

Are conventional motivation theories like Maslow's 'Need Hierarchy' or Herzberg's 'Two Factor' theory Applicable in a Pakistani Context?



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“You cannot motivate me to play a piano, if I can’t play a piano ...”

- Fredrick Herzberg

## **Introduction**

During the 1930's and 40's a "Third Force" was taking shape in the discipline of Psychology. Unlike its predecessors, Psychoanalysis and Behaviorism, this force focused on humans' inherent goodness. It focused on "Self Actualization" concept; that if provided with right conditions a human being can be motivated intrinsically to achieve his goals in life. And if we link these goals to organizational goals it will help in achievement of organizational motto. Initially introduced by Carl Rogers it was actually the work of Abraham Maslow which provided the foundation for this third force, later to be christened as "Humanistic Psychology". Taking forward Maslow's 'Hierarchy of Needs' Frederick Herzberg presented his two factor theory of motivation. Since then his ideas have been extremely influential in the field of human resource management.

Approximately the same time when Herzberg presented his theory, a huge social change had already started to take shape in the west. The industrial age was breathing its last and the knowledge economy was gaining traction. With it this new form of economy was changing the complete socio-cultural and political landscape of these countries. Alvin Toffler called it the "Third Wave" (Toffler, 1980). Apart from other notable changes the third wave forced the culture to become more individualistic and hence the needs and drives of the people became more focused with the "Self". As the knowledge workers do not do manual or physical work, but are required to fulfill their duties by manipulating knowledge, the techniques required to motivate them had to be a huge leap forward from the contemporary scientific approach. (Taylor, 1911). Luckily the Humanistic revolution in psychology had provided the tools, ideas and theories for people managers to motivate their employees. Maslow's hierarchy of needs and Herzberg's two factor theory became somewhat ideas of choice for managers to motivate their

knowledge workers. It was somewhat easy to comprehend the satisfaction of people's needs because they had reduced to a "Self" with new cultural shift.

The main purpose of this report is to analyze the reasons behind the dissatisfaction of a group of employees belonging to Pakistan working for a multinational organization in the field of Telecommunications. The causes of dissatisfaction are determined keeping Herzberg's two factor theory (Herzbrg, 1963), (Herzberg, 1966), (Frederick Herzberg, 1959) in context. Although it is important to note here that we cannot say with conviction that the 'Third Wave' and its social, economic and cultural impacts have fully taken over Pakistan, yet as the resources are working mainly as knowledge workers, the theory laying the foundations of humanistic psychology is used as a reference.

## **Problem Description**

The group of employees under discussion consists of engineers in the field of electronics and communication working for a multinational organization headquartered in Paris, France. They are working as subject matter experts (SMEs) in the field of 4G (Long Term Evolution – LTE). Ages of the employees range from late twenties to early thirties. Their job description includes installation and commissioning of LTE Equipment in different countries across Europe, Middle East and Africa (EMEA). Employees have to travel to different countries within the EMEA region and are paid a consultancy fees for the time they are travelling in addition to their basic pay in Pakistan. It is important to note here that LTE is the most cutting edge and latest technology in the field of telecommunications and is evolving rapidly.

**Figure 1:** shows the total returns that an employee gets working with the organization. As described by Milkovich (George T. Milkovich, 2007) the total returns that people receive from work include total compensation in the form of cash compensation and benefits plus the relational returns which are more of psychological in nature. For the purpose of this report the returns provided to resources are segregated using this model.

In terms of cash compensation an employee is paid basic salary along with other components. A strong effort is made by the organization to keep the salary levels of its employees in line with the market trends. A bi-annual market analysis is conducted with the help of a consultant to make sure that salary levels follow the market trends. At the same time yearly review is done to incorporate the impacts of prevailing inflation. An additional incentive in terms of Service Award is also provided to resources for serving the organization for a specific period of time. These are paid out to employees, in cash on completing every three years with

<b>CASH COMPENSATION</b>	<b>BENEFITS</b>	<b>RELATIONAL RETURNS</b>
<ul style="list-style-type: none"> <li>• Basic Pay</li> <li>• Cost of Living Increments</li> <li>• Gratuity</li> <li>• Service Award</li> <li>• Stock Options</li> <li>• Consultancy Fees</li> </ul>	<p><b>INCOME PROTECTION</b></p> <ul style="list-style-type: none"> <li>• Provident Fund</li> <li>• Employee Old Age Benefit Fund</li> <li>• Group Life Insurance</li> <li>• Travelling Insurance</li> <li>• Subsidized Meals</li> <li>• Full Indoor and Outdoor Medical Coverage</li> </ul> <p><b>WORK LIFE BALANCE</b></p> <ul style="list-style-type: none"> <li>• Annual Earned Leaves</li> <li>• Sick Leave</li> <li>• Special Medical Leave</li> <li>• Maternity Leave (for both Male and Female)</li> <li>• Tele-Working Policy</li> <li>• Work from Home Policy for Parents</li> </ul> <p><b>ALLOWANCES</b></p> <ul style="list-style-type: none"> <li>• Interest Free Loans (Car, Motorcycle and House Building)</li> <li>• Conveyance Allowance</li> <li>• Overtime Allowance</li> <li>• On-Call Duty Allowance</li> <li>• Hardship Allowance</li> <li>• Home Telephone Allowance</li> <li>• Holidays Working Allowance</li> <li>• Annual Health Club Membership</li> <li>• Personal Car Usage Allowance.</li> <li>• Educational Assistance</li> </ul>	<p><b>RECOGNITION AND STATUS</b></p> <ul style="list-style-type: none"> <li>• Regional Recognition Award</li> <li>• Country based Recognition Award</li> <li>• Annual - Performance Based Bonus</li> </ul> <p><b>LEARNING OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Learning Management System</li> <li>• Skill Development Program</li> <li>• Technical Trainings and Certifications</li> </ul>

**Figure 1 : Total Returns for an Employee**



the organization. Stock options are also provided to employees. Gratuity is another important cash compensation paid to employees. Although, it is only paid when an employee leaves the organization, but it's overall impact in terms of cash compensation is quite considerable. It is equivalent to the last take home salary of the employee multiplied by the number of years that an employee has served the organization.

The most important part of the cash compensation is the "Consultancy Fees" that is paid to the employees when they travel abroad to work in other countries. As these resources only work on international projects so this becomes a part of their cash compensation on monthly basis but is not part of their basic salary. This consultancy fees is generally paid out in US dollars varying from country to country. At the same time the allowances and the income protection benefits provided to employee (Figure 1) are also quite significant.

According to Herzberg (Herzbrg, 1963) the presence of money does not necessarily motivate an employee but its absence will cause an employee to be de-motivated. Keeping in view the total cash returns that are paid to an employee it seems that we cannot directly link the observed de-motivation in employees to a low amount of cash compensation. Other benefits also provide resources for keeping a good work life balance and help in providing good working conditions to employees.

The supervision style promoted by the organization can be directly linked to Theory-Y of management (McGregor, 1960). '*People Manager*' is a specialized job within the organization. Before being promoted to a resource management position, an employee has to go through extensive developmental activities in order to make sure that the organizational management style is internalized into the employee taking up the management post. The 360 degree feedback

mechanism provides input to resource managers about their supervision style and improvements that are required. If any changes are imperative, additional developmental activities are arranged for a 'Peoples Manager'. In short the organization tries to make sure that the managers work not as task masters but as facilitators.

According to Herzberg's the two factor theory, good working conditions and supervision style, are not motivators. However their absence will however cause an employee to be de-motivated. (Herzbrg, 1963). Keeping in view the fact that good working conditions are provided to employees and extra effort is put in to make sure that employees do not see their managers as task masters but rather facilitators, it makes sense, to conclude that these factors do not play a part in the de-motivation of employees.

LTE is an evolving field so it is impotant that the employees working on this technology are kept abreast with the latest information, tools and techniques. Here comes in the role of learning management system (Figure 1). Thus regular trainings are scheduled for the employees, both virtual and class room (on hands), to make sure proper technical information and skills are imparted on the resources for handling their day to day activities. These trainings are directly linked to annual goals set for an employee to make sure that they are need based and are discussed and formalized between an employee and the manager during yearly performance setting reviews. According to Herzberg (Herzbrg, 1963), motivation is a function of ability and the opportunity to use that ability. It is quite evident that both factors are taken care of for the employees. This also makes the job an inherent learning experience which should, normally, keep the employees quite motivated.

As the work that employees do is task based and technical in nature so the feedback is inherently incorporated into the nature of the work. Commissioning and Integrating equipment within time and with right technical parameters provides direct feedback to employees about their performance. Apart from this, regular feedback is provided to employees through quarterly performance reviews. On the other hand as employees travel to different countries around EMEA region to deploy a state of the art communication infrastructure the work itself is quite meaningful giving a sense of pride and achievement to them. The importance of the work increases manifold as the resources travel to third world countries in Africa to establish networks which provide communications facilities with new growth and job opportunities to people of those countries.

Based on the fulfillment of annual goals employees are also recognized for their services with annual global and regional awards. Employees are not only recognized individually but also team based recognition for achievement is provided with annual achievement awards both of which also have monetary benefits associated with them.

According to Herzberg (Herzberg, 1963), employee motivating factors are interesting meaningful work, achievement, recognition for achievement and growth. From the previous discussion it is evident that all the factors are well taken care of and employees should be well motivated. This was in fact true and employees were quite motivated. It was also evident from the feedback received about the employees and their overall work performance from different countries where they were assigned to work.

However, after a period of time, the employees started challenging their overall basic salary level. Although the employees' salary level was very much in line with the market trends but still

they linked their overall performance with their basic salary forgetting totally about the income protection and short and long term benefits provided to employees. The organization did take resources concerns into consideration and salary levels were increased a little above the market benchmark, yet the employees still wanted additional increase in their basic salary with the argument that the work which they are doing justifies their demand.

As their demands were not fulfilled, employees started becoming de-motivated over a period of time. In a certain case the de-motivation was so high that the employee left his permanent job for a contract position in another organization. This new organization only gave a lump sum monthly salary with no income protection, short or long term benefits and no long term security for the job. The important point here to note is that the lump sum salary provided by the competing organization was quite high in comparison to the basic salary the employee was drawing.

Turnover is a major issue for the organization because a lot of effort and resources are invested in order to bring an employee to the level that he or she becomes a highly contributing member of the organization. Replacement of such an employee takes some time and huge amounts of investment on part of the organization.

In the following sections we will try to analyze the reasons behind de-motivation of employees keeping in view the fact that important factors, as pointed out by Herzberg, were already taken care of. Based on the discussion we also try to present a solution for keeping the resources motivated so that their tenure with the organization can be increased.

“Culture is more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster”

- Geert Hofstede

“Society attacks early, when the individual is helpless”

- B. F. Skinner

## Discussion

We are born and raised in a society where joint family system is considered to be a normal way of life. Large families stay under the same roof even sharing the same kitchen. The rights of family and the community supersede those of the individuals. Opinions of the elders hold high importance and making a decision against these social norms is considered rude and disrespectful. People are not merely judged by their personal standing in the society but, instead, by the standing of their family as a whole. A glaring example can be seen when an individual has to get married. The decision of choosing a person's life partner is collectively taken which is influenced by the opinion of the family elders. If a family member requires financial help, it is considered a socio-moral duty of other family members to help him. We are not only conditioned (Skinner, 1938) since childhood but are socially pressurized to fulfill these needs. On a higher level of society the decisions impacting a community also require a collective decision to be taken. "Panchaiyats" and "Jirgas" are an example of such collective decision-making structure still prevailing in our society. So it is evident that we are a collectivist society. The research also points in the same direction. (Syed Afzal Moshadi Shah, May 2011) & (The Hofstede Centre, 2015).

The collectivist nature is conditioned on us to such an extent that even our "*Self Esteem*" needs (Maslow, 1943) are intertwined with our collectivist urge to help our near and dear ones. We hold ourselves in high esteem once we are able to help our family members and the community at large.

On the other hand, Pakistan ranks 126<sup>th</sup> out of 175 countries in terms of corruption perception index (Transparency International, 2015). Corruption is rampant in our state institutions like police and judiciary. A needy man has to pay a bribe in order to get a report registered, and for

petty matters like issuance or renewal of his national identity card etc. The plight of a common man is so painful that he cannot get his legitimate work done without a 'Push' or 'Safarish' both in public and private sector offices. This social curse is now deeply rooted in our culture and society. Be it health, education, judiciary, or any other social service department of public service, one cannot imagine of gaining anything without illegal gratification. Favoritism and nepotism also play an important role in aggravating the situation.

Monumentalism (Minkov, 2007) is also very high in our society. Apart from religious, fighter and trend heroes we also have a strong and unquestionable loyalty towards our political heroes. (Syed Afzal Moshadi Shah, May 2011). The problem arises from the fact that corruption is quite high in the political elite and even in public sector development programs the focus is on those projects which can provide *kick backs*. Unfortunately, the corrupt have been getting away with their actions without any accountability which has made corruption ripe without any consequences. On the other hand, like many developing countries, the measure to judge a person's achievement is also directly linked to the amount of money that he has. Consciously or unconsciously when people try to imitate their heroes (Bandura, 1986) the main focus becomes earning money.

Hence living in a culture and society like ours money plays a pivotal role in fulfilling our basic physiological, security and sometimes even self esteem needs. And our needs are not only restricted to one's self but are expanded and incorporate the needs of our extended family. Secondly, we are also socially conditioned to consider money as the main factor to judge one's achievements in life. Consequently, the employees originating from such a local culture will always try to focus on rewards which are more monetary oriented in nature.

The above discussion gives an insight as to why employees might be focused more on the cash factor in their overall compensation. This is directly in contradiction to Herzberg's two factor theory. As money, it seems, does become a motivating factor for resources, believing that the money makes the mare go, and not only a hygiene factor. Recent research also points in the same direction (Siddiqui, 2012). But the next logical question that arises is that why do long term benefits like provident fund and gratuity do not have high importance for the resources?

Life Insurance is an example of the benefits provided to the employees. Most of the people living in Pakistan are Muslims and they firmly believe that everything that has happened or will happen is controlled by Al-mighty Allah and an individual does not possess any power or control over them. This is the main reason that our society has a "Locus of Control" which is "Outer-directed". In such a society people will definitely want the organization to pay the money directly to the employee instead of investing it a benefit which he is not sure he will require or not.

There are mixed research findings in terms of long term orientation (LTO) for Pakistani society. For example, according to Hofstede center "*culture of Pakistan cannot be said to indicate a preference*" for LTO. The score is exactly 50 (The Hofstede Centre, 2015). On the other hand a local research points to the fact that Pakistani culture, by and large, cannot be said to be long term oriented (Syed Afzal Moshadi Shah, May 2011). Going by the above two researches we can conclude that the focus of employees will mostly be those benefits which help them fulfill their pressing needs.

As it is also pointed out by Afzal (Syed Afzal Moshadi Shah, May 2011), that people belonging from Punjab, KPK and Sindh provinces show healthy signs towards indulgence indicating their



focus towards consumption and gratification of their desires and feelings. Of course in order to do so money will always play a vital role and the focus will always be on having enough money to fulfill these desires as compared to investing in long term benefits.

Another important factor is the age of employees under discussion. They are in their late twenties or early thirties. Most of them have minor children who are either school going or are about to enter into school going age. In Pakistan the government controlled school system somehow is not efficient enough as compared to private schooling. Therefore the parents prefer to send their children to a good private institute. Of course, this requires a good amount of money, to be spent on a child's education. This again points towards the fact that people will focus more on Cash in hand as compared to other long term benefits.

There have been numerous research and studies pointing towards the fact that motivational theories that originated from America do not necessarily apply to a foreign culture. The fact being that people like Maslow and Herzberg had predispositions in line with their own country's culture (Hofstede, Summer80, Vol. 9 Issue 1), (Hofstede, 1993 Vol. 7 No. ). Hence the theories focused on factors which would motivate an individual who also were part of such a culture.

As the parent organization is from France hence the HR Policies are mostly influenced by the local culture which is highly individualistic in nature and also very high on uncertainty avoidance and long term orientation. As the cultural characteristics are quite close to those of United States, the compensation strategy is also in line with them. For example there is a lot of focus on work life balance, employee recognition and long term benefits like gratuity and provident fund etc. These policies also work quite well for resources belonging to headquarters and certain other parts of Europe and United States. People have long careers with the

organization and you find them leaving the organization only when they reach their retiring age. What the organization failed in doing was to tailor the HR policies, especially those related to compensation, in line with the Pakistani culture. Consequently, even after investing a lot on resources and making sure that their long term needs are fulfilled the organization is facing the issue of employee turnover.

### **Other side of the Coin**

There of course, always, is another side of the coin. What if the problem is not related to the overall compensation package? What are the other factors which could have contributed to the situation boiling to an extent that resources have to consider a job change? Here we analyze the problem from employees' perspective. The discussion diverges into two dimensions both of which are again related to our conditioning.

#### **People leave their Managers ...**

As pointed out in the introduction section, the organization puts an emphasis on the managers being more of facilitators than task masters i.e. following the Theory-Y of management. This forces the managers to have an open door policy and to be more transparent in their communication with the employees. It is also made sure that the frequency of communication with the employees, specifically related to their performance and goal achievement, is also appreciable. This provides a chance to the employee to discuss his future plans, trainings and any issues that he might be facing in his job with his manager. On the other hand culturally we are a high power distance society (The Hofstede Centre, 2015) & (Syed Afzal Moshadi Shah, May 2011). This means that we accept the unequal distribution of power within our organizations and

institutions. Being conditioned since childhood to accept the decisions of people who are socially at a higher hierarchical level than us (like our parents and elders) when we do get a chance to convey our opinions and thoughts we try to make the most of it. This can be the reason that within the organization when we get a chance to put forward our demands and thoughts we avail this opportunity with full force.

Although the compensation in terms of salary might be low, as perceived by the resources, but not as much as compared to the overall market situation. In some cases it might even be better. But when the resources get a chance to convey their perception to the managers they do it with full force. And when the salary is not increased in accordance with their perceptions they rationalize it to the fact that managers are not hearing or doing something about their concerns. So over a period of time after complaining the resources break their “*Psychological Contract*” (Rousseau, 1995) with their managers and organization, become de-motivated and try to find a solution outside the organization.

This points towards the fact that the issue related to salary might not have been a big problem from the beginning but the overall situation became as such that resources rationalized it to be a problem and looked for solution elsewhere. Providing a better picture to the resources about their overall compensation along with a comparison to the prevailing market situation could have easily averted the issue.

In the end the resources left the organization not because they were dissatisfied with their compensation, but because of a communication failure on part of the manager. As it is said that “*People don’t leave their organizations...they leave their managers*”...!!!

It might be argued that since the beginning organization has focused on developing a culture of open communication and resources should have been conditioned to the new culture. The above mentioned issue is not as much relevant as thought. But many a research show that a “*cultural graft*” over a period of time loses its effectiveness and the overall environment and social culture indeed takes over. Although we can try to make the micro (organizational) culture different but when we go out from the office we are again submerged into our macro (national) culture. Hence the overall conditioning might not take effect as thought. O’Rielley and Cladwell have pointed out that it is difficult to separate organizations from cultures and also cultures from the social system (Caldwell, 1985).

#### **Why do I need a raise in my Salary?**

In order to better analyze the issue the question was put forward to the employees as to why they were focusing more on “Money” part of their compensation and totally neglecting the short term and long term benefits (Which cannot be directly translated into cash compensation)? The answer, almost the same at each occasion, was that if today they are asked to leave the organization or due to any unforeseen circumstances have to change their jobs the new organization will only give them a compensation package which will be in line with their current one.

Meaning thereby that their current salary slip will only show the basic salary and the new organization will provide them a package in relation to their previous salary. Even a 100% increase in their salary will not be enough to take care of the overall compensation package that they are receiving from the current organization when it includes the consultancy fees which they are currently getting.

This proves the fact that resources are indeed focused on the long term security of their earnings but the features of the current compensation package might not be fulfilling those needs.

“When in Rome, do as the Romans do ...”

- English Proverb

## **A Possible Solution**

When money is one of the most important factors in the overall motivation of the employees then it is quite obvious that the compensation policy has to be in line with this. Looking at the current overall compensation policy (Figure 1), it is evident that the organization is spending a lot of money in order to provide the short and long term benefits to the employees. These are somewhat an indirect form of compensation to the employees i.e. The organization is spending money in order to provide these benefits to the employee but the employee only gets a long term benefit from them. He does not have any cash in hand to show for these benefits. Although there are many indirect forms of compensation but the ones on which the organization is spending mostly include:

### **Provident Fund**

A total of 10% of employees' salary is deducted to be part of the provident fund. Then the organization contributes the same amount of money and the sum is invested in government securities or investment bonds. Annual markup is dispersed into the employee's provident fund account. The fund is paid to the employee at the time he leaves the organization, either resigns or gets retired.

### **Gratuity**

Gratuity is a sum of amount paid to the employee when he or she leaves the organization. This is equivalent to the last drawn salary multiplied by the total number of years that the resource has

served the organization. In order to fulfill this requirement organization has to set aside a large amount of money annually against each resource.

## **Life Insurance**

A huge sum of money is invested by the organization in order to provide life insurance to the employees. Mostly this money is not utilized at all either by the resource or by the organization.

## **Annual Health Club Membership**

Each employee is provided an annual health club membership for which organization has to pay an annual fee to the club.

## **Consultancy Fees**

When resources travel abroad they are provided with a consultancy fees per month apart from the travelling and living expenditures. Although they are not a part of a long or short term compensation but are a direct cash incentive for the employees. The consultancy fees differ from country to country but we can average it to be around PKR 250,000 per month. This is not the part of their basic salary and is not shown in the salary slip.

**Table 2:** gives a hypothetical example of an employee who is being paid a total of PKR 1,200,000 as his basic annual salary. The table shows the total amount of investment which the organization has to do for that employee. It also indicates the total increase in the salary of the employee if instead of providing the above mentioned benefits the same money is inturn provided as part of the basic salary to the employee. In this case the increase is more than 33% in their basic salary without any additional investment from the organization.

<b>Current Compensation Structure</b>		<b>Proposed Compensation Structure</b>	
<b>(Annual)</b>		<b>(Annual)</b>	
Basic Salary	1,200, 000	Basic Salary	4,600,000
Provident Fund*1	120, 000	Provident Fund	<i>Added to Basic Salary</i>
Gratuity*1	100,000	Gratuity	<i>Added to Basic Salary</i>
Life Insurance*1	60,000	Life Insurance	<i>Added to Basic Salary</i>
Health Club Membership*1	120,000	Health Club Membership	<i>Added to Basic Salary</i>
Consultancy Fees*2	3,000,000	Consultancy Fees	<i>Added to Basic Salary</i>
<b>TOTAL</b>	<b>4,600,000</b>	<b>TOTAL</b>	<b>4,600,000</b>

**Figure 2: Proposed Compensation Structure**

(\*1): *Provident Fund, Gratuity, Life Insurance, Health Club Membership are not paid as direct cash compensation to employees with their monthly salary.*

(\*2): *Consultancy Fees is not part of employee salary but paid separately.*



In doing so the overall compensation package will be brought more in line with what resources perceive as justified. It will cater to resources perceived long term needs in case they have to change their jobs (As described in section, why I need a raise in my salary?). On the organization's part it will not have to invest any additional amount of money on the resources as it will be only changing the features of the compensation package.

Other parts of the compensation package like medical insurance, loans, training and development etc. can stay the same as shown in Figure 1.

### **What the Future Holds?**

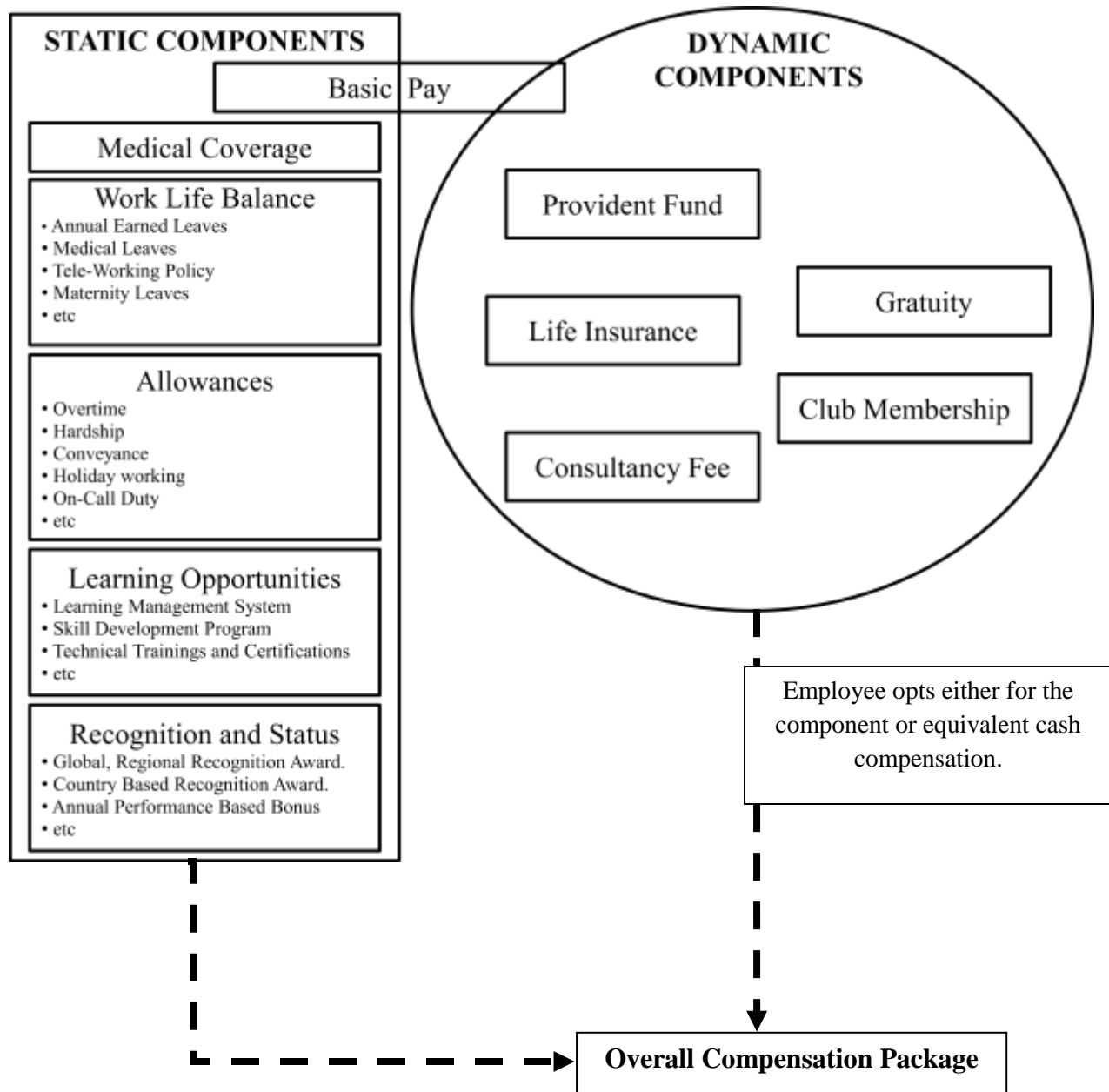
Pakistan is going through a change process in terms of its social, political and cultural landscape. Khilji points towards the fact that business environment of the country is changing. (Khilji, 2003). The private sector organizations are largely replacing the public sector organizations. At the same time the culture of Pakistan is quite diverse. Afzal has pointed out that the cultural characteristics in terms of power distance, collectivism, long term orientation etc. change if we move from one province to another (Syed Afzal Moshadi Shah, May 2011). We can also argue that with time society is bound to be taken over by the *Third Wave* which will cause a complete cultural shift and change in patterns of how people make a living. The needs and motivation of people will consequently change.

In such a dynamic culture, which is going through a change, creating HR policies which are focusing on the most current results of cultural dynamics might not work. As the macro culture will change, the micro culture has to adopt accordingly.

Here we come to the point that changing the features of the compensation package as described above, might work for some resources and might not work for other resources, depending upon their cultural background, or to be more precise the area where they were brought up within Pakistan. Also it might work for them right now but in the future their needs and motivational requirements might change. The solution can be to have a dynamic compensation policy, in which, resources can pick and choose according to their most pressing needs.

Figure 3: depicts the proposed model of Dynamic Compensation. Components related to work life balance, allowances, which are linked to KITA stay as a static part of compensation. On the other hand Learning Opportunities, Recognition and Status which are termed as motivators by Herzberg also remain a static part of the overall compensation package. However in order to bring the package in accordance with cultural constraints and needs of the employees from Pakistan, some components are made Dynamic. For example Basic Salary, which is a part of KITA is made Dynamic along with other components like life insurance, gratuity, provident fund etc. which are also a part of KITA. This gives the employee an opportunity to either opt for the KITA factor itself or take cash compensation as a replacement.

The model stays in line with what Herzberg has defined in his two factor motivational theory. Both the KITA and the motivational factors are taken into account. However it is tailored to the needs of the resources from a cultural background of Pakistan. It also provides an employee with the option to change his compensation package according to his changing needs with age. For example if he requires more cash because his children are going to school, he can opt out for life insurance, or any other dynamic component and take cash in his basic salary as a replacement.



**Figure 3: Dynamic Compensation Model**

The organization will not have to invest any additional amount of money than what it is doing right now and the resource will be able to fulfill his most pressing and current needs thus bringing us to a win-win situation. This will also provide a model to deal with the changing market, social and cultural dynamics of the country along with taking care of cross cultural differences within the different provinces of Pakistan.

Another important impact of utilizing this model will be that resources will feel more participative in the overall HR Policy making.

## **Conclusion**

Pakistan lies on a totally different cultural dimension as compared to western countries. It is therefore difficult to inculcate new behaviors into the employees which are different than their predispositions learned from the macro culture. As discussed in the report money will play an important part in keeping the employees from Pakistan motivated. It is required to fulfill the extended needs of individuals' as part of a collectivist society.

Although the HR Policies in general or the compensation policy in particular, of the organization under discussion, might be in line with what Herzberg has pointed out in his two factor motivational theory but it is failing to keep the employees motivated because their needs and dispositions are totally different to what Herzberg took into consideration while formulating his theory.

As discussed in this report, it is quite evident that, the management theories do have constraints across cultures. We cannot implement them as they are without adopting them to the host culture. Research also points in the same direction. It is also clear from the situation faced in the discussed MNO working in Pakistan. The organization might have implemented its HR practices in the interest of fairness or for promoting uniform corporate culture across countries but did not take into account the idiosyncrasies that originate across cultures.

A possible solution, as pointed out in this report, is to make the compensation policy more dynamic in nature so that employees can choose the compensation components in line with what their most pressing needs.

It also gives the organization an opportunity to tailor its compensation policies as the host country goes through a cultural shift, which may also be varying in its speed and characteristics across different geographies of the country.

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