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Directing Consultants' Effort

- A Study of Four Staffing Companies

Bachelor Thesis

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Management Accounting and

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Abstract

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Title: How to handle effort direction with incentive systems in staffing companies - A study of four staffing companies

Background and discussion of the problem: In the staffing company business a unique situation exists because of the three part relation between the staffing company, the users of the staffing companies' services, and the consultants employed by the staffing company. To over bridge the conflicting objectives of the staffing company and the consultant incentive systems are designed.

Research question: What effects on the consultants' effort direction do the staffing managers expect of the formal or informal incentive system?

Method: The authors have found that a suitable method for the thesis is a survey study. Four different staffing companies were selected as case-study objects, and hence the empirical chapter is based on interviews with staffing managers at the selected companies. The information gathered from the interviews is analyzed with help from the theoretical framework.

Results: The authors found that effort directing difficulties do not exist in the studied companies. The reason for this is that the staffing companies have a recruitment process which determines who fits in the company's profile or who do not. The authors are also convinced that the reason to why staffing companies do not consider consultants' effort direction as a problem is that the staffing company, the consultant, and even the client has aligning interests. The consultants will by the staffing company be given the possibility to develop their competences. The client will in that way get more qualified consultants with better skills. Finally, the staffing company will be able to take a higher charge for a more skilled consultant. Another reason to why effort directing difficulties do not exist is frequent connection between the staffing manager, the consultant, and the client company. The close connection makes it possible to correct failures and undesirable behavior of the consultants.

Suggestions to further research: The authors would find it interesting if further research would be done within this field, and in that case the number of interviewed companies and/or the number of interviewed people within the same corporation would be larger. Furthermore it would be worthwhile to investigate the consultants' view on what they think is motivating them to align their effort in a specific direction.



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1. Introduction

This chapter will consist of a definition of the problem area and a description of how the authors at first became interested in the subject. The chapter will also examine why there is vital to accomplish this thesis and what utility it can bring.

1.1 Background

During the last two decades the Swedish labor market has been characterized by revolutionized transformations. The traditional permanent employment has in many cases been replaced by a new term of employment which implies a distinction between the employer and the team leader.¹ With this new term of employment a three part relation emerges; the staffing company, the users of the staffing companies' services, and the consultants employed by the staffing company. This change has been necessary to respond to because of companies' request of a more flexible kind of staff and to the increased demand for personnel with specific skills. From the viewpoint of the consultants and the users, staffing companies satisfy their needs by corresponding supply and demand of workforce. In this situation the risk and the responsibility are spread to all the parties in the relation.²

It is necessary for companies to avoid having more employees than it is able to employ. Therefore organizations are aware of the limit of the number of employees which can be engaged during a recession and they tend to adapt their workforce according to this. In a boom or in times with high absence due to illness, where there is a need to enlarge the workforce, the staffing company plays a significant role in making it possible for organizations to hire the desired personnel.^{3 4} Staffing companies also give the possibility to the users to hire personnel with specific skills for special projects.

Before January the first in 1992 it was prohibit establishing a private employment service in Sweden. The AMS (Arbetsmarknadsstyrelsen) was able to license a company to practice private employment service, but this was restrictively used. In 1992 a new law was adopted which made it possible to let out employees during some restrictions. In 1993 the restrictions was abolished.⁵ Since then the number of staffing companies has grown. During year 2007 the volume of business of the 35 largest staffing companies was almost 16 billion SEK, an increase of 18 percent from previous year.⁶ In year 2006 there were 35.000 people employed in staffing companies in Sweden.⁷

¹ Andersson & Wadensjö, Rapport 2004:15

² Olofsdotter, 2008

³ Andersson & Wadensjö, Rapport 2004:15

⁴ Olofsdotter, 2008

⁵ <http://www.riksdagen.se/2008-04-09>

⁶ <http://www.arbetsmarknaden.se/2008-04-14>

⁷ <http://www.almega.se/2008-04-10>



1.2 Definition of the Problem

Nowadays it is common that companies state that the employees are their most important resource because of the accumulated knowledge the workforce possess and their motivation to perform well. This statement is probably even more obvious in a staffing company where the consultants are the only resource. But the situation is complicated to handle because of the characteristic of a staffing company; the specific thing with a staffing company is that a three part relation exists – the staffing company, the hiring company, and the consultant.⁸ This means that the consultant is affected both by the company which he/she is engaged by and by the company where he/she actually performs the daily work.⁹ This unique situation may aggravate the staffing manager's influence over the consultant's performance because of the fact that the consultants work outside the own organization at a client company. Hence there are strong incitements to motivate the consultants and in that way secure good performance even if the manager only has limited insight in the consultant's work.

To enable that a consultant actually do what the staffing manager wants him/her to do one possibility is to use incentive systems. Incentives “encouraging, enabling, or, sometimes, forcing consultants to act in the organization's best interest”¹⁰ and in order to this the organization may be able to influence the behavior of the consultants.

However, when approaching this study the authors cannot presume that the staffing companies which will be studied actually have a formal incentive system. But when the authors at first became interested in incentive system and read literature about the topic they came across a citation by Svensson and Wilhelmsson that stated:

“There is an incentive system in all organizations. It can be conscious or unconscious, considered or unconsidered, systematic or unsystematic. Often it has been developed successive and it is built on tradition. One can say that it is a part of the company's culture.”¹¹

With support of this statement the authors believe that some kind of incentive system will be found in the studied companies and their belief is that staffing companies utilize incentive systems to affect the consultants' behavior. However, the authors want to accentuate that a broad definition of incentive systems is required to make this citation valid.

After studying the figure of the conceptual framework for the effects of incentives on effort and task performance in the article written by Bonner and Sprinkle, the authors have chosen to focus on the effect effort direction.¹² The effects on effort direction are interesting to investigate in a staffing company, because of the fact that the staffing manager has limited insight in the performance of the consultant. Since staffing companies is a comparative new

⁸ A more detailed description of the three part relation will be found in section 3.4

⁹ Olofsdotter, 2008

¹⁰ Merchant et al, 2007, p. 5

¹¹ Svensson & Wilhelmsson, 1988, p. 9

¹² Further description of the Bonner & Sprinkle figure in section 3.1



kind of company there is exiguous research within this field and that is another reason to why the authors find this subject interesting to make further research about. The authors believe that an important task of an incentive system is to make sure that the consultants align their effort in a desirable direction and therefore the problem is defined as:

- *What effects on the consultants' effort direction do the staffing managers expect of the formal or informal incentive system?*

As the research question states, the authors approve an ex ante perspective for the study.

1.3 Purpose

The purpose of the study is to describe what impact on the consultants' effort direction the staffing managers expect of the incentive system. The thesis will therefore be written from an organizational perspective and it will be based on interviews with staffing managers from four different staffing companies. The authors' conviction is that they will be able to present what effects on effort direction the staffing managers expect of the formal or informal incentive system.

1.4 Outline of the Thesis

Chapter 2 describes and evaluates the chosen method of the thesis.

Chapter 3 presents the general theories of management control and incentive system. Thereafter a description of the characteristics of staffing companies is given.

Chapter 4 contains the gathered data from the interviews with staffing managers.

Chapter 5 consists of the analysis of the collected information.

Chapter 6 is a conclusion of the results from the analysis. In this chapter suggestion to further research within this field is given.



2. Methodology

In this chapter the authors will introduce the chosen method to the reader. The chapter will also include how the collected information has been processed and analyzed to make sense to the research question. Thereafter the selection procedure, choice of method and a description of how the authors will handle the interviews is presented.

2.1 Background for Description of Method

According to Patel and Davidson the methodology will describe the whole execution of the study. The primary function is to make it possible for the reader to evaluate and interpret the equitableness of the results and also enable estimation of the possibility to use the study to make general statements.¹³ Therefore the authors will present the chosen approach for collecting and processing the information and a description of how the information actually is treated will be given. Furthermore, the authors will present the chosen method and also give a description of how the interviews will be done. To decide what staffing companies which will be examined in this study the authors made a selection procedure. This procedure will be explained in the last section in this chapter.

2.2 Research Approach

There are many different kinds of investigations which all usually can be distinguished by the difference in amount of existing knowledge within the field. The three most common kinds of investigations are explorative, descriptive, and tests of hypothesis. Explorative research is used when there is a gap of knowledge within a problem area. The main aim with this kind of studies is to acquire as much knowledge as possible about a determined area and in that way attain knowledge which can be a ground for further research. When a certain amount of knowledge already exists the research is descriptive. When this kind of research is applied it is common that a specific aspect of the problem area is investigated. Usually only one technique of gathering data is used. Tests of hypothesis are relevant to use when the amount of knowledge within a field has increased and theories have been developed. This kind of research provides that there is enough knowledge to enable assumptions about the reality from the existing theory.¹⁴

This study will stand right between an explorative study and a descriptive study. There is a gap of knowledge within the chosen field because of the fact that staffing companies are a relatively new invention and yet only limited research has been done. In that way the study may be explorative. But in this case the authors have decided to apply developed theories to be able to answer the research question, and therefore the study is classified as descriptive.

¹³ Patel & Davidson, 2003

¹⁴ Ibid.



2.3 Gathering of Data

2.3.1 Primary and Secondary Data

There are two kinds of data; primary and secondary data. The difference between these two kinds of information is the distance between the origin of the information and the receiver. Consequently information gathered for the first time by the researcher himself is called primary. The definition of secondary data is everything which is not primary.¹⁵ In this study the primary data will be gathered from interviews with staffing managers in four staffing companies. The secondary data will be gathered from homepages of the staffing companies.

2.3.2 Credibility

In the context of primary and secondary data the authors consider it essential to discuss how the question of credibility is handled. In order to secure that the interviews will contribute with truthful and valid information the authors use the research question as a starting point when forming the questionnaire. Furthermore the authors ascertain that the questionnaire is clearly formulated to avoid misinterpreting, and it will be sent in advance to the respondents with the expectation that the answers will be well-reasoned and in that way become more trustworthy. To prevent that the respondents will avoid not answering truthful the authors will give them the possibility to be anonymous, naturally the company also will be anonymous in this case. Two of the four staffing companies wished to be anonymous, and therefore they have been given the fictitious names Company A and Company B.

2.4 Selection Procedure

To keep a scientific approach it is essential that the selection procedure is done with carefulness. Hence it is vital to secure that the group of staffing companies that will be selected is representational for the population the authors want to investigate.¹⁶ Therefore the reason to doing limitations is to select companies with similar features to enable comparison and in that way be able to make conclusions from the results given in the empirical study.

To find out which companies the authors will interview a selection process has been done by help from University of Gothenburg's library search engine called AffärsData Företagsfakta. To make the search limited some restrictions were made. At first a restriction about geographically location was done. The geographically location Gothenburg was selected because the market is known for the authors and hence it will be more interesting. With this restriction the number of staffing companies still became too large. The next chosen limitation was hence to only include corporations with a turnover with not less than 30 MSEK, this in order to increase the likelihood that the selected companies actually have an incentive system. With these two limitations the available staffing companies decreased to an adequate number. The list of the selected companies will be found in Appendix A.

¹⁵ Patel & Davidson, 2003

¹⁶ Ibid.



But still all the companies on the list are not representative for the definition of staffing companies in this study. Therefore the authors have checked the list of companies, e.g. by their homepages, to make sure that the companies that will be studied are representative for the definition. The reduced list of companies will be found in Appendix B.

2.5 Choice of Method

In order to attain broader understanding about the topic the authors have studied literature within the field, and thereafter the authors have found that a suitable method to the thesis is a *survey study*. A survey study is done on a delimited population with the assistance of a questionnaire or an interview. The survey study is useful to collect information about an amount of variables but even to collect a lot of information about a few variables. Survey studies is often used to answer questions with what, where, when and how.¹⁷ A survey study is therefore a suitable method for this thesis in the view of the problem definition which, already mentioned, will investigate what effects on effort direction that the staffing managers expect from the incentive system. The authors will approach this study from an organizational perspective, in other words the study will be based on the staffing managers view of the problem field. With this choice the authors' expectations are that they will collect information from different staffing companies and in this way enable answering the problem of the thesis. However, this study will not make any general statements about this type of business, but it will give some hints about how staffing companies may use formal or informal incentive systems to affect the consultants' effort direction.

2.6 Interview

Interviews and questionnaires are techniques which are built on interrogations with respondents and the techniques are used for the gathering of data. Interviews are commonly personal and by that means that the interrogator makes the interview through a meeting or though a phone call. Besides these, combinations of interviews and questionnaires are common.

When choosing an interview method it is vital for the authors to determine what rate of *standardization* and *structuring* will be used. By standardization means how much room for formation there is in the questions and also how much the respondent can change the sequence of the questions. By rate of structuring means how much the respondents can interpret the questions depending on personal attitude and experience. A low rate of standardization and a low rate of structuring signify interviews where questions are formed during the interview and thereafter the questions are discussed in a suitable way for the respondent. In interviews with a high rate of standardization the interrogator questions all respondents in exactly the same order and in this case there is no room for adaptation for the

¹⁷ Patel & Davidson, 2003



individual respondent. This kind of interview therefore gives limitations of answers for the respondent.¹⁸

For this study the authors have chosen to make interviews with the persons responsible for staffing. The interviews will be done by phone and in one case by a personal meeting. The reason for this is that the respondents have little time to realize a personal appointment but also that the respondents was not able to meet physical because of geographical limitations. The study tends to fall under a structured kind of interview because before the interviews the authors form a questionnaire that will constitute a ground for the interviews. But the authors will adjust and possibly add questions if needed to follow up an interesting answer. The questions which will be the ground for the interviews are written in Swedish and the interviews will also be done in Swedish. The translated question guide will be found as Appendix C.

¹⁸ Patel & Davidson, 2003



3. Theoretical Framework

In this chapter a presentation of the knowledge within the problem field is introduced. The knowledge is grouped into different areas relevant for the problem. The first section will describe a conceptual framework for the effects of performance-contingent incentives. In the following section the main principles about incentive systems and the application of incentive systems is presented. Thereafter five different incitements which all can motivate persons to do a task are described. Finally, the authors will give a general idea of what characterizes the work in a staffing company.

3.1 Conceptual Framework by Bonner and Sprinkle

In this section the authors will describe and explain the figure *Conceptual framework for the effects of performance-contingent monetary incentives on effort and task performance*¹⁹ which is presented in the article written by Bonner and Sprinkle. This framework attempts to picture the complexity which characterizes the application of an incentive system and the importance of being conscious of that incentive systems not necessarily lead to greater effort and task performance is emphasized. With the figure the authors will show what effects a monetary incentive system has on effort and task performance. This will clarify the context of the chosen definition of problem, but thereafter the study will focus on effort direction.

The appliance of an incentive system is meant to result in greater effort. According to the conceptual framework greater effort can be explained by either increased effort which has impact on the current performance or effort which is meant to lead to improved performance in the future. The short term changes in effort are effort direction, effort duration, and effort intensity. Effort direction alludes to the task the consultant directs his/her effort towards, i.e. the task the consultant chooses to do. If the benefits of the incentives related to performance is greater than the cost of doing the task it would direct the consultant's effort towards the rewarded activity. Effort duration is the length of time a consultant spends on a given task; in other words for how long the consultant works. Incentives tend to increase consultants' effort duration, e.g. consultants may work with fewer breaks. Eventually, effort intensity is the attention a consultant gives to a task during a given time period. Incentives will increase effort intensity if the consultant thinks that increased effort intensity will result in greater performance of the task the consultant is rewarded for.

The long term change in effort is called strategy development and implicates that incentives even may encourage consultants to procure skills which is needed to perform a task and in that way be able to increase the future performance, i.e. learning. Strategy development is less automatic than increases in effort direction, duration, and intensity and in the short term the performance of the task may be weaker but in the long term the effects of course are positive.

¹⁹ Bonner & Sprinkle, 2002, p. 304



The figure also presents four variables which all affect how the consultants' effort will be changed by incentive systems and they have impact on what results the changed effort will have on the consultants' task performance. The first one is person variables which embody personal features like abilities, knowledge content, and intrinsic motivation etcetera. Naturally these features affect the relation between incentives and effort, and between effort and task performance. Task variables are the second variable in the figure and refer to all attributes that vary between and within tasks. Examples of task variables are complexity, effort-sensitivity etcetera. Variation in performance is more often explicable by task variables than by person variables. The third variable is environmental variables. This variable involves everything that has impact on a consultant who is doing a task. Time pressure, assigned goals, and feedback are all examples of environmental variables. The last variable is incentive scheme variables and this variable includes dimensions of the incentive system which per se affects the relation between incentive and effort, and effort and task performance. Examples of incentive scheme variables are the timing of the incentive, what measures the incentive rewards, and so on.²⁰

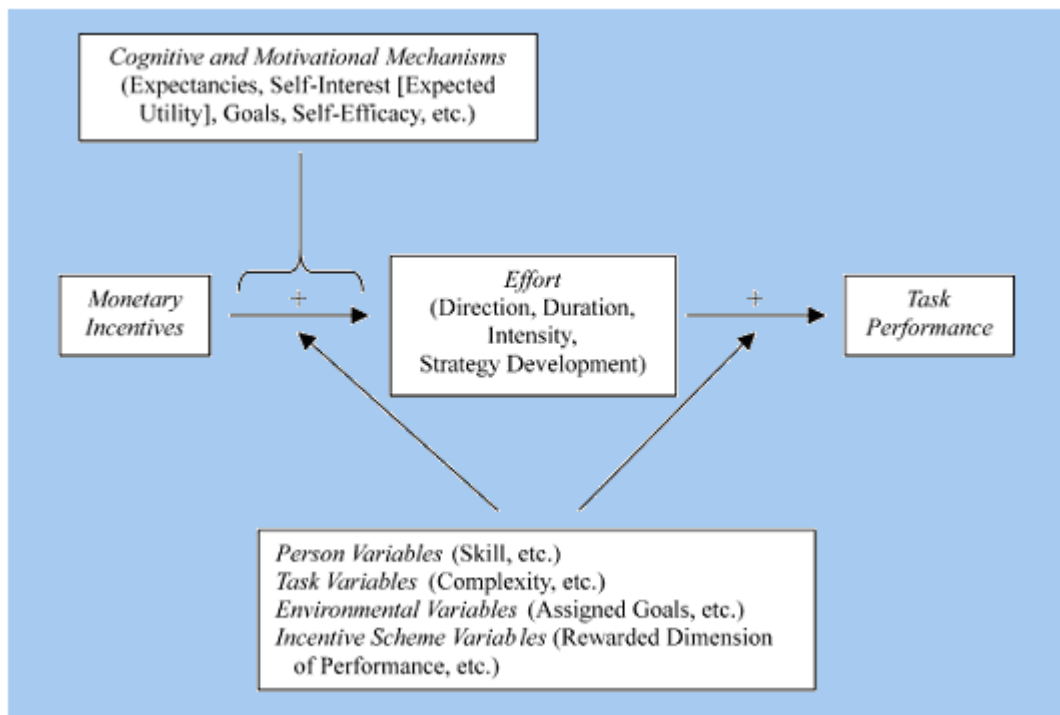


Figure 1 Conceptual framework for the effects of incentives on effort and task performance²¹

As already declared this study will focus on effort direction. This decision was taken since effort direction is of specific interest for staffing companies because the managers only have limited insight in the consultants work and therefore the managers have to find a way to make sure that the consultants' actions are desirable for the organization.

²⁰ Bonner & Sprinkle, 2002

²¹ Bonner & Sprinkle, 2002, p. 304



3.2 Incentive Systems

The definition of management control is the process by which management “encouraging, enabling, or, sometimes, forcing employees to act in the organization’s best interest”.²² All organizations have expressed objectives for their businesses which are intended to contribute to the strategic development of the company. The possession of objectives is vital for the company when it comes to perform meaningful activities. Without clear objectives it is impossible to find out what activities are pleasing and as a result it is impossible to make evaluations of the organization’s performance.²³

3.2.1 Purpose of Incentive Systems

People, as well as organizations, have objectives they wish to fulfil and in many cases the objectives of the organization and the consultants are conflicting. Hence the role of managers is to affect the objectives of the consultants to attain goal congruence with the objectives of the organization. An organization by itself cannot reach the expressed goals – it is the consultants which make things happen and therefore they determine if the goals will be obtained or not. Consequently, the only way to achieve goal congruence is to influence the behavior of the consultants. Incentive systems are one helpful tool when it comes to affecting consultants’ performance. Incentives make consultants aware of or remind them of what components are the most important for the company’s success, and the systems also motivate the consultants to accomplish expressed goals.²⁴

The main principle with incentive systems is that “*Incentives lead to greater effort than would have been the case in their absence*”²⁵, and they deal with how organizations reward people for their rate of value in the company, e.g. their contribution, skill and competence, and their market worth. The aim will be achieved if the incentive system corresponds to the business strategy, to the human resources strategy, and to the corporate culture, but also if the incentive policies and processes are adapted to different needs of the company.²⁶ For that reason it is significant for the organization to be aware of what actions are desirable but also to understand what the desirable item is able to bring to the company - both positive and negative aspects. Further the company has to understand the essence of the desirable actions and even the results of the actions.²⁷

3.2.2 Benefits of Incentive Systems

The organization’s expressed objectives are useless if they are not communicated, if lack of motivation exists, or if the consultants do not have the ability to perform a specific task. According to Armstrong incentive systems provide three kinds of management control

²² Merchant et al, 2007, p. 5

²³ Merchant et al, 2007

²⁴ Ibid.

²⁵ Bonner & Sprinkle, 2002, p. 305

²⁶ Armstrong, 2002

²⁷ Merchant et al, 2007



benefits; it is informational, motivational, and personnel-related.²⁸ Therefore the authors consider that a suitable incentive system may be the solution to the three problems; lack of direction, lack of motivation, and personal limitations.

The problem lack of direction may be solved by giving the consultants information about how they can contribute to the accomplishment of the company's goals²⁹, and with this in view the incentive systems have an informational role. Thus the incentive system gives signals about what performances are important to the company and also helps the consultants how to direct their efforts. The incentive system therefore also has an effort-directing function.^{30 31} Motivational problems may be avoided by adapting a well designed incentive system to enhance desired behavior and obtain goal congruence.³² The incentive system provides incitements to a person to perform well or to put in extra effort in accomplishing a task that normally is boring and uninteresting. In other words incentive systems motivate the consultants to perform better, because it gives the persons something extra to work for and therefore the persons will be motivated to accomplish the tasks. From time to time even the most ambitious workers need incentives to handle and accomplish complex or uninteresting tasks.^{33 34} The way to solve problems with personal limitations is first and foremost to attract the "right" kind of consultants on the occasion of the engagement, but there is also a possibility to educate and train the consultants already engaged to give them the skills needed for doing a satisfying job.³⁵

3.2.3 Effectiveness of Incentives

According to Merchant et al there are some criteria to fulfil in order to attain desiring motivational effects. When presenting these criteria the authors are well aware that the level of fulfilling all these criteria is set highly. Therefore the reason to why they are presented is that the criteria will explain the effectiveness of the incentives.

At first, incentives have to be *valued* by the consultants. If incentives do not give value to the receiver it does not motivate him/her. When talking about incentive value it is important to bear in mind that the taste of incentives differs from one person to another. The taste differs because of e.g. culture belonging, socioeconomic factors, and other circumstances. For instance a highly paid worker may value spare time rather than a salary increase and on the other hand a lower paid worker may be more attracted to an increasing salary than to be offered time off. Incentives are not just the only crucial factor to why persons choose to join or stay with a particular company. Satisfaction from performing the daily work, position at the company, personal and work development, and a feeling of belongingness to a certain

²⁸ Armstrong, 2002

²⁹ Merchant et al, 2007

³⁰ Armstrong, 2002

³¹ Merchant et al, 2007

³² Ibid.

³³ Armstrong, 2002

³⁴ Merchant et al, 2007

³⁵ Ibid.



company is all factors that affect the consultant when he/she deliberates for staying or leaving a company.

The second criterion incentives have to fulfill is *impact*. Incentives have to be large enough to make an impact of the consultant.³⁶ For example, giving the staffing consultants cinema ticket for doing a good performance may not have enough impact to the consultants; they may expect something more valuable. To attain a pleasing rate of motivation the motives and value for the company's incentives have to be *understandable* to the consultants. Great time and effort can be put on incentives but if lack of understanding exists a pleasing rate will never be attained. Additionally the incentives have to be *timely*. If a consultant provides an incentive a short time after accomplished a task the motivation will be more intensive in comparison to if the consultant provides the incentive a long time after completed the task. In other words to get a desired motivational effect the incentive should be linked in time to completing the task. As well incentives have larger value if they are *durable*. By that means when consultants remember the incentives for a long time it will have a stronger motivational effect on the consultant.

At last the incentives have to be *reversible* and *cost efficient*. By the criterion reversible means that some types of incentives are more difficult to reverse than other. For instance promotions are complicated to reverse. Using different types of incentives lead to different kinds of costs because some incentives are expensive and some are less expensive. To be cost efficient an organization should evaluate if desirable motivational effects can be attain at a low rate of costs. However this is nothing easy because as mentioned above consultants tastes differ vary.³⁷

3.2.4 Application of Incentive Systems

In this section, relevant statements of design and outcome of incentive systems of the Watson Wyatt study is presented. The intention is to provide the reader a survey study view of the application of incentive systems before reading the empirical study.

The European Total Reward Survey, done by Watson Wyatt (2005) is based on a study with almost 600 employers and more than 8.500 employees from different sectors all over Europe. As mentioned above the main goal for organizations when designing incentive systems is that the system gives positively impacts on what the company performs. According to the research of design and outcome of incentive system done by Watson Wyatt a link between how the employees behave and an improvement of what the company performs was found.³⁸ Figure 2 illustrates the link between design and delivery of incentive, and business and financial performance.

³⁶ Merchant et al, 2007

³⁷ Ibid.

³⁸ Watson Wyatt, 2005



Figure 2 Linking Reward Programs to Financial Performance³⁹

(The figure has been modified in order to be more relevant to the study.)

Companies spend a lot of time and effort on forming incentive systems and they do believe that the incentive system have impact on the behavior of the consultants. When designing an incentive system for staffing companies there are uncountable ways of how incentives can motivate consultants to direct their effort and hence do a good performance. Therefore the question is - how do companies use and design incentives to actually motivate consultants?

In the Watson and Wyatt study short-term incentives, e.g. bonus is one of the most important elements of reward, when affecting motivation. Due to the Watson Wyatt study only 38 percent of employees thought that the organization's incentive system had motivated them. The study points out an interesting statement that when an increasing bonus program, also known as short-term incentive, is used the level of motivation increases.⁴⁰ Figure 3 shows by how much the level of motivation increases when the percentage of bonus increases.

³⁹ Watson Wyatt, 2005, p. 10

⁴⁰ Watson Wyatt, 2005

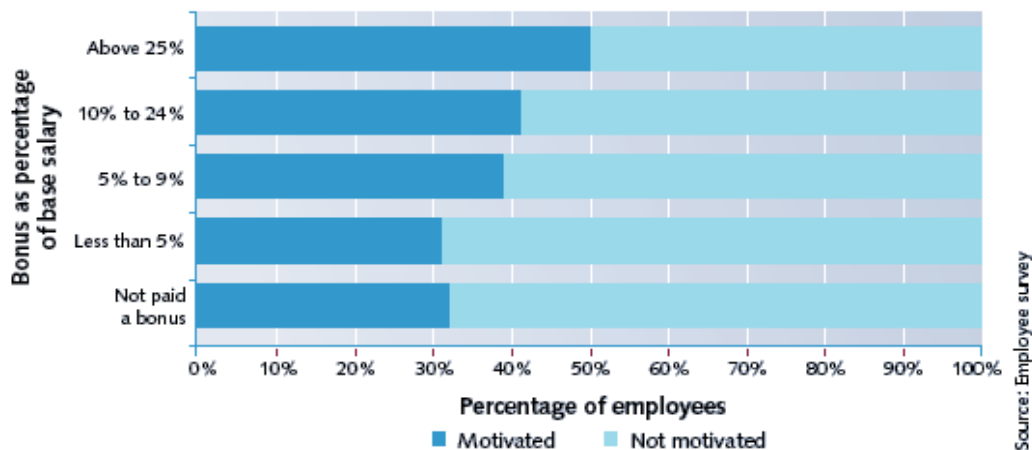


Figure 3 Relationship between bonus levels and proportion of employees motivated by their incentive plan⁴¹

The study states that the components of incentive system with most impact on the degree of employee commitment are career development or possibility to promotion, increased flexibility, and a pay for performance culture.⁴²

3.3 Incitements

According to Svensson and Wilhelmsson there are five different kinds of incitements that motivate persons to direct their effort in a specific way; compulsion, material incentives, internalized incentives, sociable incentives and intrinsic incentives.

Compulsion is a negative incitement and implicates sanctions or threats about sanctions, which are used to force someone to perform a task.⁴³ Loss of job, interference in job from superiors, zero salary increase, no promotion, and demotion are examples when consultants are motivated by compulsion.⁴⁴ Because of its negative character there are many things that narrow the use of compulsion to make a consultant to behave in a desirable way. For example this kind of incentive causes external subordination, but often compulsion, at the same time causes disinclination. Besides, this incentive is not applicable when the task provides involvement and interest from the consultant and thus compulsion is difficult to link to quality. Furthermore compulsion tends to undermine other forms of incentives. When attempts to force a person to do a task have been used it is difficult to offer another incentive. When compulsion is ineffective it is therefore hard to choose another form of incentive to attain a desired behavior.

The traditional example of material incentives is pay for performance⁴⁵ and increased salaries, bonuses, stock options, and country club membership are all examples of material incentives⁴⁶

⁴¹ Watson Wyatt, 2005, p. 9

⁴² Watson Wyatt, 2005

⁴³ Svensson & Wilhelmsson, 1988

⁴⁴ Merchant et al, 2007

⁴⁵ Svensson & Wilhelmsson, 1988



It is possible to divide this incentive in individual incentives and group material incentives. To make pay for performance to an effective motivational aspect it is essential that the incentive system is formed so that higher effort results in more material incentives. Additionally the material incentive has to be attractive to the person who is comprised of the system.⁴⁷ These statements are confirmed by the expectancy theory which declares that there are two factors that decide the motivational force an incentive has on an individual. The first factor is an individual's expectancy that effort is linked to a special outcome and the second factor is the attractiveness of the outcome.⁴⁸

Pay for performance has distinguished effects on effort depending on if the incentive system concerns low or high income earners. For the low income earner the effects of a raised wage are much more significant than it is for the high income earner who instead appraises the symbolic value of a raised wage. The linkage between status and level of income is very strong and therefore the material incentives approach the sociable incentives in this case. Material incentives, like compulsion, have its limitations. This incentive is effective when performing routine work without deeper commitment, but it is less effective when it comes to innovative and independent work.

Internalized incentives comprise values, norms and ideals that are internalized in all persons' personality. Examples of internalized incentives are work discipline and moral values.⁴⁹ There are two different forms of internalized incentives; moral incitements and ideological incitements. Moral incitements clearly define how a person should act in a specific situation. On the contrary ideological incitements postulate engagement in certain values and in a general manner it lay down the guidelines for how an individual should act. An individual will be motivated of ideological incitements if he/she is aware of an existing problem and moreover is involved in values related to the problem. But this two is not enough to motivate a person; furthermore the person has to be able to see a solution to the problem. If these three components co-exist the person feels satisfaction in participating in solving the problem. In an organization it is difficult to create consensus between a problem, an individual's objectives, an organization's objectives, and general values. Therefore Svensson and Wilhelmsson mean that it should be hard to motivate consultants with ideological incitements. In contrary moral incitements play a more significant role in organizations. As already mentioned, norms and rules within an organization determine how a consultant should act in different situations. Hence there is no coincidence that consultants in comparable positions behave in a similar manner.

⁴⁶ Merchant et al, 2007

⁴⁷ Svensson & Wilhelmsson, 1988

⁴⁸ Bonner & Sprinkle, 2002

⁴⁹ Merchant et al, 2007



Sociable incentives consist of involvement and association.⁵⁰ Praise, recognition, extended budget, reserved parking lots, and titles can all be examples of this incentive.⁵¹ Involvement includes the fact that a person may behave in the interest of the group in order to receive a positive reaction from the group which the person belongs to. The influence from the group contributes with confirmation to the act and therefore the character of the act is of low importance; the essential thing is instead the reaction received from the group. Association, is usually related to the worship of leaders of revolutions, but during the last years the worship of and the association with great leaders have made its appearance into organizations.

One way to use sociable incentives to motivate consultants is to reward a small number of consultants and in that way accentuate them as ideals for other consultants. The rewards can be of material or symbolic character and the driving incitement is the consultant's satisfaction over the received recognition. The attention of the rewarded consultant also implies a sociable reward for the same consultant, but even the other consultants are affected; it incites them to associate with the rewarded consultant, and in that way they are expected to increase their effort to be able to be the next rewarded consultant. This kind of incitements can be very effective but it is vital to avoid that competition not makes the consultant to focus more on winning than on the objectives of the organization.

Intrinsic incentives are the kind of incitements that makes a person to do a specific act just because the act is rewarding per se and it is the most essential complement to material incentives.⁵² Autonomy, increased flexibility, power influence, and opportunities to participate in important decision-making processes can all be examples of this incentive.⁵³ The challenge for the company is therefore to make the work interesting for the consultants, in example by reducing the specialization of the tasks and by increasing the responsibility areas. There are a lot of features of work that may have an intrinsic motivating effect on the consultants, but the effectiveness of this incentive is depending on how the work is organized. For example, if the work consists of many different tasks that altogether create a visible total impression and these tasks provide involvement, caring, and skill the engagement and commitment by the consultant will be of greater degree. Further the consultants have to be given the possibility to self-development, e.g. by letting them take part in planning and by themselves decide how to perform a specific task. In such way the consultants may feel satisfaction in performing the tasks. The specific thing with intrinsic incentives is that when linking a monetary reward to a task that is performed because of an intrinsic incitement, the intrinsic motivation will be reduced. This phenomenon is called the crowding-out effect.⁵⁴

⁵⁰ Svensson & Wilhelmsson, 1988

⁵¹ Merchant et al, 2007

⁵² Svensson & Wilhelmsson, 1988

⁵³ Merchant et al, 2007

⁵⁴ Svensson & Wilhelmsson, 1988



| Compulsion | Material incentives | Internalized incentives | Sociable incentives | Intrinsic incentives |
|--|---|--|--|---|
| <ul style="list-style-type: none">•Interference in job from superiors•Loss of job•Zero salary increase•No promotion•Demotion | <ul style="list-style-type: none">•Salary Increase•Bonuses•Stock options•Country club membership | <ul style="list-style-type: none">•Work discipline•Moral values | <ul style="list-style-type: none">•Praise•Recognition•Extended budget•Reserved parking places•Titles | <ul style="list-style-type: none">•Autonomy•Increased flexibility•Power•Influence•Opportunities to participate in important decision-making processes |

Figure 4 Examples of Five Different kind of Incentives

(Figure five is a suggestion to classification of the incentives. With creativeness other ways of classification can be found.)

3.4 Staffing Companies

In this section the authors want to describe the specific situation which emerges in a staffing company and the literary work of Olofsdotter (2008) will be adequate for this purpose.

As already mentioned in the introduction staffing companies is a relative new conception which at first became legal by a two step deregulation in 1992 and 1993. The unique thing with this conception is that a three part relation exists between the staffing company, the client company and the consultants. The staffing company takes the role as the intermediary in this relation: *“Intermediary in the labour market that provides both the individual and the user with the services of matching supply and demand of labour and risk diversification”*. With this in view it is crucial to elucidate the difference between a staffing company and an employment service. The first and most essential difference between a staffing company and an employment service is that the staffing company has vicarious liability for their personnel. Furthermore a staffing company establishes connections with their clients and the relation to its consultants is meant to be comparatively durable. This will stand in contrary to an employment service which only matches a job applicant with a job vacancy without further involvement in the employment relation.

In the three part relation the user is the participant who takes advantages of the services supplied by the staffing company. In other words the using company hires consultants temporarily and therefore it does not have vicarious liability even if the user actually is the supervisor. The staffing company gives the opportunity to the user to replace absent personnel or to increase workforce during a boom, but even the opportunity to hire consultants with particular skills.



The third and final participant in the relation is the consultant. The consultant performs activities during a limited time period for the client company and the length and the content of the project can vary widely. When a period is completed the hiring company has no continuing responsibility for the consultant and then it is time for the consultant to move on and face another organization. This means that the consultants in a staffing company constantly are moving between different companies. The situation a consultant confronts is ambivalent in such a way that the consultant is expected to be both adaptable to the needs of the hiring company and to the staffing company. In other words the consultant is torn between rules, position, and maybe even corporate cultures of two companies. Therefore the consultant in this situation, characterized by complexity, has to do own deliberations to find “the golden path”. Under these circumstances the manager responsible for staffing becomes the substantial item and it is important that the manager creates a feeling of organizational belonging for the consultant.⁵⁵

The staffing manager is in charge for the workforce which operates the daily work outside the own organization in other words at a client company. This means that the manager interacts in an interorganizational context. Hence it is possible to name the manager as a “boundary-spanning agent”⁵⁶ who constantly has contact with both the consultants which is hired out and with the client company. They operate *“at the edge of organizations, often trying to persuade other people over whom they have not any real authority”*.⁵⁷ The difference between managers in general and managers in staffing companies is that the manager in staffing companies has less influence over the consultant’s performance because of the circumstances mentioned above. This means that the staffing manager organize the consultants’ work but has limited insight in how the consultant actually performs.

As mentioned before, the staffing manager is the connecting link between all the participants in this three part relation and therefore its role is contradictive. At the same time the manager has to satisfy the own organization’s requisite of profitability, the client company’s requirement of adaptable workforce, and the consultants’ requirement of organizational belonging and appurtenant. These needs are naturally conflicting with each other and the manager has to do considerations to make it possible to satisfy them all.⁵⁸

⁵⁵ Olofsdotter, 2008

⁵⁶ Olofsdotter, 2008, p. 13

⁵⁷ Ibid.

⁵⁸ Olofsdotter, 2008

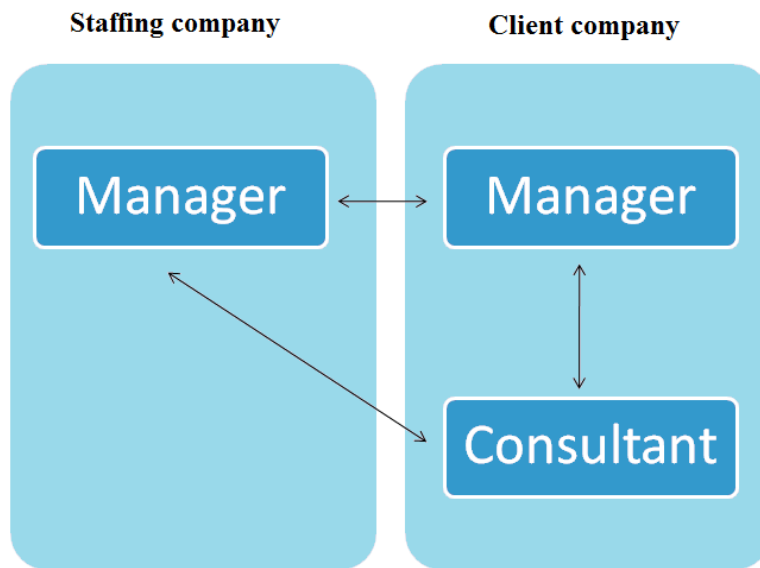


Figure 5 The Three Part Relation⁵⁹

(The figure has been modified in order to be more relevant to this thesis.)

⁵⁹ Olofsdotter, 2008, s. 11



4. Empirical Study

In this chapter the authors will present the four staffing companies which have been studied. In every section the reader is first introduced to the company by some brief information. Thereafter the connections within the three-part relation are clarified and finally the formal or informal incentive system in the company is presented. The names Company A and Company B are fictitious names, because the respondents and the companies wished to be anonymous.

4.1 Company A

The empirical data about Company A is based on a phone interview with the office manager.

During the last years Company A has grown rapidly and now the company has offices both in Sweden and international. The consultants in Company A are eager to show their capabilities and their ambitions. The company, which hires out consultants both for fulltime and for part time, has an accurate recruiting process in which the company makes sure the right people are employed. Company A employs when they need consultants for projects, and therefore there are no consultants unengaged in the company. The company has a unique network with contacts and employs an appropriate person for the job. The company considers the ambitious consultants as a benefit towards their competitors.

4.1.1 Connection within the three part relation

The connection within the three part relation is continuous and close. Contact and feedback is of primarily importance for Company A. Evaluation of the consultant is done once a month and the contact between the consultant and the staffing manager is maintained both by personal meetings at the hiring company, by phone calls, or by personal lunches with the partners in the relation. To gather information from the client company about the work situation and performance of the consultant, Company A uses e-mails or personal meetings. The purpose with the connection is to make sure that the work situation is comfortable for the consultant and desired results can be attained. It is important for Company A to clarify the performance done by the consultants in order to give feedback to the consultant and correct inaccuracies. Moreover the managers are coaching and guiding the consultants to do a good job at the client company. Further Company A also organizes activities, gatherings, and parties for the personnel in order to maintain the contact between the three participants in the relation.

Company A punctuates that the aim is that the consultant will be engaged by the client company after a project is completed and in that way get the first “real” job. Satisfied customers are important because that gives new customers and new projects to work with.



4.1.2 Incentive System

At the interview Company A declared that they do not have a formal incentive system for their consultants. Instead the company has other things that can have the same effects on the consultants as a formal incentive system has. The primary thing in making sure the consultants perform the tasks at a pleasing way is to have and maintain a clear and close contact – practised efficient by Company A.

In the interview it was clarified that Company A every year nominates a “Consultant of the year”. The honour means that Company A emphasizes a consultant for doing something good for the company. This can be classified as a non-monetary incentive and gives the consultant something to strive for. Another incentive is a consultant certificate given to consultants which has worked more than 750 hours and has performed a satisfying job.

To motivate and encourage the consultants to do a satisfying work for the company, presents are shared to the consultants. For example cinema tickets can be given to the consultants. Furthermore if a consultant does a good performance the salary can be increased and when a consultant has performed satisfying, there is room for the consultant to wish where to work the next time. The incentive system also gives the consultant an opportunity to self development but also an occasion to develop his/hers carrier. For instance there is also an occasion for a consultant to be helped further with more qualified projects, and to other employments and larger corporations.

4.2 Company B

The empirical data about Company B is based on an interview with the division manager and it is also based on information received from the homepage of the company.

Company B is a big international corporate staffing group which employs around 365.000 consultants. The staffing company supplies consultants in the business areas administration, economics, IT, finance, and production. In Sweden the company employs around 700 consultants.

4.2.1 Connection within the three part relation

The division manager emphasizes the fact that there exists a three part relation between the staffing company, the client company, and the consultant. Regularly connection between all these participants is the key to making this relation to, as the respondent called it, a “win-win-win” situation. Hence the task of the staffing company is to obtain comprehension of the needs of the client and thereafter to find the most adequate person for the assignment. The length of the process in finding the “right person” for a specific task can vary depending on what kind of project it is. For projects which do not provide any specific skills the process takes short time, but for projects which requires consultants with specific competence the process can take several months. The respondent also accentuates that the competence, in many cases, is of secondary significance; the most important thing is to find a person who harmonizes with the organization of the client.



At the occasion of an engagement of a new person, the company's expectations on the consultants and the core values of the organization are communicated; e.g. exactitude is emphasized. Before a project starts the staffing manager visits the client company to create an opinion about the situation at that company. Thereafter the consultant is introduced to practical circumstances at the company where he/she will perform; the dress code, working time, and so on. During the time of a project Company B has continuous connection with both the consultant and the client. The first connection is after three days and at this time the consultant is asked to report how everything has worked out so far and if there is a lack of anything the consultant needs to perform well, etcetera. The staffing company also asks the client company about the performance of the consultant and controls that the consultant has the right competence for the tasks. After two weeks there is a new check point and at this occasion the same questions are checked again. Thereafter the staffing company visits the consultant at the client at least every month, but in many cases, depending on the characteristics of the project, the connection is more frequently. The biggest clients of the staffing company are visited at a daily basis. When a project is finished the performance of the consultant will be evaluated.

The respondent put emphasize on how important it is for Company B that the consultants are given the possibility to perform at the top of their capability during the time of a project. If one consultant of some reason is not able to do that, the staffing company will find a way to increase the level of performance. The frequent connection is therefore one way to secure good performances from the consultants, because in that way the staffing company may be able to identify and thereafter advise the client company what factors will enhance the level of performance, e.g. training, etcetera.

4.2.2 Incentive System

Company B does not have a formal incentive system and one explanation to this is the fact that the consultants in many cases are exchangeable. Therefore incitements do not exist for trying to keep the consultants for any longer period of time. Naturally it is also a question of costs; as long as it costs less to engage a new person than to keep a consultant already engaged, it is not defensibly to use a formal incentive system. Instead, Company B cherishes that the consultants make a positive impression when performing at the client company. This will give the staffing company goodwill and in that way the possibility to gain new assignments will increase.

However, it is obvious that an informal incentive system exists in Company B. The respondent describes that the staffing manager can emphasize consultants if they have performed extraordinarily and often this is done in front of the group. For example the staffing manager can hand out a bottle of wine, flowers, a spa treatment, or just an appreciative annotation. Furthermore, every consultant has an own development plan which includes coaching and encouragement. Even the frequent connection between the staffing company and the consultant can be one kind of informal incentive system.



Even if there is a three-part relation between the staffing company, the client company, and the consultant the respondent does not think it is difficult to direct the effort of the consultant in a desirable way. If the staffing company has found the right person for the task, then it has secured good performance. Therefore it is the process before the time of the project which has a significant role.

The staffing company will naturally keep personnel with specific competence, but the respondent punctuates that the thing which really matters is to have control over the inflow of consultants in the client company. If a client wants to engage a new person the staffing company will be the one which supplies the engagement and the client company will pay a fee for the recruitment service. Therefore, in the view of the staffing company, it is better that the client take over the consultant from the staffing company instead of engaging a new person by itself. The consultant turnover implies that the staffing company is able to engage new personnel with different ideas to the own organization.

4.3 Humanpro AB

The section is mainly based on a personal interview with the Johan Söderström, sales manager of Humanpro AB but also responsible for staffing. The brief information about the company is gathered from the homepage of Humanpro AB.

Humanpro AB is a staffing company and a recruitment agency within the Vedior group; one of the largest staffing company in the world. Humanpro focuses in four different business areas - economics, administration, information technology, and sales and market. The values of Humanpro AB are *security* and *nearness*, which implies long-term relations with clients and consultants, *trust*, *morality*, that is in contacts with consultants and clients, and *professionalism and flexibility* in performance. Humanpro AB is a company for the human being. The company knows that human and professional skills are high rated in doing a good job but the human being has to be set primarily. Moreover the company is working vigorously with the personnel health and competence development and for this they became Sweden's first staffing company to hold a health diploma.^{60 61}

4.3.1 Connection within the three part relation

The connection between the consultant, the hiring company, and the staffing company is differing because of different types of projects in Humanpro AB. The contact between the consultant and the staffing company is at least once a month, often when work time is reported. Further Humanpro AB has personal meetings with the consultant to investigate if he/she is satisfied with the work situation at the hiring company.

Despite from other companies in the staffing company business Humanpro AB has extended consultant meetings. If the consultant has issues Humanpro AB discusses with the hiring company so contingent changes are done and the consultant hereafter can perform the tasks at

⁶⁰ <http://www.humanpro.se/> 2008-05-17

⁶¹ Company information sheet the authors got at the interview



a pleasing way and good results can be reached. For example if an consultant states at a personal meeting that he/she is satisfied with the work situation the staffing manager has to find out what “satisfied” means for this consultant. The manager of the staffing company has to find out if the whole work situation is pleasing or if some areas need to be improved. If a consultant is “fed up” with the work situation or makes a performance way over the limit Humanpro makes a rotation of work activities. If a consultant has difficulties separating personal questions from business questions a rotation is also necessary. Too strong ties to the client company can make it hard for the consultant to perform tasks at a pleasing way. Humanpro works efficient with the company values so all consultants are aware of them and understands them well. It is important that the values permeate the consultants before they do a performance for the hiring company. Humanpro does a profile and personality test before engaging a person in the company. This is important so right person can be put at the right seat.

Humanpro AB has high movement of consultants and emphasizes that it is possible for the hiring company to take over the consultant if both parts wish so. Humanpro consider themselves as “a platform”- a person has always a free choice whether stay in Humanpro or leave for another company. At the same time Humanpro says that it is tedious if competent consultants leave the company. In Humanpro AB projects and activities for customers are often performed by a group of consultants from the staffing company. In the group one person is more responsible than the others and he/she represents the group and reports results to the staffing company. Due to Humanpro AB the feedback information can be transported fast between the participants in the three-part relation.

4.3.2 Incentive System

In Humanpro AB it is vital to “act the right way and live the right way”. That is to act in conformity with the values of Humanpro AB. It is also crucial that the consultants focus to find new projects to work with and at the same time act for a long-term perspective. To motivate the consultants to act in this desired way Humanpro AB has developed a digital strategy which can be classified as a formal incentive system. The strategy is a data based network where consultants can point out new projects and new consultants to Humanpro AB and for this receive a monetary bonus. The amount of the bonus is depending on how long an outpointed project is estimated to take. If a project stretches over a long time period more money is received than for short-term projects. This motivates the personnel to point out long-term projects. This strategy also gives the consultant an opportunity to develop the carrier by finding a project which is adequate and challenging for the consultant. Therefore this system can be classified both as a monetary and a non monetary incentive. The bonus system is communicated at the beginning of an employment and e-mails are sent regularly to remind the consultants of the possibility to gain advantages.

Even if the bonus system is well communicated and the system enables for the consultants to gain bonuses this system is not frequently used. The respondent at Humanpro AB means that this is because the consultants have strong ties to the client company, at where the consultants



perform, and therefore it can feel uncomfortable for the consultants to promote the staffing company's services. Additionally, the respondents mean that the consultants in many dimensions are very satisfied with their working situation and it will decrease the tendency to utilize the bonus system. Humanpro also has a well developed health profile which for instance includes a company healthcare to all employed until further notice and education in exercise and health. This will make the consultants feel better and also in some cases do a better performance and it can be seen as a non monetary incentive.

The expectations of the incentive system are that the consultants create new customers and attract new consultants. The hope is also that the consultants make a positive "footprint" of Humanpro as a company. The respondent of Humanpro expressed it as "If one client is satisfied he/she can tell others and give you three new ones".

4.4 Resurs Bemanning

This section is, if there is no other reference, based on the data collected from the interview with Ann Surtell, Human Resource-manager at Resurs Bemanning.

Resurs Bemanning is part of Resursgruppen which also consists of IT-Resurs AB and Resurs Care AB. Resursgruppen is one of the leading staffing corporate groups in Sweden and its turnover is more than 300 MSEK. The corporate group employs around 800 consultants. Resurs Bemanning supplies consultants within the business areas economics, administration, sales, and market.⁶² The staffing company strives to be "a little more hard-working than its competitors".⁶³

4.4.1 Connection within the three part relation

Resurs Bemanning considers that the connection between the staffing company, the client company, and the consultant is very important and therefore the connection is continuous. For example the company establishes new offices in districts where it has many clients in order to be able to hold the connection frequent. The staffing manager is responsible for the connection with the consultant and every staffing manager has accountability for 45 consultants. The connection can be of many different kinds; e.g. weekly letters, e-mails, visits, or lunches with the consultants. The purpose with this connection is to regularly check how the work progresses, and to give the consultants feedback on their performances.

The respondent says that Resurs Bemanning naturally cannot be entirely sure that the consultants align their effort in a desirable direction for the company. But at the time of the beginning of the employment the company's core values are communicated and these values are discussed with the consultant yearly. At this yearly meeting between the staffing manager and the consultant, the consultant evaluates the own performance according to a scale of five. The staffing manager and the client company also make an evaluation of the consultant and the results from these evaluations are thereafter compared. The possible differences are

⁶² <http://www.resursbemanning.se/> 2008-05-22

⁶³ Ann Surtell at the occasion of the interview



discussed and the goal is that the staffing manager and the consultant will become united around a fair evaluation of the performance to enable that all participants will be satisfied.

Another way to increase the possibility that the consultants direct their effort in a desired way is the frequent connection between the staffing manager and the consultant during the time of a project. The consultants are told to contact the staffing manager if any problem appears. Moreover Resurs Bemanning arranges conventions with the consultants which purpose also is to check that everything works. Furthermore the staffing company has a person who is hold accountable for the connection between the client and the own company. By this connection the staffing company is given indications about if the consultant has the right competence and how he/she is performing. Besides this, the respondent accentuates that finding the right type of person is very important to increase the possibility that the consultants align their effort in a desirable way. Obviously the consultants' competence is significant, but according to the respondent the social competence is even more essential. If a person has great social competence it is likely that the client company's impression of the person will be positive and in that way the consultants contingently will gain new assignments to the staffing company. If the client company is satisfied with the consultant's performance, a situation where the client company wants to engage the consultant may appear. In these cases Resurs Bemanning takes a fee for the recruitment.

4.4.2 Incentive System

Resurs Bemanning does not have a formal incentive system, but like the other staffing companies in this study, the company has an informal incentive system. According to the respondent there are several things within the company that may be understood as an incentive system. E.g. the consultants are given grants for health maintenance, the company arranges parties for the consultants and gives cell phones to their consultants which they can use during the time of projects, and the "Consultant of the year" is elected annually. Additionally, good performances of a consultant may be emphasized on the company's Intranet. Ann Surtell accentuates another important part of the informal incentive system in Resurs Bemanning; Resurs Bemanning boosts the careers of the consultants by giving them opportunity to develop their competences. The staffing company may also gain from this situation because it is possible to take a higher charge for a consultant with more developed competences. But because of the high consultant turnover, the average time of an employment is around a year, it is not profitable to make any greater amount of investments in the consultants. On the other hand, if a client demands a specific competence Resurs Bemanning is willing to pay half the education cost. The high consultant turnover is also the reason to why a formal monetary incentive system is not profitable. The return on the investment in such a system would not exceed the cost of the system.



5. Analysis of Consultants' Effort Direction

In this chapter the authors will present an answer to the research question by analyzing the information from the empirical study with help from the theoretical framework. Therefore this analysis will focus on the staffing managers' expectations on the incentive system's affection of the effort direction of consultants.

To make the analysis more comprehensible to the reader the authors have constructed a figure which is presented below. The figure is a description of the problem definition of this study and it shows that the formal or informal incentive system affects consultants' effort direction. The crosshatched ellipse around the boxes illustrates that staffing managers have expectancies on how the effort direction of the consultants will be influenced by the incentive system.

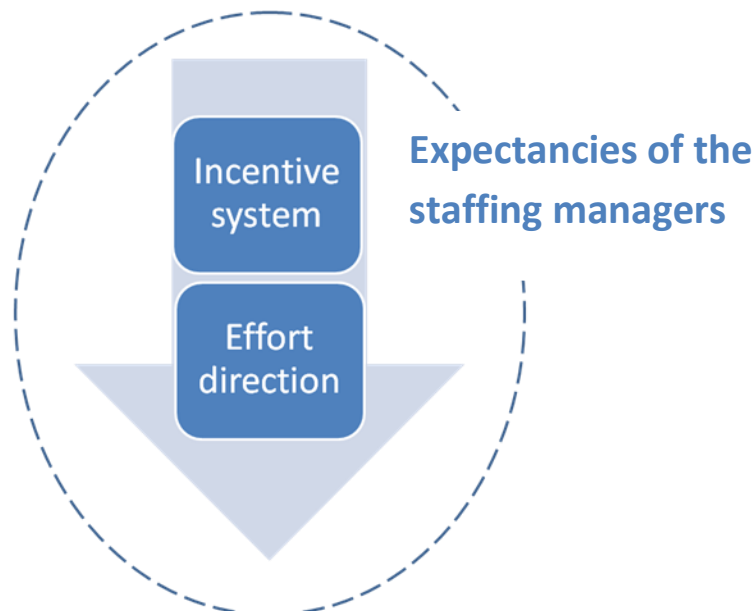


Figure 6 Illustration of the Problem Definition

5.1 Frequent Connection

The three part relation between the staffing company, the hiring company, and the consultant is unique and signifies that the consultant is affected both by the staffing company, and the hiring company. The consultant performs the daily work at the staffing company and the manager has consequently little insight in what the consultant does.⁶⁴ The authors point therefore that a demand to affect the behavior of the consultants exists to make sure that the consultants align their effort in a desirable direction. To over bridge the obstacles brought by this situation, connection is the key word. As Olofsdotter expresses, the staffing manager operates like a “boundary-spanning agent” between the consultant and the hiring company.⁶⁵ Hence, the authors' opinion is that it is essential for the staffing managers to increase their

⁶⁴ Olofsdotter, 2008

⁶⁵ Ibid.



knowing about how the consultant actually performs, and thereafter, if it is necessary, the manager can influence the effort in a desirable direction. Close and clear connection can be stated as crucial for receiving information about the consultant's performances. In the long run it makes both the consultant and the client company satisfied.

The respondents' general opinion is that problem with directing the effort of their consultants does not exist. This statement is possibly a bit exaggerated, but still it is remarkably that all the respondents point out the same view. Additionally, all four staffing companies in the study emphasize that connection is central for their company in maintaining insight in the consultant's work situation and to receive a satisfying performance. Therefore all the staffing companies have frequent connection with their consultants during the time of a project. In Company A for instance an evaluation of the consultant's performance is done once a month and in this way the contact between the consultant and the staffing manager is preserved. The same concept is used in the three other interviewed staffing companies.

Since the staffing companies accentuate the importance of frequent connection, it should imply that the staffing managers are conscious about what complicatedness the three part relation brings. The authors mean that the frequent and well developed connection between the staffing manager and the consultant is formed in order to increase the staffing organization's possibility to affect the effort direction of the consultant.

Besides the connection, all the studied staffing companies punctuate the significance of an accurately recruiting process. The studied companies have prepared a recruitment profile for their personnel to assure that the company, by employing consultants with demanded skills and characteristics, at an early stage secures that the consultants align their effort in a desired direction. According to Olofsdotter, a consultant faces a situation characterized by complexity at the client company. The consultant is affected by both the staffing company and the client company and has to do own deliberations to find "the golden path" between the, in many cases, conflicting objectives. Therefore it is obvious that the consultants have to be flexible and adaptable.⁶⁶ The staffing companies in this study signify that they want to employ consultants which are flexible, hungry and social skilled. In many cases social competence and the ability to harmonize with the organization of the client is more essential than the skills of the consultant.

5.2 Formal Incentive Systems

In this study Humanpro AB is the only staffing company with a formal incentive system for its consultants. The system implies that by gaining new assignments to the company the consultants can earn a bonus. The size of the bonus is depending on the length of the assignment. The consultant can also earn a bonus if he/she finds a person who the staffing company wants to recruit. In this context it is crucial to mention that this possibility to add an extra bonus to the fixed pay is infrequently used by the consultants. The respondent of Humanpro AB expressed an explanation to why this system is limitedly used; the ties with the

⁶⁶ Olofsdotter, 2008



hiring company are too strong and hence the consultants think it feels uncomfortable to promote the services of the staffing company.

According to Svensson and Wilhelmsson, this bonus system is an example of a material incentive. Two conditions have to be fulfilled to make this incitement effective. Firstly the link between effort and a special outcome has to be communicated. Secondly the material incentive has to be attractive to the consultant. The attractiveness of a raised wage differs depending on if it concerns low or high income earner. For the low income earner a raised wage has more significance than it has to a high income earner who instead appraises the symbolic value of a higher wage.⁶⁷ In this case the link between effort and a special outcome is clearly communicated by the data based network in the company. The bonus system is also communicated at the beginning of an employment and e-mails are sent regularly to remind the consultants of the system. However, the attractiveness of this material incentive is possible to doubt. The respondent from Humanpro AB points out that the company's consultants in general are very satisfied with their work situation and hence it is likely that the consultants do not consider the bonus system attractive enough.

Due to the Watson Wyatt study bonus is one of the most important elements when it comes to having impact on employees' motivation. But it is not the case in the studied company Humanpro AB – it is slightly used. The authors think a possible reason for that bonus incentive is not working can be that that the amount of the bonus is too little. Maybe it is not worth the effort trying to chase new projects or consultants to recruit because the incentive is not large enough. The authors ask themselves the question: If Humanpro AB raises the bonus will people get more motivated to gain new assignments and find candidates for recruitment? It might be possible but according to Svensson and Wilhelmsson material incentives are most effective when it comes to routine work which not provides any deeper commitment.⁶⁸ The authors find that this bonus system rather demands involvement and dedication and therefore material incentive should be ineffective.

The bonus system in Humanpro AB is favorable for the consultants and with this system the company shows that it appreciates the consultants and will profit them if they gain new assignments or find a person the company wants to recruit. But according to the theoretical framework of this study a material incentive is not the most effective incentive when it comes to make the consultants to put special attention on gaining new assignments or finding new candidates for recruitment.

⁶⁷ Svensson & Wilhelmsson, 1988

⁶⁸ Ibid.



5.3 Informal Incentive Systems

In the staffing companies in this study the authors have found several examples of informal incentive systems. The two most significant are career development and acknowledgement.

5.3.1 Career Development

All the staffing companies in this study have accentuated that a staffing company gives the consultants possibility to career development. The authors mean that career development can be seen as an opportunity for the consultant to develop and make progress in a professional way and in this point of view it is an informal incentive system that should motivate the consultants to perform well.

The possibility to career development can be used to align the consultants' effort in a desirable direction. According to the study done by Watson Wyatt, career development and possibility to promotion is the kind of incentive system with the most impact on the personnel's commitment⁶⁹, and this corroborates the use of opportunity to career development as incentive even more. The challenging thing for the staffing companies is to make the desirable behavior attractive enough by rewarding the consultants with possibility to career development. Staffing companies offer the consultant positive and useful contacts with different people in many different business areas. The contact given at the client company can be valuable when the consultant is looking for other employments or need to be recommended for another job. As the respondents stated at the interviews, the staffing business is characterized by high employee turnover and therefore contacts can be vital for the consultants.

To take into consideration is that in some cases the client company wishes to recruit the consultant and in that case the client pays a charge for the recruitment to the staffing company. The more competences and professional skills the consultant got, the more the staffing company can require in charge for the recruitment. All studied staffing companies emphasize that the consultants' possibility to career development is beneficial for all the participants in the three part relation – the consultant will develop his/her competences, the staffing company can get more in charge for the consultant, and the client company gets a more qualified employee with greater competences. In other words the interests of the participants in the relation are aligning and therefore the consultants will direct their effort in a, for all the partners, desirable way.

The authors' opinion is further that the consultants' possibility to career development can be classified as an intrinsic incentive. According to Svensson and Wilhelmsson intrinsic incentives are incitements that make a person to do a specific task just because the task is rewarding per se. Intrinsic incentives is the most vital complement to material incentives but the effectiveness of the incitement is depending on how the work is organized.⁷⁰ If the consultants are given the possibility to self-development or if they have the opportunity to

⁶⁹ Watson Wyatt, 2005

⁷⁰ Svensson & Wilhelmsson, 1988



take part in planning processes and decide by themselves how to perform a specific task the consultants may feel satisfaction in performing their daily work. In this way the possibility to career development could make the consultants intrinsic motivated to perform well.

Hence, the authors mean that the possibility to career development should be a powerful incitement in a staffing company. This can be explained by the aforementioned reasoning about the three part relation – benefits for all the participants – but also by the fact that the consultant may be able to influence what kind of projects he/she will work with. Furthermore the staffing companies have carefully formed personal development processes for their consultants. For example the companies in the study have frequent connection with their consultants by personal meetings. In this way the staffing company offers them the opportunity to develop their competences and the consultants are given a satisfying feeling that they are able to contribute in their own development. The reasoning about career development as a powerful incentive is shared by the staffing managers in this study. For example the respondent at Resurs Bemanning states that staffing companies boost the consultants' career by giving them the contacts and by developing competences needed for advancing in their career.

5.3.2 Acknowledgement

After interviewing the selected companies the authors can state that acknowledgement is an essential part of the informal incentive system. All the studied staffing companies tend to emphasize good performances of their consultants in some way. The incentives can be of differing kinds, e.g. a bottle of wine, flowers, cinema tickets or spa treatment but it can also be just an appreciative annotation. In two of the interviewed companies the nomination "Consultant of the Year" was used. The authors mean that these incentives can be classified as a sociable incentive according to the definition of Svensson and Wilhelmsson. Svensson and Wilhelmsson point that sociable incentives imply involvement and association. They mean that a person who belongs to a specific group may behave in the interest of the group in order to receive a positive reaction from the group. In other words the influence and confirmation of the group is primarily and therefore the character of the act comes in a second place. The incentives bottle of wine, flowers, cinema tickets, and spa treatment are per se not motivational; it is the acknowledgement that functions as an incentive.⁷¹

The authors realize that the small incentives, described above, that all the staffing companies in this study use are of a symbolic value and its function is to give the consultant positive feedback on their performances. In that way the staffing manager states what behavior is desirable and therefore is expected of the consultants. This sociable incentive has two possible motivational effects; firstly the person who is acknowledged will receive confirmation about the result of the accomplished performance. Secondly, the acknowledged person will become an ideal that other consultants can associate to. In that way the actions performed by the acknowledged consultant will become an ideal. Together this can lead to greater effort

⁷¹ Svensson & Wilhelmsson, 1988



direction thus it can influence the no promoted persons to perform tasks at a similar way. The authors' opinion is that the incentive acknowledgement can be compared to a follow-the-leader behavior, because good performances are highlighted in order to declare what kind of performances the staffing company expects of their consultants. But the incentive is also used as a reward to the consultants who have achieved a high performance level. With this in mind the authors mean that the effectiveness of this incentive is depending on how sensible the consultants are to the reaction from the working group, i.e. how the consultants value acknowledgment. A kind of person who highly values the confirmation of the performance from the group which comes with acknowledgement is likely to react positive to this type of incentive. This statement is also strengthened by Svensson and Wilhelmsson.⁷²

The authors mean that an advantage with acknowledgement is that it can be used very timely, because the close connection between the staffing manager and consultant implies that the feedback can be transmitted to the consultant almost immediately. Small gifts, commonly used for this kind of incentives, do not need comprehensive preparations before they are given and the closer to a completed task the incentive is received the better connection between the incentive and the performance is attained. In this context the acknowledgements the consultants get when receiving these small gifts is an effective incentive.

5.4 Brief Analysis

The authors can clearly state that the work situation in the staffing business is constantly shifting due to the fact that the consultants come and go and it is also the case for the clients. In other words the staffing manager has the largest responsibility; he/she is responsible for development, planning, and finding new assignments and consultants. On the contrary the consultant is just responsible for performing the tasks and projects in a satisfying way at the client company. In the studied companies the staffing managers seems to be the stable centre in the relation, and he/she keeps the work situation and the connection within the three part relation close. The staffing manager has to understand the needs of the client, and engage the right person for the clients' projects. Communication is therefore the key word for the manager. Both personal meetings and different types of technology are vigorously used in order to maintaining the contact, and also to communicate the values of the company and to encourage desirable behavior of the consultants. The study shows that the staffing managers do not consider that there exists a need for using incentive systems to direct the consultants' effort. The authors are convinced that the explanation to this is that the interests of the staffing company, the consultant, and the client company are aligned, i.e. all the parties benefit from the three part relation. The consultant is by the staffing company given the opportunity to develop his/her competences, the client company will in this manner get a consultant with higher competence, and thus the staffing company can take a higher charge for the consultant. Since it is advantageously for the consultant to direct his/her effort in a for the staffing company desirable way it is explicable that there is no real difficulties with effort direction in staffing companies.

⁷² Svensson & Wilhelmsson, 1988



6. Conclusion

In this chapter the authors will highlight the most important conclusions from the study by taking the research question as a starting point for the reasoning. They will also take the opportunity to give suggestions about further research within this field.

After studying four staffing companies, in the view of the research question “*What effects on the consultants’ effort direction do the staffing managers expect of the formal or informal incentive system?*” the authors have realized that staffing companies just have limited difficulties with directing the consultants’ effort. The relation between staffing company and the consultant are not meant to last forever and all the participants in the relation are conscious about the fact that they all can benefit from the relation in a limited period of time. Thereafter the consultant will move along to another organization and the staffing company will recruit a new consultant. With this in mind it is obvious that there are just weak incitements for the staffing company to use an incentive system in order to motivate their consultants to direct their effort in a desirable way. But if the staffing companies do not use incentives to affect the effort direction of the consultants, the interesting question is what is it that actually makes the consultants to align their effort in a desirable direction?

Even if the staffing managers express that there are limited difficulties with directing consultants’ effort, the authors have identified what effects the managers *should* expect from the formal or informal incentive system. Firstly, all the participants in the three part relation have aligning interests because the consultants are given a possibility to career development by the staffing company. The clients will also benefit from this situation because they will get more qualified consultants with better skills and the staffing company will gain from this in such a way that it will be able to take a higher charge for a more skilled consultant. Secondly, frequent connection between the staffing manager, the consultant, and the client company increases the staffing company’s possibility to affect consultants’ effort direction. It makes it possible to correct failures and undesirable behaviors of the consultants, and at the same time frequent connection enables the staffing managers to acknowledge good performances. Finally, an accurate recruitment process secures that the staffing company engages the “right” person who will fit in the clients’ organizational context. Therefore it is of essential significance that the staffing manager “learns to know” the client companies’ needs to be able to find the right consultant for a project.

The authors are conscious about that this study gives a limited view of the staffing business in the sense that only four staffing companies have been interviewed. Therefore they find it interesting if further research would be done within this field, and in that case the number of interviewed companies and/or the number of interviewed people within the same corporation would be larger. Furthermore it would be worthwhile to investigate the consultants’ view on what they think is motivating them to align their effort in a specific direction.



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Interviews

Company A 2008-05-16 30-45 min (phone call)

Company B 2008-05-14 50 min (phone call)

Humanpro AB Johan Söderström 2008-05-14 75 min (personal meeting)

Resurs Bemanning AB Ann Surtell 2008-05-16 30 min (phone call)



Appendix A

| | | |
|-------------------------------------|-----------|-------------|
| Academic Work Sweden AB | STOCKHOLM | 556559-5450 |
| Adecco IT & Engineering AB | GÖTEBORG | 556598-3037 |
| Adecco Sweden AB | STOCKHOLM | 556447-2677 |
| Dfind AB | GÖTEBORG | 556633-3612 |
| Elan IT Resource AB | STOCKHOLM | 556594-7552 |
| Humanpro AB | MALMÖ | 556443-4669 |
| ISS Facility Services AB | STOCKHOLM | 556410-3280 |
| IT-Resurs CNC AB | STOCKHOLM | 556605-0513 |
| Juhler Services AB | GÖTEBORG | 556630-5420 |
| Kelly Services AB | STOCKHOLM | 556429-8106 |
| Lernia Bemanning AB | STOCKHOLM | 556472-7013 |
| Logistikentreprenader Sverige AB | STOCKHOLM | 556634-4429 |
| MIMA Skepps- och Industriservice AB | GÖTEBORG | 556626-3876 |
| Manpower AB | STOCKHOLM | 556348-1588 |
| Medpro AB | GÖTEBORG | 556644-7156 |
| Passal Västra Götaland AB | GÖTEBORG | 556599-8316 |
| Proffice Sverige AB | STOCKHOLM | 556242-1718 |
| Randstad AB | STOCKHOLM | 556399-6387 |
| Resurs Bemanning CNC AB | STOCKHOLM | 556649-3937 |
| SHL Sverige AB | STOCKHOLM | 556319-2656 |
| SJR in Scandinavia AB | STOCKHOLM | 556443-2929 |
| Samhall AB | STOCKHOLM | 556448-1397 |
| StudentConsulting Sweden AB (publ) | LULEÅ | 556674-7449 |



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|--------------------------|------------------|-------------|
| AB Söder & Co Consulting | GÖTEBORG | 556684-3107 |
| Uniflex AB | STOCKHOLM-GLOBEN | 556462-0887 |



Appendix B

| | | |
|------------------------------------|------------------|-------------|
| Academic Work Sweden AB | STOCKHOLM | 556559-5450 |
| Adecco IT & Engineering AB | GÖTEBORG | 556598-3037 |
| Adecco Sweden AB | STOCKHOLM | 556447-2677 |
| Dfind AB | GÖTEBORG | 556633-3612 |
| Elan IT Resource AB | STOCKHOLM | 556594-7552 |
| Humanpro AB | MALMÖ | 556443-4669 |
| Kelly Services AB | STOCKHOLM | 556429-8106 |
| Lernia Bemanning AB | STOCKHOLM | 556472-7013 |
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| Uniflex AB | STOCKHOLM-GLOBEN | 556462-0887 |



Appendix C

Questionnaire

Respondent

- What is your professional title?
 - What are your responsibility areas?
- For how long have you been working at the company?

Staffing company

- What kind of professional consultant services do you offer your clients?
 - Business areas?
 - Geographical areas?
 - Customer base?
- What does the consultants work situation look like?
- What does the contact between staffing company and consultant, and between staffing company and customer, look like?
 - During a consultant project, how does the contact between the staffing company and the consultant work? What kind of contact is established?
 - How is the contact maintained and how is it working? How is the consultants' performance reported? How often? What can it look like?
- In the view of the fact that the consultants perform their daily work outside the staffing company, how does the company ensure that the consultants direct their effort in a desirable way?
 - Are there any difficulties for making consultants direct their effort in a desirable way?
- What kind of consultant actions is desirable for the company? For instance high quality, learning of new actions, durable connections with clients?
 - Is there any difference in what are desirable actions for different type of consultants?



Does the company have an elaborated incentive system?

If yes on the question:

- How has the company elaborated its incentive system?
 - Includes the incentive all consultants at the company? Motivate why or why not, please.
 - What types of incentives are used? Motivate why the chosen incentives are used.
- What expectations are there at the elaborated incentive system concerning what the consultants choose to put their effort on?
 - What is the primarily function of the incentive system? What characteristics of the incentive system is the most crucial for affecting effort direction of the consultants?
 - Is there anything else that can make an impact on how the consultants choose to effort their direction? E.g. accurate recruitment or corporate culture.
- How is the performance of the consultants evaluated? Is there any measurement?
 - What is measured? Which parameters are most important for the company's success?
 - In what way is the performance measured? In a subjective or objective way?
 - How often is consultant performance measured? When can a contingent reward be received?
 - Is there room for personal adaption of incentives?
- Before a project starts, do the consultants know what kind of effort is needed for a particular incentive should be received?
 - How can the aforementioned question influence the consultants' effort direction? Are there any positive or negative aspects for the consultant knowing what to expect what kind of effort direction is needed?



If no on the question:

- What is the reason for not using an incentive system? Motivate please.
- From a consultant perspective, is there anything which can be compared to an incentive system?
 - Is there any positive effects which can be restored to the consultant, as a result of his/hers performance? Alternatively, can any positive effects be lost for the consultant if the performance is insufficient? Please give examples.
- What expectations are there at the alternative incentive system to influence the consultants' effort direction?
 - What is the purpose with the alternative incentive system? How can it influence the consultants' effort direction?
 - When not having a formal incentive system, how are the expectations of the consultants' performance communicated?
 - Is there anything else that can have an impact on how the consultants choose to effort their direction? E.g. accurate recruitment or corporate culture.
- How is the performance of the consultants evaluated? Is there any measurement?
 - What is measured? Which parameters are most important for the company's success?
 - In what way is the performance measured? In a subjective or objective way?
 - How often is performance measured? When can a contingent reward be received?
 - Is there room for personal adaption of incentives?
- Before a project starts, do the consultants know what kind of effort is needed for a particular incentive should be received?
 - How is the aforementioned question influence the consultants' effort direction? Are there any positive or negative aspects for the consultant knowing what to expect what kind of effort direction is needed?
- In your opinion, are there any advantages and/or disadvantages with not having a formal incentive system?