

Preface

In recent years, firms have been faced with increasing complexity and dynamics. New information technologies, increasing knowledge and the expanding interdependencies in the world economy have caused fundamental changes. Moreover, firms have to deal with technological developments, changing customer needs and increasing customer demands.

In order to meet these requirements, firms need to adapt the design of their internal organization and their leadership of employees. The increasingly complex processes call for new decentralized organizational structures. As a result, the employees play an even more important role for succeeding in the competitive markets. They need to be willing to take over more responsibility resulting from organizational changes and demonstrate entrepreneurial thinking and actions.

As an immediate consequence, these changes also lead to new requirements for the adequate leadership of employees. Instead of treating them like input factors of production, managing and controlling their work, every single employee needs to be motivated to act in the interest of the firm and in accordance of its goals. For this purpose, the employee and his individual needs and goals need to be accounted for. This requirement is essential and necessary in order to motivate the employees to contribute to the firm's success.

In this book, we will address the employee as a participant of an organization. Our discussion will mainly focus on the motivation problem of any organization: How can the individual employee be induced to perform the tasks assigned to him in accordance to the firm's goals? We do not assume that these tasks are perfectly defined. Instead, when solving the motivation problem, we will also consider the interdependencies with the organization's coordination problem. The latter deals with the question of which tasks the employee should perform at what time and in which way; that is how the organizational structure should be designed. We will not account for the whole complexity of designing the organizational structure, but presume that the arising motivation problems can be solved by adjusting single organizational conditions.

The solution to the motivation problem is based on which factors determine the behavior of an employee. What does the employee expect from his work? Why does he react in a particular way in some situations? How do personal or situational factors influence his actions? How will he react to organizational changes? What is the relation between achieving his personal goals and the

achievement of the firm's goals?

Answering these questions is central for solving the motivation problem. Before developing an understanding of how the employee acts in his specific work situation, we cannot draw conclusions for adequately influencing his behavior. Therefore, this book aims at developing an economic-psychological approach for successfully leading employees. This approach is based on the analysis of the employee's individual work behavior. We will integrate insights from psychology into a general economic behavioral model. The influence of social work relationships on the employee's actions will also be considered. The economic-psychological model of work behavior is part of the literature on economic psychology. Introduced by Kantona, this research stream explains economic processes as a result of individual behavior while accounting for psychological insights. Based on these analyses, we will specify the resulting requirements for solving the motivation problem. Besides the general conditions that need to be given for the design of work relationships, this also concerns the adequate leadership of employees. Using examples from companies and society, different concepts and insights from the economic-psychological approach will be illustrated.

The book consists of three parts: The employee as a basic building block of economic organizations (Part I), the behavior in organizations (Part II) as well as the organization and the role of motivation (Part III). Part I will discuss the individual differences between employees. These psychological determinants of individual behavior as well as the aspects of the work situation then comprise the components of the model of individual work behavior presented in Chapter 2.

Based on this behavioral model, we will discuss single components of individual work behavior in more detail in Part II. We will systematically apply the insights from behavioral decision theory to the work context and the work motivation of an employee, allowing us to draw conclusions on the employee's actions based on his personal factors and the general conditions of his work situation. In line with the two central components of decision making, Chapter 3 regards the individual judgment of the work situation, while Chapter 4 examines the psychology of work behavior.

Part III builds on the insights obtained so far in order to develop requirements for an adequate leadership. In Chapter 5, we will present the general approach for solving the motivation problem in a single work relationship. Chapter 6 then emphasizes the requirements for adequate leadership.

The book is based on the notes from a course taught at WHU – Otto Beisheim School of Management. Hopefully, the book benefits from the experiences gained during the lectures. The discussions with my assistants Klaus Burgmeier, Holmer Glietz, Dirk Simon and Claus van der Velden helped a lot to write the book. Thanks also go to Anna Frese and Karin Senftleben for their help in the process of the English translation.