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Motivation and Compensation among Management Consultants: Incentive Effects, Perceived Fairness, Exchange Relationships, Intrinsic Motivation, and Turnover Intention

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## Abstract

In this study, we explored the relations between motivation and compensation amongst knowledge workers, particularly management consultants, through various employee outcomes. This study posits that management consultants have complex relationships and attitudes towards monetary compensation. First, management consultants experience higher degrees of intrinsic motivation, when total compensation and informing incentive effect are high. Second, management consultants experience higher degrees of economic exchange relationship when total compensation is high and perceived procedural justice is low. Lastly, management consultants do not experience higher degrees of turnover intentions when total compensation is high and economic exchange relationship is high. The study enforces previous research on compensation and motivation, and adds to existing literature. Theoretical and practical implications of findings are discussed.

# Introduction

As early as the 1970's, Peter Drucker, a management consultant, educator, and author questioned the appropriateness of applying the same management styles on workers in the manufacturing industry to employees in knowledge-based industries, industries that rely on the acquisition and exploitation of knowledge for competitive advantage (Tampoe, 1993). In the past five decades, researchers have since debated how to facilitate employee motivation in the most effective ways (Deci, Olafsen, & Ryan, 2017) and how incentive models can best drive workers' performance (Gerhart, 2017; Redmond, 2013). Studies between various kinds of incentive models and employee motivation, turnover intentions and actual turnover have thus emerged (Kuvaas, 2006a; Kuvaas, Buch, & Dysvik, 2018; Kuvaas, Buch, Gagné, Dysvik, & Forest, 2016).

According to the Organization for Economic Co-operation and Development (OECD, 2005), the services sector accounts for 70% of total employment and value-added in OECD economies (e.g. Norway, Denmark, Sweden, United States, United Kingdom). OECD (2005) stressed the importance for service firms to focus on work organization and human resources, in particular company culture and the motivation and skills of workers in relation to compensation according to performance or compensation aimed at achieving worker loyalty. Hence, the increase in demand for knowledge work and knowledge workers, in essence tasks and individuals that require continuous learning (Horwitz et al., 2003), has put an important focus on high-skill, high-trust environment that underscores the key role of human resources for services sector performance. The "Fourth Industrial Revolution" (Schwab, 2016) wave also presents challenges for companies in regard to increasing job churn and skill churn, which in return calls for companies to revise their employee compensation and development policies to meet the needs of the future workforce. Companies employing knowledge workers must strive to remain relevant for their employees by maintaining and developing employee motivation to stay within the company through a magnitude of measures.

The growth and increased relevance of the knowledge and service industry further strengthen the argument for our thesis to focus solely on knowledge workers, in particular management consultants. According to Turner (1982), management

consultants perform complex tasks beyond presenting client problems and advising clients. Management consultants may also assist with implementation efforts, facilitate client learning, and permanently improve the client's organizational effectiveness. As management consultants can arguably be a strong example for knowledge work and knowledge workers, we aim to use our findings from a sample of management consultants to help knowledge-based companies make informed decisions regarding changes in their current incentive models.

Through our case study on an international professional services firm based in Norway, we strive to offer insight into employee motivation and compensation and how this impacts employees' decisions concerning whether to stay with or leave a company at a certain point in their career. While there is extensive literature on compensation, they are mainly focused on easy-to-measure job designs (Gerhart, 2017) and only few investigate compensation, motivation, and performance among knowledge workers performing more complex tasks (Kuvaas, 2006; Ledford, 1995). Gehart (2017) argued that the assessed pay-for-performance in psychology research mainly addresses individual physical output, when the commonly used basis for performance payouts in work organization rely on subjective assessments (ratings) and organization level measures of performance (i.e. revenues and profits), as is the case for management consulting firms. Therefore, for our study on management consultants, we aim to provide insight into how management may be able to reinvent compensation models that are effective in creating a motivated workforce that does not have standardized and easy-to-measure job designs. We investigate pay data, intrinsic motivation, employees' perception of the fairness of the compensation scheme (i.e. through perceived procedural justice), and how the compensation model affects employees' performance (e.g. informing incentive effect and economic exchange relationship) to deepen knowledge on the complex interplay of compensation, behavioral effects, intrinsic motivation, and turnover intention. Our study also aims to provide motivation and guidance for management of knowledge workers in improving their strategy on how to attract, develop, and retain talent of a new age, in which the switching costs of employment is decreasing.

# Literature Review

## Knowledge workers

Drucker (1989) used the term “knowledge workers” to describe those individuals whose work primarily exploits the resource of the individual’s own knowledge, rather than for example the individual’s strength or speed. Similarly, Vogt (1995) defined knowledge workers as individuals “with the motivation and capacity to cocreate new insights and the capability to communicate, coach and facilitate the implementation of new ideas”. Moreover, Alvesson (2000) defined knowledge work as intellectual of nature carried out by highly qualified employees. In contrast to non-knowledge intensive work in which the organisation’s capabilities, such as technology, raw materials or processes are crucial for competitive advantage, the individuals themselves who carry out the work are the organisation’s competitive advantage in regard to knowledge work. Ulrich (1998) went as far as to argue that, as knowledge work is becoming an increasing proportion of the economy and organisations, individuals’ intellectual capital is an organisation’s only appreciable asset.

Knowledge work is characterised as non-repetitive and results-oriented, including requirements for continuous learning, intuition, new mind-sets and imagination (Horwitz et al., 2003). Furthermore, Alvesson (2000) posited that knowledge work is “ambiguity intensive”, and as such demand knowledge workers to address extreme complexity and uncertainty (Horwitz et al., 2003). Unlike a production worker, who traditionally has been paid by the hour with objective performance raises through supervised activities, knowledge workers are independent thinkers and employees who are more difficult to supervise and assess (Walumbwa, F. O., Christensen, A. L., & Hailey, F., 2011). A common aim for organisations which are highly characterised by knowledge work is that of seeking ways to transform the individual knowledge workers’ knowledge into shared organisational knowledge deployed for their respective organisational goals (ibid.).

Studies on job satisfaction of knowledge workers identified pay as one of the very few highly significant job satisfaction variables (Horwitz et al., 2003). However, the same



authors reveal that the ways of paying knowledge workers, on top of their base salary, differs massively. The authors identified several consultancy firms that do pay their employees on a performance-based manner, however how performance is assessed seems to be highly volatile and subjective. Although pay has been proven to be one of the few most important aspects of knowledge workers' job satisfaction, as mentioned previously, there seems to be a major challenge for organisations to meet this need, especially when it comes to variable pay and pay-for-performance (PFP). It is likely that this is connected to the inevitable subjective nature of knowledge work, and the obvious difficulty of objectively measuring knowledge workers' performance. It may therefore not come as a surprise that studies find that knowledge workers' turnover is higher than other employee groups across the world (Despres and Hiltrop, 1995; Dessler, 2000; Singapore Government Statistics, 2001, in Horwitz et al., 2003). Despres and Hiltrop (1995) go as far as arguing that traditional approaches to PFP and other monetary rewards are no longer appropriate. However, other HR practices and non-monetary rewards have not been found to have as large of an effect on employee motivation as pay-for-performance can have – if the model is appropriate.

## Employee motivation, compensation and pay-for-performance

Extensive research has been conducted within the field of employee motivation, and the topic is undeniably imperative for organisations. Deci and colleagues (2017) argued that high-quality employee motivation can significantly contribute to an organisation's long-term profitability through increased employee performance, both in regard to increased quality of work and efficiency of work. This statement is supported by the well-known self-determination theory (SDT), which addresses the links between employee motivation and performance. In particular, SDT outlines two different types of motivation that both have different triggers and outcomes (Deci et al., 2017). First, autonomous motivation is characterised by employees' own willingness to contribute to a task, in a situation where the employee has reasonable choice to decide what to do themselves. Autonomous motivation can be viewed in light of intrinsic motivation. Second, controlled motivation typically has an extrinsic focus which is likely to narrow the employee's focus, and potentially produce negative long-term results. Deci, Connell and Ryan (1989) defined intrinsic motivation as "the desire to perform an

activity for its own sake, to experience the satisfaction inherent in the actual activity”. On the other hand, Deci and Ryan (2000) defined extrinsic motivation as “the desire to perform an activity with the intention to attain positive consequences or to avoid negative consequences”. In organisational settings, extrinsic motivation is often seen in context with monetary and tangible incentives, such as pay-for-performance.

Kuvaas and colleagues (2017) argued that organisations must significantly recognise these two kinds of motivation, however the focus should lie with aiming to increase employees’ intrinsic motivation. In fact, the authors’ research does not support that increasing levels of employees’ extrinsic motivation is beneficial, and the authors suggest that organisations should work towards participative decision making, inclusive leadership, as well as positive and non-judgemental feedback, which were found to increase levels of intrinsic motivation with employees (Kuvaas et al., 2017). Moreover, the same authors warn organisations from using close monitoring and contingent tangible incentives due to the found adverse outcomes (ibid.).

The aforementioned research by Kuvaas and colleagues (2017) provided important advancements to the compensation and benefits literature. However, much research has argued for the beneficial outcomes of pay-for-performance in organisations. Gerhart (2017) mentioned Adam’s (1963) Equity Theory as a fundamental principle for work in organisations. Gerhart (2017) argued that if pay-for-performance is not used in organisational settings, employees are likely to process perceptions of inequity, an adverse outcome that has been proven to positively affect turnover intentions and negatively affect employee performance levels (Gerhart and Rynes, 2003). Therefore, Gerhart (2017) argued that the adverse outcomes of not having an adequate compensation model are likely to outweigh the adverse outcomes of extrinsic motivation related to pay-for-performance.

## Assessing the compensation model

On that note, and considering that our respective research case has a pay-for-performance model in place, it is appropriate to outline what measures we utilised to assess the effects and outcomes of the case’s current compensation model. For this

particular case, measures of perceived procedural and distributive justice, informing and controlling incentive effects, and employees' social and economic exchange relationships were used.

### Informing and controlling incentive effects

Instrumentality theories of motivation, first introduced by Peak in 1955, hypothesises that an employee's motivation towards a particular outcome is dependent on his or her perceptions of relationships, i.e. instrumentalities. These are relationships that combine the outcome and attainment of other consequences, in which the employee may like or dislike (Graen, 1969). Vroom (1964) further applied Peak's theory to motivation in the workplace, and argued that an employee's preference for attaining a good result highly depends on what the employee perceives to be the other consequences of that good outcome, and how desirable those other outcomes are to the individual. Further combining this with expectancy theory, Vroom (1964) outlined how incentive effects are incremental in producing desired employee behaviour and performance outcomes. This is a fundamental argument behind why rewards that are highly contingent on individual employees' performance are more effective than rewards that do not.

Balkin and colleagues (2015) argued that, in light of self-determination theory, the effect on motivation from monetary rewards in the workplace, such as pay-for-performance, depends on two contrasting effects. Namely informing incentive effects and controlling incentive effects (Balkin et al., 2015). Kuvaas, Buch, and Dysvik (2018) defined incentive effects as "the extent to which employees perceive that an IVPFP plan affects their behaviours at work" (p.4). While the aforementioned arguments for why rewards should heavily rely on individual performance to be effective, self-determination theory argues otherwise (Deci et al., 2017). Heavily performance contingent rewards are likely to induce controlling effects on employees, and they may feel as though they are forced to behave in a way that is not natural to them (ibid.). As such, controlling incentive effects have been found to effectively undermine intrinsic motivation. The combination of heavily performance contingent rewards and the autonomous nature of knowledge workers may present an important challenge to assess.

Informing incentive effects has been proven to have a positive effect on employees' intrinsic motivation (ibid.). Informing incentive effects are classified as employees' perception of the link between their own performance and the variable pay, when employees' interpretation of the reward as an appreciation for good performance (Kuvaas, Busch, and Dysvik, 2018). Therefore, one would naturally strive to develop and maintain a compensation model that builds on informing incentive effects, to further increase employees' intrinsic motivation. However, as Kuvaas, Buch and Dysvik (2018) argued, pay-for-performance models often aim to change certain behaviour(s) of employees. Such an approach is likely to be perceived as controlling and therefore effectively reduce intrinsic motivation, increase extrinsic motivation, and potentially harm the organisation long-term.

## Perceived procedural and distributive justice

As discussed earlier, an employee's pay, either as base salary, pay-for-performance or both, represents an important aspect of the respective employee's life. It facilitates important life decisions, and in many ways allows people to compare oneself to others. As Cropanzano & Schminke (2001) argued, employees' pay has both economic and socioemotional consequences, and may well form the foundation for why employees work in organisations in the first place. Therefore, the underlying processes and the end result of pay will inevitably be subject to detailed investigation by the individual with the main question likely to be, "Was it fair?" (Colquitt, 2001).

To investigate the question of fairness further, measures of distributive and procedural justice are used. While distributive justice is based on whether the individual's outcome is consistent with common-known norms for allocation, procedural justice encompasses whether the process which resulted in the outcome was fair, consistent, accurate and without bias (Colquitt et al., 2001). Furthermore, procedural justice has been divided into two sub-measures, namely process control – whether the individual had the ability to voice views and opinions during the procedure, and decision control – whether the individual had the ability to influence or appeal the outcome of the procedure (ibid.). On the other hand, distributive justice is mainly based on Leventhal's (1976) equity rule which states that "rewards and resources are to be distributed in

accordance with recipients' contributions". Deutsch (1975) explained the equity rule as "a proportionality between the individual's outcome of rewards and costs and his or her inputs or contributions of assets and liabilities" (p. 144). As such, an employee's perceived distributive justice of a pay-for-performance model will tell us to which degree the individual thinks that he or she received the appropriate amount of pay through the model, based on the perceived input of effort.

## Social and economic exchange relationships

Already in 1982, Mowday and colleagues defined the relationship between employees and their organisation as an exchange relationship. It is reasonable to assume that a relationship between an employee and an organisation is simply an economic exchange, in which labour through time and effort is exchanged with money in various forms of pay. This relationship can also be seen in light of extrinsic motivation, including its favourable and adverse outcomes, as discussed earlier. These economic exchange relationships are more often than not represented by discrete, financially oriented interactions (Shore et al., 2006). However, this does not explain the entirety of the complex relationship that most employees have with their employer. According to Social Exchange Theory, employees will respond differently depending on their perceived treatment by their employer, which results in both economic and social exchange relationships. Shore and colleagues (2006) identified the socioemotional aspects of the employee-organisation relationship, including those feelings of obligation and trust. Social exchange relationships are characterised by a long-term orientation, with subjective contents (Shore et al., 2006), and are linked to favourable outcomes such as decreased turnover intentions (Kuvaas et al., 2017). Interestingly, Kuvaas and colleagues (2017) found that the higher proportion of an employee's complete monetary compensation base pay accounts for, the stronger the social exchange relationship the employee will have with the organisation. On the other hand, the same study showed that if a variable pay-for-performance accounts for a large portion of the employee's total pay, the employee is likely to develop a stronger economic exchange relationship (Kuvaas et al., 2017).

## Turnover intention

The final important aspect of this study is employee turnover. Pfeffer and Sutton (2006) argued that employee turnover should be on all management's minds in contemporary organisations, due to the concepts obvious detrimental effects on the organisation. These effects do not only include the tangible costs of replacing employees (Collins and Smith, 2006), and in this respect knowledge workers in particular. Moreover, Trevor and Nyberg (2008) argued for the adverse outcomes related to employees' turnover intentions, such as decreased quality, consistency, and stability of work towards both colleagues and clients. As such, high levels of turnover intention amongst employees is likely to affect both the morale and performance of other employees, but also potentially lead to increased client dissatisfaction (Lin and Chang, 2005). In the context of compensation and pay-for-performance, dissatisfaction towards the model both in terms of procedural and distributive justice has been found to increase turnover intentions amongst employees (Kuvaas, 2006). Moreover, Trevor, Gerhart, & Boudreau (1997) found that high performing employees were particularly likely to leave the organisation if they felt as though their performance was not sufficiently financially rewarded. On the other hand, intrinsic motivation has been found to both decrease one's turnover intentions, but also play a mediating role between compensation dissatisfaction and turnover intention (Kuvaas et al., 2018).

As mentioned previously, an increasing number of organisations are reliant on knowledge workers. At the same time, academic literature on compensation of knowledge workers has not kept up with the trend. With this paper, we therefore aim to partly fill this gap. This study will be, to our knowledge, one of the first of its kind to investigate a compensation plan solely for knowledge workers, management consultants in particular. Moreover, as highlighted by Kuvaas, Buch, and Dysvik (2020), studies investigating employees' perceptions of compensation schemes typically refer to perceived instrumentality of pay, and not actual pay data. By including actual pay data of individual employees and incentive effects in our analysis, we are to gain a deeper and more comprehensive insight into the complex interplay between employee outcomes of the respective compensation scheme.

# Methodology

Saunders and colleagues (2012) defined methodology as “the theory of how research should be undertaken” (p.4). In this chapter, we will elaborate on the methodological approaches to this study. Furthermore, we will outline how the study was conducted, and argue for the choices made when collecting, analyzing and interpreting the data.

## Research design

The research design describes the overall plan for how we intended to conduct the study in order to answer the research question, as described by Saunders and colleagues (2012). As highlighted by Yin (2009), the research design’s utmost purpose is to ensure that the data collected through the study are relevant to the research question, and to further describe the relevant sources of information.

Saunders et al. (2012) distinguished between three types of research based on different purposes: exploratory, descriptive, and explanatory research. Exploratory research is used to clarify the understanding of a problem, and is useful when the researcher wishes to understand its precise nature. Descriptive research aims to provide “an accurate profile of events, persons or situations” (Saunders et al., 2012, p. 171). The goal of explanatory studies is to explain the relationship between variables by investigating a situation or a problem. This can be conducted through, for example, statistical testing. The design of this particular study is, in fact, explanatory in nature, as the goal is to investigate the relationships of variables in a particular context.

A researcher’s anticipation for the greatest learning outcome for the complexity and nature of the case in question is one of the principles by which case study designs are popular in business research (Bryman & Bell, 2015). It is acknowledged that a case study serves as an efficient and effective strategy to gather high quantity of data from few sources and that it is one of the most beneficial methods in answering the “how” and “why” questions about contemporary phenomenon in real-world context (Yin, 2014). Therefore, due to the nature of our topic, in addition to our agreed upon collaboration with a company and our limited timeframe for the study, we decided to

pursue a case study design, as this was most suitable. While multiple case study designs are acknowledged as more advantageous than single case studies, as they may provide higher external validity (Yin, 2014), our time and resource restraints only allowed for the exploration of a single case study.

## Research approach

Deductive and inductive approaches to empirical research represent the two extremities of analysis approaches. A deductive approach means that the researcher(s) utilises existing theory to formulate the research question and objectives. This differs from the inductive approach, where the research first collects data, and then explores them to develop a theory (Sauders et al., 2012). The approach of this particular study is mainly deductive, as its foundation is compiled of existing theory. However, the study will also evidently show some inductive traits, as theory will be further developed for new contexts.

## Data collection

The main preoccupations of quantitative research, such as measurement, causality, generalization, and replication (Bryman & Bell, 2015) align with the nature of our study and the insights we aimed to achieve. While Richards (2005) argued that qualitative research methods allow researchers to enhance the understanding of a social phenomena, our research primarily focuses on the cause and effect of turnover intention among knowledge workers. Hence, we deemed the quantitative approach to be most appropriate, as Bryman and Bell (2015) stated that the nature of quantitative research is concerned with people's behavior and quantitative methods allow for further exploration of the connections between variables compared to that of a qualitative approach. In addition, to accommodate for the lack of face-to-face interaction and overall limited communication with employees in the company, we chose to conduct research in a contrived context, through structured questionnaires rather than through interviews or other qualitative approaches or even the combination of quantitative and qualitative methods.



## Time horizon

Saunders, Lewis and Thornhill (2009) distinguished between two primary approaches to research time horizons, cross-sectional and longitudinal. Longitudinal research investigates whether factors change over time while cross-sectional research captures the studied phenomenon at a single point in time. Due to the nature of our research topic and the duration of our collaboration with the company, we adopted a cross-sectional approach.

## Sample and procedure

To test the hypotheses, we collected data from employees in an international professional services firm located in Norway. We used a quantitative, survey research model that contained structured questionnaires offered in English and Norwegian. Most items for these scales were originally in English and then translated to Norwegian by researchers (see Appendix A). Items for informing incentive effect and turnover intention were translated from Norwegian to English by us and approved by our Norwegian supervisor. Questionnaires were administered through a web-based tool called Questback, in which the company gave us access to. This tool is often used by the company to gather feedback from employees and therefore serves as a convenient and familiar tool for the participants in this study.

The questionnaires were divided into two surveys and were sent as two separate rounds to prevent respondent fatigue. A convenience sampling was applied to gather a sufficient number of respondents to obtain statistical power for the study. The data collection was limited to the Consulting department, of which employees of all levels in Consulting were invited to participate, with the exception of Partners due to their different compensation plan relative to the other positions. To increase the chances of a high response rate, each survey was first distributed via email by the leader (see Appendix B), also known as the Partner, of all service areas within Consulting.

The first survey, which was distributed to 370 employees, was used to collect data on procedural justice, distributive justice, controlling incentive effect and informing

incentive effect. We received 237 responses from survey 1, which corresponds to a response rate of 64%. Of these, 163 (69%) employees also responded to survey 2, which was used to collect data on the intrinsic motivation, turnover intention, economic exchange relationship, and social exchange relationship.

The company provided actual data for the control variables (e.g. gender, position, organizational tenure) and independent variable (e.g. total compensation in Norwegian krone, NOK) in this study. Gender was measured as a dichotomous variable coded such that “1” was female and “0” was male. The different positions in the company were ranked from 1 to 5, where 1 represents the lowest rank and 5 represents the highest rank among the sample group. Organization tenure was measured in whole years. Total compensation, which includes a combination of base pay and an overtime pay or a bonus, depending on the position, ranged from NOK 429,604 ( $\approx$ USD 48,000) to NOK 1,740,000 ( $\approx$ USD 196,000).

## Measures

In both surveys, items were categorized by concepts. Each concept had its own page, with the exception of Controlling and Informing Incentive Effects, together, and Economic and Social Exchange Relationship, together. At the top of every page, participants received 1-2 descriptive sentences about the items they were going to respond to for that particular page (Appendix A). Each variable was measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), with 3 as “neither disagree or agree”. How the items were adopted or adapted can be found in (Appendix A).

**Procedural Justice.** For the measurement of procedural justice, we used the seven-item procedural justice scale developed by Colquitt (2001), in which Colquitt adopted the concept from Thibaut and Walker (1975), Leventhal (1980), and Leventhal et. al (1980). Sample items include “You have been able to express your views and feelings during those procedures” and “Those procedures have been applied consistently.” In addition, we also included a statement in the beginning of this section that states, “The procedures and processes are clear and understandable.” This statement was controlled

for to account for the company's recent research findings regarding some employees' unclear understandings of procedures and processes around compensation.

**Distributive Justice.** We also measured distributive justice using Colquitt's (2001) justice scale, in which Colquitt adopted the distributive justice concept from Leventhal (1976). These items are similar to other measures commonly used in the justice literature (e.g., Price & Mueller, 1986; Moorman, 1991; McFarlin & Sweeney, 1992). We tailored the items to fit our context by adhering to Colquitt's (2001, p.388) suggestion of "altering the parenthetical parts of the items." Among the four-item scale used in our study, sample items include "Your compensation reflects the effort you have put into your work" and "Your compensation is justified, given your performance."

**Controlling Incentive Effect.** Controlling incentive effect was measured on a four-item scale. Items were derived from a six-item scale developed by Kuvaas, Buch, and Dysvik (2018), two of which were reverse-scored items. To reduce response time, we chose four of the six items and excluded the items that were reverse-scored. A sample item from our study states, "The compensation system affects my priorities at work."

**Informing Incentive Effect.** To measure this concept, we adapted four items from a newly developed and tested scale that was presented in two theses at the executive level. A sample item in our study includes, "The compensation system makes me feel competent in my work."

**Intrinsic Motivation.** Intrinsic motivation was measured on a six-item intrinsic work-motivation scale developed by Kuvaas (2006) and further developed by Kuvaas and Dysvik (2009). Sample items include, "My job is meaningful" and "My job is so interesting that it is a motivation in itself."

**Economic and Social Exchange Relationship.** Economic and social transactions were each individually measured on an eight-item scale from Shore et al. (2006) and Kuvaas and Dysvik (2010b). An adopted economic transaction item for this study includes "I watch very carefully what I get from [company], relative to what I contribute." An

adopted social transaction item includes “My relationship with [company] is based on mutual trust.”

Turnover intention. For the measurement of turnover intention, we used the five-item turnover intention scale developed by Kuvaas (2006a). Sample items include “I often consider quitting my current job” and “I will probably be actively looking for a new job within the next year.”

Control variables. Control variables include employee gender, their organizational tenure, and their position level. Of the respondents, 41% identified as female and 59% identified as male. Organization tenure is reported in true years. The distribution of positions (via percent) in our sample, from lowest to highest positions, are 27%, 31%, 24%, 13%, and 5%.

## Data Credibility: reliability and validity

Saunders, Lewis and Thornhill (2009) stated that data credibility is determined by data reliability and validity. They define data reliability as “the extent to which your data collection techniques [...] will yield consistent findings” (Saunders et al., 2010). Richards (2005) referred to reliability as the credibility of the gathered data. The goal of the study is that the audience finds it reliable and dependable. Such can be ensured in many ways, like the accuracy of the data, the ways in which the data was gathered, and how the data has been analysed. Transparency of these processes is essential to ensure reliability. Coefficient alphas indicating scale reliabilities for all computed scales are listed in Table 1, along the diagonal. The reliability coefficients, Cronbach alpha ( $\alpha$ ) values, of all variables were above .70. The decision to use .70 as a threshold reflects most studies’ acceptance of an alpha greater than .70 to be adequate (Cortina, 1993).

Validity is “concerned with whether the findings are really about what they appear to be about” (Sanders, Lewis, & Thornhill, 2010, pp. 156-157). When a causal relationship between two variables is established, the study has internal validity (Saunders et al., 2012). This concept can be applied to explanatory studies, and as such

our study. External validity is achieved when the findings can be generalised to other settings or groups. While case study research tends to be limiting in its ability to generalize to a larger population and beyond the case itself (Bryman & Bell, 2015), its ability to offer understanding and insight into complex development interventions (Woolcock, 2013) allows us to exploit, explore, and explain variance (i.e. identify what works for whom, when, where, and why). In addition, we evaluated and ensured for discriminant validity through the use of exploratory factor analysis (EFA) (Hurley et al., 1997). This is further discussed in ‘Analyses’ and ‘Findings’.

## Research ethics

There are ethical considerations to take into account when doing research (Johannessen, Tufte & Christoffersen, 2016). Firstly, the study should not be detrimental to the participants in any way, and secondly, participation in the study should be voluntary (Jacobsen, 2015). We accounted for these by informing participants about the purpose of our research and how the data would be managed (Appendix B). Employees were not required to complete the surveys and were informed that if they do decide to participate, their responses would be treated confidentially and that the data collection and analysis process would be overseen by us and our advisor, and not by anyone within the company. In addition, Non-Disclosure Agreements were signed by us to ensure confidentiality of data collected. All personal data are currently stored in protected files that comply with NSD regulations and will be deleted once the thesis is submitted. There is no conflict of interest among those involved in this study.

## Analyses

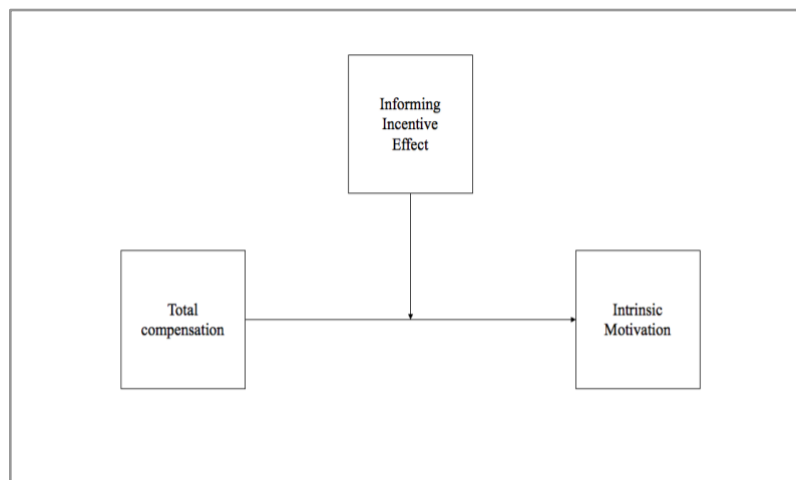
IBM SPSS 25.0 software was used in the statistical analysis of this research. Before testing the hypotheses, we ran EFA for items in survey 1 ( $N_1=237$ ) and survey 2 ( $N_2=163$ ) separately, as the surveys were measured at two points in time, and in having done so, we strengthen the respondents per item with a bigger sample size to ensure our analysis is more robust. We also used EFA to evaluate and ensure for discriminant validity (Hurley et al., 1997). Since we were relying on self-report measures, we used

the following recommended thresholds to decide which items to retain for our analysis: 1) a loading of .50 or higher on the target construct (Nunnally & Bernstein, 2007), and 2) a cross-loading of less than .35 (Kiffin-Petersen & Cordery, 2003).

Pearson's correlation coefficient was used to evaluate the relationship between the independent and dependent variables. We then conducted regression analyses to test the interaction effect in our hypotheses. Prior to computing the interaction terms in SPSS, all moderating variables and the independent variable, total compensation, were mean-centered to improve the interpretation of the interaction and guard against potential multicollinearity (Dawson, 2014).

Hypothesis 1 (H1) posits that management consultants will experience higher degrees of intrinsic motivation when total compensation and informing incentive effect are high. To examine this hypothesis, we assess the estimate of the interaction term between total compensation and informing incentive effect and the two-way interaction plot based on Dawson's procedure (2014). H1 will be supported if the interaction between informing incentive effect and total compensation is significant and positive and the interaction plot is in our expected direction. See Model 1.

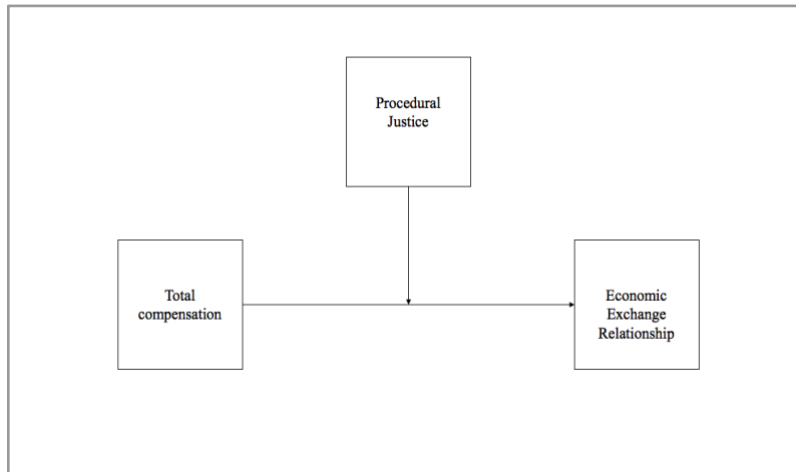
#### Model 1



H2 posits that management consultants will experience higher degrees of economic exchange relationship when total compensation is high and perceived procedural justice is low. This hypothesis will be supported if the interaction between procedural

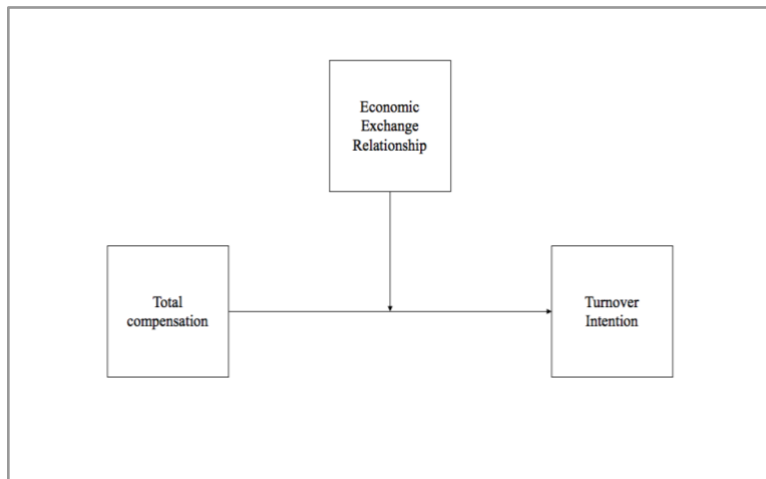
justice and total compensation is significant and positive and the interaction plot is in our expected direction. See Model 2.

**Model 2**



H3 posits that management consultants will experience higher turnover intention when total compensation is high and economic exchange relationship is high. H3 will be supported if the interaction between total compensation and economic exchange relationship is significant and positive and the interaction plot is in our expected direction. See Model 3.

**Model 3**



## Findings

Table 1 reports descriptive statistics, correlations and scale reliabilities among variables. The bivariate correlations indicate that participants’ backgrounds, in terms

of organizational tenure, position, and gender were correlated to the variables in the following ways: Organizational tenure and position were positively correlated with total compensation, as expected ( $r = .58$  and  $.93$ , respectively, and both  $p < .01$ ). Organizational tenure and position were negatively correlated with perceived procedural justice ( $r = -.13$  and  $-.16$ , respectively, and both  $p < .05$ ), which means employees with higher tenure and higher position expressed lower levels of perceived procedural justice compared to employees in lower ranks, those who received only overtime pay and no bonus. Gender was negatively correlated with economic exchange relationship ( $r = -.17$ ,  $p < .05$ ). Females have less of an economic exchange relationship with the organization compared to males. Our findings also indicate that females have more of a social exchange relationship with the organization compared to males ( $r = .27$ ,  $p < .01$ ).

From these findings, it made sense that total compensation would be negatively correlated with perceived procedural justice ( $r = -.13$ ,  $p < .05$ ), where employees with a higher total compensation perceived lower levels of procedural justice. Total compensation and position were also both negatively correlated with economic exchange relationship ( $r = -.20$  and  $-.21$ , respectively, both  $p < .01$ ). Employees with a lower total compensation and in lower positions expressed higher levels of economic exchange relationship.

Total compensation and position were both positively correlated with intrinsic motivation ( $r = .30$  and  $.31$ , respectively, and both  $p < .01$ ). Employees with a higher total compensation and higher position in the organization expressed higher levels of intrinsic motivation compared to individuals in lower ranks. Intrinsic motivation was positively correlated with informing incentive effect ( $r = .15$ ,  $p < .05$ ). Employees with higher levels of intrinsic motivation expressed that they perceive compensation to be information that reflects their competence and worth within the organization.

Turnover intention was negatively correlated with procedural justice ( $r = -.27$ ,  $p < .01$ ), distributive justice ( $r = -.37$ ,  $p < .01$ ), informing incentive effect ( $r = -.20$ ,  $p < .05$ ), and intrinsic motivation ( $r = -.34$ ,  $p < .01$ ), all of which are according to theory. Turnover



intention was positively correlated with controlling incentive effect ( $r=.28$ ,  $p < .01$ ), which is according to theory.

Based on Table 1, the mean (with a maximum statistic of 5.0) for procedural justice and distributive justice were relatively low, which reflect the employees' belief that the compensation system is not perceived as fair and that it is actually perceived as unfair, by an unfairness measure of 3.4. The mean for informing incentive effect was normally distributed. The mean for intrinsic motivation was relatively high, while economic exchange relationship was almost normally distributed. Turnover intention was relatively high.

**Table 1 – Descriptive Statistics, Correlations, and Scale Reliabilities among Variables**

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12
1. Tenure	3.54	3.61	-											
2. Position	2.40	1.17	.49**	-										
3. Gender	.41	.49	-.11 <sup>†</sup>	-.08	-									
4. totalcomp	714610.78	225673.86	.58**	.93**	-.10 <sup>†</sup>	-								
5. pj <sup>1</sup>	2.59	.65	-.13*	-.16*	.08	-.13*	(.83)							
6. dj <sup>1</sup>	2.53	.94	.10 <sup>†</sup>	.01	.13 <sup>†</sup>	.00	.51**	(.96)						
7. ee <sup>1</sup>	2.95	.86	-.12 <sup>†</sup>	.00	.13 <sup>†</sup>	-.02	-.22**	-.27**	(.79)					
8. ie <sup>1</sup>	3.00	.80	-.11 <sup>†</sup>	-.05	.16*	-.05	.31**	.31**	.04	(.72)				
9. im <sup>2</sup>	3.70	.71	.14 <sup>†</sup>	.31**	.11	.30**	.03	.13 <sup>†</sup>	-.16*	.15*	(.88)			
10. ti <sup>2</sup>	2.95	.88	.003	.07	-.11	.10	-.27**	-.37**	.28**	-.20*	-.34**	(.88)		
11. ee <sup>2</sup>	2.54	.70	-.14 <sup>†</sup>	-.21**	-.17*	-.20*	-.03	-.02	.17*	.02	-.48**	.20*	(.75)	
12. se <sup>2</sup>	3.36	.62	-.09	-.12 <sup>†</sup>	.27**	-.16*	.33**	.34**	-.10	.40**	.25**	-.55**	-.08	(.82)

Note: Coefficient alphas are displayed in parentheses on the diagonal.

Tenure= organizational tenure; totalcomp = total compensation (base salary and overtime/bonus in NOK); pj = perceived procedural justice; dj = perceived distributive justice; ce = controlling incentive effect; ie = informing incentive effect; im = intrinsic motivation; ti = turnover intention; ee = economic exchange relationship; se = social exchange relationship

<sup>1</sup>indicates variables measured at Time 1, survey 1; <sup>2</sup> indicates variables measured at Time 2, survey 2

N<sup>1</sup>=237 and N<sup>2</sup> =163

<sup>†</sup> p < .10, \* p < .05, \*\* p < .01

## EFA results

To investigate the discriminant validity of the constructs, an exploratory factor analysis was run using principal component analysis with promax rotation. The item loadings of each factor, in survey 1, ranged between .49 (lowest) and .98 (highest). Most item loadings of the respective factors were above what is recommended with the exception of one item from procedural justice (.49) and another from informing incentive effect (.49). However, we reasoned that since .49 does not deviate far from the recommended threshold of .50, we decided to keep those items. As for the item loadings of each factor, in survey 2, they ranged between .35 (lowest) and .98 (highest). Some item loadings related to economic exchange relationship were notably below the recommended threshold (.35, .38, .43) and thus were removed. See pattern matrices in Appendix C for an overview of which specific items were retained and which were removed.

## Hypotheses testing

Next, we conducted regression analyses to test our hypotheses related to management consultants. For H1, we proposed that there is a positive relationship between total compensation (totalcomp) and intrinsic motivation (im) for higher levels of informing incentive effect (ie). As depicted in Table 2, the interaction between total compensation and informing incentive effect on intrinsic motivation was positive and significant ( $\beta = .07, p < .05$ ). We further inspected the moderating pattern by testing the simple slopes at low and high levels of informing incentive effect (Dawson & Richter, 2006), using one standard deviation (.80) below and above, respectively. As shown in Table 2, the simple slope between total compensation and intrinsic motivation was positive and non-significant when informing incentive effect was low (.00, n.s.). On the other hand, the slope between total compensation and intrinsic motivation was positive and significant when informing incentive effect was high (.12,  $p < .05$ ), as illustrated in Figure 1. Hypothesis 1 is thus supported.

**Table 2** - Cross-level Regression Analysis (hypothesis 1)

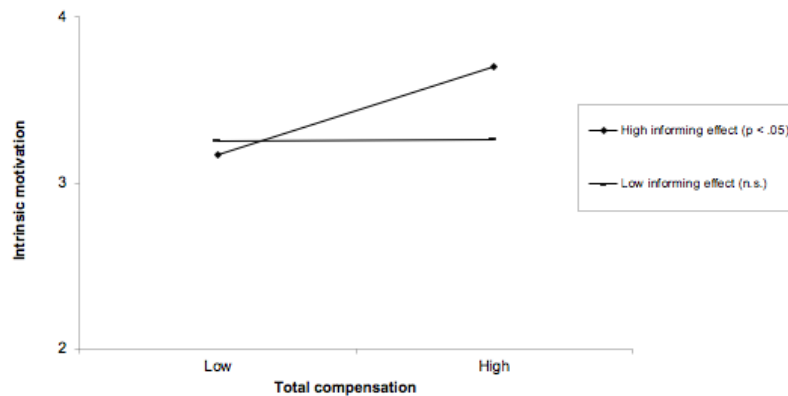
Variables	Unstandardized Coefficients	
	Intrinsic Motivation <sup>2</sup>	
<i>Control Variables</i>		
Tenure		.00
Position		.12
Gender		.24*
<i>Independent Variable</i>		
totalcomp		.06
<i>Moderating Variable</i>		
ie <sup>1</sup>		.11
totalcomp x ie <sup>1</sup>		.07*
R <sup>2</sup> squared		.21
F		3.32***
Simple slope test:		
H1: totalcomp x ie <sup>1</sup>	Low ie	(1): 0.00 (n.s.)
	High ie	(2): 0.12*

Note: N<sup>1</sup>=237 and N<sup>2</sup> =163. Male = 0, Female = 1.

<sup>1</sup> indicates variables measured at Time 1; <sup>2</sup> indicates variables measured at Time 2.

†p < 0.10, \*p < 0.05, \*\*p < 0.01, \*\*\* p < 0.001

**Figure 1:** Plotting the two-way interaction between informing incentive effect and total compensation on intrinsic motivation (hypothesis 1)



For H2, we posited that there is a positive relationship between total compensation (totalcomp) and economic exchange relationship (ee) for lower levels of procedural justice (pj). As shown in Table 3, the interaction between total compensation and procedural justice on economic exchange relationship was negative and significant ( $\beta = -.09, p < .05$ ). We further inspected the moderating pattern by testing the simple slopes at low and high levels of procedural justice (Dawson & Richter, 2006), using one standard deviation (.65) below and above, respectively. The two slopes were significantly different from each other and are not significant by themselves. The slope between total compensation and economic exchange relationship was negative and non-significant when procedural justice was high (-.02, n.s.). On the other hand, the slope between total compensation and economic exchange relationship was positive

and marginally significant when procedural justice was low (.10,  $p = .08$ ), as illustrated in Figure 2. Thus, Hypothesis 2 is marginally supported.

**Table 3** - Cross-level Regression Analysis (hypothesis 2)

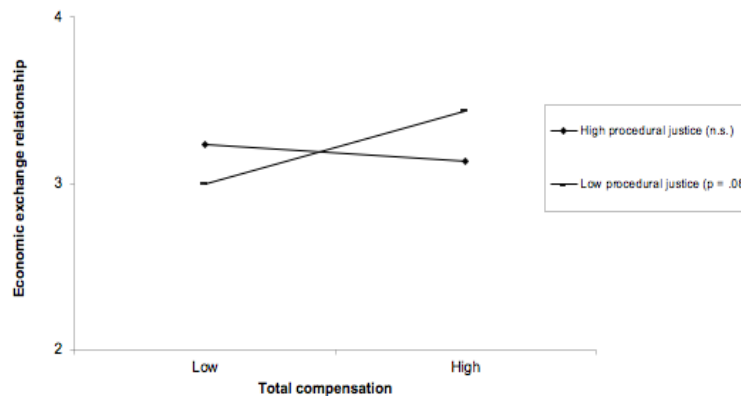
Variables	Unstandardized Coefficients	
	Economic Exchange Relationship <sup>2</sup>	
<i>Control Variables</i>		
Tenure		-.01
Position		-.20
Gender		-.34**
<i>Independent Variable</i>		
totalcomp		.04
<i>Moderating Variable</i>		
pj <sup>1</sup>		-.02
totalcomp x pj <sup>1</sup>		-.09*
R squared		
F		.17
F		
		2.60**
Simple slope test:		
	H1: totalcomp x pj <sup>1</sup>	Low pj (1): 0.10†
		High pj (2): -.02 (n.s.)

Note: N<sup>1</sup>=237 and N<sup>2</sup>=163. Male = 0, Female = 1.

<sup>1</sup> indicates variables measured at Time 1; <sup>2</sup> indicates variables measured at Time 2.

† $p < 0.10$ , \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\*  $p < 0.001$

**Figure 2:** Plotting the two-way interaction between perceived procedural justice and total compensation on economic exchange relationship (hypothesis 2)



H3 proposed that there is a positive relationship between total compensation (totalcomp) and turnover intention (ti) for higher levels of economic exchange relationship (ee). As shown in Table 4, the two-way interaction between economic exchange relationship and turnover intention was positive and significant ( $\beta = .25$ ,  $p < .05$ ). Yet the interaction between economic exchange relationship and total

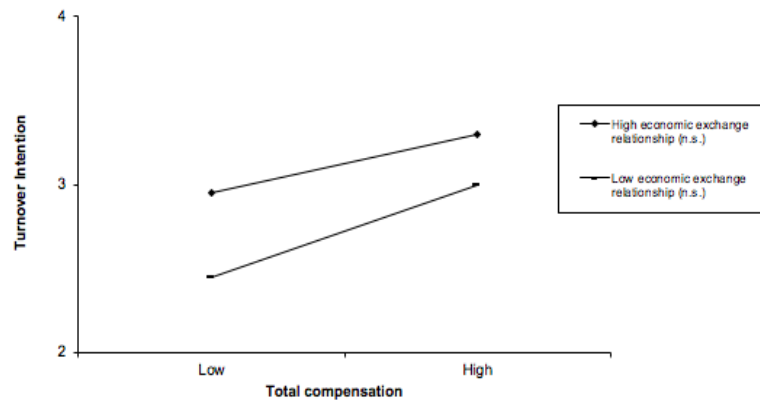
compensation on turnover intention was .00 with  $p = .28$ . Through PROCESS, the simple slopes at low and high levels of economic exchange relationship, with one standard deviation (.70) below and above, indicate that the total compensation and turnover intention were positive and non-significant for both slopes. As shown in Figure 3, this reflects no moderation effect between economic exchange relationship and total compensation on turnover intention, as PROCESS did not compute the conditional effect (Hayes, 2018, p. 262). Hypothesis 3 is thus not supported.

**Table 4** - Cross-level Regression Analysis (hypothesis 3)

Variables	Unstandardized Coefficients	
	Turnover Intention <sup>2</sup>	
<i>Control Variables</i>		
Tenure		-.02
Position		-.09
Gender		-.10
<i>Independent Variable</i>		
totalcomp		.00
<i>Moderating Variable</i>		
ee <sup>2</sup>		.25*
totalcomp x ee <sup>2</sup>		.00
R <sup>2</sup> squared		.08
F		2.19*
Simple slope test:		
	H1: totalcomp x ee <sup>2</sup>	Low ee (1): no effect
		High ee (2): no effect

Note: N<sup>1</sup>=237 and N<sup>2</sup>=163. Male = 0, Female = 1.  
<sup>1</sup> indicates variables measured at Time 1; <sup>2</sup> indicates variables measured at Time 2.  
<sup>†</sup> $p < 0.10$ , \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

**Figure 3:** Plotting the two-way interaction between economic exchange relationship and total compensation on turnover intention (hypothesis 3)



## Discussion

Prior to discussing our findings in light of existing theory and practical context, we believe it is important to describe the pay plan that was assessed for this study. The pay plan we investigated in this study could not be categorized as a “powerful” one according to Gerhart (2017), as it is mainly based on subjective performance evaluations and ratings. According to Gerhart (2017), such pay plans are used extensively by organisations across the world, and can be found in approximately 50% of publicly traded companies. Moreover, Heneman and colleagues (2000) suggested that, as a general rule, IVPFP must typically be 5-10% of the employee’s base pay to have motivating outcomes. While we were unable to access data on the total IVPFP opportunity that employees in the respective organisation has, our average IVPFP is 4.9% of the average base pay. In light of this, we will now discuss the hypotheses.

H1 posits that management consultants will experience higher degrees of intrinsic motivation, when total compensation and informing incentive effects are high. By providing support for this hypothesis, multiple interesting reflections arise.

As discussed previously in this article, extrinsic motivation is often seen in context with monetary and tangible incentives, such as IVPFP. Somewhat contrary to this, our study shows that, for management consultants, when their total compensation is high they are likely to experience a higher degree of intrinsic motivation, given that the total compensation plan, including IVPFP, supports informing incentive effects. A core question in research on compensation and motivation is whether IVPFP undermines intrinsic motivation in the workplace (Gerhart and Fang, 2015). Our study suggests that this is not the case for management consultants, as long as the total compensation plan is grounded on employees’ perception of the total compensation as a reward and appreciation of good performance (Kuvaas, Busch, and Dysvik, 2018). These findings support the well-known Self-Determination Theory, in which scholars posit that the effect of financial rewards on employee motivation depends on two contrasting effects on employees’ locus of control, namely a controlling effect that effectively undermines intrinsic motivation, and an informing effect that increases intrinsic motivation (Balkin et al., 2015). Seen in light of the so-called weakness of the IVPFP plan in question, in

that the proportion of variable pay to the total compensation is low and the measures that determine the outcome are highly subjective, our study implies support for Deci and colleagues' (2017) arguments that compensation that is highly dependent on specific performance standards or results will inevitably strengthen employees' perceptions of an external locus of control, and therefore reduce intrinsic motivation. The support found in this study for this hypothesis, means that compensation has potential to enhance critical motivational factors for management consultants, given that the total compensation plan is not of controlling nature. Thus, our study confirms that IVPFP should not necessarily be discarded as an irrelevant part of the total compensation. All in all, this study shows that a weak IVPFP plan can, in fact, have significant impact on intrinsic motivation amongst management consultants, as long as the pay plan is designed so that it promotes informing incentive effects.

Although not empirically supported in this study, there are interesting angles of potential reasoning for the finding. One can argue that more experienced or senior management consultants, who have higher total compensation, may have more interesting work tasks compared to junior management consultants. Thus, the finding could be explained by the nature of the employee's tasks, rather than the total compensation and the pay plan design.

H2 posits that management consultants will experience higher degrees of economic exchange relationship when total compensation is high and perceived procedural justice is low. This means that a knowledge worker who receives a high total compensation, through a procedure that he or she perceives as unjustified, will experience an increased economic exchange relationship with the employer. The support for this hypothesis in our study provides grounds for reflections:

Kuvaas and colleagues (2017) found that the higher proportion of an employee's total compensation their base pay accounts for, the stronger the social exchange relationship the employee will have with their employer. The same study showed that if IVPFP accounts for a large proportion of an employee's total compensation, the employee is likely to develop a stronger economic exchange relationship (Kuvaas et al., 2017). Seen in light of the assessed pay plan, for which the IVPFP proportion is low, our findings



are somewhat contrary to the arguments of Kuvaas and colleagues (2017). Our findings highlight the importance of procedural justice in this equation, and suggest that management consultants have an increasingly transactional relationship to their employer when the pay plan design is poor, even when the total compensation is high. By providing support for this hypothesis, we further strengthen the argument for appropriate pay plan design. In the former hypothesis, we argue that IVPFP should not necessarily be disregarded as a tool for employee motivation. Hypothesis two highlights the great importance of ensuring that the process through which compensation is administered should be perceived as fair, consistent, accurate and without bias, as according to Colquitt (2001).

Again, there are multiple potential reasonings for this finding that are worth discussing. As mentioned previously, the pay plan investigated for this study was indeed a weak pay plan which was primarily, if not only, based on subjective performance measures. The performance measures used in the respective procedure were not necessarily black and white, but rather opened up for discussion and interpretation by the decision maker. It can be argued, although not statistically tested in this study, that such may affect the employee's perceived procedural justice. Moreover, the nature of our sample is an important reflection in this context. Our sample exclusively consists of knowledge workers, and management consultants in particular. The surveyed employees work with process implementation and improvement for a living, and may therefore be more critical towards the processes that they are subject to. Therefore, we believe there may be reasoning behind why management consultants perceive procedural justice to be low, and therefore have increased economic exchange relationships with their employers, although total compensation is high. The processes and procedures that are put in place to manage management consultants can be subject to more scrutiny than the processes and procedures that are used to manage less knowledge-intensive employees.

H3 posits that management consultants will experience higher degrees of turnover intention when total compensation is high and economic exchange relationship is high. Findings for hypothesis two indicated, contrary to relevant literature, that management consultants are likely to experience higher degrees of economic exchange relationship

towards their employer when total compensation is high, given that perceived procedural justice is low. As Shore and colleagues (2006) argued, such an economic exchange relationship can also be seen in light of extrinsic motivation, and therefore arguably also increased turnover intention as found by Kuvaas and colleagues (2017). Hypothesis three therefore tests whether such a relationship between economic exchange relationship and turnover intentions exists for management consultants, when their total compensation is high.

As our findings show insignificant results for this relationship, we do not support this hypothesis, which leaves us with interesting reflections in light of existing literature. Through this study, we are not able to find a relationship between highly compensated employees and turnover intention due to economic exchange relationship. With economic exchange relationship seen in light of extrinsic motivation, our findings support the studies of LaBarbera and Gürhan (1997), and Nickerson and colleagues (2003). LaBarbera and Gürhan (1997) hypothesised that highly compensated employees who were also highly extrinsically motivated towards work would suffer less from the more extreme outcomes of extrinsic motivation, such as turnover intentions. It can therefore be argued that employees tend to stay with their employer when they are highly compensated, even when they experience higher degrees of economic exchange relationship, and arguably extrinsic motivation. Therefore, it is interesting to explore the adverse effects that extrinsic motivation has been found to have on employees because the employer arguably has to cope with these outcomes to ensure sustainable performance.

Aside from higher turnover intention, extrinsic motivation has been found to enhance the likeness of employees experiencing negative psychological outcomes associated with their work and employer. Lemyre and colleagues (2007) argued that extrinsic motivation is related to higher probabilities of experiencing burnout. Moreover, Gagné and colleagues (2010) found that extrinsic motivation undermines important affective commitment at work, and increases psychological distress and continuance commitment. Overall, the authors' findings suggests that extrinsic motivation promotes adverse job outcomes, such as job satisfaction, work dedication and job vitality. Lastly, extrinsic motivation has also been found to affect employees' lives outside of work, as

they are more likely to report lower life satisfaction and more susceptible to experiencing conflicts between their work life and social life (ibid.).

## Practical implications

Our findings imply that monetary compensation of management consultants is important for employee motivation. Despres and Hiltrop (1995) argued that traditional approaches to pay-or-performance and other monetary rewards are no longer appropriate, but our findings suggest otherwise. Our support for hypothesis one is in accordance to SDT: when total compensation informs employees of their level of competence and worth to their employer, and is perceived as a token of appreciation for good performance, intrinsic motivation increases (Deci et al., 2017). Nonetheless, our findings also suggest that even highly compensated management consultants are prone to adverse effects of extrinsic motivation as an outcome of economic exchange relationship, based on low perceived procedural justice. We therefore argue that the adverse outcomes of extrinsic motivation are important for organisations to be mindful of, as our findings indicate that highly compensated employees are not more likely to have higher turnover intention due to a stronger economic exchange relationship. As such, our findings imply that highly compensated management consultants are likely to stay with their employer, while experiencing the aforementioned adverse outcomes of increased extrinsic motivation, when the procedure that determines total compensation is perceived as unfair. To further strengthen the argument regarding the importance of procedural justice and well-designed compensation processes, we argue that highly compensated management consultants are more intrinsically motivated, when perceived informing incentive effect is also high.

Based on this, our findings suggest that organisations that employ management consultants should pay particular attention to ensuring that the procedures supporting total compensation are fair, consistent, accurate and without bias, as described by Colquitt (2001). As such, these organisations may arguably benefit from reassessing their current pay plans informed by our findings, to promote informing incentive effect, fair and transparent procedures, and less of an economic exchange relationship. Although our findings do not indicate that the adverse effects of compensation are

strong enough to increase management consultants' turnover intention, the findings suggest that the aforementioned aspects of our study should be of primary concern to employers as they work to develop talent among a highly growing and in-demand group of workers.

## Strengths, limitations and future research

To further enlighten the reader of the context of our study, we will now discuss selected strengths and limitations of the processes and procedures that were utilised.

In relation to Podsakoff et al.'s (2012) procedural remedies against common method bias, we included temporal and physical separation of the items when measuring our variables. In addition, we eliminated ambiguity in scale items by defining terms that may be unfamiliar to participants and keeping questions simple and specific as possible. To better reduce common method bias, Podsakoff et al. (2012) suggested eliminating common scale properties (i.e. response format). However, our response format, based on the Likert scale, was consistent across both surveys.

One of the strengths of our research comes from the relatively high internal consistency reliability of the adopted and adapted items taken from previous research. Moreover, by including actual pay data in our study, we offer more insight into research on incentive effects and motivation compared to prior research in those areas. While we had access to base pay and variable pay, we decided not to compare those who have the opportunity to earn a bonus with those who cannot, as this would have split our sample into groups with too few samples in each. Therefore, we created a variable called total compensation, which includes both base and variable pay.

Moreover, although our sample was shown to be representative of the organisation's workforce, our study only investigates management consultants based in Norway. Arguably, our study can only be generalised to similar organisations in the same geographic area, with a similar pay plan. Therefore, research is needed to explore whether our findings hold in other countries and cultures. Lastly, one of the main strengths of our study is the fact that it only encompasses management consultants, a group of workers with arguably unique work characteristics. Simultaneously, this

naturally implies that our findings cannot be generalised to employees with simple and algorithmic tasks.

## Conclusion

This study posits that management consultants have complex relationships and attitudes towards monetary compensation. The study enforces previous research on compensation and motivation, and adds to existing literature. Through this study, we highlight the importance of procedural justice and suggest concrete focus areas for employers as they work to develop talent among a highly growing and in-demand group of workers.

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## Appendix

### Appendix A: Adopted or adapted items

	English	Norwegian
<p><b>Procedural Justice</b> (prosedyremessig rettferdighet), Colquitt (2001) and Kuvaas (2008)</p>	<p>The statements below concern your evaluation of the fairness of the procedures and processes regarding compensation decisions in [company], including base salary (including its development), any bonuses and overtime pay. To what extent do you agree that:</p> <ol style="list-style-type: none"> <li>1. The procedures and processes are clear and understandable.</li> <li>2. You have been able to express your views and feelings during those procedures.</li> <li>3. You have had the opportunity to influence over the outcome arrived at by those procedures.</li> <li>4. Those procedures have been applied consistently.</li> <li>5. Those procedures have been free of bias and/or</li> </ol>	<p>Utsagnene nedenfor omhandler din vurdering av rettferdigheten til de prosedyrer og prosesser som ligger til grunn for belønningsbeslutninger i [company]. I hvilken grad...</p> <ol style="list-style-type: none"> <li>1. Prosedyrene og prosessene er klare og forståelige</li> <li>2. Du har hatt mulighet til å fremme dine synspunkter og følelser underveis i prosessene</li> <li>3. Du har hatt mulighet til å påvirke utfallet av prosessene</li> <li>4. Prosessen anvendes konsistent over tid og mellom ulike personer</li> <li>5. Prosessen er upartisk og uten diskriminering eller favorisering</li> <li>6. Prosessen er basert på presis og riktig informasjon</li> <li>7. Du har hatt mulighet til å få en ny vurdering av beslutningen dersom du har</li> </ol>

	<p>discrimination or favoritism.</p> <p>6. Those procedures have been based on accurate information.</p> <p>7. You have been able to appeal the outcome arrived at by those procedures.</p> <p>8. Those procedures have upheld ethical and moral standards.</p>	<p>ønsket det</p> <p>8. Prosessen er i tråd med allmenngyldige etiske og moralske standarder</p>
<p><b>Distributive Justice</b> (utfallsmessig rettferdighet), Colquitt (2001)</p>	<p>The statements below concern your evaluation of the fairness of the different compensation components, such as base salary (including its development), and bonuses and overtime pay, that you receive in [company]. To what extent do you agree that:</p> <ol style="list-style-type: none"> <li>1. Your compensation reflects the effort you have put into your work.</li> <li>2. Your compensation is appropriate for the work you have completed.</li> <li>3. Your compensation reflects what you have contributed to the organisation.</li> <li>4. Your compensation is justified, given your performance.</li> </ol>	<p>Utsagnene under omhandler din vurdering av rettferdigheten ved de ulike belønningskomponentene, som fastlønn (inkludert dens utvikling), bonusutbetalinger og overtidsbetaling, du mottar av [company]. I hvilken grad...</p> <ol style="list-style-type: none"> <li>1. Kompensasjonen du mottar reflekterer innsatsen du legger i arbeidet</li> <li>2. Kompensasjoner du mottar står i et riktig forhold til den jobben du har gjort</li> <li>3. Kompensasjonen du mottar reflekterer ditt bidrag til organisasjonen</li> <li>4. Det du mottar av kompensasjon er rettferdig sett i forhold til dine arbeidsprestasjoner</li> </ol>
<p><b>Controlling Incentive Effect</b> (kontrollerende incentiv effekt), Kuvaas, Buch, and Dysvik (2018)</p>	<p>The statements below concern the extent to which [company] compensation system affects you in your work. To what extent do you agree or disagree with the</p>	<p>Påstandene under omhandler i hvilken grad belønningssystemet i [company] påvirker deg i ditt arbeid. I hvilken grad er du enig eller uenig i følgende påstander</p>

	<p>following statements:</p> <ol style="list-style-type: none"> <li>1. To accomplish pay-outs from the compensation system I do things that I otherwise would not have done.</li> <li>2. The compensation system affects my priorities at work.</li> <li>3. If we did not have the compensation system that we currently have, I would have done my job differently.</li> <li>4. It is difficult not to think about the compensation system when I execute my work.</li> </ol>	<ol style="list-style-type: none"> <li>1. For å oppnå uttelling i belønningssystemet gjør jeg ting jeg ellers ikke ville ha gjort.</li> <li>2. Belønningssystemet påvirker mine prioriteringer på jobb.</li> <li>3. Dersom vi ikke hadde hatt det belønningssystemet vi har i dag ville jeg ha gjort jobben min på en annen måte.</li> <li>4. Det er vanskelig å ikke tenke på belønningssystemet når jeg utfører jobben min.</li> </ol>
<p><b>Informing Incentive Effect</b> (informerende incentiv effekt), newly developed and tested scale in two theses on an executive level</p>	<p>The statements below concern the extent to which [company] compensation system affects you in your work. To what extent do you agree or disagree with the following statements:</p> <ol style="list-style-type: none"> <li>1. I view potential bonus pay-outs as a confirmation of my competence.</li> <li>2. The salary and compensation system contributes to my feeling of being valued by my employer.</li> <li>3. The salary and compensation system contributes to me feeling competent in my work.</li> <li>4. I consider potential bonus pay-outs as a thank you for good effort.</li> </ol>	<p>Påstandene under omhandler i hvilken grad belønningssystemet i [company] påvirker deg i ditt arbeid. I hvilken grad er du enig eller uenig i følgende påstander</p> <ol style="list-style-type: none"> <li>1. Jeg ser på eventuelle bonusutbetalinger som en bekreftelse på min kompetanse.</li> <li>2. lønn- og kompensasjonssystemet bidrar til at jeg føler meg verdsatt av min arbeidsgiver.</li> <li>3. lønn- og kompensasjonssystemet bidrar til at jeg føler meg kompetent i jobben min.</li> <li>4. Jeg ser på eventuelle bonusutbetalinger som en takk for god innsats.</li> </ol>

<p><b>Intrinsic Motivation</b> (indre motivasjon), Kuvaas (2006) and Kuvaas and Dysvik (2009)</p>	<p><i>The statements below regard your intrinsic motivation towards your work. To what extent do you agree or disagree with the following statements:</i></p> <ol style="list-style-type: none"> <li>1. The tasks that I do at work are themselves representing a driving power in my job.</li> <li>2. The tasks that I do at work are enjoyable.</li> <li>3. My job is meaningful .</li> <li>4. My job is very exciting .</li> <li>5. My job is so interesting that it is a motivation in itself .</li> <li>6. Sometimes I become so inspired by my job that I almost forget everything else around me.</li> </ol>	<p>Utsagnene under omhandler din indre drivkraft til å utføre dine arbeidsoppgaver. I hvilken grad er du enig eller uenig i følgende påstander:</p> <ol style="list-style-type: none"> <li>1. Mine arbeidsoppgaver er i seg selv en viktig drivkraft i jobben min.</li> <li>2. Det er gøy å jobbe med de arbeidsoppgavene jeg har.</li> <li>3. Jeg føler at den jobben jeg gjør er meningsfull.</li> <li>4. Jobben min er veldig spennende.</li> <li>5. Jobben min er så interessant at den i seg selv er motiverende.</li> <li>6. Av og til blir jeg så inspirert av jobben min at jeg nesten glemmer ting rundt meg.</li> </ol>
<p><b>Social and Economic Transaction Relationship</b> (Sosiale og økonomiske bytteforhold), Shore et al. (2006) and Kuvaas and Dysvik (2010b)</p>	<p>The statements below concern your evaluation regarding your perceived relationship to [company]</p> <ol style="list-style-type: none"> <li>1. Social: <ol style="list-style-type: none"> <li>a. I don't mind working hard today - know I will eventually be rewarded by [company].</li> <li>b. I worry that all my efforts on behalf of [company] will never be rewarded</li> <li>c. There is a lot of give and take in my relationship with [company].</li> <li>d. Even though I may not always receive the recognition from</li> </ol> </li> </ol>	<p>Utsagnene under omhandler din vurdering av hvordan du opplever relasjonen med [company]</p> <ol style="list-style-type: none"> <li>1. Sosialt: <ol style="list-style-type: none"> <li>a. Jeg jobber gjerne ekstra hardt i dag, for jeg er sikker på at [company] kommer til å gjengjelde innsatsen etter hvert.</li> <li>b. Jeg er bekymret for at alt det jeg har gjort for [company] aldri vil bli gjengjeldt.</li> <li>c. Min relasjon til [company] handler mye om gjensidig imøtekommenhet, noen ganger gir jeg mer enn jeg får og andre ganger</li> </ol> </li> </ol>

	<p>[company]I deserve, I know my efforts will be rewarded in the future.</p> <p>e. My relationship with [company] is based on mutual trust.</p> <p>f.[company] has made a significant investment in me.</p> <p>g. I try to look out for the best interest of [company] because I can rely on my organization to take care of me.</p> <p>h. The things I do on the job today will benefit my standing in [company] in the long run</p> <p>2. Economic:</p> <p>a. The most accurate way to describe my work situation is to say that I give a fair day's work for a fair day's pay.</p> <p>b. My relationship with [company] is impersonal - I have little emotional involvement at work.</p> <p>c. I only want to do more for [company]when I see that they will do more for me.</p> <p>d. I do what[company] requires, simply because they pay me.</p> <p>e. I do not care what[company]does for me in the long run, only what it does right now</p> <p>f. I watch very carefully what I get from [company], relative to what I contribute.</p> <p>g. My relationship with [company] is strictly an economic one - I work</p>	<p>får jeg mer enn jeg gir.</p> <p>d. Selv om [company] kanskje ikke alltid gir meg den anerkjennelsen jeg mener jeg fortjener, velger jeg tror jeg vil få det på sikt.</p> <p>e. Mitt forhold til [company] er basert på gjensidig tillit.</p> <p>f. [company] har investert mye i meg.</p> <p>g. Jeg forsøker å bidra til å ivareta [company] sine interesser fordi jeg stoler på at de vil ta godt vare på meg.</p> <p>h. Jeg tror at den innsatsen jeg legger ned i jobben i dag vil være fordelaktig for min posisjon i [company] på lengre sikt.</p> <p>2. Økonomisk:</p> <p>a. Den beste beskrivelsen av min arbeidssituasjon er at jeg gjør det jeg får betalt for.</p> <p>b. Mitt forhold til [company] er upersonlig - jeg er lite følelsesmessig involvert i jobben min.</p> <p>c. Jeg gjør kun en ekstra innsats for [company] dersom jeg vet at de vil gjøre noe ekstra for meg.</p> <p>d. Jeg gjør det [company] krever av meg, hovedsakelig fordi jeg får betalt for det.</p> <p>e. Jeg bryr meg lite om hva [company] kan gjøre for meg på lengre sikt og er mest opptatt av hva de gjør akkurat nå.</p> <p>f. Jeg er veldig nøye med at det er et</p>
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	<p>and they pay me.</p> <p>h. All I really expect from [company] is that I am paid for my work effort.</p>	<p>samsvar mellom innsats jeg legger ned og hva jeg får tilbake i mitt arbeidsforhold.</p> <p>g. Mitt forhold til [company] er hovedsakelig økonomisk basert, jeg jobber og de betaler.</p> <p>h. Det eneste jeg egentlig forventer av [company] er at jeg blir betalt for den innsatsen jeg legger ned i jobben.</p>
<p><b>Turnover Intention</b> (turnover intensjon), Kuvaas (2006a)</p>	<p>The statements below concern to what degree you think that you will continue to work in [company], or whether you are considering changing employer.</p> <ol style="list-style-type: none"> <li>1. I often consider quitting my current job.</li> <li>2. I may quit my current job within the next year.</li> <li>3. I will probably be actively looking for a new job within the next year.</li> <li>4. I perceive my future possibilities in this organisation as poor.</li> <li>5. I will probably be actively looking for a new job within the next three years</li> </ol>	<p>Utsagnene under handler om i hvilken grad du tror du kommer til å fortsette å jobbe i [company], eller om du vurderer å skifte arbeidssted.</p> <ol style="list-style-type: none"> <li>1. Jeg tenker ofte på å slutte i min nåværende jobb.</li> <li>2. Jeg kan komme til å slutte i min nåværende jobb i løpet av det neste året.</li> <li>3. Jeg vil sannsynligvis lete aktivt etter en ny jobb det neste året.</li> <li>4. Jeg oppfatter mine fremtidsutsikter i denne organisasjonen som dårlige.</li> <li>5. Jeg vil trolig lete aktivt etter en ny jobb i løpet av de nærmeste 3 årene.</li> </ol>

## Appendix B: Email content sent to employees by Consulting Partner

“Dear [EMPLOYEE NAME] ,

Our [COMPANY DEPARTMENT] team have offered two Master students in Leadership and Organizational Psychology the opportunity to use [COMPANY NAME] as a case study for their thesis on motivation among knowledge workers.

The surveys have been carefully designed by these students, their advisor, and our HR team to capture your perception as a highly valued employee. The data collection and analysis process will be managed by the students and their advisor, and not [COMPANY NAME] employees. Responses will be treated as highly confidential data.

Below, you can find the link to Survey 1, which should only take you 4-5 minutes. Please give it your prompt attention.

Thank you for devoting your time and providing your honest input.”

## Appendix C: Principal Component Analysis with Promax Rotation

### Survey 1

Items	pi	dj	cc	ic	im	se	ti	ee	--
Those procedures have been applied consistently over time and between employees	<u>.86</u>								
Those procedures have been based on accurate information	<u>.78</u>								
Those procedures have been free of bias and/or discrimination or favouritism	<u>.77</u>								
Those procedures have upheld ethical and moral standards	<u>.67</u>								
The procedures and processes are clear and understandable	<u>.63</u>								
You have been able to express your views and feelings during those procedures	<u>.59</u>								
You have had the opportunity to influence the outcome arrived at by those procedures	<u>.54</u>								
You have been able to appeal the outcome arrived at by those procedures	<u>.49</u>								
Your compensation is appropriate for the work you have completed						<u>.98</u>			
Your compensation is justified, given your performance						<u>.96</u>			
Your compensation reflects the effort you have put into your work						<u>.95</u>			
Your compensation reflects what you have contributed to the organization						<u>.92</u>			
The compensation system affects my priorities at work									<u>.88</u>
If we did not have the compensation system that we currently have, I would have done my job differently									<u>.77</u>
It is difficult not to think about the compensation system when I execute my work									<u>.75</u>
To accomplish pay-outs from the compensation system I do things that I otherwise would not have done									<u>.64</u>
I view potential pay-outs from the compensation system as a thank you for high levels of effort									<u>.86</u>
I view potential pay-outs from the compensation system as a confirmation of my competence									<u>.86</u>
The compensation system makes me feel competent in my work	.34								<u>.57</u>
The compensation system makes me feel valued by [company]									<u>.49</u>

## Survey 2

Items (Continued)	pj	dj	ce	ie	im	se	ti	ee	--
The tasks that I do at work are enjoyable					<u>.95</u>				
My job is meaningful					<u>.86</u>				
My job is exciting					<u>.83</u>				
My job is so interesting that it is a motivation in itself					<u>.83</u>				
The tasks that I do at work are themselves representing a driving					<u>.69</u>				
Sometimes I become so inspired by my job that I almost forget everything else around me					<u>.51</u>				
My relationship with [company] is based on mutual trust									.35
There is a lot of give and take in my relationship with [company]									<u>.78</u>
Even though I may not always receive the recognition from [company] I deserve, I know my efforts will be rewarded in the future									<u>.76</u>
The things I do on the job today will benefit my standing in [company] in the long run									<u>.75</u>
I try to look out for [company]'s best interest because I can rely on [company] to take care of me									<u>.64</u>
I don't mind working hard today because I know I will eventually be rewarded by [company]									<u>.63</u>
[Company] has made significant investment in me									<u>.45</u>
I may quit my current job within next year									<u>.98</u>
I will probably be actively looking for a new job within the next year									<u>.90</u>
I will probably be actively looking for a new job within the next three years									<u>.82</u>
I often consider quitting my current job									<u>.81</u>
I perceive my future opportunities in [company] as poor									<u>.45</u>
I only want to do more for [company] when I see that they will do more for me									<u>.74</u>
I do what [company] requires simply because they pay me									<u>.72</u>
My relationship with [company] is strictly an economic one – I work and they pay me									<u>.66</u>
All I really expect from [company] is that I am paid for my work effort									<u>.64</u>

Items (Continued)	pj	dj	ce	ie	im	se	ti	ee	--
I watch very carefully what I get from [company] relative to what I contribute									<u>.60</u>
The most accurate way to describe my work situation is to say that I give a fair day's work for a fair day's pay									.43
I do not care what [company] does for me in the long run – only what it does for me right now									.35
I worry that all my efforts on behalf for [company] will never be rewarded									.69
I worry that all my efforts on behalf for [company] will never be rewarded									.38
Coefficient alpha for final scales	.83	.96	.79	.72	.88	.88	.75	.82	

Factor loadings less than 0.35 are not shown; values shown underlined are those included in the final scales  
 pj = perceived procedural justice; dj = perceived distributive justice; ce = controlling incentive effect; ie = informing incentive effect;  
 im = intrinsic motivation; se = social exchange relationship; ti = turnover intention; ee = economic exchange relationship