locations.

Hygiene factors: Factors designed to reduce dissatisfiers or job dissatisfaction.

Autocratic: Taking decisions without consultation or discussion.

Satisfiers: Motivating factors that enrich a person's job and may contribute to enhanced performance.

Empowered: People given sufficient authority to exercise control and responsibility in their work environment.