



## IS MOTIVATION A TECHNIQUE OF HUMAN CAPITAL MANAGEMENT? - AN EMPIRICAL STUDY WITH REFERENCE TO IT COMPANIES IN CHENNAI CITY

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### Introduction

The human resource is the most important factor especially in service industry where the value is delivered through information, personal interaction or group work. The emphasis is more due to the unique characteristics. No two individuals can be interchanged or standardised and hence the manager has to follow tailor-made approach to understand the actions, attitudes, needs and urges of the individual concerned. There is no apparent limit to their potential when motivated appropriately. This implies the organisation endeavouring to motivate its employees cannot treat them alike.

In short, human resources refer to the combination of both qualitative and quantitative aspects of the employees working in an organisation. Human resources beyond contributing to the shaping and achieving organisational objectives demand fairness and equity. Modern management is increasingly aware of the importance of human resources and is handled with great care and attention.

### Motivation and Human Capital Management

The effectiveness of work depends on the willingness of employees to do assigned tasks with involvement and enthusiasm depends on human capital management. Therefore, Motivation is one of the most important factors affecting human behavior and performance. Motivation is something inside the person that drives them to action. Motivation represents an energy which guides the employees towards fulfilling a goal. Motivation emerges in current theories, out of needs, values, goals, intentions, and expectation. Motivation represents an energy which guides us towards fulfilling a goal.

According to Robert Dubin, “Motivation is something that moves the person to action and continues him in the course of action already initiated”. Mullins defined Motivation as “a driving force within a person which stimulates the individual to do something up to the target level in order to fulfill some need or expectation”. Lillis observes motivation as “it is the stimulation of any emotion or desire, operating upon one’s will and prompt or driving it to action”. According to Kressler, “It is a complex issue of human behavior which varies from person to a person; as a result, different people are motivated in different ways”. It is the work of every employer to inspire and encourage his employees to take a required course of action.

In short, motivation in an organization is effective if employees fulfill their personal needs and goals through organizational goals. A highly motivated employee knows what to do and how to reach the predetermined goal in the most effective manner. Modern management is increasingly aware of the importance of employee motivation and is handled with great care and attention.

### 1.1 Types of Motivation

Self-Determination Theory (SDT) is a psychological theory, which deals with internal or external and also called intrinsic or extrinsic motivation as related to the level of competence or incompetence the people feel. This theory was developed by Edward. L. Deci and Richard M. Ryan and redefined by many researchers. According to this theory, Motivation can be

- a. Intrinsic Motivation and
- b. Extrinsic motivation

### 1.2 Intrinsic Motivation

Intrinsic motivation stems from motivations that are inherent in the job itself and which the individual enjoys as a result of successfully completing the task or attaining his goals (McCormick and Tiffin, 1979). It is the self-generated factors that influence people to behave in a particular way or to move in a particular direction. Intrinsic motivation is defined as doing an activity for its inherent satisfactions rather than for some separable consequence. Intrinsic motivation reflects the internal desire of a person to satisfy the inner needs.

### 1.3 Extrinsic Motivation

Extrinsic motivation refers to motivation that comes from outside an individual. It is concerned with the external factors which employees enjoy. Extrinsic motivation involves executing an action to achieve external rewards or reinforcements. Extrinsic motivation can be defined as, “it pertains to a wide variety of behaviors that are engaged in as a means to an end and not for their own sake”.



Extrinsic motivators can have an immediate and powerful effect, but it will not necessarily last long. The intrinsic motivators, which are concerned with the 'quality of work life', are likely to have deeper and longer-term effect because they are inherent in individual and not imposed from outside.

#### **1.4. Literature Reviews**

Laura Leete (2000), on his study examined the relationship between wage dispersion method and employee motivation. The study found some difference in the distribution of wages between employees of the different types of organization and concluded that non-profit organization exhibited wage equality as the motivational strategy for the employees.

The study of Orvill Adams (2000) intended to provide an overview on the effect of pay and non pay incentives on workforce's performance. The study identified pay, direct financial benefits, indirect financial benefits; financial and non-financial incentives are the factors of motivation and concluded that financial incentives were used as an aid for recruitment and retention of employees.

Shun Linda Wang (2003) in an innovative study focused on the effectiveness of the incentives package on employee motivation and performance level of the employees working in construction based organizations. On analysis, it was found that incentive based bonus increased employee's motivation level and aligns action to achieve goals.

Sara L. Rynes (2004), on his empirical study found that pay had a strong motivational potential among the employees of non-government and unorganized organization. The study proved that the effectiveness of motivation factor depends on the way it is actually administered in practice and suggested to take any pay complains seriously.

Dongho Kim (2006), through his study, identified good wages as the top motivation factor over 40 years. He re-emphasized on some necessary component of employee motivation and to understand the motivational factors by the managers. It was found that the employee changes their priority on the motivational factors over time and he suggested to identify employee inputs and value it before any motivation program is implemented.

#### **1.5 Gaps in Literature**

Studies done in the past focused on the motivational factors adopted across a range of industries. Further, the studies did not categorize the factors of motivation into intrinsic and extrinsic factors which would influence the intrinsic or extrinsic motivation of the employees. These monetary and non-monetary motivation leads to Organizational Effectiveness in the form of behavioral changes among the employees. This predominant gap of measuring the impact of intrinsic and extrinsic motivation on the Organizational Effectiveness is ventured in the present study. The growth of Informational Technology industry is drastically influenced by the vital factor Human Resource, as the availability of skilled ad trained talent pool is imperative. There is no known academic study conducted to ascertain the motivational factors in IT companies, particularly in Chennai. The present study is an attempt towards filling the gap.

#### **1.6 Objectives of the Study**

- To study the intrinsic factors motivating the employees in the IT companies.
- To study the extrinsic factors motivating the employees in the study domain.

#### **1.7 Hypothesis**

Following hypotheses are framed to study the objectives:

1. There is no significant influence of personal and occupational details of employees on intrinsic motivation
2. There is no significant influence of personal and occupational details of employees on extrinsic motivation

#### **1.8 Research Methodology**

The study is conducted using both analytical and descriptive type of methodology. The study primarily depends on primary and secondary data. The Survey is conducted in IT Companies located in Chennai city.

##### **1.8.1 Sampling Size and Design**

The primary data are collected through survey method. The survey is conducted using well formulated Questionnaire. Convenience Sampling is applied for collecting the data. Samples for the study are selected systematically. The Questionnaires are circulated among the employees of five IT companies based on the population parameters. Among all the five companies, TCS possesses more number of employees. Totally 200 Questionnaires were distributed and 122 were collected, Hence the sample size of the research is 122.

##### **1.8.2 Data Analysis**

The researcher used multivariate factor analysis, KMO and Bartlett's test, Chi-square analysis are used to analyse the primary data.



### 1.9. Analysis and Discussion

The eleven variables of motivation have to be reduced systematically to evolve into a meaningful predominant factor. The factor analysis has been applied and the following results are obtained.

**Table 1. KMO and Bartlett's Test on Factors of motivation**

|   |                    |         |
|---|--------------------|---------|
| <b>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</b> |                    | .734    |
| Bartlett's Test of Sphericity                           | Approx. Chi-Square | 688.304 |
|   | df                 | 55      |
|   | Sig.               | .000    |

Source: Computed Data

From the above table it is found that the KMO measure of sampling adequacy is .734, Bartlett's test of Sphericity with approximate Chi-Square value of 688.304 is statistically significant at 5% level. This shows that the eleven variables can be segmented into a number of factors with meaningful approach. This leads to the computation of variance as stated in the following communalities table.

**Table 2. Communalities Table on Factors of motivation**

| Emoluments | Initial | Extraction |
|------------|---------|------------|
| EMO1       | 1.000   | .282       |
| EMO2       | 1.000   | .349       |
| EMO3       | 1.000   | .501       |
| EMO4       | 1.000   | .418       |
| EMO5       | 1.000   | .524       |
| EMO6       | 1.000   | .353       |
| EMO7       | 1.000   | .301       |
| EMO8       | 1.000   | .616       |
| EMO9       | 1.000   | .499       |
| EMO10      | 1.000   | .753       |
| EMO11      | 1.000   | .571       |

Extraction Method: Principal Component Analysis.

Source: Computed Data

From the above table it is found that the eleven variables exhibit the variance ranging from .282 to .753. It shows that the variance ranges from 28.2% to 75.3%, which is of adequate range for the factor segmentation. This situation demanded the existence of predominant factor.

**Table 3. Total Variance of Factors of Motivation**

| Component | Initial Eigen values |               |              | Rotation Sums of Squared Loadings |               |              |
|-----------|----------------------|---------------|--------------|-----------------------------------|---------------|--------------|
|           | Total                | % of Variance | Cumulative % | Total                             | % of Variance | Cumulative % |
| 1         | 2.783                | 25.303        | 25.303       | 2.107                             | 19.159        | 19.159       |
| 2         | 1.344                | 12.216        | 37.518       | 1.588                             | 14.434        | 33.593       |
| 3         | 1.041                | 9.462         | 46.981       | 1.473                             | 13.388        | 46.981       |
| 4         | .986                 | 8.964         | 55.944       |                                   |               |              |
| 5         | .910                 | 8.275         | 64.220       |                                   |               |              |
| 6         | .856                 | 7.780         | 71.999       |                                   |               |              |
| 7         | .715                 | 6.502         | 78.501       |                                   |               |              |
| 8         | .688                 | 6.255         | 84.756       |                                   |               |              |
| 9         | .677                 | 6.159         | 90.914       |                                   |               |              |
| 10        | .517                 | 4.696         | 95.611       |                                   |               |              |
| 11        | .483                 | 4.389         | 100.000      |                                   |               |              |

Extraction Method: Principal Component Analysis.

Source: Computed Data



From the above table it is found that the eleven variables exhibit 46.981% variance for all the three factors. They possess the individual variance at 19.159%, 14.434% and 13.388% respectively. These variables are highly significant in the following factor segmentation process.

**Table 4. Rotated Component Matrix on Factors of Emoluments**

| Emoluments | Component |      |      |
|------------|-----------|------|------|
|            | 1         | 2    | 3    |
| EMO5       | .717      |      |      |
| EMO3       | .691      |      |      |
| EMO2       | .557      |      |      |
| EMO1       | .517      |      |      |
| EMO4       | .487      |      |      |
| EMO7       | .451      |      |      |
| EMO8       |           | .718 |      |
| EMO9       |           | .673 |      |
| EMO6       |           | .566 |      |
| EMO10      |           |      | .846 |
| EMO11      |           |      | .708 |

Source: Computed Data

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 5 iterations.

The eleven variables of Emoluments are segmented into three components.

The first factor consists of six variables. They are

1. Annual Bonus is given to the employees (.717)
  2. Difference in salary dispersion is transparently noticed in the organization (.691)
  3. Salary offered by the company is at a satisfactory level (.557)
  4. The salary dispersion method is regularly in the organization (. 517)
  5. Any pay queries/complaints made by the employees are rectified by the company (.487)
  6. The company offers adequate financial incentives to all employees (. 451)
- Therefore, this factor can be named as “**Salary Benefits**”.

The second factor consists of three variables which are mentioned below.

1. Company provides adequate PF and other welfare schemes as per legal requirements (.718)
2. Company provides night shift allowance (.673)
3. Annual Increment of salary are regularly provided(.566)

Therefore, this factor is called as “**Secondary Benefits**”. The third factor consists of only two variables i.e.

1. Leave Encashment system properly followed by the company (.846)
2. Salary paid to the employees is equal to their work load (.708)

Therefore, this factor called as “**Rational Benefits**”.

### 1.10. Findings and Conclusions

Salary benefit is a vital part of Emoluments offered to the employees. This benefit requires a sound structure of base components like internal equity, external competitiveness, etc., and is more important to employees as it determines the standard of living and status in the society. Every IT company offers salary at a satisfactory level of their employees. Similarly the salary dispersion method is regular and the difference in salary dispersion method is transparently noticed in the organization (Laura Lette, 2000).

The Secondary Benefits are the additional benefits that are included in the emoluments offered to the employees. These secondary benefits include adequate provident fund, welfare schemes, etc., IT companies in addition to the above benefits, regularly offers annual salary increment. The increase in the salary immediately solves the financial necessities and imparts an immediate positive effect on the minds of the employees (Muhammad Arshad, 2012).

The Rational Benefits are the important drive to the emoluments offered. These benefits are moderate and sensible benefit that is normally offered by the IT companies. The employees are paid equal to their work load (Rizwana Qaiser, 2010). Leave



Encashment system with a view to enable the employees to avail the leave in a planned and systematic manner, helps them to meet their expenditure during the leave period and also reduces long absenteeism in the company.

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