Institute of Leadership & Management

Beyond the bonus: Driving employee performance

Introduction

Organisations are only able to achieve success through their people and the hard work that they do. Managers and leaders play a key role in this process, co-ordinating groups of skilled individuals to meet shared team and organisational goals. Team members need to feel motivated, inspired and empowered by their managers in order to want to perform at their peak and one of the core challenges facing both leaders and organisations is how to connect with and motivate these groups of individuals to deliver as a team and ensure a productive and efficient workforce.

There is evidence that the UK is failing to compete in the international market in terms of productivity when compared to our rivals in the G7 group (the seven wealthiest developed nations). In 2012, the UK's output per hour and per employee were both well below the average of the rest of the major industrialised economies,[1] including the US, Germany and France.

While output per hour and per worker fell in the UK in 2012, both these measures increased across the rest of the G7, showing how competitive the current market is – and how the UK is currently failing to motivate employees sufficiently.

Despite this, around 94% of organisations offered an annual financial incentive to UK staff in 2012,[2] often in the form of a company-wide bonus. It's an expensive business – UK organisations spent £36.9 billion on bonuses in the 2012/13 financial year (running from April to March),[3] up 1% from 2012 and amounting to an average of around £1,400 per employee.

ILM set out to discover just how effective UK organisations are at motivating their employees, with a particular focus on the impact of financial incentives on employee performance. ILM asked over 1,000 employees about the things that motivated them most effectively, from how much they are paid to how their manager treats them, in order to better understand what UK managers and organisations can do to help their businesses succeed.

Charles Elvin
CEO, Institute of Leadership & Management

1 ONS, International Comparisons of Productivity, First Estimates for 2012
2 Towers Watson, 2013
3 ONS Average Weekly Earnings: Bonus payments in Great Britain, 2012-2013

Executive summary

Ensuring employees enjoy their job is the single most effective way to motivate them to perform, with job enjoyment proving even more influential than salary in inspiring staff to work hard. In general, intrinsic motivators, such as how staff are treated and how well they get on with colleagues, were seen to be significantly more effective than extrinsic motivators like performance bonuses.

ILM's research, conducted with over 1,000 employees, found that how much an employee enjoyed their role was the most important motivational factor behind their performance (59% selected it as one of their top three motivators). Basic salary (including pension), was shown to be the second most effective motivator for all employees (49%), followed by the quality of their relationship with their team and colleagues (42%).

Employees were asked to select three factors that influence their level of motivation to work as hard as they can. Intrinsic factors dominate four of the top five spots. Enjoying the role, getting on with workmates, how well they are treated by their manager and how much control they have over their work are all placed in the top five motivational factors.

When asked for one thing that would motivate them to do more, 31% of respondents suggested better treatment by their employer, including more praise and a sense of being valued, would be the most motivational thing their organisation could do.

Recognition, non-financial reward and support/feedback are both highly motivating and increasingly desired by employees. Managers who are able to understand and utilise these tools effectively will be able to get the best out of their workforce and produce a happier, more productive environment.

The value of money

Money is definitely an important motivational factor and the majority of employees say it has a big impact on performance, with base salary and benefits rated the second most important motivator for employees. Performance related bonuses, however, were considerably less effective as a motivating factor.

Financial incentives are widely used by employers to drive and reward performance, with over half of men and one third of women indicating they're available at their workplace in some form. However, these financial incentives are shown to be ineffective motivators, with the research revealing a clear split between the impact of base salary and performance bonuses. While a fair and competitive base salary is a fundamental requirement for most people (it was a top three motivator for 49% of staff), additional financial incentives, such as performance bonuses, are shown to have little or no effect on commitment and performance for all but a small minority of staff (13%).

For a small group of employees (13%) – who we have dubbed the 'Financially Focused' – getting a bonus for performing well is one of the top three most important motivational factors. These employees are more likely to dislike their job, and less likely to get satisfaction from their work or feel that they are treated well by their employer. They may well be working in jobs that lack intrinsic motivators, making financial incentives more important to them, or they are drawn to roles that are transactional in nature.

Positive part-timers

Part-time workers were revealed to be significantly more motivated than full-time workers, with 76% classing themselves as 'highly' or 'fairly' motivated at work, compared to 68% of full-time workers. This is despite being paid less than half as much on average (£10,793) as a typical full-time employee (£22,328). Pro-rata, the average part-time wage is £21,586, £742 lower than full-time colleagues. Part-time workers were shown to be overwhelmingly intrinsically motivated, and more likely to have both a higher level of respect for their manager (57%)

Types of motivators

Intrinsic: relates to the individual attitudes and expectations of the employee about the role, the work and the people they work with. Intrinsically motivated work provides rewards by itself, for example the pleasure in achieving a task

Extrinsic: relates to factors applied from elsewhere outside of the individual and often conditional on performance or output – if you do this, then you will get that. Extrinsic motivators include financial incentives and public awards or recognition

59%

of employees rated job enjoyment as a top three motivator

13%

of employees said they are motivated by a bonus

than full-time colleagues (52%) and a more positive attitude towards their employer (57%) than full-time staff (49%).

Part-time workers are less motivated by money in general, with enjoyment of the job and how well they get on with their colleagues more important motivators. Part-time staff are also far more likely to say that money is not important to them (27%) than full-time staff (13%).

These findings highlight the enormous value of part-time workers, who provide a rich and engaged pool of talent for employers, cost organisations less than full-time staff, are more positive about their work and are likely to work harder for their employer. This indicates that creating more job share or part-time roles would enable employers to achieve both better value for money and a more positive, happy and productive workforce.

Managers as motivators

Managers generally feel that they are being quite effective at motivating their staff. Four out of five (82%) managers say that their staff know exactly what is expected of them and how their performance is assessed, while 84% say they get on really well with the teams they manage. In contrast, employees feel less positive about the impact their managers are having, with 58% saying they know what they are supposed to do and how their performance is assessed and 61% saying they get on really well with their manager.

While the majority of managers (69%) say they are 'always giving feedback' to their staff, just 23% of employees agree that this is the case. There were also large gaps in perception in terms of coaching and support, with 88% of managers stating that they do this, while just 46% of employees agree. Similarly, 88% of managers said they treated staff well and encouraged them to put forward ideas, but only 47% felt well treated and encouraged to contribute.

Less than half of employees receive regular feedback from their managers, and this deficiency is particularly acute among lower skilled staff. Appraisals are also seen as less effective than managers believe, with 33% of managers saying that people respond positively and just 20% of staff agreeing with this statement.

This gap in perception shows that, as a manager, however well you feel you are performing, you can never really do enough of the 'five fundamentals' of good management: coaching, giving feedback, listening, rewarding and recognising success (in a non-financial sense), and performance management. Each of these is shown to be highly motivating for employees, with 'how well I get on with the people I work with' and 'how well my manager treats me and shows interest in my ideas' both appearing in the top five motivational factors.

In general, senior managers are positive about their own performance, and likely to agree that they get on well with their staff. Junior managers were less positive about their performance than their senior peers, though still felt they were performing more effectively than employee results suggested. This could reflect a manager becoming increasingly confident in their interpersonal and communication skills, leading to a more positive assessment of their own ability to lead their teams.

64%

of women said job enjoyment is their top motivator

58%

of men selected base salary

Motivating men and women

Overall, women were more likely to say they were highly or fairly motivated (75%) than men (66%).

Women are also more intrinsically motivated than men, with enjoyment of their job the most important motivator (64% chose it as one of their top three), followed by 'how well I get on with people' (44%) and base salary (41%). In contrast, men chose base salary and benefits (58%) as the most important factor, followed by enjoyment of their job (53%) and how well they get on with colleagues (41%). Men are likely to be less positive about their employer, to say that their tools and equipment are out of date and to agree with the statement 'I only work because I need the money to live, no other reason' (57% of men compared to 50% of women).

When asked about attitudes to money as a motivating factor, men showed themselves to be more money-oriented than women. 'Money is useful, but not the only thing in life' was the top answer for both genders, but more women than men agreed with this statement (56% of women to 45% of men), while more men than women agreed that 'It's good to have money, and I work hard to earn enough to enjoy my life' (35% of men to 30% of women).

Under 30s more financially focused

Employees aged under 30 were shown to be more financially motivated than their older colleagues, and more likely to receive financial incentives for work. Some 55% of under 30s indicated that money was either very or pretty important to them, but this fell to 43% of over 30s. Under 30s selected base salary as the number one factor motivating them, with bonus coming fifth, while over 30s were less financially focused than their younger colleagues, with base salary the second most important factor (after enjoyment of the job) and bonus eighth.

A similar pattern is evident in their attitudes to money generally, with 12% of under 30s saying that money is the root of all happiness compared to 9% of over 30s.

People under 30 are likely to be in the earlier stages of their career, to have a stronger need for economic returns and a lower wage than their older colleagues. They are unlikely to have reached a comfortable financial threshold, and therefore money takes on a greater level of importance.

Appraisals aren't working

Two-thirds (61%) of employees say their workplace has an appraisal system, but a quarter of respondents (25%) think that appraisals are performed poorly by their managers.

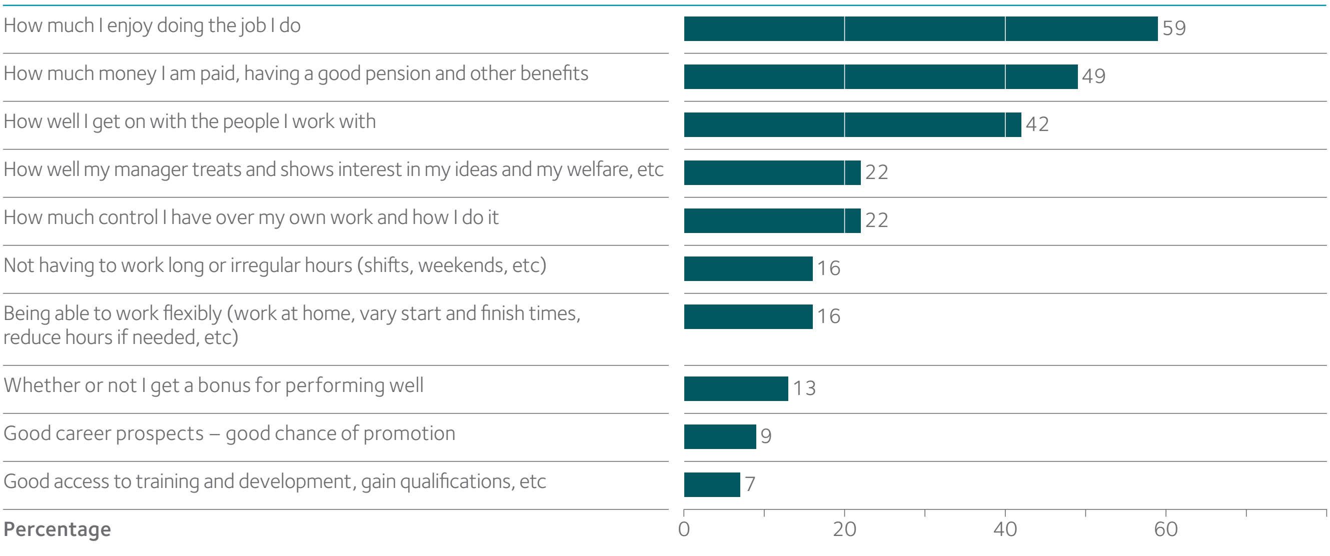
The research indicates that appraisals are less effective at driving the performance and motivation of female employees than their male counterparts, with women more likely to give examples of poor practice in the appraisal process (29%) than men (21%). In contrast, men were more likely to say the appraisal process had a bigger impact on their careers, with 40% of men saying appraisals impact their financial reward compared to 26% of women and 24% saying they lead to promotion compared to 15% of women.

Appraisal systems can be an effective way to drive performance, but our research shows that many organisations are still performing poorly in assessing performance in this way. Better linking of individual SMART objectives with performance reviews, more regular meetings to assess performance rather than 'once a year' catch ups, and better training for managers on how to use appraisals to develop staff could all help to increase the effectiveness of performance management.

Report findings

Providing employees with an enjoyable job is the most effective way to motivate staff, with a competitive base salary and pension following a close second.

Figure 1: Importance of motivating factors



Intrinsic vs extrinsic

Employees are most motivated by having a job they enjoy, with 59% of respondents to the ILM survey indicating that enjoying their work was one of the three most important factors motivating them to perform at their peak. Base salary followed in second place, with 49% of employees selecting it as one of their top three.

Employees were asked to select three factors from a list of 10 that influenced their level of motivation to work as hard as they can. Generally, intrinsic factors were most effective at motivating employees, with base salary the only extrinsic motivator to make the top five. Enjoying a job (59%) came at the very top of the list of motivating factors, followed by base salary and pension (49%), how well employees get on with colleagues (42%), how well their manager treats them (22%) and having control over their work (22%).

Four of these top five motivators are intrinsic, meaning that they are highly dependent on the individual attitudes and expectations of the employee about the role and the people they work with. Base salary, which comes second on the table, is the only extrinsic factor to make the top five. We discovered that intrinsic factors are most significant for employees, with extrinsic factors other than base salary, like performance-based financial reward, much less successful motivating tools. This underlines how important basic terms and conditions are to staff, while rewards designed to incentivise individual or group performance are shown to have little impact on staff motivation.

Generally, the majority of respondents were either fairly (55%) or highly (16%) motivated, showing a high level of engagement with their jobs. However, one in five employees (22%) said they were not that well motivated or not motivated at all.

Figure 2: Overall level of motivation

Table 1: Factors that would improve motivation level

Improve the working environment, by better treatment and more praise	31%
Improve rewards – more pay, bonuses, etc	24%
Improve working conditions, operational systems and equipment	13%
Communicate better and keep them better informed	6%
Create confidence in the future and in job stability	4%
Get more or better staff – especially managers	4%

When asked for one thing that would motivate them to do more, 31% of respondents suggested better treatment by their employer, including more praise and a sense of being valued, would be the most motivating factor. The second most popular suggestion would be to improve pay and reward (24%), which resounds with the earlier finding that base salary and reward is important to employees. Improving the office with better equipment (13%) and more effective communication from management (6%) were also mentioned by employees as ways to motivate them more effectively.

These findings show that better working environments, support/feedback from their manager and adequate pay and benefits are both highly motivating and increasingly desired by employees. They also show that there is work still to do in improving interpersonal skills in management in order to fulfil this need for better communication. Managers who understand and utilise these tools to motivate will be able to get the best out of their workforce and create a happier, more productive environment.

Personal profiles

From the results of the research, we were able to see several clear employee archetypes emerging. Employees in the survey were likely to fall into one of the following categories.

Career Climbers

Career Climbers are keen to advance rapidly, and are hungry for new skills. They prioritise training, development and experiences that will enhance their career prospects over financial reward. They are also likely to be under 35 and hard workers.

How to motivate: Access to training and development is the most effective motivator for Career Climbers when starting out in management roles, as they are keen to make the best of themselves. Employers can motivate the Career Climber by providing continuous access to training and opportunities for development from the day they join. Previous ILM research, *The pursuit of happiness: performance and positivity in UK managers*, identified that managers experience a drop in engagement at the two year mark, when it's important to invest in training and development to continue to engage and challenge them. Pay attention to your Career Climbers by giving them access to both structured development and on-the-job learning through challenging projects and tasks.

Sociable Workers

Most motivated by getting on well with the people they work with, the Sociable Worker is on a below average salary, respects their manager, works hard and enjoys their job, which gives them great satisfaction. They're least likely to say they work because they need the money – they're in it for the love.

How to motivate: Building positive and supportive relationships at work is very important to the Sociable Worker, so giving regular feedback, creating a positive working environment and using coaching styles are a great way to motivate these types of employees. A strong team dynamic and regular opportunities to interact with other employees can ensure they feel connected and engaged with the team and the wider organisation.

Flexi-workers

Being able to work flexibly, from home or with varied start and finish times, is important to the Flexi-worker. They're likely to have been with their employer for a slightly above average length of time, be more qualified than the average employee and get on well with their manager. They're also likely to be working part time for their current employer. Other archetypes often change into Flexi-workers later in their career.

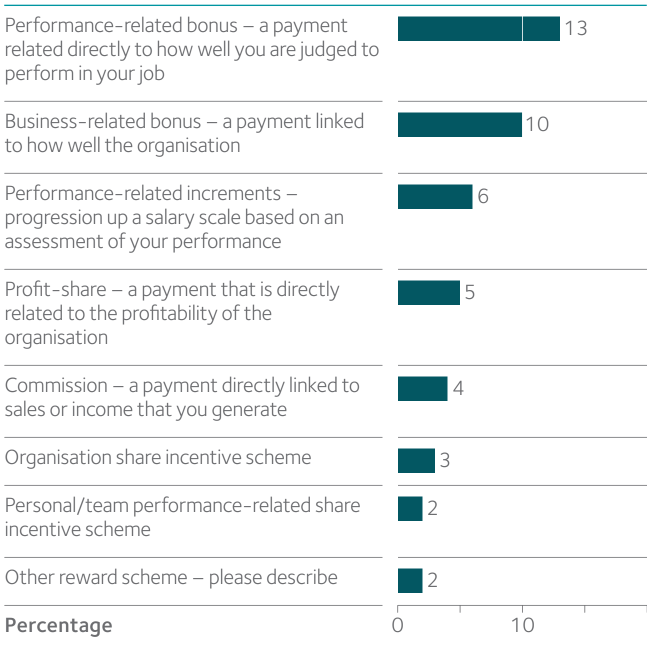
How to motivate: Flexi-workers respond well to their employers investing in them and prioritise flexible working hours and location as a key motivator, so employers with a smart, forward thinking attitude to flexible working will be able to attract and retain this highly skilled and highly motivated pool of talent. Offering challenging and rewarding part-time jobs will help attract them to a company, and being prepared to adapt to any requests for flexible working will keep existing employees engaged and motivated.

Financially Focused

Financially Focused employees choose performance related bonuses as their single most motivating factor and place the greatest emphasis on financial rewards and the importance of money. They're also least likely to enjoy their jobs and tend not to have warm feelings for their employer or their manager. Getting on with their colleagues and enjoying their job is significantly less important to them than financial reward. They are most likely to be male and currently working full time for their employer.

How to motivate: Certain roles with more transactional relationships between employer and employee are more likely to attract those who are Financially Focused, which can be positive if both employer and employee are happy with this arrangement. Financially Focused employees are often at the higher end of the pay scale in jobs with long hours and high levels of stress, or in more mundane, manual roles based on output of product where financial reward for performance becomes important. Financial incentives do work here, but emphasis on intrinsic motivators could improve the workplace experience for both the employee and the employer.

Figure 3: Frequency of reward



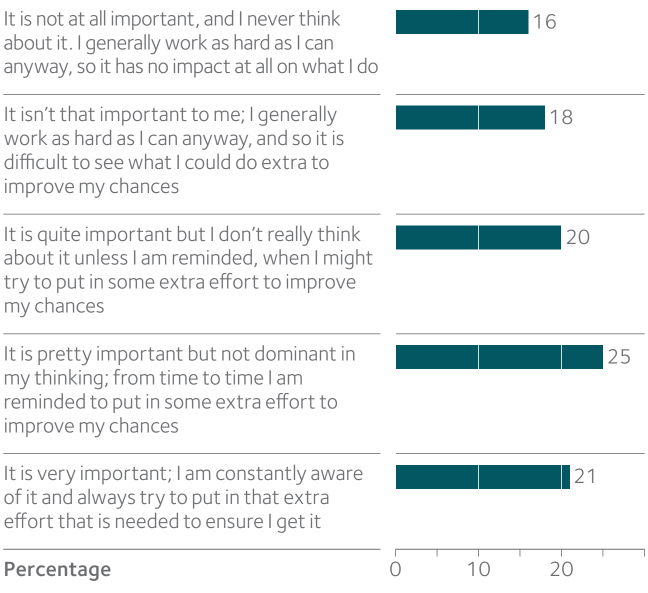
The value of money

Having an adequate pay and benefits package was a highly significant motivator for the majority of employees, coming second in the table overall (49% selected it as one of their top three). It was the top motivator overall for men (58%), highlighting the importance of a fair and competitive salary package in driving staff effort and commitment.

When asked to align themselves with a series of statements, 55% of employees admitted that they only work because they need the money to live. This statement, rather than implying an unengaged workforce, suggests that it is a fair base salary that first gets employees into the office. However, intrinsic motivators often determine where employees choose to work and how hard they work for their employer, choosing more intrinsically rewarding jobs once a satisfactory salary level is attained.

While base salary was an important motivator, other financial incentives were shown to be far less effective. Performance-related bonuses came eighth in the table, with only 13% selecting it as one of their top three motivators.

Figure 4: Impact of financial incentives on those with bonus schemes



Financial incentives are widely used by employers to drive and reward performance, with 43% of respondents indicating their employer uses some form of financial bonus. Personal performance-related bonuses are the most common reward scheme in operation (13%), with bonuses related to business performance (10%) and performance related pay increments (6%) the next most popular.

Over half of men (54%) and one third of women (33%) indicated that financial incentives are available at their workplace in some form, indicating that men are significantly more likely to receive a bonus than women. Far more private sector employers offer financial incentives (41%) than employers in the third (21%) or public sector (22%).

When asked about the impact of these financial incentives, employees were divided, with 46% saying they are 'very' or 'pretty' important to them; 34% saying they are 'unimportant', and 20% falling somewhere in the middle.

When prompted specifically about the importance of a bonus or other financial incentive, almost half of the employees said that they are important as a motivator. However, in the earlier unprompted questions, they were shown to be largely ineffective motivators, with just 13% of employees selecting a bonus as one of their top three motivational factors. This suggests that while staff say that they are motivated by money when asked, the reality is that it falls relatively low down in the list when compared to other options.

This research shows that adequate salary and conditions are essential to effectively motivate staff, but beyond that, financial rewards have little long-term impact. This reaffirms Frederick Hertzberg's theory of motivation – that people expect to be appropriately rewarded, and once they are, extra money has a negligible effect on productivity. ILM's research reveals a clear dichotomy between the impact of base salary and performance bonuses. While base salary is a fundamental need for most people (top three motivator), additional financial incentives, such as performance bonuses, were shown to be relatively ineffective at driving additional commitment and performance for all but a small minority of staff. More effective drivers of loyalty and additional commitment are those that motivate staff intrinsically, including positive working relationships, having an enjoyable job and good treatment from their manager.

There is a small group of employees (13%) – the 'Financially Focused' – for whom getting a bonus for performing well is one of the most important motivational factors. These employees are also more likely to dislike their job, be less likely to get satisfaction from their work or feel that they are treated well by their employer.

Financially Focused employees could be working in jobs that lack the qualities that make them intrinsically motivating, for instance where a lack of interaction with fellow employees, no access to supportive managers and little control over their work leads to employees placing more emphasis on financial reward. They could be working in organisations that have purposely attracted the financially driven, for example the financial markets industry or some sales roles, where the transactional contract between employer and employee is mutually beneficial.

One in ten respondents agreed with the statement 'money is the root of all happiness, and I work to earn as much as I can so that I can enjoy my life'. These employees were also more likely to be male and more likely to say that financial reward matters to them than those who chose a different response. They were also more likely to be paid £75,000 or more a year, suggesting that they are the type of employee that chases financial reward and a high salary, or works in a role where long hours are common and the work does not intrinsically engage or motivate.

Figure 5: Relationship with management

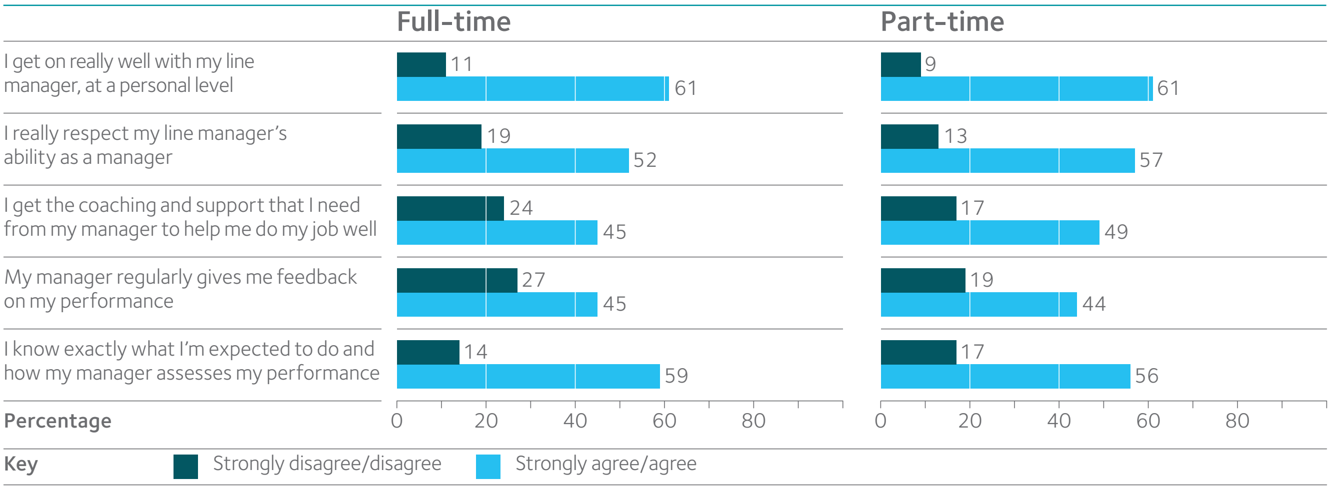
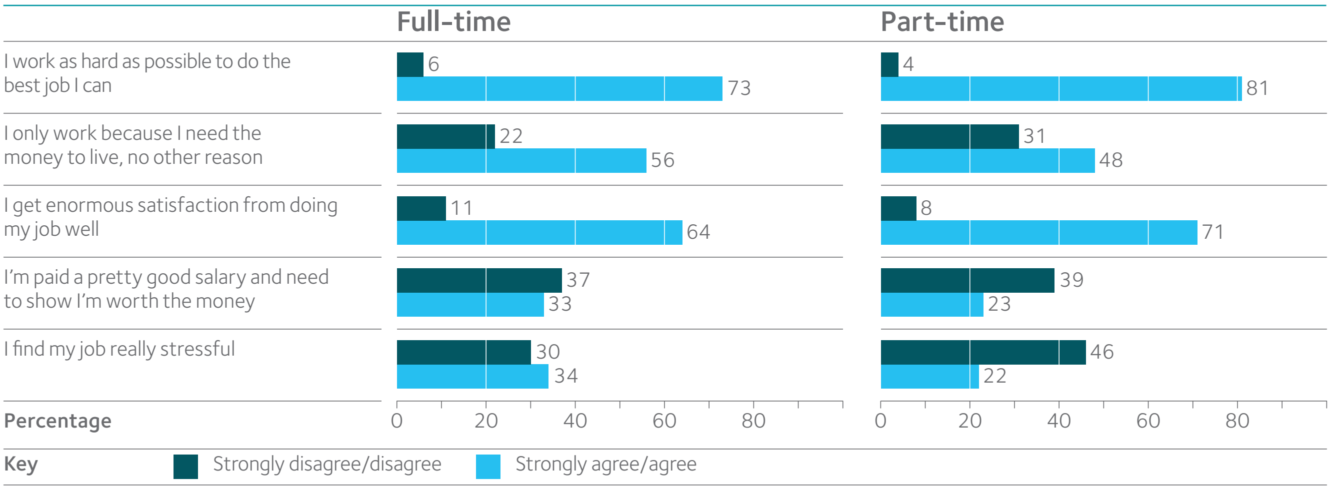


Figure 6: Attitude to work



The way in which performance-related bonuses are currently structured and used in most organisations does not effectively motivate the majority of staff, yet performance-related bonuses remain relatively common. The gap between the perceived impact of financial incentives and the level of financial incentives currently being awarded indicates that leaders should consider reward and incentives through the eyes of their employees, and target their investment on the factors that are shown to motivate the majority of the workforce.

The relatively small proportion (13%) of employees who are attracted and motivated by this type of financial incentive (the Financially Focused) are less likely to be concerned about liking their jobs and their employers than other employees, and potentially less engaged with the organisation as a whole. This highlights another potential danger of reliance on financial bonuses to reward performance – they do not work as a motivator for the majority of staff and can invoke a high cost in organisations for little reward or increase in performance.

Employing a broader range of reward schemes in order to attract and motivate a more diverse talent pool could eliminate the reliance on costly and ineffective bonuses schemes. Investment in employees can take other forms, for example creating more flexible working patterns, developing a more engaging and appealing workplace environment, encouraging self-managing teams, developing positive workplace relationships between managers and employees and giving staff greater levels of autonomy. All of these are shown to motivate staff more widely, effectively and sustainably than financial incentives.

Positive part-timers

Respondents who worked part-time showed a more positive attitude to work in general than full

Figure 7: Importance of financial incentives

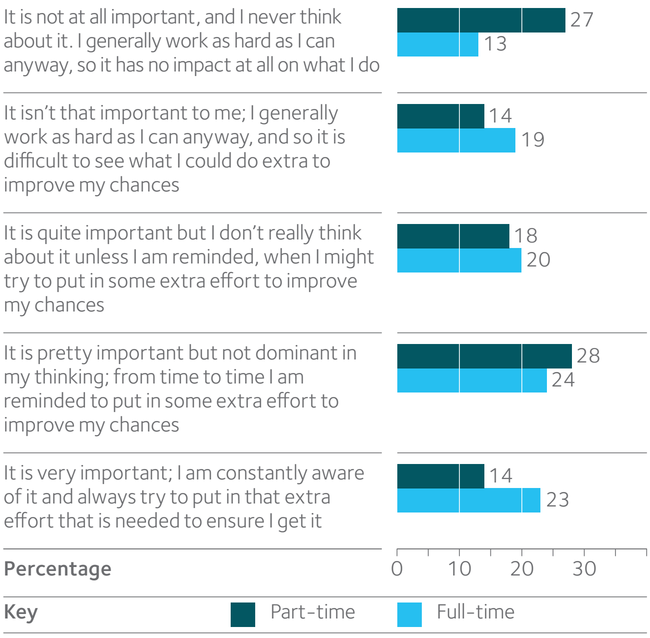
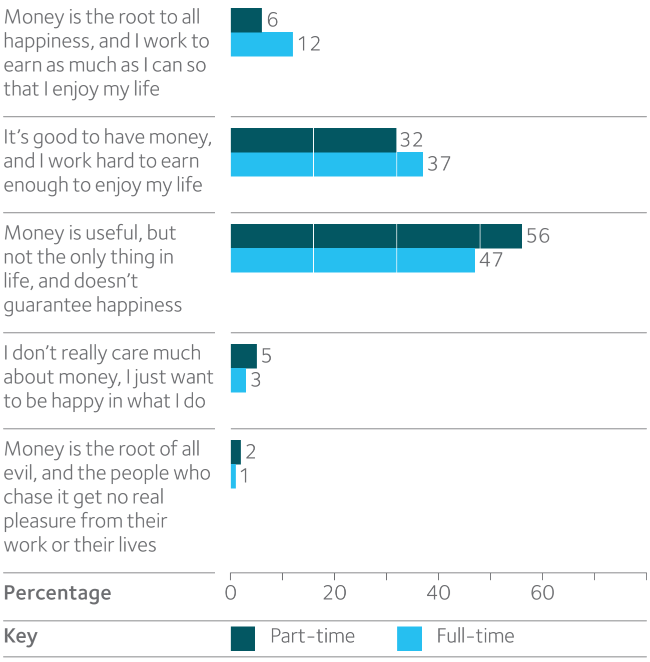


Figure 8: Attitudes to money



time staff, with 76% saying that they were highly or fairly motivated in their job compared to 68% of full-time employees.

Part-time staff also earned less pro rata than those working full time, earning an average of £10,793 a year, less than half of the average salary for a full-time employee (£22,328).

We saw no difference in the bond that full-time and part-time staff held with their managers, with 61% of both groups describing their relationship as positive. However, more part-time staff indicated that they respected their manager (57%) than their full-time colleagues (52%). Full-time staff were also more likely to have a negative attitude to their employers, with slightly less than half (49%) saying that they enjoy working for their current employer compared to 57% of part-time staff.

Part-time staff were twice as likely to say that financial rewards were not at all important to them, with 27% of staff agreeing that was the case compared to 13% of full-time staff. They were also less money oriented than full-time employees, with 38% choosing the top two money oriented statements in the table opposite compared to almost half (49%) of full-time employees.

These findings highlight the huge hidden value of part-time workers. They provide a rich and engaged pool of talent for employers, cost the organisation less (pro rata) than full-time staff, are more positive about their work and generally work harder for their employer. The research indicates that increasing the number of job share or part-time roles in an organisation could add value for employers and ensure a more positive, happy workforce, with more rewarding roles for employees.

In our sample, part-time employees were most likely to be female, reflecting the general make up of part-time employees in the workforce. However, this divide is beginning to become smaller, with a consistent growth in the proportion of men working part time, up from 7% to 13% in the last 20 years. Results from our previous research, Flexible Working: Goodbye Nine to Five, reflected this trend, with 38% of managers saying men in their team were working part time compared to 63% of female team members.

Managers as motivators

Managers generally feel that they are being effective at motivating their staff, with a highly positive view of their own performance and their team's attitudes. In contrast, employees felt less positive about their managers' ability to motivate them. Four out of five (82%) managers say that their staff know exactly what is expected of them and how their performance is assessed, and 84% say they get on really well with the teams they manage. However, employees disagree, with just 58% saying they know what they are supposed to do and how their performance is assessed and only 61% saying they get on really well with their manager.

Figure 9: Manager and employee relationship

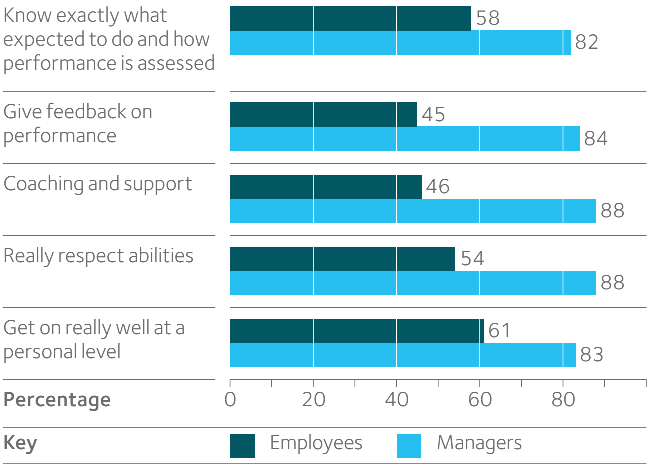
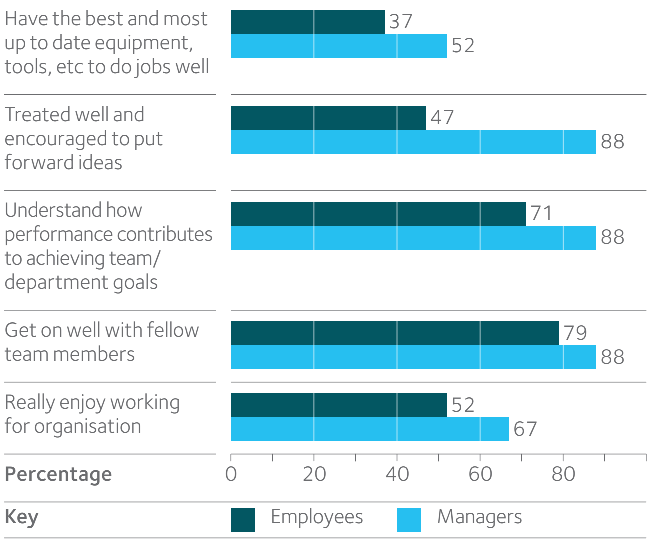


Figure 10: Perception of employee attitudes to work by level



While the majority of managers (69%) said they were 'always giving feedback' to their staff, just 23% of employees agreed that this was the case, and while 83% of managers said they get on well with their direct reports, just 60% of employees agreed. There were also large gaps in perception in terms of coaching and support (88% of managers felt they did this, while just 46% of employees agreed) and whether they were treated well and encouraged to put forward ideas (88% of managers believe this is the case compared to 47% of employees).

Less than half of employees always or sometimes receive feedback from staff, and this shortage of feedback is particularly acute among lower skilled staff. Appraisals were also seen as less effective by employees than employers, with 33% of managers saying that people respond positively and just 20% of staff agreeing with that statement.

This gap in perception reinforces that however well you feel you are performing as a manager, you can never really do enough of the 'five fundamentals' of good management: coaching, giving feedback, listening, reward, recognising success and performance management. Each of these is shown to be highly motivating for employees, with 'how well I get on with the people I work with' and 'how well my manager treats me and shows interest in my ideas' both appearing in the top five motivational factors.

There was a generally strong correlation between what employees identified as motivators and what managers believed motivated their teams. But there were a few significant differences. For example, base salary is more important than most managers believe it to be, with 49% of employees saying it was important to them and 40% of managers saying it was important to their staff. Managers placed bonuses at the bottom of their motivating factors (6%) while employees valued them more highly (13%), managers thought having control over their workload was more important to employees than it really was (45% of managers vs 22% of employees).

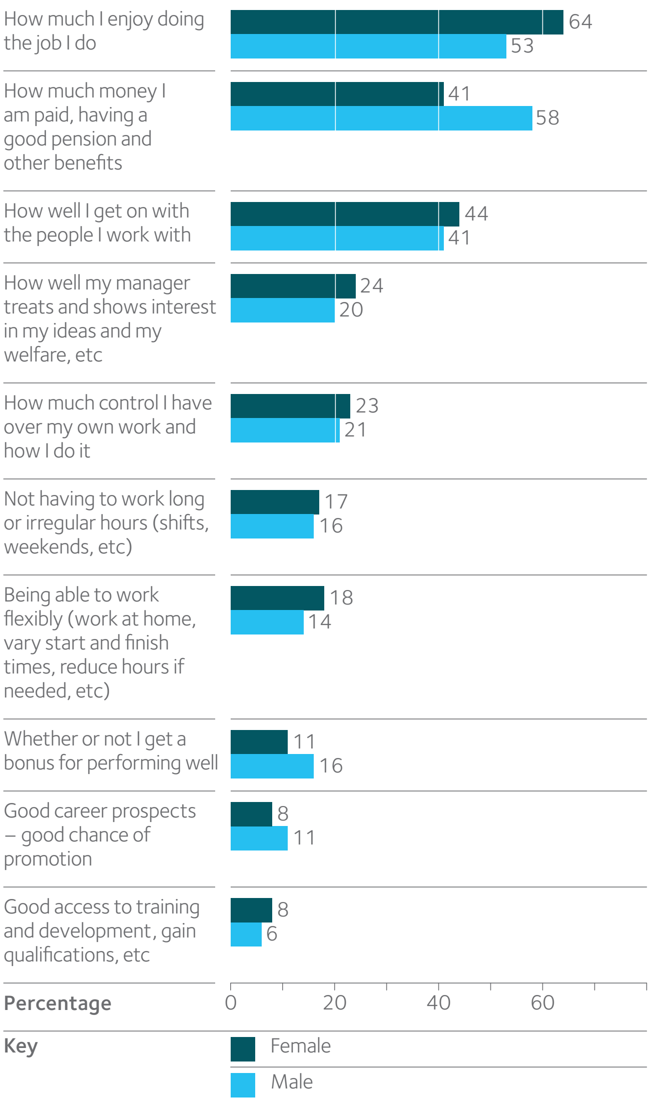
Managers also underestimate the importance of money to employees. When asked to align themselves with a series of statements, 55% of employees admitted that they only work because they need the money to live. Only 18% of managers thought that their employees would agree with this statement.

Money is essential in getting employees into the office – but other factors begin to have a greater effect once at work. While a competent and engaging manager has a smaller impact on attracting talent to an organisation than a base salary, once in a role, the way in which the employee is treated by their manager has a greater impact on whether they feel motivated.

Table 2: Level of motivation by gender

	All	Male	Female
I am highly motivated to do my job and feel really enthusiastic about what my employer is trying to achieve	16%	16%	17%
I am fairly well motivated to do my job and do what I can to enable my employer to achieve its goals	55%	50%	59%
I don't feel that well motivated to do my job nor do have much interest in what my employer is trying to achieve	14%	17%	12%
I feel quite lacking in motivation in my job and don't care too much what my employer is trying to achieve or whether or not I can help it do so	8%	10%	5%
Don't know/prefer not to say	7%	7%	8%

Figure 11: Importance of motivators by gender



In general senior managers are the most positive about their own performance, and likely to agree that they get on well with their staff (84%). In comparison junior managers were less positive about their performance than their senior peers, though still felt they were performing more effectively than employee results suggested.

Motivating men and women

Women appear to be significantly more motivated than men, with three-quarters (75%) saying they are highly or fairly motivated in their roles, compared to two-thirds (66%) of men. Only one in six (17%) women said they were not very well motivated or lacking in motivation compared to a quarter (27%) of men.

Women and men responded differently when asked about the factors that motivate them at work. Women are slightly more intrinsically motivated than men, placing enjoyment of their work at the top of their selection of motivating factors (64% chose it as one of their top three), followed by 'how well I get on with people' (44%) and base salary (41%), while men chose base salary and benefits (58%) as the most important factor, then enjoying their job (53%) and how well they get on with colleagues (41%). Consistently in the research, women indicated that intrinsic factors were more important to them than men did. Men were likely to be less positive about their employer, to say that their tools and equipment are out of date and to agree with the statement 'I only work because I need the money to live, no other reason'.

Table 3: Importance of motivators by age

	Over 30	Under 30
How much money I am paid, having a good pension and other benefits	49%	51%
Whether or not I get a bonus for performing well	11%	22%
How well I get on with the people I work with	43%	39%
How well my manager treats and shows interest in my ideas and my welfare, etc	21%	28%
How much I enjoy doing the job I do	60%	51%
How much control I have over my own work and how I do it	22%	19%
Not having to work long or irregular hours (shifts, weekends, etc)	17%	14%
Being able to work flexibly (work at home, vary start and finish times, reduce hours if needed, etc)	17%	11%
Good career prospects – good chance of promotion	8%	16%
Good access to training and development, gain qualifications, etc	6%	8%

When asked about attitudes to money as a motivating factor, men showed themselves to be more money-oriented than women. 'Money is useful, but not the only thing in life' was the top answer for both genders, but more women than men chose this statement (56% of women to 45% of men), while more men than women agreed that 'it's good to have money, and I work hard to earn enough to enjoy my life' (35% of men to 30% of women).

In our sample, reflecting the pattern of female employment, more women work in part-time roles than men, but this did not influence the differences shown here. Further analysis of the data showed that women working full time for their employers rated their motivators in exactly the same order as women working in part-time roles, showing that the differences above are specific to gender rather than hours worked.

Under 30's more financially focused

Employees under 30 are more financially motivated than their older colleagues, and are more likely to currently be in a job where they receive financial incentives for work. Some 55% of under 30s indicated that money was either very or pretty important to them, compared to 43% of over 30s. Under 30s selected base salary as the number one factor that motivates them, with bonus coming fifth, while over 30s were less financially focused than their younger colleagues, with base salary the second most important factor (after enjoyment of the job) and bonus eighth.

People under 30 are likely to be in the earlier stages of their career, to have a stronger need for good economic returns and receive a lower wage than their older colleagues. Not surprisingly, employees under 30 are paid less (£16,491) than older colleagues (£18,973) and are also more likely to be working in the private sector – also not surprising in an age when there are fewer public sector jobs than previously. As they make less than their older colleagues, it stands to reason that money is more important as they have less of it.

A similar pattern is evident in their attitudes to money generally, with 12% of under 30s saying that money is the root of all happiness compared to 9% of over 30s.

This reiterates our earlier finding that an attractive and fair base salary and benefits package is essential to attract and retain staff, while intrinsic factors like a well structured and enjoyable role and a positive working environment are equally important.

61%

said their workplace has an appraisal system

11%

feel appraisals are irrelevant

Table 4: Effectiveness of appraisals

	All	Male	Female
My manager and I discuss my performance and usually manage to reach agreement on how well I am doing	42%	42%	42%
My manager and I discuss my performance, and my manager then tells me how he/she rates it	27%	32%	23%
My manager tells me how she/he thinks I am performing and what rating I will get	14%	12%	16%
We have to complete it, but neither of us thinks it's really relevant	11%	10%	12%
Don't know/prefer not to say	5%	4%	7%

Appraisals aren't working

While two-thirds (61%) of employees said their workplace had an appraisal system, they generally didn't see appraisals as effective motivators. A quarter of respondents (25%) think their appraisals are often performed poorly by their manager, with 14% saying their manager tells them how they are performing and gives a rating and 11% saying that while they complete their appraisals both parties feel it is irrelevant.

The most common effect of appraisals is a change in the typical tasks people perform (68%), with a third (33%) saying their appraisal rating contributes to a bonus of some kind and 19% saying appraisals have led to promotion.

Appraisals seem to be most ineffective in driving the performance of female employees. Women are more likely to give examples of poor practice in the appraisal process (29%) than men (21%). In contrast, men were more likely to say the appraisal process had a bigger impact on their careers, with 40% of men saying appraisals impact their financial reward compared to 26% of women and 24% saying they lead to promotion compared to 15% of women.

Used correctly, appraisal systems can be an effective way to drive performance. But our research indicates that many organisations are still performing poorly in assessing performance in this way. Better linking of individual SMART objectives with performance reviews, more regular meetings to assess performance rather than 'once a year' catch ups and better training for managers on how to use appraisals to develop staff could all help to increase the effectiveness of performance management.

Conclusion and recommendations

This research shows that financial incentives are relatively ineffective motivators for the majority of staff. Instead, a focus on improving the workplace and developing management relationships is more likely to lead to effective and well-motivated teams. ILM has outlined four steps you can take to improve productivity across your organisation without relying on financial incentive schemes

Job enrichment

Employees indicated that enjoyment of their job was the single most important factor in motivating them to perform in the workplace. Whether someone likes what they do is influenced by a variety of factors, but well-considered job design and the structure of a team can have a huge impact on how motivated an employee feels. Allowing employees to have autonomy in a role (important to 22% of respondents), frequent interaction with other colleagues and a chance to innovate can all improve their sense of job enjoyment and increase their level of motivation. Training managers to motivate staff and create an atmosphere where they are listened to, coached and given autonomy to perform can all impact on how much an employee enjoys their work.

Base pay, not bonus

Our research showed that additional financial incentives outside of the base salary package are relatively ineffective motivators. Despite this, financial incentives are still commonly used by employers in an attempt to generate high performance. While performance-related bonuses were largely ineffective, a fair financial package (base salary, benefits and pension scheme) was highly valued by employees and ranked as an important motivator. Instead of costly and ineffective bonus schemes, the research shows that increasing base salaries and investing in improving an employee's basic enjoyment of their role would be more effective ways of improving performance. Non-financial recognition and reward, improved office environments, team and company away days and schemes that encourage innovation and creative thinking are all more effective drivers of focus, effort and commitment.

Embrace part-time

Part-time workers in this research were more positive, motivated and engaged with their teams than their full-time counterparts. A growing proportion of the UK workforce are employed in part-time roles, and organisations that employ part-time staff are reaping the benefits of a talented and engaged workforce. Employers should not be afraid of creating a 'decimal point' in their workforce, designing and recruiting for jobs that fall outside the traditional 40-hour week standard. Embracing a more positive attitude to flexible working will also help employers retain talented staff who move from one stage of their career to the next and whose work preferences change.

Develop interpersonal skills

How well employees got on with their managers, how well they felt they were treated and valued and the sense of control they feel over their work were all important to employees in improving their sense of motivation. Our results show that managers can never do enough of the basics of good management, so developing your managers' people management skills is essential in improving and maintaining motivation. Train managers to use coaching styles, give effective feedback and encourage a culture of innovation where employees feel free to contribute ideas. Appraisals were also identified as a weak point in the research, with many employees giving examples of poor practice. The challenge facing HR and L&D teams is to design and implement an effective appraisal process that clearly links performance with review and to ensure managers are trained in administering it effectively. Without these, appraisals will continue to have little impact on motivation and performance.

Methodology

If employers are to get the best out of people they need to know what it is that really motivates them. Textbooks are full of theories and the results of experiments in artificial settings, but we wanted to explore the perceptions of both employees themselves and their managers, to get an insider's view of what makes people want to give of their best at work.

The aims of the research were to explore:

- how employees felt about their jobs, their managers and their employers, their access to training, the rewards they get for their work and how their performance was assessed, and how important these factors were to them
- managers' perceptions of their employees' views on these topics, to determine just how well their perceptions aligned with what employees told us.

Following initial desk research to review the available literature, two online surveys were designed to reflect the dominant concepts and practices that influence managerial behaviour and employment practices in the UK. They were tested with a small group of respondents before being completed by two separate samples:

- 1,018 non-managerial employees were selected (from a Toluna Respondent Panel) to be broadly representative of the UK workforce, in terms of age, sex and employment sector
- 1,091 managers drawn from ILM's membership. This latter group also broadly reflected the profile of UK managers in terms of demographics and sectoral employment. The fieldwork was undertaken during July 2013.

Most of the questions were closed rating scales, but respondents had the opportunity to add additional information to some, and two questions were designed as open questions, to generate responses in both employees' and managers' own words. These were subsequently coded and collated to identify common responses.

For analysis purposes, and to ensure that the samples were representative of their wider populations from which they were drawn, respondents were asked a number of questions about themselves and their employment, including their age and sex, and whether they worked 30 hours a week or more (with those who did being classed as full-time, and those working fewer than 30 hours as part-time). They were also asked about their highest level of educational attainment, using a selection of academic, vocational and professional qualifications, their salary (excluding any bonuses or commission), the broad industry class they worked in, and whether they worked in the private, public or third sector.

The survey was conducted in line with the Market Research Society (MRS) Code of Conduct. All responses were anonymous but respondents were asked if they would be willing to be contacted for PR purposes, and were also incentivised to take part in the survey.

About ILM

The Institute of Leadership & Management (ILM) is the UK's largest management development organisation. We are passionate about good leadership and management, and its power to drive organisational performance and wider economic prosperity.

We are committed to raising awareness and understanding of good leadership and management practice through an intensive programme of independent research. This helps us to maintain a clear picture of what great leadership and management looks like, and how best to achieve it.

We offer a broad range of industry-leading qualifications, training and member services to develop and support leaders of all levels, from first line managers to CEOs. Last year, our network of over 2,500 expert learning providers helped more than 90,000 people to enhance their leadership and management capability with an ILM qualification. Currently, over 35,000 managers enjoy increased professional recognition and support through ILM membership.

As part of the City & Guilds group, we operate internationally, improving leadership and management capability and performance across all sectors.

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