THE IMPACT OF ENHANCING AUTONOMOUS MOTIVATION ON FINANCIAL PERFORMANCE

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with the guidance of

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Master’s Dissertation presented to obtain the degree of
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I. Foreword

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<td>Balanced Scorecard</td>
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<td>CET</td>
<td>Cognitive Evaluation Theory</td>
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<td>HR</td>
<td>Human resource</td>
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<td>OCQ</td>
<td>Organizational Commitment Questionnaire</td>
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<td>Pp</td>
<td>Percentage point</td>
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<td>ROI</td>
<td>Return on investment</td>
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In deze masterproef onderzochten wij de impact van verhoogde autonome motivatie van de werknemers op de financiële performantie van de onderneming. Autonome motivatie kan geplaatst worden binnen de context van de beheerscontrole. Beheerscontrole gaat over het motiveren van de leden van een organisatie om hun activiteiten af te stemmen op de strategie van de organisatie zodat deze haar doelstellingen maximaal kan realiseren op een efficiënte en effectieve manier (Bruggeman, Slagmulder en Hoozée, 2010). Autonome motivatie is een bron van prestatiemotivatie en kan onderscheiden worden van gecontroleerde motivatie. Dit onderscheid wordt uitgebreid beschreven in de ‘Self-determination Theory’ van Ryan en Deci (1985). Autonomie betekent dat een actie wordt ondernomen uit eigen wilskracht. Controle daarentegen wijst op de aanwezigheid van druk. Om autonomie of zelfdeterminatie te bereiken moet er voorzien worden in de drie psychologische basisbehoeften. Deze zijn de behoefte om autonoom te kunnen werken (‘autonomy’), de behoefte om zich competent te voelen (‘competence’) en de behoefte om gerelateerd te zijn met anderen (‘relatedness’).

Het linken van dit motivationeel concept aan een eerder objectieve maatstaf zoals financiële performantie lijkt nogal omslachtig maar is mogelijk via het invoegen van tussenliggende variabelen. Op basis van een literatuurstudie vonden wij vier variabelen die resulteren uit autonome motivatie en de link met de financiële performantie kunnen leggen. Deze variabelen zijn organisationeel vertrouwen, organisationele betrokkenheid, jobprestatie en jobtevredenheid. Alle variabelen worden gemeten op het niveau van de werknemer. Hiermee ontwikkelden wij een nieuw, coherent model dat zowel de relatie tussen autonome motivatie en financiële performantie omvat als de onderlinge relaties tussen de vier tussenliggende variabelen. Op basis van dit model startten wij ons onderzoek. Dit onderzoek bestaat uit een case study waarbij een kwalitatieve analyse wordt toegepast in twee vergelijkbare bedrijven. Het ene bedrijf wordt gekenmerkt door zijn ‘enabling’ karakter terwijl het andere ‘coercive’ is van nature. ‘Enabling’ betekent dat de onderneming zijn werknemers motiveert door ze in staat te stellen hun eigen werk te besturen. ‘Coercive’ daarentegen betekent het onder druk zetten van de werknemers om bepaalde doelen te bereiken. De twee organisaties zijn vergelijkbaar omwille van verschillende gelijkenissen. Zo zijn beide in dezelfde sector (consulting) gesitueerd, zijn het allebei kmo’s met een vergelijkbaar aantal werknemers, voeren ze alle twee gelijkaardige activiteiten uit en delen ze verschillende klanten.

Eerst en vooral hebben we de twee organisaties gecontacteerd en via een gesprek met de werkgever kennis gemaakt met de onderneming. Tijdens dit gesprek met de ‘enabling’ onderneming verkregen we algemene financiële gegevens, zoals omzet en winst, maar ook informatie over het project rond
autonome motivatie dat deze onderneming heeft gelanceerd in september 2010. Dit project bestond uit een aantal veranderingen in de onderneming met het doel de autonome motivatie van de werknemers te verhogen. Op basis van de informatie over dit project konden we al besluiten dat de onderneming hiermee voorziet in de drie basisbehoeften van de Self-determination Theory. In de ‘coercive’ onderneming was er geen vast patroon om de motivatie te stimuleren aanwezig, dus hiervan verkregen we enkel de algemene financiële gegevens.

In de tweede plaats werden er naar de werknemers van beide organisaties vragenlijsten gestuurd waarbij gepeild werd naar het niveau van autonome motivatie en de aanwezigheid van de vier andere variabelen. Omdat we te maken hadden met kmo’s en dus een zeer beperkt aantal respondenten hadden, was het niet mogelijk om de resultaten van deze vragenlijst te veralgemenen en konden we geen statistisch onderbouwde conclusies trekken. Dit is de reden waarom we een kwalitatief onderzoek hebben uitgevoerd in plaats van een kwantitatief onderzoek.

Dit kwalitatief onderzoek bestaat uit diepgaande interviews die we hebben afgenomen bij de werknemers van beide organisaties. In de eerste onderneming hebben we bij drie werknemers gepeild naar de onderliggende reden van hun antwoorden, in de andere onderneming bij twee. Na deze interviews hebben we alle verzamelde data en informatie samengevoegd en geanalyseerd.

Op basis van de interviews en een oppervlakkige raadpleging van de vragenlijsten konden we enkele besluiten vormen. Zo was het duidelijk dat het niveau van autonome motivatie een stuk hoger lag in de ‘enabling’ onderneming. Dit bleek zowel uit de resultaten van de vragenlijsten als uit de interviews. In de ‘coercive’ onderneming was er duidelijk ook motivatie aanwezig maar deze bleek eerder van een andere aard te zijn. Ook de andere variabelen bleken meer aanwezig te zijn in de ‘enabling’ onderneming. Vooral organisationele betrokkenheid bleek een belangrijke variabele te zijn die in grote mate werd gestimuleerd door het project. Vertrouwen in de organisatie zoals wij het hadden vooropgesteld bleek minder belangrijk te zijn. De werknemers, van beide organisaties, interpreteerden vertrouwen vooral in verband met werkzekerheid, de continuïteit van de onderneming en een duurzame relatie met de werkgever. Wij stellen voor dat deze variabele nog verder wordt onderzocht. Het project rond autonome motivatie had in de ‘enabling’ onderneming duidelijk haar intrede gemaakt en dit was ook te merken aan de verhoogde betrokkenheid, werktevredenheid en prestaties van de werknemers. Na een dieptepunt op vlak van motivatie in 2009 heeft deze onderneming in 2010 en 2011 een duidelijke ommekeer gerealiseerd, wat ook te merken was aan de financiële resultaten. Bij de ‘coercive’ onderneming waren er fluctuaties merkbaar maar wij waren niet in staat vast te stellen waardoor deze veranderingen veroorzaakt werden. Met enige voorzichtigheid konden wij concluderen dat het motivatieproject haar
doelstelling heeft bereikt aangezien de onderneming een heropleving heeft waargenomen op het vlak van autonome motivatie. Dit heeft de betrokkenheid, de werktevredenheid en de prestaties van de werknemers beïnvloed en resulteerde uiteindelijk in een heropleving van de financiële resultaten.

Onze bijdrage via deze masterproef bestaat uit het coherente model dat we hebben opgesteld door het linken van autonome motivatie aan financiële performantie via vier tussenliggende variabelen. Hoewel we onze conclusies enkel baseren op een kwalitatief onderzoek op een beperkte schaal, denken we dat dit toch een basis kan bieden voor verder, meer kwantitatief onderzoek. Hiermee is meteen ook de belangrijkste tekortkoming van ons onderzoek vermeld, namelijk het beperkt aantal werknemers waarmee we te maken hadden waardoor we onze resultaten niet kunnen veralgemenen. Ook doordat we in een specifieke sector onderzoek hebben verricht kunnen we onze resultaten niet veralgemenen naar andere sectoren.
1. Introduction

There has already been conducted a lot of research on the topic of autonomous motivation as well as on the topic of financial performance. The way we involve autonomous motivation in this master’s thesis fits in the domain of management control. Management control can be defined as “the process by which managers influence other members of the organization to implement the organization’s strategies” (Anthony and Govindarajan, 2007, pg. 6). It is about motivating the members of the organization to tune their actions with the strategy of the organization in order to let this latter realize its goals to the utmost in an efficient and effective way, as described by Bruggeman, Slagmulder and Hoozée (2010). Helping to implement strategies is its goal and it is focused on the planning and follow-up of concrete programs and activities.

Autonomous motivation is a well-studied subject in the motivation theory. Antecedents and drivers of this kind of motivation are discussed and investigated by several studies and experiments. The relevant outcomes and advantages of autonomous motivation have been researched and confirmed as well. It is seen as a source of performance motivation, which is already present in the individual. This way, we can locate autonomous motivation in the context of performance management.

Autonomous motivation is namely related to psychological theories whereas the financial performance of an organization seems to be situated in an entirely different field. Yet these topics can be related to each other through intervening factors. To begin with, the financial performance of an organization depends on the performance of its employees but the latter is no longer assumed to be solely depending on financial incentives of those employees. Nonfinancial, intangible incentives have gained greater importance in the motivation of employees. With this in mind, we will try to link autonomous motivation of employees to the financial area of an organization.

In this master’s thesis we have investigated both subjects, their relation and the factors that mediate that relation. These mediating factors are variables that have been proven to result from autonomous motivation. We have developed a model in which all these variables link autonomous motivation with financial performance and in which some of them are linked with each other. To research this model, we have performed a case study in two organizations and applied a qualitative analysis. Based on this research, we will make suggestions for further, more quantitative, research.

We will start with the specification of our subject and the presentation of our research questions (RQ). After our research we will describe our research results and draw some general conclusions.
2. Subject specification

2.1 The evolution of performance management

Performance management has evolved significantly over the years through the development of different tools and techniques to measure this performance management. The goal of performance measurement systems is to implement strategy and to help the organization to do this successfully, as Anthony and Govindarajan (2007) pointed out. These tools and techniques were developed to increase employees’ and managers’ motivation and to move them towards actions which contribute to the realization of the organization’s goals and strategies.

In performance measurement systems, a distinction can be made between financial and nonfinancial measures. Financial measures used to be widely applied but have proven their limitations. First of all, they may encourage short-term actions that contrast with long-term interests. Secondly, people may pass long-term actions in favour of short-term profits. Thirdly, using short-term profit as the only objective can distort communication between managers on different levels in the hierarchy. Finally, this kind of control may incite managers to manipulate data by e.g. earnings management or distorting (financial) information. Examples of these financial measures are return on investment (ROI), earnings per share (EPS), payback period, etc. These conventional measures have been criticized for their historical orientation and short-term vision, and they could harm the organization’s competitiveness as they are not focused enough on the pursued strategy. In this era of complex, continuously changing competitive environments with global competition and fast technological developments, financial performance criteria are no longer sufficient. The critical success factors that matter now are oriented towards future value creation, not towards the past (Bruggeman et al., 2010).

Alternative methods for these financial performance measures have gained in popularity through the years as people started to acknowledge their shortcomings and recognize that relying solely on them does not ensure the successful execution of the strategy. Concepts as Activity-Based Costing and Shareholder Value Analysis were developed as an answer to this critique. Another performance measurement system that has gained great interest and recognition is the Balanced Scorecard (BSC). It is a measure which is linked to the strategy. “It translates an organization’s mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system” (Kaplan and Norton, 1996, pg. 2). The BSC is an integrated performance measurement system, which means its performance indicators are derived from the organization’s goals and strategies. It is ‘balanced’ because of the balance between external and
internal oriented performance measures. The former are for shareholders and customers, the latter for critical business processes, innovation, and learning and growth. There are four perspectives from where to measure: the financial perspective, the customer perspective, the internal perspective and the innovation and learning perspective. The financial perspective defines how the organization performs from the perspective of the shareholder. Examples of measures are profit, ROI, cash flow, etc. This financial measure is balanced by the three other long-term value oriented perspectives. The customer perspective refers to the customer and market segments in which the organization operates and how these customers look at the organization. Measures included are typically customer satisfaction and retention, quality, etc. The internal business process perspective includes the internal processes in which the organization must excel and which have the largest impact on customers’ expectations and satisfaction. Typical measures here are productivity and efficiency. Finally, the innovation and learning perspective defines the ability of the organization to grow and improve. Together with the customer perspective, it identifies the critical factors for current and future success.

The Balanced Scorecard Links Performance Measures

How Do We Look to Shareholders?
How Do Customers See Us?

What Must We Excel At?

Can We Continue to Improve and Create Value?

Figure 1: The Balanced Scorecard
The concept of the BSC offers many advantages for an organization, like an integrated performance reporting. One of the major benefits of this concept is that it contributes to the implementation of the business strategy on the different levels of the organization. When the Balanced Scorecard is successfully implemented, it is possible to integrate all the management systems and processes to realize one consistent strategy. The BSC can be very useful to describe and to communicate the strategy, to plan strategic actions and the needed resources for this, and to follow up the whole implementation (Bruggeman et al., 2010). Because of this varied use, the BSC evolved from an integrated performance measurement system to a strategic management system. This is why more and more organizations use the implementation of the Balanced Scorecard for the development of what Kaplan and Norton (2001) called a “Strategy Focused Organization” (SFO). In their book “The Strategy-Focused Organization”, Kaplan and Norton stated that the organization has to meet five basic principles to become an SFO.

First of all, the business strategy has to be translated in operational terms. A popular tool to realize this is a ‘strategy map’. The drawing of a strategy map starts with determining the mission and the long-term goals of the organization and the key success factors for attaining those goals. Thanks to a strategy map, not only the key success factors are shown, but also the causal relationships between these factors. Secondly, the organization has to be maximally aligned to the strategy. This means that all the different levels have to contribute maximally to realize the business strategy. Thirdly, the strategy has to become everyone’s everyday job. This means that the personal goals of the employees have to be aligned to those of the company (i.e. goal congruence), which makes the employees more motivated to implement the business strategy. The fourth principle that Kaplan and Norton implemented is that the formation of the strategy has to be organized as a continuous process. It is important that enough attention is contributed to the monitoring of the performance, feedback, the identification of learning opportunities… The final principle is the mobilization through executive leadership. The implementation of an SFO requires a lot of effort and major changes for the company. For this implementation to be successful, inspiring leadership and the perseverance and commitment of the top management will be necessary (Bruggeman et al., 2010).

To sum up, it can be stated that the motivation of employees is clearly related to the field of management control and more specifically performance management. But measuring performance is not a goal on itself. The final purpose is to use the performance information to better motivate managers and employees for performance improvement and effective strategy implementation. The purpose is to become a Strategy Focused Organization. In this dissertation, we will show that (autonomous) motivation plays a crucial role in implementing a successful, uniform strategy in an organization.
2.2 The nature of motivation

The term motivation is a derivation from the Latin word “movere”, which literally means “to move”. In the current context, motivation can be described as the force that drives people to do certain activities to achieve goals. A person who is motivated is moved to do something, feels inspiration to act and is energized or activated towards an end.

At business level, the subject of motivation is a cornerstone in the fields of Human Resource Management, Organization Psychology and Organizational Behaviour which makes it important that the concept and its theories are well understood so that it can help to ensure success.

There are several motivation theories that organize the exploration of all aspects of a person’s needs and the processes and structures that relate those needs to behaviour. They are based on a set of assumptions about the nature of people and about the actions that lead to action. On the one hand there are mechanical theories, which see people as passive organisms; on the other hand there are organismic theories, which tend to see people as active organisms. The organismic theory states that organisms have intrinsic needs and physiological drives, which gives them the energy to act and to cope with aspects of their drives and emotions (Deci and Ryan, 1985).

By analysing the historical development of the field of motivation, it becomes clear that despite the diversity of methods, parallel and convergent discoveries have taken place. The origin of those developments is situated within “drives” and their uncertainties. Behaviour was said to be motivated either directly by a drive or by a derivative thereof. Within the psychoanalytic psychology, the first motivation theory was Freud’s ‘Drive Theory’ (1914, 1915), which states that there are two drives, namely sex and aggression. Within the empirical psychology, the first motivation theory was the drive theory of Hull (1943), which recognizes four important drives, namely hunger, thirst, sex, and the avoidance of pain. For decades researchers have tried to develop systems that could explain behaviour starting from the drive theory, but it became clear that behaviour was too complex to be explained by the drive theory.

In 1943, Maslow proposed a theory of human motivation, the Need Hierarchy Theory. This theory was based on conclusions he drew from his observations of individuals who came to him for assistance in coping with difficulties in their personal lives (Latham, 2007). Instead of focussing on attitudes, Maslow stated that there is a hierarchy of five levels of basic needs. This hierarchy suggests that people are motivated to fulfil basic needs before moving on to other needs. Those five needs are (in sequential hierarchical order): physiological needs, safety needs, love needs, esteem
needs and self-actualization. This theory has a great value at organizational level because it is still valid today for understanding human motivation and personal development.

In 1959, R. B. White came up with a new motivational concept that could be the foundation of a motivational theory with greater explanatory power, namely ‘The Effectance Motivation’. With this concept he states that people have an innate tendency to have control of their environment. This motivates people to learn about their environment and to be competent in given situations. In the empirical tradition, most psychologists refer to the non-drive-based motivation as ‘Intrinsic Motivation’, suggesting that the energy is intrinsic to the nature of the organism. Together with the creation of the term intrinsic motivation (which will be further explained in section 2.3) researchers began to think about concepts as volition, autonomy and choice.

Empirical research conducted by the University of Michigan’s Survey Research Centre in 1948 led to the conclusion that “the use of external sanctions, of pressuring for production, may work to some degree, but not to the extent that more internalized motives do”. This vision is very similar to the beliefs held by E. L. Deci. In 1975, Deci stated that people judge their motivation on the basis of the circumstances in which they behave (Latham, 2007). Personal interest is missing when people only perform activities for the attached external rewards, such as money or a promotion, but when the external reward is absent, people judge themselves to be in control and thus intrinsically motivated. Deci concluded that extrinsic incentives create the feeling that behaviour is externally effectuated and hence reduce not only intrinsic motivation, but also the feeling of competence and self-determination.

In 1985, Deci and Ryan provided the foundations of one of the most famous theories in the field of motivation, namely the Self-determination Theory, which will be explained in the next section (Ryan and Deci, 2000). Because self-determination or freedom from control is necessary for intrinsic motivation to be operative, several theorists like deCharms (1968) have stated that intrinsically motivated activity is based in the need for self-determination.
2.3 Self-Determination Theory

To build further on the previous topic and explain the Self-determination Theory (SDT), a distinction has to be made between the several types of motivation. In 1975, Deci used the term intrinsic motivation as a basis for SDT but according to Deci and Ryan (1985) the issue of intrinsically motivated behaviour was already pointed out in 1918 by Woodworth. The concept of intrinsic motivation was documented within experimental studies of animal behaviour, where it was discovered that many organisms engage in exploratory, playful and curiosity-driven behaviours, even if reinforcements or rewards were absent (White, 1959). These spontaneous behaviours, although clearly being beneficial for the organism, appear not to be done for any such instrumental reason, but rather for the positive experiences associated with exercising and extending one’s capacities. In humans, intrinsic motivation is important for the cognitive, social and physical development because it is through acting in one’s inherent interests that one grows in knowledge and skills (Ryan and Deci, 2000). People who are intrinsically motivated perform an activity because they find it inherently interesting or enjoyable and they derive spontaneous satisfaction and pleasure from the activity itself.

This intrinsic motivation can be distinguished from extrinsic motivation. With extrinsic motivated people, satisfaction does not come from the activity itself but rather from the extrinsic consequences such as tangible or verbal rewards, to which the activity leads (Lawler, Porter and Tenenbaum, 1968). Intrinsic motivation comes from the human himself while extrinsic motivation is controlled from outside. “Extrinsic motivation refers to behaviour where the reason for doing it is something other than interest in the activity itself” (Deci and Ryan, 1985, pg. 35). Most of the activities that people undertake are extrinsically motivated. A lot of studies have proven that extrinsic rewards can control behaviour.

The Self-Determination Theory is based on three mini-theories. Cognitive Evaluation theory, Organismic Integration Theory and Causality Orientations theory, of which the first is the best articulated, comprise SDT. The Cognitive Evaluation Theory (CET) is a theory which explains the effect of extrinsic motivators on intrinsic motivation. It proposes that external factors have a negative effect on feelings of autonomy, change the perceived locus of control from internal to external and undermine intrinsic motivation. CET focuses on feelings of autonomy and competence, which are assumed to be important for intrinsic motivation. One needs to feel competent and self-determined to become and stay intrinsically motivated.
This CET is integrated as a sub theory in the Self-Determination Theory, which gives a broader approach on the subject. SDT is an important motivation theory that distinguishes between autonomous motivation on the one hand and controlled motivation on the other hand. Autonomy is doing something from one’s willpower, interest and being able to choose, whereas control indicates the presence of some sort of pressure. Intrinsic motivation, as described above, is a type of autonomous motivation. Both motivations indicate that there is an intention, where amotivation indicates the absence of any intention or motivation. “Individuals who are amotivated engage in the activity without a sense of purpose and do not see a relationship between their actions and the consequences of such behaviour” (Richer, Blanchard and Vallerand, 2002, pg. 2092).

Figure 2: The self-determination continuum

SDT suggests that behaviour can be described by the degree to which it is autonomous or controlled and is presented by the self-determination continuum (Figure 2). This continuum makes the distinction between amotivation, the different degrees of extrinsic motivation and intrinsic motivation.
The first type of extrinsic motivation is external regulation. A person who is externally regulated, is controlled and his or her actions depend on external motivators. That person acts to obtain or avoid certain consequences but the action only takes place when that action fosters the outcomes. The other behavioural types of extrinsic motivation are ‘internalized’, which means the regulation and its underlying value are taken in by the individual so that there is no need for external incentives. It is important to indicate that these types are three different processes, not stages, of internalization. The first is ‘introjection’, the type in which people take in the regulation but do not see it as their own. The external pressure is partially internalized to engage in the activity. There is an internal pressure which leads the individual to take action. ‘Identification’ means the behaviour is in line with the individual’s goals and identities. He or she is moderately autonomously motivated because the individual feels identified with the action. The action is performed by choice and is considered to be important. ‘Integrated regulation’ is the most internalized type of extrinsic motivation and indicates that the individual feels the behaviour as an integrated part of him- or herself.

Where the Cognitive Evaluation Theory is based on the needs for competence and autonomy, Self-determination Theory focuses on both together with an additional psychological need, namely relatedness. The need for relatedness is “the universal want to interact, be connected to and experience caring for others” (Baumeister and Leary, 1995). Autonomy, competence and relatedness are the three innate, psychological needs which everyone is assumed to have. All three are significant factors for internalization of extrinsic regulations and the maintenance of intrinsic motivation.
2.4 Autonomous motivation

Identified regulation and integrated regulation are, together with intrinsic motivation, categorized under autonomous motivation. Identified regulation and integrated regulation are internalized extrinsic motivations. Through internalization, these regulations become self-determined or autonomous. Autonomous motivation is the opposite of controlled motivation, which consists of external regulation and introjected regulation.

In our research, we want to investigate how enhancing autonomous motivation of employees has an impact on the financial performance of the company. Previous research (Gagné and Deci, 2005) has already summarized the several outcomes and consequences of autonomous motivation in a work setting.

![Diagram of the Social Environment and Autonomy in Work Motivation](image)

**Figure 3:** Summary model of the main elements of the SDT model of work motivation

Studies (Deci, Connel and Ryan, 1989) have found that managers supporting autonomy and self-determination increase satisfaction of employees in the work environment and trust in corporate management. Baard, Deci and Ryan (2004) show that the satisfaction of intrinsic needs (autonomy, competence and relatedness) improves performance where relatedness was most strongly correlated. A Deci et al. (2001) study predicted that satisfaction of the basic psychological needs
results in greater well-being. Another study investigated and showed that “self-determined work motivation was negatively related to emotional exhaustion but positively related to work satisfaction” (Richer et al., 2002). Gagné, Boies, Koestner and Martens (2004) demonstrated that employees’ autonomous motivation facilitates organizational commitment.

Results of former studies are summarized in the model above (Figure 3). We will use these outcomes in our own study as mediating factors between autonomous motivation and financial performance.

2.5 General research question

With the information described above in mind, we can define our research questions as: “What is the impact of enhancing autonomous motivation on financial performance?”
3. Model specification

Based on the model discussed in Figure 3, we will now construct our own model. With this model, we will link autonomous motivation of employees with organizational financial performance via the intervening variables found in the literature study. These intervening variables are organizational trust, organizational commitment, job satisfaction and job performance which will be explained in the following four subsections and can be found in Figure 4. We have separated the concept of ‘organizational trust and commitment’ (as used in Figure 3) into two individual variables, since they are both important to our research. Another adjustment we have applied is the omission of the variable ‘psychological well-being’. This is because this concept is more situated in the domain of psychology and is not seen as significant for our research. For every variable applied in our model, we will develop a specific research question.

![Temporary model](image)

Figure 4: Temporary model

3.1 Organizational trust

Organizational trust is the first variable of our model. Trust can be seen as an unavoidable ingredient of social interaction. Several definitions exist regarding trust. According to Schoorman, Mayer and Davis (2007) trust can be defined as “the willingness to take risk” and “the level of trust is an indication of the amount of risk that one is willing to take” (Schoorman et al., 2007, pg. 346). Kee and
Knox (1970) argued that to appropriately study trust there must be some meaningful incentives at stake and that the trustor must be aware of the risk involved. The trustor is the trusting party and the trustee is the party to be trusted. Mayer, Davis and Schoorman (1995) defined trust as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.” If we project these definitions into an organizational context, we can describe organizational trust as the confidence an employee has in the organization and the people in it, during the performance of his or her job.

Trust is unavoidably related to risk because the level of trust and the level of perceived risk in a certain situation will lead to risk taking in the relationship. The need for trust only arises in a risky situation but it is unclear whether risk is an antecedent to trust, is trust, or is an outcome of trust (Mayer et al., 1995). Other factors that will affect the trust one party has towards another party are the context, the type of job, the personality of the trustor and that of the trustee and the propensity to trust. Propensity might be thought of as the general willingness to trust others and will influence how much trust one has for a trustee prior to data on that particular party being available (Mayer et al., 1995).

Nowadays, organizations are evolving in the direction of a more participative management style and the implementation of work teams. Therefore, it is clear that the concept of trust is increasing in importance in the organization and in the working relations. Working together often involves interdependence and people must therefore depend on others in various ways to achieve their personal and organizational goals. If trust is absent in such relationships, it is often not easy to build a close partnership with profitable results.

**RQ 1: The influence of autonomous motivation on organizational trust**

Deci et al. (1989) investigated whether managers’ support for self-determination is positively correlated with the ‘Work Climate Variables of Subordinates’, measured by the Work Climate Survey which “assessed their reactions to their immediate workplace and to the corporation and its top management”. They also assessed the orientations of the managers of three branches and performed an intervention that focused on the training of these managers for their support of self-determination. Supporting self-determination can be classified as *informational*, as opposed to *controlling*. *Informational* means supporting autonomy and promoting competence. “It facilitates an internal perceived locus of causality and perceived competence, thus enhancing intrinsic motivation” (Deci and Ryan, 1985, pg. 64). This stands in contrast with *controlling* which means “pressuring one to think, feel or behave in specified ways” (Deci et al., 1989, pg. 580). “This facilitates an external
perceived locus of causality and thus undermines intrinsic motivation and promotes extrinsic compliance or defiance” (Deci and Ryan, 1985, pg. 64). The study of Deci et al. shows that this informational management style correlates significantly with trust in the corporation as well as with satisfaction with trust in the corporation. This means that employees whose self-determination is stimulated and thus feel more intrinsic motivated, have more trust in the organization they work for.

3.2 Organizational commitment

Organizational commitment is a behaviour which already has been examined thoroughly in the past and for which many, similar definitions exist. Porter, Steers and Mowday (1974) define it by the extent to which one identifies with and is involved in an organization. How one accepts the organization’s goals and values and is willing to put effort into its work for the benefit of the organization are important features when describing organizational commitment. According to Porter et al. (1974) it can be characterized by three factors, namely a strong belief in and acceptance of the organization’s goals and values, a willingness to exert considerable effort on behalf of the organization and a definite desire to maintain organizational membership. This kind of commitment goes beyond the passive loyalty to and the willingness to stay with the organization. Committed employees are willing to put in a great deal of effort that goes beyond normal expectations to help the organization to succeed. Hence, this kind of commitment cannot only be seen by employees’ attitudes but also through their actions.

Organizational commitment can also be modelled using three approaches, which were developed by Meyer and Allen in 1987. The first approach of the model contains the affective component of organizational commitment and “refers to employees’ emotional attachment to, identification with and involvement in the organization” (Allen and Meyer, 1990). This is the emotional approach, which has been researched by L. W. Porter and his colleagues. They developed an instrument to measure this commitment construct, namely the ‘Organizational Commitment Questionnaire’ (OCQ). The second approach is the continuance component, which is based on the costs that employees associate with leaving the organization. The third normative component refers to employees’ feelings of obligation to remain with the organization. This component is related to the employees’ feelings of responsibility towards the organization. Taking these different definitions and constructs into account, we will consider organizational commitment as described by Porter et al. which matches with the affective approach of Meyer and Allen.
In an organizational context, commitment can be linked with several antecedents and outcomes. Mowday, Porter and Steers (1982) presented personal characteristics and work experiences as antecedents of organizational commitment. The relationship with turnover (intention) as an outcome has been widely investigated and much discussed in the literature. As people are more committed, they will generally be less eager to leave the company. Also psychological well-being, employee health and on-the-job behaviour (attendance, organizational citizenship behaviour and performance) can be seen as consequences of organizational commitment (Meyer, Stanley, Herscovitch and Topolnytsky, 2002).

**RQ 2: The influence of autonomous motivation on organizational commitment**

Gagné and Deci (2005) described two theories which describe how autonomous motivation is related to organizational commitment. The first of O’Reilly and Chatman (1986) was tested by Gagné and Koestner in 2002. Using cross-lag correlations, they found that relative autonomy at time 1 predicted commitment at time 2. Time 1 commitment on the other hand did not predict time 2 autonomous motivation. The second commitment theory described is that of Allen and Meyer (1996), who distinguished three forms of commitment of which affective commitment (i.e. “employees’ identification with, emotional attachment to, and involvement in the organization”) is proposed to be the most related with autonomous motivation. Gagné et al. (2004) found the same pattern of correlations of intrinsic, identified, introjected, and external motivation with affective commitment that Gagné and Koestner (2002) had found. Both theories confirm that autonomous motivation facilitates and is important for employees to be committed and attached to the organization and to accept its goals.

**3.3 Job performance**

Performance is an extremely important criterion that relates to organizational outcomes and success. Half a century ago, Maier (1955) captured the importance of the term motivation in the workplace in the equation: job performance = ability x motivation. This equation explains why the subject of motivation is a cornerstone at business level. Campbell, McHenry and Wise (1990) define performance as the observable things people do (i.e. behaviours) that are relevant for the goals of the organization. Job performance is multidimensional, there is not one outcome, one factor or one anything that can be pointed to and labelled as job performance.
How well one performs in his or her job is depending on several factors like the personality, the general cognitive ability, the job involvement and the environment of work.

We will define performance as the overall job performance of the employee. We will measure all items of the four mediating variables at one and only one organizational level. More specific, our research will be addressed at the employees. Therefore, the perceived performance level, and not the actual performance, of the employees will be measured. This means we will assess how well employees think they are performing on their job. An advantage of this method is that employees take other sources of information into account than their supervisors to assess their performance. “They may attend to different aspects of their personal characteristics, job behaviour or results of their job behaviour. Depending on what particular cues they use and how they combine them, their evaluations of their own performance could conceivably be more accurate” (Motowidlo, 1982).

Viswesvaran, Ones and Schmidt (1996) performed a comparative analysis of the reliability of the different job performance ratings. Ratings obtained from the supervisor are the most commonly used source but not always easy to obtain. Self-ratings can be a good substitute for supervisor ratings.

Baird (1977) found that a subordinate’s self-rating is affected by his or her self-image. Actions and attitudes of people are strongly influenced by the desire to maintain a consistent cognitive state. Therefore it can be assumed that when asked to rate themselves, their self-concepts and confidence in their abilities will shape their ratings to maintain a cognitive balance. Another factor that can influence the self-ratings of the subordinate is the level of satisfaction with the supervision. Disadvantages of self-evaluation may be that persons tend to overrate themselves or perceptual biases may occur.

**RQ 3: The influence of autonomous motivation on job performance**

Gagné and Deci (2005) summarized that several laboratory experiments and field studies have associated autonomous motivation with more effective performance when dealing with complex tasks where other studies have shown that controlled motivation leads to (temporarily) improved performance on mundane tasks. Blais and Brière (1992) showed that managerial support for autonomy triggers self-determination which in turn enhances the quality of subordinates’ work performance. Koestner and Losier (2002) indicated that better performance was a result of intrinsic motivation when dealing with interesting tasks. When dealing with uninteresting but important tasks which require discipline, it was autonomous extrinsic motivation that produced better performance. Baard et al. (2004) found that “work performance correlated significantly with overall intrinsic need satisfaction and with satisfaction of each of the three separate needs”. The satisfaction of these
three psychological needs (autonomy, competence and relatedness) is depending on and influenced by the extent to which managers are autonomy-supportive. Combining these studies, we can summarize that autonomous motivation yields better performance when dealing with interesting or discipline-requiring tasks. For mundane tasks there seems to be no positive effect of autonomous motivation on work performance.

### 3.4 Job satisfaction

Job satisfaction is one of the most studied variables in organizational research. It is defined by Spector (1997) as “how people feel about their jobs and different aspects of their jobs. It is the extent to which people like or dislike their jobs.” Locke (1976, pg. 1300) defined job satisfaction as “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experience.” Smith, Kendall and Hulin (1969, pg. 6) suggested that “job satisfactions are feelings or affective responses to facets of the situation”. It is treated as an attitudinal variable; as the attitude of the employee towards his work. As the degree of job satisfaction of employees has its influence on organizational functioning, it is important for the organization to pay sufficient attention to it. On the other hand, job satisfaction can also be the manifestation of this organizational functioning, as Spector (1997) explains it.

Several scales have been developed to assess job satisfaction. There is the Job Satisfaction Survey developed by P.E. Spector (1985), the popular Job Descriptive Index developed by Smith et al. (1969), the Minnesota Satisfaction Questionnaire of Weiss et al. (1967) etc. These scales have been widely applied in previous research and contain different facets by which job satisfaction is measured. Facets that are frequently used include pay, promotion, supervision, co-workers and working conditions. It is apparent that the fact whether employees are satisfied or dissatisfied with their work depends on the factors that determine the work environment. Pay and promotion are obvious factors that have a significant influence on the (dis)satisfaction with work. Employees attach great importance to these components because they are direct outcomes of their work and effort. Supervision and co-workers may be less observable but are nonetheless important factors that influence the degree of job satisfaction. Also work itself and the condition in which employees are bound to perform, have a considerable influence.

The antecedents of job satisfaction can be classified in two categories, according to Spector (1997). He mentions environmental antecedents on the one hand and personal antecedents on the other hand. The environmental category includes factors associated with the job itself such as “how people
are treated, the nature of job tasks, relations with other people in the workplace, and rewards” (Spector, 1997, pg. 30). These factors correspond to the facets used in the job satisfaction scales mentioned above. Skill variety, task identity, task significance, autonomy and job feedback are the five core characteristics that lead to certain psychological states (experienced meaningfulness, experienced responsibility and knowledge of results) that again lead to job satisfaction but also to work motivation, job performance and attendance. The personality antecedents which have gained the most attention are the locus of control and negative affectivity. The first represents the belief one has to be able to influence positive and negative reinforcements. The more one believes to be able to control these reinforcements, the higher the job satisfaction tends to be. Negative affective people are likely to experience negative emotions which trigger job dissatisfaction.

Variables which are repeatedly linked with job satisfaction are employee turnover and to a large extent job performance. Turnover seems to be negatively correlated with job satisfaction as satisfied employees tend to stay at their current job. Job satisfaction can have a positive influence on performance but on the other hand, so can performance on job satisfaction. Other possible outcomes according to Spector (1997) are organizational citizenship behaviour, absence, burnout, psychical health and psychological well-being, counterproductive behaviour and life satisfaction.

RQ 4: The influence of autonomous motivation on job satisfaction

Deci et al. (1989) showed that an informational management style induces higher satisfaction with several job-related satisfaction variables. Ilardi, Leone, Kasser and Ryan (1993) found that even when dealing with mundane tasks, autonomous motivation is linked to increasing job satisfaction. Richer et al. (2002) have shown, beside the importance of feelings of relatedness and competence as well as intrinsic job rewards as predictors of work motivation, that this self-determined work motivation was positively related to work satisfaction. In turn, this work satisfaction was negatively related to turnover intentions that predict turnover behaviour.

These three studies show clearly that support for self-determination and self-determined work motivation induce job satisfaction in an organizational context. This means that employees who feel competent, related and autonomous feel more enjoyment in performing their job than not autonomously motivated employees.
3.5 Financial performance

In most companies, a good financial performance is the key driver. It is a subjective measure for assessing how well a company performs its daily activities and operations and how it is able to generate revenues. It is an indicator of the general financial health of the company over a given period of time.

The main idea of our research is to link the motivational concept of autonomous motivation with this financial measure and understand the intermediate connections and underlying organisms. It is reasonable to think that differences in financial performance can be assigned to pure economic measures or characteristics rather than to factors such as trust, commitment and motivation. Nonetheless, we will investigate whether the objectively measurable financial performance of an organization can be influenced by the four, more subjective, variables of our model.
4. Research questions

Figure 5 demonstrates the direct and indirect linkages between the different variables on which the specific research questions will be based. In the following section, we will further explain every link shown in the model.

![Research model](image)

**4.1 General research question**

What is the impact of enhancing autonomous motivation on financial performance?

**4.2 Specific research questions**

From the model discussed in Figure 4, we draw ‘a sub research question’ for each of the four variables, as presented in Figure 5. Relations 1 to 4 have already been explained in the previous section. Relations 5 to 11 complete our model. As can be seen, the variables are not only related to financial performance but are interconnected as well.
4.2.1 RQ 5: The influence of organizational trust on job performance

In organizations nowadays, the concept of organizational trust is gaining in interest. More and more emphasis is put on collaborative processes rather than on bureaucratic, fixed relationships. This new method of working together stresses the importance of coordination, sharing of responsibilities and the participation of the workers in the decision processes. To make this all possible, the element ‘trust’ plays a crucial role.

When trust is absent, it will soon become clear that there is not much gain in working together. The positive effect of trust on task performance is proven by Costa, Roe and Taillieu (2001). Their research confirms the importance of trust for the functioning of teams in organizations. When trust is present, the members of the teams will work together more efficiently and effectively which will result in better results than when trust is lacking. Trust reduces the need for formal contracts, diminishes or eliminates opportunistic behaviour and decreases the need for hierarchical control (Zaheer and Venkatraman, 1995).

Argyris (1964) argued that the degree of trust and respect between management and employees has a direct effect on the performance of the organization. When there is a low level of trust, employees will try to still their frustration and aggression by attempting to break management rules or by setting inappropriate goals which are not contributing to the firm’s performance. Alternately, where the level of trust is high, employees may be more willing to see the legitimate needs of the organization.

Mayer et al. (1995) argued that trust leads to risk taking behaviours such as organizational citizenship behaviour and enhanced individual performance on the part of subordinates.

From these studies we can conclude that focusing on the level of trust of the employees can be a beneficial method for increasing the job performance level of the organization.
4.2.2 RQ 6: The influence of organizational commitment on job performance

The subject organizational commitment is gaining in popularity in a variety of studies. The main reason for this extensive research interest in organizational commitment comes probably from its influence on almost any behaviour that is beneficial to the organization such as performance, attendance and staying with the organization.

In section 4.2 ‘Organizational Commitment’ we have indicated the three different approaches of organizational commitment distinguished in 1987 by Meyer and Allen. These are the affective component, the continuance component and the normative component. The relation between affective and continuance commitment and performance is analysed by Meyer et al. (1989). The conclusion of this study is that affective commitment is correlated positively and continuance commitment is correlated negatively with performance. “When commitment reflects an identification with and involvement in the company, as conceptualized by Porter and his associates (e.g. Porter et al., 1974), the organization may benefit both in terms of reduced turnover and superior performance. In contrast, when commitment is primarily on the basis of recognition of the costs associated with leaving, as Becker (1960) described it, the benefits of reduced turnover may be obtained at the price of relatively poor performance” (Meyer et al., 1989, pg. 155).

In 1997, Meyer and Allen performed further research on the relation between organizational commitment and job performance. “Given that an employee with strong affective commitment feels emotional attachment to the organization, it follows that he or she will have a greater motivation or desire to contribute meaningfully to the organization than would an employee with weak affective commitment. Thus, it is expected that employees with strong affective commitment will choose to be absent from work less often and will be motivated to perform better on the job” (Meyer and Allen, 1997, pg. 24). They also found a negative relation or no relation between continuance commitment and job performance because these employees do not stay with the organization for emotional reasons but just because the costs connected to leaving are too high so it cannot be expected that they will have the desire to contribute to the organization.

Further research has been done by M. Riketta (2002) to examine the correlation between organizational commitment and job performance and to identify moderators of this correlation. He found that the correlation was significantly stronger for white collar workers as opposed to blue collar workers and higher when performance is assessed by self-ratings, which is the method we will
use, as opposed to supervisor ratings or objective indicators. This variety of research indicates that there is an obvious link between the organizational commitment of an employee and his or her job performance.

4.2.3 RQ 7: The relation between job satisfaction and job performance

The job satisfaction-job performance relationship is a widely investigated subject in the psychological domain. Judge, Thoresen, Bono and Patton (2001) provided a qualitative and quantitative review of past studies and literature about this much discussed relationship, and mention the wide variability between the studies. The qualitative review shows seven models set up from previous research showing the possible relations between job satisfaction and job performance. This study shows results which “indicate that the mean true correlation between job satisfaction and job performance is moderate in magnitude (.30) and distinguishable from zero” (Judge et al., 2001, pg. 385), so the model that assumes the absence of a relationship between job satisfaction and performance can be ruled out. Judge et al. propose the existence of several mediators and moderators. They pointed to job complexity as an important intrinsic moderator of the relationship. “It is argued that the satisfaction-performance relationship should be higher in more complex, stimulating jobs” (Judge et al., 2001, pg. 385). Finally, they stress the necessity to do more research about this relationship.

Gagné and Deci (2005) speculate further about the possible relationship between job performance and job satisfaction using the results of SDT. They point to the distinction between performance on interesting or important versus mundane or boring tasks, and the fact that Baard et al. (2004) have found autonomous motivation to improve job performance of both complex and personally important tasks and to associate with satisfaction and adjustment in those jobs. Employees in mundane and boring tasks on the other hand only experience a short-term performance increase and less adjustment.

Further, they suggest autonomous motivation to moderate the link between job satisfaction and job performance. “In other words, when job conditions prompt autonomous motivation for work there will be a strong positive relation between performance and satisfaction, but when they prompt controlled motivation this relation will be absent” (Gagné and Deci, 2005, pg. 352). This way, a positive performance-satisfaction relation is expected when people are autonomously motivated because this autonomous motivation results from the interesting feature of the task or the personal
importance attached to it. Controlled motivation will conversely result in a low positive or even negative relation. This autonomous motivation as a moderator is comparable to but broader than the job complexity that Judge et al. (2001) pointed out as an important moderator.

4.2.4 RQ 8: The influence of organizational trust on financial performance

The relation between organizational trust and financial performance can be studied through the concept of employee turnover. Employee turnover is generally defined as the ratio of the number of workers that had to be replaced in a given time period to the average number of workers.

Davis, Schoorman, Mayer and Tan (2000) have proven that, when employees have a high level of trust, this will be a competitive advantage for the organization. In the research they conducted they found that the concept of trust was significantly related to sales, profits and employee turnover in the restaurant industry. Profit is a measure of operating profitability calculated by subtracting total operating expenses (direct and indirect) from gross revenue. It reflects the efficiency of the organization and the manager’s ability to increase sales while controlling variable costs. They examined the effect of trust on sales and on the net profit and in addition to these financial indicators, they also looked at an industry-specific measure of effectiveness that may reflect the success of the organization, namely employee turnover. When the level of turnover is high, several costs can occur, i.e. costs of recruiting and screening, training and the loss of continuity in customer relationships. Therefore it will be beneficial for a firm when it is able to reduce voluntary employee turnover because by this it can reduce its costs, increase its level of service and in turn augment its profitability.

Davis et al. (2000) found that trust was significantly related to profit, sales and turnover but that the effects on profit and sales are more immediate and more robust than the effects on employee turnover.

Another reason why trust is a valuable factor for the financial performance of the organization is because it adds value by reducing transaction costs (Milgrom and Roberts, 1992). Trust is an essential element in realizing beneficial transactions. The costs in these transactions can be limited by building a sustainable relationship, based on trust.
4.2.5 RQ 9: The influence of organizational commitment on financial performance

In 1981, Angle and Perry (1981) studied the relationship between organizational commitment and organizational effectiveness. For them, organizational effectiveness is a multidimensional concept of which the determinants vary. They found that the structural features of an organization should fit the demands of the environment and technology but that the organizational design alone will not ensure organizational effectiveness. “Even where the structural prerequisites have been met, there remains a crucial requirement - that the members of the organization behave in a manner supportive of organizational goals” (Angle and Perry, 1981, pg. 2).

As with organizational trust, the effect of organizational commitment on the financial performance of the organization can also be explained by the concept of employee turnover. When the employees are committed to the organization, they will be more involved with their job and it is logical that they will be loyal to it by not leaving the organization. Having committed employees enables the organization to save several financial costs, like mentioned in the section above when we discussed the financial advantages of a low turnover rate. Several studies have indicated that organizational commitment is a good predictor of employee turnover (Steers, 1977; Schein, 1970). Schein (1970) concluded that organizational commitment is related to employee turnover since employee affect plays a key role in the turnover process because feelings of low commitment set in motion the cognitive process that may eventually lead an employee to quit his or her job. Schein (1970) also examined the impact of turnover on organizational effectiveness and found that high rates of turnover do not only have a negative impact on the increased costs related to it, but also on the organization’s image and thus make it harder to attract new employees.

Having a high level of organizational commitment not only affects the turnover rate but can also have positive effects on the level of absenteeism of the employees. A lot of research has been done in this field (Somers, 1995; Mathieu and Zajac, 1990). Most of this research focuses on the positive relationship between affective commitment and attendance.
4.2.6 RQ 10: The influence of job performance on financial performance

In the part about the specification of our model, we have described the job performance variable as the overall performance of the employee and mentioned that it is dependent on several factors. On the other hand, this variable will also result in several outcomes. It is generally expected that employee performance has positive outcomes on an organizational level such as a sustained competitive advantage and thus higher financial performance. Factors which are frequently related with this relationship are productivity and turnover. These two are seen as intermediate factors between employee performance and firm-level financial performance. The connection between all of these variables is explained through human resource practices.

Huselid (1995) gives a theoretical background based on previous studies and shows that human resources have an important impact on employee outcomes (i.e. turnover and productivity) on the one hand and firm-level financial performance on the other hand. He refers to the ‘resource-based view of the firm’ and argues that “human resources can provide a source for sustained competitive advantage” (Huselid, 1995, pg. 637). This is possible when certain conditions are met. The human resources must add value (which means individual performance must be important), their skills must be rare, they must be difficult to imitate (by being qualitatively different from competitors) and it must be hard to replace them by technological substitutes. This way, the employees supply the organization with the possibility of creating a competitive advantage which can hardly be duplicated by competitors. Knowing this, it is important to find out how to benefit from this possible advantage. Efforts have to be made by the organization via HR practices to improve employees’ performance by influencing their motivation and skills. On the one hand this will reduce turnover and improve productivity while on the other hand the possibility of creating a sustainable competitive advantage increases. Both effects will boost financial performance as the competitive advantage will improve overall performance, while lower turnover and higher productivity reduce costs and enhance profits.

Taking this in consideration, it is clear how important employee performance is for the performance of the organizational as a whole.
4.2.7 RQ 11: The influence of job satisfaction on financial performance

The link between job satisfaction and the financial performance is already established by the Service Profit Chain. This is a theory and business model founded by Heskett, Jones, Loveman, Sasser and Schlesinger in the nineties. It is a set of relationships that links employee satisfaction with the financial performance of the company via employee loyalty, productivity, the external service value, customer satisfaction and customer loyalty. Financial performance is measured by revenue, growth and profitability. The authors have performed research in leading companies such as American Express, Southwest Airlines, Taco Bell, Ritz-Carlton Hotel etc. The chain is clarified in the figure below.

Figure 6: The links in the Service-Profit Chain
(Source: Heskett et al., (1994). Putting the service-profit chain to work)

The links in the service profit chain are as follows. Employee satisfaction drives employee loyalty, which results in retention and productivity. A study performed by Heskett, Jones, Sasser and Schlesinger in 1997 has indicated that dissatisfied employees showed a much larger intention to leave the company, resulting in retention of satisfied employees being three times as high as that of dissatisfied employees. Employee satisfaction as well as employee retention are related to productivity. In most cases, turnover is associated with costs of recruiting, hiring and training but one of the major costs of turnover is that of productivity loss and decreased customer satisfaction.
Employee productivity is in turn related to the value of goods and services delivered to customers. By employing productive employees and bringing them in contact with customers, these customers experience higher goods and service values. A higher perceived service level and quality will obviously be appreciated by customers resulting in more customer satisfaction. This is because of the strong value-orientation of customers which has evolved over time.

The link between customer satisfaction and customer loyalty, although seeming quite obvious, has proven to be the least reliable in the service profit chain. It seems that the reasons why customers are satisfied with the level of service are not always the same reasons why customers stay loyal to the service provider. Their loyalty depends largely on the degree of satisfaction but there are remarkably large differences between two degrees of satisfaction (e.g. satisfied or very satisfied).

Finally, customer loyalty is linked to profit and growth, the two measures for organizational financial performance. Heskett and his colleagues mention in their book that customer loyalty is a more important determinant for profit than market share, emphasizing that the quality of market share may not be neglected for the quantity of share.
5. Research

In sections 3 and 4, we have provided evidence for each individual relationship (i.e. research questions 1 to 11), relying on the literature. In this study, it is our purpose to propose one coherent model containing all variables and their intermediate relationships (as in Figure 5). In this section we will elaborate on the actual research we have performed. In more detail, we will describe the research methodology we have applied, where we have applied it and how. Next, the way in which we have collected the different types of data and information is described. Finally, we will analyse this information by using qualitative methods.

5.1 Research methodology

The research methodology we have applied is a case study. The reason for this choice is the fact that we wanted to collect our data through an in-depth investigation in an organizational setting. We wanted a detailed and full understanding of the studied case. There has not been done any research about our main research question. The underlying specific research questions have been investigated, as we already pointed out in our model specification and the previous chapter, but the link with financial performance as we propose it has not been made yet. The main purpose of this dissertation is to find associations between the several variables of our model, insight in those associations and to propose hypotheses for further research.

To be able to achieve this, we have performed qualitative research (consisting of questionnaires as well as interviews) in two comparable companies. One organization is chosen for its ‘enabling’ character while the other is ‘coercive’. Adler and Borys (1996) described in their work the difference between enabling and coercive formalization. They argue that whether formalization influences employees’ attitudes positively or negatively depends on whether that formalization enables or coerces those employees. The former is the degree to which it is made possible for employees to master their tasks or functions, while the latter is the way in which employees’ effort and compliance is forced. They conclude their research with the finding that “enabling procedures help committed employees do their jobs more effectively and reinforce their commitment” (Adler and Borys, 1996, pg. 83).

When applying this distinction to our research situation, we consider ‘enabling’ as the company allowing its employees to manage and control their own work and tasks. ‘Coercive’ means that the company tries to motivate its employees mainly through external motivators. The coercive
organization forces its employees to behave in a manner by the use of rewards or other forms of pressure. But as the Cognitive Evaluation Theory explains, external motivators have proven to diminish self-determination and undermine autonomous motivation.

To be able to make a comparison between both companies, they had to meet certain resemblances. Considering this, we selected two comparable organizations. Both companies are SMEs in the same sector (i.e. consultancy) with a similar number of employees, were founded almost simultaneously, pursue the same activities and share several clients. This way, we have performed the same research and asked the same questions in both organizations to compare the differences relating to the impact of the degree of autonomy on the financial performance. The fact that we have chosen two companies for this particular reason is what Silverman (2010) refers to as “theoretical sampling”, as opposed to “random sampling”. This means that we have selected the organizations in terms of our research problem and questions. In other words we have focused our research, guided by our theory. We have chosen these organizational settings because of their enabling and coercive character. Employees that are part of those organizations are enabled in the first and coerced in the other, which we will relate to autonomous motivation and its aspects. The enabling character of the first organization is expected to autonomously motivate its employees where we expect the coercive organization to have less autonomously motivated workers. This will obviously be examined to see whether this is the case.

Because both companies are SMEs, their number of employees is very limited. The enabling company employs eight people where the coercive company counts four employees. For protective reasons, we will not mention the names of the employees or those of the businesses. The reason for this is the lack of importance of this information and to keep the anonymity of both organizations preserved.

As will become clear, we will focus on the enabling organization. This is because they have implemented a specific project relating autonomous motivation, which will be elucidated in the following paragraphs. This enables us to focus on the enhancing aspect of implementing such a project.
5.2 Data collection

5.2.1 Management interview

We started our research with visiting the enabling company. Via an interview with the employer we learned about the mission, vision, direction and main strategy pursued in his company. The focus in this company is on customers, empowerment, coaching, strategic management and human capital. The concept of autonomous motivation was already very well known to the employer, which is why he implemented his own project to enhance the autonomous motivation in his company. The employer managed to tell us that the degree of motivation reached a low in the year 2009. This had to do with the redundancy of one employee by reason of a lack of motivation and the departure of a second employee. Since 2010, the company has been working with a solid team without anyone leaving.

The project mentioned earlier started in September 2010 and enables the employees through several actions and in different ways. The project consists of two major interventions. Firstly, the company started to improve the ambiance. This is applied by organizing a “happy hour” at the office every Friday. Employees have the chance to get to know each other better in a more comfortable atmosphere. This way, the employer tries to give them the opportunity to bond, to discover a different side of their colleagues and hopes for a positive impact on the collegiality. Further, every quarter the entire team participates in a whole-day activity. Examples are a sporting activity, a cooking teambuilding, the combination of a cultural visit with a lunch, etc. This part is applied to improve the relations among employees and towards the employer. Secondly, changes have been made in the structure of the company. Employees are made responsible for a specific part of the organization at supporting level such as assessment, studies, software tools, and legal advice. Also, the output of every employee is communicated monthly in an open conversation and the employee is provided with suggestions for improvement. This way, every employee is completely involved. Further, the organization provides more possibilities for training and employees are offered clear career prospects. Finally, the organization has implemented a variable compensation system. This ‘cafeteria plan’ allows employees to choose the basis on which they are remunerated: all salary, salary and vehicle, more leave, etc. Every employee is provided with a budget that can be adjusted biennial. An additional bonus is based on three elements: first of all on developed competences and experience, secondly on employee profitability and thirdly on organizational profitability. This way, the employer tries to bind his employees to the organization and because of this they are involved with its success.
Besides the information about the project of autonomous motivation, we also obtained financial figures and facts which we need to assess for the financial concept of our model. On the one hand we attained general information such as turnover (i.e. sales volume, not employee turnover) and profitability of the years 2005 until 2010 and an estimation of 2011 based on the first nine months of the fiscal year (which ends on June 30th). This information can be found in Table 1.

<table>
<thead>
<tr>
<th>Year</th>
<th>Return</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>314,269</td>
<td>64,000</td>
</tr>
<tr>
<td>2006</td>
<td>404,530</td>
<td>42,180</td>
</tr>
<tr>
<td>2007</td>
<td>605,508</td>
<td>75,207</td>
</tr>
<tr>
<td>2008</td>
<td>650,154</td>
<td>87,000</td>
</tr>
<tr>
<td>2009</td>
<td>628,116</td>
<td>70,390</td>
</tr>
<tr>
<td>2010</td>
<td>772,121</td>
<td>55,405</td>
</tr>
<tr>
<td>2011 (estimation)</td>
<td>1,000,000</td>
<td>125,000</td>
</tr>
</tbody>
</table>

Table 1: Financial data of the enabling organization

On the other hand we acquired detailed figures concerning the employees. More precisely, we attained information about the number of hours billable and those not billable (i.e. the number of hours unused or used for study or training), the percentage of hours billable relative to the number of hours actually worked and the percentage of hours billable relative to a normal work week. All figures are measured at the level of the individual employee. These numbers were given to us in an overview of the seven months following the start of the project. Additionally, we received figures about the individual return and profitability of each employee and the projects they worked on. These consist of their performance measured at cost (salary and overhead), their performance measured at selling price, the external costs of the project, the amount billed and to be billed, the profit margin measured at cost and the profit margin measured at selling price. This information can help us to see the evolution of employee return.

In the coercive organization, stimulations like those used by the enabling company are largely absent while other methods are used to motivate the employees. A project such as the one applied in the enabling business, is not present in this organization. Although the organization has recently started with giving rewards, it mainly focuses on external rewards such as bonuses and other additional compensations and advantages. Because of these external rewards, extrinsic motivation will be elevated, but some dysfunctions can appear. Several studies have shown that performance dependent rewards have a negative influence on the present intrinsic motivation (Deci, Koestner and Ryan, 1999).
In this organization, the salary of the employees is a fixed “salary package”. This consists of a fixed gross salary, a daily remuneration, hospitalization, a company car, a cell phone, a laptop computer, a non-recurrent bonus and extra leave.

As well as the enabling organization, the coercive company provided us with financial information. Firstly, we attained general financial data such as return and profit but only of the years 2008 and 2009 (see Table 2). This is because the company did not provide us with data from former years. The numbers of the year 2010 were not yet approved before the deadline of this dissertation.

<table>
<thead>
<tr>
<th>Year</th>
<th>Return</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>404,667</td>
<td>171,685</td>
</tr>
<tr>
<td>2009</td>
<td>414,641</td>
<td>174,302</td>
</tr>
</tbody>
</table>

Table 2: Financial data of the coercive organization

Secondly we received detailed data about the individual employees. This is of the same time period as the data received from the enabling company. The data consists of the biweekly productivity level of the individual employees. The employer provided us with the number of hours performed and the hours overtime. The first consists of hours worked that are directly assignable to the clients and the indirect hours. These latter are hours spent on administrative work, operational development (i.e. research and development, commercial work, etc.), training, leave and sick leave. The directly assignable and indirect hours are comparable to the hours billable and not billable of the enabling organization. Taking these hours into account, the productivity level is calculated. As with the enabling business, it is possible to observe the evolution of the employee productivity during the same period.

### 5.2.2 Questionnaires

To start the qualitative analyses, we sent a questionnaire to all employees of both companies. This questionnaire can be found in the appendix. Every employee finished the survey successfully, which means that we are dealing with the whole population instead of a sample. The questionnaire was sent to the employees via e-mail in which a link to a Qualtrics application could be found. To ensure the anonymity of both companies and the employees, we assigned specific codes to each employee, which they were asked to fill in at the beginning of the questionnaire.

The structure of our questionnaire is based on the structure of this dissertation. For all the variables of our research, we used existing questionnaires that were already tested in other studies. Hence,
the validity and reliability (the Cronbach alphas) of the constructs are already verified. These questionnaires all consist of different statements based on a five- or seven-point Likert scale. When data is collected with a Likert scale, there can be a potential danger in the fact that respondents that have a certain opinion on a subject, tend to project this opinion to all the characteristics of the object. This is called the “halo-effect” (De Pelsmacker and Van Kenhove, 2006). To avoid this effect, some questions are oriented in a different direction. These are the reversed questions.

For ‘autonomous motivation’, we have used a questionnaire provided by Evelyn Van der Hauwaert that is based on the ‘motivation at work scale’ of Gagné et al. (2010) which is a seven-point Likert scale. This questionnaire is not published yet, which is why it cannot be found in the appendix. The variable ‘organizational trust’ is measured with the trust items from Schoorman et al. (2007) who used the questionnaire of Schoorman and Ballinger (2006). This is a five-point Likert scale and has an alpha level of 0.84. For ‘organizational commitment’ we have used the ‘organizational commitment questionnaire’ (OCQ) which we have already mentioned in section 3.2 Organizational commitment. This questionnaire has an internal consistency reliability of 0.90 and is measured with a seven-point Likert scale. ‘Job satisfaction’ is measured with the questionnaire developed by Kahn et al. (1964) and has an alpha level of 0.736, which is determined by Hartmann, Naranjo-Gil and Perego (2010). It has a scale from one (strongly disagree) to five (strongly agree). The last variable is ‘job performance’. Because we want to measure every variable on the same level, i.e. the employee level, we cannot rely on the employee performance evaluation of managers. Therefore we have used a questionnaire which measures the perceived performance. This measure was evaluated by a scale of A. Carmeli (2003) developed by Pearce and Porter in 1986. This measure contains five items (overall performance, ability to get along with others, completing tasks on time, quality of performance, and achievement of work goals) that were assessed on a seven-point scale (ranging from one, strongly disagree, to seven, strongly agree). Although such difficulties as self-enhancement, objectivity and reliability may be encountered, Mabe and West (1982) showed that self-evaluation measures were more valid than pointed out in prior research (Hochwarter, Perrewé, Ferris and Brymer, 1999). The Cronbach’s alpha for this scale is 0.87.

In addition to the previous mentioned variables, three control variables are inserted. These are gender, age and education.

Due to the fact that the companies are both SMEs with a limited number of employees, the results of these questionnaires cannot be used for statistical applications or analyses. This is the reason why we have conducted a qualitative research as an alternative for a quantitative one. Despite the fact
that we could not generalize the results of the questionnaires, they were very helpful for getting a first image of the presence of autonomous motivation and the other intervening variables among the employees.

5.2.3 Employee Interviews

The qualitative analysis we have performed consists of profound, open interviews with the employees of both organizations. This way we were able to extend the first image we obtained from the results of the questionnaires. We chose to interview three employees of the enabling company and two of the coercive one. By in-depth questioning and repeatedly posing “why-questions” to find out the actual reason of their answers, we were able to probe intensively about their thoughts, ideas and behaviours and understand the underlying motives of their answers.

Each interview we have conducted was recorded with a dictaphone, with the permission of the interviewee. When all interviews were completed, we converted the conversations into literal transcripts to make it more convenient to analyze them afterwards.

To ensure the anonymity of the companies and of the employees, we started each interview by mentioning the specific assigned code of the interviewed employee that was used for the questionnaire. This way, it is possible for us to link the results of the questionnaires with the answers of the interviews, without infringing the anonymity of the employees. The interviews were semi-structured, which means that there was a predefined list of questions that had to be asked, but we were still able to respond flexibly when further questioning was required to acquire more valuable data.
5.3 Data analysis

In this section we will process the available information by analyzing the management and employee interviews, taking the results of the questionnaires into account as well. We will link this analysis with the provided financial data.

5.3.1 Management interview analysis

From the interview with the management of the enabling company, we can conclude that the concept of autonomous motivation takes in a central place. What immediately drew our attention was the familiarity and relaxed atmosphere which is present in this organization. The employer also directly involved an employee in the introductory interview and in the whole process of our research.

When we look at the project implemented in this company, it is clear that the three pillars of the Self-determination Theory are present. Because employees are made responsible for a specific part of the organization, the feeling of autonomy of the employees will be encouraged, which is the first psychological need of the SDT. Autonomy is also given to the employees through the ‘cafeteria plan’, which allows employees to choose the basis on which they are remunerated. The second psychological need is the feeling of relatedness. The monthly open conversations with the employees, the happy hours and the teambuilding activities all satisfy this need towards the colleagues. A part of the bonus is based on the organization’s profitability, which will encourage the commitment to the company which can be seen as relatedness towards the organization. To meet the need for competence, a part of the bonus system is based on the developed competences and experiences of the employee. The organization also provides the possibility for training so the employees have the opportunity to enlarge their competences.

A part of the autonomous motivation project consists of the monthly open conversations in which the output of every employee is communicated and the employee is provided with suggestions for improvement. According to the manager, this change has already shown its advantages. He states: “Employees discuss possible problems proactively and they help searching for solutions to be or stay profitable in their projects.” These open conversations with the employees indicate that the company has the goal to stimulate strategic learning and to identify new improvement initiatives. In this we recognize a way of an interactive use of Balanced Scorecard information, constructive feedback on performance information and the development of inspirational and coaching leadership, which are proven to increase the autonomous motivation (Bruggeman, 2010). Several studies have
already indicated the benefits of these aspects. It is important to emphasize that intrinsic job rewards can also have an influence on work motivation. A model was developed by Hackman and Oldham (1974, 1976) in which skill variety, task significance, and feedback represent important determinants of work motivation. They concluded that jobs which offer those elements are likely to encourage self-determined motivation. On this topic, Richer et al. (2002) pointed that much research has already revealed that providing constructive feedback can significantly enhance work motivation.

In the remuneration system of the enabling company, a bonus system is included and caution must be paid to the effect of such a system. Bruggeman (2010) noted that it is important that those performances are rewarded in such a way that they maximally contribute to the realization of the business goals. Only then the employees will be continually motivated to improve their performance. The Cognitive Evaluation Theory (mentioned in section 3.3 SDT) proposes that external factors have a negative effect on feelings of autonomy, change the perceived locus of control from internal to external and undermine intrinsic motivation. A meta-analysis executed by Deci et al. (1999) indicated that “when rewards were given independent of specific task engagement (as might be the case with a salary) or when the rewards were not anticipated (as might be the case with unexpected bonuses), tangible extrinsic rewards did not undermine intrinsic motivation” (Gagné and Deci, 2005). Ryan, Mims and Koestner (1983) also found that rewards which are contingent on high quality performance and an interpersonal context (rather than a pressuring one) resulted in tangible rewards enhancing intrinsic motivation, compared to a situation with no rewards and no feedback.

Such a project to improve the autonomous motivation is not present in the coercive organization, which is why we cannot discuss this any further. In this company a more hierarchical structure is present and other methods are used to motivate the employees. These methods cannot be categorized in the concept of autonomous motivation. Another dissimilarity compared to the enabling company is the applied remuneration system. In the enabling company a combination of a fixed and a variable salary is implemented and the employees are able to choose a part of the way they are remunerated. In the coercive company a fixed package is offered and the employees have no participation in the way their salary package is composed.

5.3.2. Questionnaire analysis

The questionnaires were completed by every employee of both businesses but because of the small samples (respectively eight employees and four employees) we cannot draw any statistically founded
conclusions. That is why we will only make general observations of the collected results, with this restriction in mind.

The first notable observation is made when we analyze the degree of autonomous motivation. Both organizations score very low on amotivation but the enabled employees are less controlled than the coerced. On average, the enabling company scores quite higher on autonomous motivation than the coercive one. Whether this is a consequence of the autonomous motivation project will be examined in the analysis of the interviews. When looking at the results on organizational trust, we can see that this concept is not prominently present in both companies, although it is slightly more existing in the enabling one. Organizational commitment, on the contrary, seems to be much more present in the enabling company. On average, they score a lot higher than the coercive organization. Whether this actually is the case and how this can be explained, will be investigated by means of the employee interviews. Also job satisfaction scores overall considerably higher in the enabling company when we take the averages into account. Lastly, the employees of the enabling organization estimate their own performance noticeably higher than the coerced employees do.

5.3.3. Employee interview analysis

The enabling organization

The first employee we interviewed in the enabling company is very positive towards the implemented project and identifies the benefits of it. The happy hours, she says, provide a good working environment and everyone is motivated to attend. “It is possible that the happy hour does not start until 5:30 pm, but then you feel that everyone is motivated to stay longer, despite the fact that we did not start at 4:00 pm.” She stated that the employer also expects the employees to be flexible to get together, and that the employees find this interesting because it is an added value and you get to know each other. “The fact that you can talk about something different with your colleagues and that you know something about them also makes it easier when a procedure or a situation is not going well. You know what is going on in the background, and then you can more easily know how to handle the situation.”

The most important element of the project for this employee is the additional responsibilities that are assigned. She believes this is something very positive that strongly motivates her. This responsibility is absolutely not a bother to her since she considers herself to be more motivated when she has more responsibility. “If I should only come along to take down notes and if this would be my only task, then I would not think that it is motivational, absolutely not. I think this is very
important. I would not stay with this company if I did not have these responsibilities.” This employee thinks she is very motivated and that this is due to the project and more specifically to the assigned responsibilities. This, together with her commitment to the company, stimulates her to work overtime in more busy periods. When we asked if she works to attain or to avoid certain goals she answered that she wants everything to flow smoothly, primarily for herself but also for her colleagues. She believes that the work she delivers is mainly for her own because it helps her to develop her skills. She thinks it is great to be able to prove to the employer what she is worth and to constantly learn new things. The extra responsibilities are very important to her but she also thinks it is essential that the financial rewards are aligned with that responsibility. When this becomes a problem, she discusses it with the employer and he helps her to keep her motivated because she believes it is important that this does not become an issue. Here we see a clear opportunity for the employees to discuss the financial aspect with the employer. The financial aspect is not the most important factor but it may not become an issue.

This employee is involved in the company and its success. She thinks it is important that the company grows and performs well. She also feels that the project has an influence on her commitment (RQ 2), not only to the company but also to her colleagues and their projects. The values and norms of this company are generally aligned with her own which indicates that there is some level of identified autonomous motivation.

When we asked her about her performance, she was very positive and believes that she achieves her goals successfully. This corresponds with what we found in the results of the questionnaire. This employee assesses her own performance as very high. A skill she hopes to improve is her management skill, i.e. create her own vision and to be able to see a clear direction for the company. When we asked if the project has an influence on the performance (RQ 3) she confirmed and stated that this influence is due to her enhanced commitment (RQ 6). She also thinks that her performance has an influence on her job satisfaction (RQ 7) because of the self-affirmation she gets through her job. “When the employer tells you that you finished a procedure well and you have the feeling things went efficiently, this confirms you in your competences. Based on that I can conclude that I am not doing badly, which motivates me to start the next project with more self-confidence and then you are more satisfied with your job.” The employee is satisfied with her job and she believes that this is more because of the extra responsibility that is provided to her than of the social activities, such as happy hours and team building activities (RQ 4). This is consistent with her high level of job satisfaction according to the questionnaire responses.
When we asked her what she thought of the ‘cafeteria plan’ that is implemented in the remuneration plan, she noted that she had not seen any results of this. “It is more a confirmation of the fact that you did a good job, you attained your goals and therefore you receive something in return. That is very motivating, but it is difficult to estimate how this influences my satisfaction or my motivation.”

She describes the relationship with her colleagues and employer as close, like a friendship and there is a lot of trust, although she scores relatively low on organizational trust in the questionnaire. She thinks that the level of trust in this organization is stimulated by the project (the happy hours and team buildings), i.e. RQ 1. This employee believes that her level of trust influences her job performance (RQ 5) since this enhances her commitment and makes her want to perform even better. She is also committed to the future of the company. “I realize that when we lose an important client, the company will be in trouble, my colleagues will be in trouble and I will be in trouble, so this helps when you bond with someone, to be even more committed.”

When we asked whether the project has an influence on her commitment (RQ 2), she responded that it certainly is a stimulation because after a while the job turns into a routine and then the projects helps to keep on stimulating and motivating the employees. Especially the extra responsibility stimulates her to become more motivated in the long-term. Her reasons to stay with this company are above all the job content that is very varied, but also the colleagues.

The last question was to evaluate the project in general. She believes it is very positive. Without it, the relationship with her colleagues would be different and her performance would be at a lower level because of the lack of extra responsibility (RQ 3). It stimulates her to keep performing on a high level. She thinks it is an added value to the company and she would not stay with the company if the project would be cancelled. The project reaches it goals and everybody is very involved, she says. This project also gives her a feeling of autonomy because she can add her own opinion and judgment in her job. She will only implement those decisions she supports a 100%. This makes her job useful which is very important to her. This feeling of autonomy is one of the basic psychological needs of the SDT which have to be fulfilled in order to be autonomous.

The second interviewee was very aware of the project being activated. He considers the realization of the project as a (logical) process in the expansion of the organization. He looks at it as the implementation of a new structure to insert a number of motivators, independently of the financial performance. The independence and the possibility of individual input that the employees receive are the most important aspects for him. Everything used to be decided exclusively by the employer whereas now decisions are spread over the different employees. It gives more satisfaction (RQ 4) and
strengthens the “team feeling” (RQ 2). Another positive consequence according to him is the fact that the employees get to know each other, although it is still the job itself which unites the employees.

He finds himself motivated which is especially reflected in the additional amount of time spent to his work, although this is not required, and the feeling of responsibility. The project has perpetuated his commitment because of the extra responsibility, the group feeling and the stimulation to perform on a high level (RQ 2).

He personally describes the reason for his motivation as “intrinsic”. He sees it as a consequence of the feeling you get by realizing something in the job and the recognition you receive. This is actually not intrinsic but is introjected and identified extrinsic motivation. Bruggeman (2010) confirms that it is important to concentrate on the internalization of identified and integrated extrinsic motivation because it is impossible for people to do only those things they enjoy. Everyone has to carry out certain activities they dislike. In those situations, external motivators are necessary to motivate and in the best case internalize those extrinsic regulations.

The employee states that “of course we still work to make a living [...], but it is more a basis which has to be present. You have to receive a comfortable remuneration about which you feel good, but I do not think this motivates, and definitely not in the long term.” He admits that a raise can be pleasant but it is not sufficient in the long term because additional intrinsic motivators are needed.

Above all, he works for himself, not for others, but this was already the case before the implementation of the project. He is mainly motivated by the job itself and switched to this job, not because of the higher salary, but for the underlying reasons. “It really was an intrinsic choice, to a job with more responsibility.” Also the flexibility seems to be an important factor.

He thinks he can identify himself with the job, as well as with the organization and finds his job useful. The job is largely in line with his own values, which he finds to be even more the case because of the motivation project (RQ 2). What mainly interests the interviewee is the possibility of developing himself, in terms of job content as well as relational. This indicates the fulfilment of one of the psychological needs of SDT, namely feeling competent. Also the degree of freedom is something he attaches importance to. He is quite satisfied about his own performance although he does not assess himself very highly in the performance questionnaire. He thinks deadlines are a stimulation to be productive, although too much time pressure can result in “negative stress”. The autonomous motivation project has increased the communication among employees, which has improved the individual performance, according to this employee (RQ 3).
According to the questionnaires, this interviewee is quite satisfied in his job. He verifies this in the interview by stating that he is pleased with the content of his job, the possibility to learn and that the atmosphere among the employees helps to add perspective. The project has contributed to this feeling (RQ 4). He believes his satisfaction is dependent on his performance, not the other way around (RQ 7). He says “performance is something that has to be present, before there can be job satisfaction.” But according to him, this satisfaction is not assured. “There have to be a number of other matters, which can be intrinsic motivators that contribute to that job satisfaction.”

When questioning the level of trust, this employee answers that he trusts the company in the sense that he has confidence in a “durable relationship”. He has trust in the sustainability of the organization in terms of her strive for progress. A lack of trust would result in an absent feeling of security. Security, being able to perform and the feeling of being appreciated for it, seems to be of great importance. This is in contrast with what we found in the questionnaires. This employee did not score high on organizational trust. It should be pointed out that what we measured as ‘organizational trust’ is very different from what this employee considered as ‘having trust in the organization’. He sees this rather as job security and a sustainable relationship with the organization, than the possibility of trusting the employer with his interests and the ability of being vulnerable with respect to the employer for example. He assumes the project has influenced this feeling of security (RQ 1).

The interviewee confirms being committed to the organization and her (financial) success. The organizational standards, values and objectives seem to be aligned with his own. The project has had a positive influence on his commitment because of the increase in responsibility (RQ 2). This commitment has also augmented as a result of the commitment to his colleagues and the responsibility he feels towards them. Relying on the interview, he seems to be more committed than initially appeared in the results of the questionnaires. He also states that commitment is a necessary factor for performance in the sense that he is prepared to put in more because of that commitment (RQ 6).

The possibility of growing and developing is an important reason for staying with the organization together with the atmosphere and the freedom he gets as an employee. When asking about further suggestions, he proposes to assemble even more as a group. Not necessarily more “happy hours”, but the introduction of additional team meetings should motivate the employees even more.

When interviewing the third employee of the enabling company, it soon became clear that she is autonomously motivated but not as much as the other two employees. If we asked the employee about the content of the project of autonomous motivation, she mainly focuses on the concept of
commitment. According to her, the main goal of the project is to enhance the commitment of the employees (RQ 2).

The happy hour is really important to her because it is enjoyable to get to know each other in a different way that is much more playful than during the working hours. She believes that the project has an influence on her motivation and that this motivation helps her to find the energy to keep on doing the job and to be committed (RQ 2). She mainly works for herself because she thinks this job is very diverse with a lot of personal opportunities, but also for her colleagues. She stated: “We are a really good group, so we do it for each other. If someone has to fill in for a colleague, this always happens without a problem, so you know that you can count on them when you are in trouble with a deadline, or if you are not available for some time. Problems like that are internally very well solved [...], this happens spontaneously”. The job content is a larger motivator to her than the rewards attached to it, since it is a quite varied job with a lot of social contacts, which is very important to her. Another positive point for her is that she can manage her own time distribution. When looking at her questionnaire results, this employee scores moderately high on autonomous motivation.

The values and norms of this company are aligned with her own principles. She has not yet discovered any contradictions. This employee thinks that her job performance will improve the longer she stays with this company, but she and her colleagues stimulate each other to perform better. She thinks that the project has an influence on her performance because “the project stimulates primarily the commitment and it provides a clear task outline. This encourages us in our main job” (RQ 3).

This interviewee is very satisfied with her job and believes the project has influenced this feeling (RQ 4). She also stated that this satisfaction has an influence on her performance (RQ 7) because of the feeling of competence that is caused by her job satisfaction, of which she thinks that it results in a better performance. When we asked about the relationship with her employer and colleagues, she told us that there is no real hierarchy present in this organization and that the happy hours and the other social contacts ensure that they are all equals who try to pursue the same goal.

According to this employee, organizational trust is viewed as the risk the company has of going bankrupt, but she has confidence in a healthy future for this organization. Again, trust is experienced as trust in the steadiness of the organization and the level of job security. In her questionnaire response, we see a generally low level of organizational trust. When we asked about the influence of the project on her organizational trust (RQ 1), she considered this trust more as a part of commitment. Since she is more committed, she believes that her performance has increased because she is more involved, which motivates her to perform more and better (RQ 5 and 6).
When we asked to give an overall evaluation of the project she stated that it is very positive and that it is not viewed as a set, fixed project, but that it is embedded in the whole company structure. It is clear that the project is not an isolated given anymore. It is enclosed in the entire work environment and accepted in such a way that it is integrated into the job itself.

**The coercive organization**

The first interviewee of the coercive organization assessed the motivation in the organization generally as “good” and this expresses itself in the way they work. He thinks that “people are motivated from oneself but there are certain motivators to stay motivated.” When asking about these motivators, he refers to salary and additional perks, team activities, etc. These additional perks are clearly external rewards for which it is important to be paid for performances that contribute to the organizational goals (Bruggeman, 2010). The autonomy of the employees in this organization exists of individually handling a case, but this always happens in cooperation with a manager. The interviewee declares the responsibility is always shared with the employer. This is in contrast with the enabling company, where much more autonomy is granted to the employees, for example in the form of individual responsibilities.

He states he is able to develop his skills and competences by means of new challenges, new ways of working and new clients. They also have the opportunity for training and retraining. When asking about the efforts of the employer to stimulate the commitment and team spirit, he mentions the possibility for the employees to do an occasional team activity but there does not seem to be a constant pattern or motivating system. This is opposed to the enabling organization, where the employer has established a fixed programme of motivators such as the weekly happy hours and quarterly team activities.

He describes himself as being motivated “because of the fact that he knows the job, enjoys doing it and because it pays”. He thinks motivation is largely depending on the salary and the additional perks. He says he is interested in his job and the sector they are in but thinks that “99% of the people is working for the remuneration, to make a living”. Nonetheless, he affirms to be working for himself. When asking which motivates most, the job and the performance or the compensation, he chooses the latter. These statements are quite in line with the results of the questionnaire. This employee was less extremely amotivated than the others and scored very low on autonomous motivation.

Although scoring quite low on autonomous motivation, he finds his job to be useful and thinks his values are aligned with those of his job. He thinks the variety and flexibility are the most important
aspects of his job. When asking about his own performance, he answers positively and affirms to achieve his goals and being able to cope with deadlines and time pressure. This is in line with what we found in the questionnaires. He is convinced that his motivation has an influence on his performance (RQ 3). When asking about his job satisfaction, he responds that he is satisfied because he gets enough “advantages” out of it. When taking a look at the questionnaire responses, we see that this employee scores very low on job satisfaction. He thinks his motivation affects his job satisfaction via his performance (RQ 4 and 7). “If you are not motivated, you will never deliver the same performance.” He describes the relationship with his colleagues as “collegial” and affirms really trusting the organization and the people in it. This employee interprets ‘organizational trust’ quite literally as opposed to the employees of the enabling organization, where they interpreted ‘trust’ more as job security. This is quite contradictory with the results we found in the questionnaire responses of this employee. His level of organizational trust was very low, on average and compared to his colleagues. He thinks being motivated is an outcome of trust, rather than the other way around (RQ 1) and that his level of trust has little influence on his performance (RQ 5).

He finds himself being committed to the organization in the way that he associates himself with the company. Again, this is in contradiction with his responses of the questionnaire. We found a very low degree of organizational commitment with this employee. Nonetheless, he is convinced that his motivation influences his organizational commitment (RQ 2) because “you pursue the same goal”, and says being committed will retain or improve job performance (RQ 6). When asking about the main reasons for staying with this organization, he responds with being in his field of interest, knowing the job and the additional compensations. He thinks that the organization provides its employees with enough compensations and activities to stay motivated.

The second employee has a positive impression of the general level of motivation in the organization, but emphasizes that he is a relatively new employee. He confirms the employer makes an effort to improve the motivation in the organization, mainly by providing bonuses and other activities such as dinners. Again, these are clear examples of external rewards. When asking about the level of autonomy, he says they can work autonomously on their cases and have responsibility about them. They also get the possibility to develop themselves in the sense that they can choose an own “training route” and the way they develop themselves through that training.

The interviewee thinks the employer stimulates the relatedness and team spirit of the employees by providing certain “extras” such as diners, treating with champagne etc. He sees himself as motivated and works out of interest and for himself. He is mainly motivated by the job itself and identifies with it out of interest. As he is still in training, he cannot say he is 100% satisfied about his performance.
This corresponds with what we found in the results of the questionnaire. This particular employee assessed his own performance quite low. But he thinks his motivation has a positive influence on his job performance (RQ 3).

He is quite satisfied with his job because it lies within his interest and because the remuneration is reasonable. He says his performance is dependent on his job satisfaction and not the other way around (RQ 7). When asking about the atmosphere among the colleagues, he describes it as “intimate” although they do not see each other very often. He defines his level of trust as quite high, although this is not evidenced by his questionnaire responses, and thinks this is influenced by his motivation (RQ 1). He also thinks this organizational trust has an impact on his own job performance (RQ 5) and explains: “If an organization performs less, an employee will try less hard than when everything goes well.” Here we see again the interpretation of the concept ‘organizational trust’ as described by the enabled employees. This employee sees this kind of trust more in the context of the “surviving” of the organization and job security.

This interviewee finds himself committed to the organization because of his input and the decisions and choices he makes, and is concerned with its success. This matches with the level of organizational commitment that can be seen in the questionnaire, where he scores quite high and the highest of all his colleagues. He also thinks his job performance is influenced by this commitment (RQ 6).

5.3.4. Link with financial performance

In this section, it is our intention to link enhancing autonomous motivation of the employees to the organization’s financial performance. It is not evident to connect these two variables for the following reason. The enabling organization provided us with an overview of the detailed costs of the autonomous motivation project but it is difficult to evaluate its revenues. The implementation of the project has caused several costs such as the costs of the ‘cafeteria plan’, the opportunity costs of the hours spent on the “happy hours” and on the quarterly activities and the cost of the bonuses paid. The revenues on the other hand are much more difficult to determine. This is because we cannot simply assign the evolution of the general financial performance to the success of the project since there are more factors that play a role in this process. One “revenue” that can be taken into account is the saved cost of replacing an employee. The employer mentioned that a replacement costs about € 66,000. This is without the cost of recruitment (i.e. € 15,000), which is done by the organization itself. This heavy cost clearly shows one of the benefits the project can deliver.
Because of this difficult linkage, we will look at the evolution of the financial performance of the companies in general and of each employee individually, and then link this to the evolution of the presence of autonomous motivation.

During the first management interview with the enabling business, we already noticed a first indication of the possible presence of a link between autonomous motivation and financial performance, i.e. the general research question of our model. During the management interview, the employer brought up the occurrence of an all-time low in the motivation of his staff in the year 2009, which was already mentioned in section 6.2.1. When looking at the general financial performance (Table 1), we can see a firm drop in terms of turnover in 2009 and in terms of profit in 2009 and especially in 2010. This can be assigned to the lack of motivation present during that time. After the minor year of 2009, the organization came to a more stable situation in terms of turnover in 2010 thanks to the solid team that was composed. Profit was still low in this year but is estimated to make a recovery in 2011. This estimation can be described as accurate as it is based on the first nine months of the fiscal year. The higher motivation since 2010 can be a possible explanation for the (expected) rising financial performance.

When looking at the individual percentages of hours billable (relative to a normal work week) and the returns of the months subsequent to the project implementation and of the first quarter of 2011, we see a clear improvement in the second period compared to the first. The first interviewee’s hours billable progressed with 26 percentage point (or 38.8%), which is the largest increase of all employees and made her the best performing employee. When looking at her individual return, this improvement is also noticeable. Her profit margin measured at cost increased when taking into account the number of hours worked on the different projects. The second interviewee’s percentage billable stagnated. He is the only employee that did not advance but already reached a high level of 91%. His profit margin measured at cost improved significantly as did the number of hours he performed for his projects. This corresponds with what this employee told us during the interview. The last interviewee improved her percentage billable with 15 pp (or 21.7%). The profit margin measured at cost of this employee also improved when looking at the hours worked on her projects. The percentages of hours billable of the other (not interviewed) employees have augmented as well.

We can place the recent fluctuations in turnover and profit together with the evolutions in individual performance next to the implementation of the project at the beginning of the last quadrimester of 2010. Taking this and the information from the interviews into account, we can conclude that the combination of the steady staff and the motivation project has had (and has) its influence on the
degree of autonomous motivation and on the other variables of our model. We can presume this to be the reason for the revival in 2010 and 2011.

For the coercive organization, we cannot relate the evolution of their financial performance to a project because they did not implement one. Therefore, we can only look at the fluctuations of their financial performance in the same time period and compare these fluctuations to those of the enabling company. This is possible because of the similarities between both organizations. Considering the fact that we only dispose of general financial information of 2008 and 2009, we can only conclude that this organization advanced slightly. The individual performance of each employee is given to us in an overview of the productivity levels. The first interviewee’s directly assignable hours increased considerably and his productivity level augmented with 5.2 pp or 5.8%. The second employee we interviewed shows an insignificantly higher amount of assignable hours and gained in productivity with only 0.8 pp or 1.2%. The other two employees’ productivity levels decreased with 13.2 pp (i.e. 14.8%) and 5.3 pp (i.e. 5.7%) respectively. Because there was no project implemented, we cannot determine what caused these fluctuations. We can only conclude that the coercive organization has high and low performing employees with fluctuating productivity levels.
6. Research results

By analysing the management interviews, the results of the questionnaires and the employee interviews we were already able to obtain certain results and conclusions. In this section we will give an overview of the most important results based on and supported by our research.

It is apparent that autonomous motivation is present in the enabling company. This appeared firstly from the questionnaires but also during the profound employee interviews. The employees declared to work mainly for themselves, find their jobs interesting and meaningful, and can reconcile with the organization’s values. The financial aspect of the job is not the most important feature but it must be something the employee feels comfortable about and may not become an issue. It has to be aligned with the responsibilities they carry and the level of their performance. A very important aspect is the responsibility they get, mainly since the start of the motivation project. They attach very much importance to these responsibilities and affirm that these are an important driver of their motivation. The enabling business seems to provide for the three psychological needs of SDT. This not only appears from the management interviews but from the interviews with the employees as well. This is shown by the levels of relatedness and autonomy and the will to develop their competences that the employees described when answering the questions.

In the coercive company, there is no steady pattern of motivators provided by the employer. This is reflected in the lower average level of autonomous motivation that appeared from both the questionnaires as the interviews. The coerced employees admitted being more motivated by the additional financial compensations. There is definitely some kind of motivation present in this company, but it seems to be of a different type when comparing this to the enabling organization. The degree of autonomy is lower in the coercive company as the employees verified that every case is handled in combination with a manager. Also the level of relatedness between the employees seems to be lower than that of the enabling company. The need for competence on the other hand does seem to be present in this organization.

When talking about the autonomous motivation project, its purposes and consequences, the concept of ‘commitment’ is always brought up by the enabled employees. Apparently, the implementation of the project is evaluated by the employees to be much associated with commitment and relatedness. The project and its aspects are clearly present for and appreciated by the employees. Getting to know each other was also something which was mentioned several times. Organizational commitment is the variable which seems to matter most and is considered as the involvement in the organization. All employees said their values are aligned with those of the organization which shows...
the presence of commitment, as well as of indentified regulation. Trust is a variable which seems to have less meaning and is mainly linked to the continuance of the organization, job security, a sustainable relationship with the organization and sometimes commitment. Job security is a factor all interviewed employees attached great importance to. We might suggest further investigating ‘organizational trust’. We do not believe this variable, in the way we have described it in our model, plays a significant role in predicting financial performance. Only one interviewee (from the coercive organization) interpreted this variable as we intended. A sustainable business and the concept of job security on the other hand are of great importance.

What struck was the fact that feelings about commitment, job satisfaction and especially (autonomous) motivation came better to the surface during the employee interviews than what could be expected from the results of the questionnaires. The employees, of both the enabling as the coercive organization, responded more negatively in the questionnaires than when being interviewed. In the interviews, employees of both organizations mentioned to be satisfied with their job although this did not always appear from the questionnaires in the case of the coercive company. Nonetheless it became clear that job satisfaction plays an important role in the motivation-performance relationship. Job satisfaction and job performance correlate with each other but it is unclear in which direction this happens. This is something which has to be further investigated because both variables do have their influence in the relationship between autonomous motivation and financial performance.

Making the link with financial performance, we included the fluctuations in turnover and profit together with individual performance. For the enabling organization, we saw a clear pattern with the implementation of the autonomous motivation project. Individual employee performances as well as the general financial performance of the organization showed a positive turn, not immediately after the implementation of the project (in 2010) but several months later (in 2011). The level of autonomous motivation was influenced by the project and the more solid staff. This in turn influenced the levels of organizational commitment, job satisfaction and job performance. We can presume that this combination has had its positive influence on the financial performance of the enabling business. In the coercive organization, we saw fluctuations in the financial performance but were not able to relate these to certain specific events in our research field.
7. Conclusion

In this section we will first sum up the limitations that we are dealing with in this dissertation. Next, we will review the process we followed and recapitulate the main conclusions.

7.1. Limitations

In the research we conducted, we encountered some limitations which could have an influence on the reliability of our results. We have one fundamental limitation in our dissertation that is due to the fact that the two companies we studied are both SMEs. Because of the small number of people employed in these companies, it is not possible to generalize our results to larger organizational settings.

Another restriction is that our investigation was situated in one specific sector, namely the consultancy sector. Hence, these data are very sector and firm specific. This means that the results may be generalized to this sector, although with some caution. However, generalization to other industries is not possible.

The limited amount of employees was the reason why we performed a qualitative research. This is a research method often questioned for its applicability compared to quantitative research. Qualitative research is not about the mapping of numbers and data, but about the exploration and about providing insight in a certain topic or issue. This is why we attempted to study as deeply and broadly as possible into our topic.

A last constraint may be found in the processing of our financial data. In our research we compared the evolution of the financial data of two very similar companies. Those comparisons must be handled with care because, despite all the similarities, such data will never be exactly comparable. The enabling company provided us with more information than the coercive one, which made it more difficult to examine the latter.
7.2. Summarizing conclusions

In this master’s thesis, we examined the relationship between enhancing autonomous motivation and financial performance by performing a case study. We began with a literature study on the Self-determination Theory and autonomous motivation after situating this dissertation in the framework of management control. Subsequently, we developed a model incorporating four variables that were already confirmed to be outcomes of autonomous motivation. Based on this model, we applied qualitative research in two organizations, respectively characterized by their enabling and coercive nature. Since both companies are very analogous in nature, we were able to perform a parallel research. We have performed the same research and asked the same questions in both organizations to compare the differences relating to the impact of the degree of autonomous motivation on the financial performance. Firstly, we distributed a questionnaire to all employees of both companies but could not perform statistical research and tests because of the limited number of respondents. Secondly, we performed in-depth interviews with both organizations’ employees to find out the underlying reasons of their answers and the factors that play an important role.

Investigating autonomous motivation and its outcomes, it became clear that intrinsic motivation can be present but that it is important to also pay attention to the internalization of extrinsic motivation by creating identified and integrated autonomous motivation. This is provided by the enabling company through the implementation of the autonomous motivation project.

Based on our research, we can conclude that the stimulation of autonomous motivation is beneficial for an organization in terms of trust, commitment, job satisfaction and performance of the employees, as well as of general financial performance in the end. In the enabling organization, the enhanced autonomous motivation influenced three of the four variables, as described in our model, in a positive way. Commitment to the organization and to the employer appeared to be the most vital variable. Job satisfaction and employee performance both enhanced due to the higher motivation, according to the employees. Organizational trust also improved but turned out to be rather associated with job security than with actual trust in the employer, unlike what we had anticipated. This enhanced level of autonomous motivation caused an improvement of the financial performance of the enabling company after a period of little motivation and weak financial results.

Our contribution to this research field consists of a coherent model of variables that link autonomous motivation to financial performance. Although only having studied these variables on a small scale, we do think this could provide a basis for further, more quantitative research.
8. References


9. Appendix

9.1. Questionnaires

First of all, we asked every employee to fill in their personally assigned code to ensure the anonymity and to be able to link the questionnaires to the interviews.

9.1.1. Autonomous motivation

We have used a questionnaire provided by Evelyn Van der Hauwaert that is based on the ‘motivation at work scale’ of Gagné et al. (2010). This questionnaire is not published yet which is why we cannot provide it.

9.1.2. Organizational trust

1. My supervisor keeps my interests in mind when making decisions.
2. I would be willing to let my supervisor have complete control over my future in this company.
3. If my supervisor asked why a problem occurred, I would speak freely even if I were partly to blame.
4. I feel comfortable being creative because my supervisor understands that sometimes creative solutions do not work.
5. It is important for me to have a good way to keep an eye on my supervisor. (R)
6. Increasing my vulnerability to criticism by my supervisor would be a mistake. (R)
7. If I had my way, I wouldn’t let my supervisor have any influence over decisions that are important to me. (R)

9.1.3. Organizational commitment

1. I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.
2. I talk up this organization to my friends as a great organization to work for.
3. I feel very little loyalty to this organization. (R)
4. I would accept almost any type of job assignment in order to keep working for this organization.
5. I find that my values and the organization’s values are very similar.
6. I am proud to tell others that I am part of this organization.
7. I could just as well be working for a different organization as long as the type of work was similar. (R)
8. This organization really inspires the very best in me in the way of job performance.
9. It would take very little change in my present circumstances to cause me to leave this organization. (R)
10. I am extremely glad that I chose this organization to work for over others I was considering at the time I joined.
11. There’s not too much to be gained by sticking with this organization indefinitely. (R)
12. Often, I find it difficult to agree with this organization’s policies on important matters relating to its employees. (R)
13. I really care about the fate of this organization.
14. For me this is the best of all possible organizations for which to work.
15. Deciding to work for this organization was a definite mistake on my part. (R)

9.1.4. **Job satisfaction**

1. I would rather have some other job (either inside or outside this organization). (R)
2. I have made a great deal of progress in this organization.
3. My job gives me chance to do the things I am best of.
4. I would certainly advise a friend to come and work for this organization.
5. If I had the chance to do the same kind of work for the same pay, but in another company, I would certainly stay here.

9.1.5. **Job performance**

1. In general, I perform well.
2. I am able to get along with the other employees.
3. I am capable of completing tasks on time.
4. The performance I deliver is of sufficient quality.
5. I succeed in achieving my work goals.

9.1.6. **Control variables**

**Gender:** What is your gender? Male/female

**Age:** What is your age?

**Education:** What is the highest level of education you have completed? Less than high school/high school/professional bachelor/academic bachelor/master’s degree/doctoral degree