

Human Resource-based Competitive Advantage: The Case of Motivational Rents

Aviad Pe'er A*

Sauder School of Business, University of British Columbia, Canada

Abstract

This paper proposes a theory of whether, and under what circumstances, human resource practices aimed at creating high levels of aggregate employee motivation can be a source of sustainable competitive advantage. Drawing on the received literature in social psychology, it develops a three-dimensional conceptual framework of antecedents and consequences of employee motivation in an organizational setting. It determines that human resource practices that generate and capture superior levels of motivation rents can also generate sustainable competitive advantage, despite competitive pressures, when they are sufficiently tacit, causally ambiguous, and context specific.

Keywords: Human resource; Employee motivation; Social psychology

Introduction

The management literature's study of the determinants of competitive advantage is paying increasing attention to factors related to human resources. Proponents of the resource-based view (RBV) of the firm have argued that, while tangible assets are typically imitable and thus unlikely to be a source of sustainable competitive advantage [1], 'human assets are often hard to imitate due to scarcity, specialization, and tacit knowledge' [2], and thus offer more promising ground to management researchers seeking sources of sustainable competitive advantage [3-7].

Researchers in the field of human resource management have conceptualized human resources as the combination of the knowledge, skills, and abilities of individual organizational members, on the one hand, and of those individuals' *motivation* to behave in a certain way, on the other [8,9]. This implies a distinction between potential performance, i.e., what individuals are capable of based on their knowledge and skills, and actual performance, i.e., the amount potential performance an individual exhibits. The difference between potential and actual performance will be heavily influenced by how motivated individuals are to deploy their skills. An important part of this research is focused on human resource practices, i.e., the mechanisms and processes through which an organization can shape the skills and motivation of its workforce. Human resource practices include functions such as recruiting, training, performance appraisal, compensation, etc., [9,10]; or for an overview of the strategic role of human resource practices [11].

Researchers in Human Resource Management and Strategic Management alike have long recognized the important role that knowledge plays as a determinant of organizational performance and as a possible source of economic rents and sustainable competitive advantage (Figure 1, Arrow 1). This insight, along with the discovery of organizational processes related to the generation, accumulation, and transfer of knowledge, laid the foundation for development of the knowledge-based view (KBV) of the firm. This stream of strategic management research has established how organizational capabilities are a function of both individual-level capabilities, i.e., the knowledge, skills, and abilities of an organization's human resource pool [12], and of organizational-level capabilities such as the ability to generate, transfer, and absorb knowledge [7,12-14]. Organizational capabilities ultimately create the opportunity to generate economic rents, as

individuals cannot appropriate all the gains from their activities [2,15,16]. At the same time, because these types of strategic factors are difficult to imitate or substitute for, and because markets for them tend to fail [17,18], organizations that master them can achieve sustainable competitive advantages.

In parallel, human resource management scholars identified the potential of knowledge and skills, as well as of human resource practices aimed at the generation and transfer of knowledge as possible sources of sustainable competitive advantage [19] (Figure 1, Arrow 2). Given the similarity of the two research agendas, it is surprising how little communication or cross-fertilization has occurred between the fields [20]. for an overview of the influence of the RBV on human resource management).

With respect to employee motivation, the state of the literature is quite different. The importance of employee motivation and the related problems of agency cost and corporate governance have been subject to extensive research in both the human resource management and the strategic management literatures [7,10,21-25]. In this context, the role of high levels of motivation as a potential source of competitive advantage has already been articulated [9]. However, current theories of sustainable competitive advantage have yet to explicitly consider motivation as a potential determinant of long-term firm performance (Figure 1, Arrow 3).

Given the intuitive consensus on the salience of motivation for a comprehensive theory of sustainable competitive advantage, we need to better understand the antecedents of the construct (Figure 1, Arrow 4). While it is well established how knowledge-related human resource practices can be sources of rent generation, our theory linking human resource practices specific to the enhancement of motivation with the creation and sustainability of competitive advantage is lacking (Figure

*Corresponding author: Aviad Pe'er A, Sauder School of Business, University of British Columbia, Canada, Tel: 9733531703; E-mail: apeer@business.rutgers.edu

Received November 17, 2015; Accepted January 04, 2016; Published January 07, 2016

Citation: Pe'er AA (2016) Human Resource-based Competitive Advantage: The Case of Motivational Rents. J Entrepren Organiz Manag 5: 162. doi:10.4172/2169-026X.1000162

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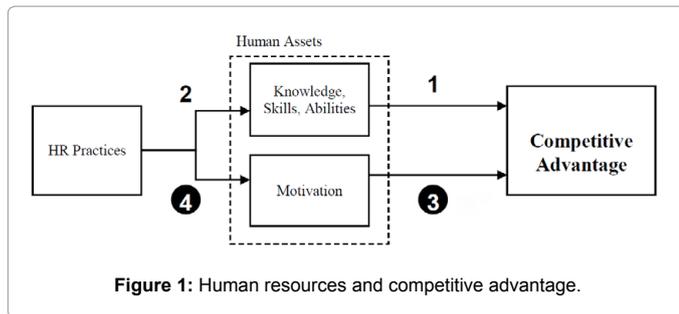


Figure 1: Human resources and competitive advantage.

1, Arrows 3 and 4). Such a theory would complement the KBV in the sense that it would capture the two relevant aspects of the human resource base: its skill set and its level of motivation.

Our goal in this paper is to develop a theory of whether, and under what circumstances, human resource practices aimed at the creation of high levels of aggregate employee motivation can be a source of sustainable competitive advantage. To this end, we review the literature in social psychology and economics to develop a three-dimensional conceptual framework of the antecedents and consequences of employee motivation in an organizational setting. We highlight the possibility that, under standard assumptions, organizations are indeed able to capture some of the performance advantage available from superior levels of employee motivation. We then shift our attention to ask if and when a motivation-based competitive advantage stemming from a valuable and rare set of human resource practices might be sustainable despite competitive pressures. From the corresponding analysis we conclude that human resource practices for enhancing motivation are most successful, and most sustainable, when they are tacit, causally ambiguous and context specific.

To be clear, the question of the strategic relevance of motivation for organizational performance and competitive advantage has surfaced in some recent contributions in the strategic management field. Managerial rent theory) [26,27], for example, submits that skills with rent-generation potential are a necessary, but not sufficient, condition for rent generation. It also points out the importance of motivation for realizing that potential. Similarly, Makadok [24], has called for future research on the genesis of competitive advantage that combines knowledge-based issues with questions of governance or motivation. Gambardella et al. [16], argued based on an analytical model that firms can motivate knowledge workers by offering them opportunities to increase personal benefits through autonomy in the decision-making process.

Motivation and the cost of human resources

The impact of human resource management on competitive advantage passes predominantly through the influence of human resource practices on the cost and productivity of employees. As there are obviously a large variety of factors that determine employee cost and productivity, a comprehensive discussion of this question is beyond the focus of our study. We focus, instead, on the narrower question of how firms can motivate employees to exert the required effort in a rent-generating fashion, holding constant other characteristics of the workforce and the firm. In particular, we shall not consider any variations in (a) the knowledge, skills, and abilities of the workforce, (b) the production technology, (c) market positioning, and (d) firm strategy. By this method are able to isolate the impact of (aggregate) employee motivation on performance, rent generation, and competitive advantage.

A simple model of the market for human resources

According to standard human resource theory, firms need to compensate their employees for the dis-utility of the effort required from them. The common way to accomplish this is through financial compensation; firms pay either market wages or efficiency wages to keep people in their jobs and motivate them to work [28]. There is, however, one important difficulty related to the use of financial compensation: Money being a commodity, firms find it difficult to compensate their employees in a way that cannot be easily and rapidly imitated (matched) by competitors. In other words, assuming that firms are competing for scarce human talent, they will find themselves in a situation in which competition automatically bids-up compensation levels to the point where they match employee productivity (which can be broadly defined as all benefits to the organization from employee activity). In this case, the employee captures all benefits from his or her work and no rents accrue to the organization. This situation can be compared to the rents-destroying effects of perfect price competition in the product market [17].

If firms solely rely on financial compensation to motivate employees, we cannot expect that they are able to generate any type of 'motivational rents'. Instead we have to look for factors that enable firms to differentiate how they motivate their employees. When firms are able to motivate employees using methods that are (a) less costly than relying purely on financial compensation and (b) difficult or impossible for competitors to replicate, they can reduce competition for human resources and capture economic rents. Economic rents can be defined as profits from, 'resources invested in a particular activity in excess of the profits that could have been obtained by investing the same resources in the most lucrative alternative activity' [29] or, in a similar spirit, as, 'returns to a factor in excess of its opportunity cost'. This would be the analogy to the effect of product differentiation in the product market that also reduces market pressures and makes rent generation possible.

In the following section we take a closer look at the concept of 'motivation' and discuss different aspects of this multifaceted construct. Next we develop a model of the different mechanisms through which organizations can actively influence aggregate employee motivation.

Extrinsic and intrinsic motivation

The concept of 'motivation' plays a central role in research concerned with understanding the determinants of individual behavior in organizations and its impact on firm performance [4,30-39]. The basic argument is fairly simple: Motivation can be linked to a set of underlying goals, from whose accomplishment individuals derive a certain level of utility [32]. This then creates a motivation to engage in behavior that is perceived by individuals to be useful for meeting their goals. The motivation to behave in a certain way is determined by: (a) The degree to which the behavior helps individuals to meet their goals; and (b) The relevance of each goal to the individual (individual motivational preferences).

While the literature includes a number of different classifications of motivational mechanisms with varying degrees of granularity [33], our analysis is founded on three-category taxonomy. This extends Deci's [32], initial dichotomy of extrinsic and intrinsic motivation following a refinement proposed by Lindenberg [40], which separates intrinsic motivation into a task-related component, the enjoyment-based 'hedonic intrinsic motivation', and a social component, the obligation-based 'normative intrinsic motivation'. This three-category taxonomy

captures the fundamental differences between the mechanisms through which organizations can influence motivation. At the same time it remains parsimonious and hence better suited for application to questions of strategic human resource management rather than to some of the more fine-grained taxonomies used in social psychology.

Extrinsic motivation is driven by the goal of obtaining extrinsic work rewards or outcomes [41], such as money, power, recognition, etc. The impact of extrinsic motivation depends jointly on the reward system in place, which determines the extrinsic work rewards (or sanctions) that the individual obtains as a function of any given behavior, and on the importance of these rewards to the individual.

Hedonic intrinsic motivation is driven by the goal of being engaged in enjoyable [40], self-determined, and competence-enhancing behavior [33]. It varies with the degree to which the individual perceives the characteristics of the task and the task context as positive or negative [42-45]. The impact of hedonic intrinsic motivation depends on the importance the individual attributes to being engaged in enjoyable, self-determined, and competence-enhancing behavior [46].

Normative intrinsic motivation is driven by the goal of engaging in behavior that is compliant with norms and values. As members of a firm's social community, individual employees are normatively intrinsically motivated to engage in, or refrain from, a given behavior, depending on whether the behavior is congruent with organizational norms and values [47]. The intensity of normative intrinsic motivation depends on the degree to which individuals identify with the quasi-stable organizational norms and values.

Organizational mechanisms to influence employee motivation

Organizations have several possibilities for actively influencing aggregate employee motivation. A variety of human resources practices aimed at enhancing motivation, henceforth called 'motivation levers', are available to the firm to stimulate all three types of motivation.

Extrinsic motivation is most directly influenced by a reward system that specifies rewards (or sanctions) for a given behavior [48-53]. Hedonic intrinsic motivation can be influenced through changes in the design of individual tasks and the task context [43-45]. Finally, organizations can enhance normative intrinsic motivation through socialization regimes [49,54,55]. For example, company-wide events or training sessions can be used to enhance employee-organization identification and, thereby, to proliferate existing organizational norms and values among employees.

One must bear in mind, however, that these three types of motivation differ substantially in the degree to which organizations can harness them to enhance performance. It is therefore important to take a closer look at the contingency factors that restrict or enhance organizations' ability to use these mechanisms.

Extrinsic motivation, for example, can be used to stimulate organizational performance-maximizing behavior with a relatively large degree of discretion [56], as long as the behavior can be pre-specified and rewards can be allocated accordingly. Clearly, these contingencies on the completeness of contracts and the complex monitoring of actual behavior have generated entire branches of economic theory [25,48,57-63]. For the purpose of this paper, it suffices to say that the problem can be interpreted in terms of understanding, first, the factors that affect the influence of the reward system on extrinsic motivation and, second, the influence of extrinsic motivation

on performance. As mentioned in the previous section, the first linkage is sensitive to individual preferences because compensation and power status may motivate people to different degrees. With respect to the second, the link between extrinsic motivation and performance depends on the fit between the reward system and the strategic objectives of the organization, because the optimality of rewards depends on the degree to which they support organizational strategy [50].

In contrast, hedonic intrinsic motivation is determined by the perceived characteristics of a given task and by the task context. Prior research has shown that changes in individual job design and the task context, as well as changes in employee *perceptions* regarding their job characteristics, can have an important impact on employee motivation [43-45]. (This phenomenon has also been subject to extensive research in the area of empowerment) [64], and procedural justice [65], again subject to variations in individual preference. However, there may be limits to the degree of overlap between what individuals perceive as enjoyable, self-determined, and competence-enhancing tasks and the organizational needs for implementing its strategy. Individuals may be highly (hedonically intrinsically) motivated by the characteristics of the tasks they are performing, but the corresponding behavior may not necessarily be in line with organizational goals. Therefore, the degree to which hedonic intrinsic motivation translates into performance is a function of the fit between organizational structure, as the aggregate of all job design decisions, and the organization's strategy.

Finally, organizations can enhance normative intrinsic motivation through socialization regimes [54,55,59], as these increase the individual's identification with the organization. For example, these could take the form of company-wide events or training sessions targeted at increasing employee-organization identification and the proliferation of organizational norms and values among employees. However, just as in the previous cases, the effectiveness of these measures in stimulating normative intrinsic motivation is sensitive to the characteristics of individual preferences. Furthermore, the degree to which normative intrinsic motivation leads to increased performance is contingent upon the fit between the existing set of organizational norms and values and the strategic objectives of the organization. In other words, socialization can only be used to stimulate behavior through enhanced normative intrinsic motivation to the extent that that behavior corresponds to the organizations' norms and values.

The effect of many initiatives is thus highly contingent upon the organizational context in which they operate. First, we have already seen that the sensitivity of individuals to different forms of motivation crucially depends on individual preferences. People differ not only in their personal goals and values, but also in: (a) In how sensitive they are to rewards in general; (b) The type of rewards (compensation, power, recognition, etc.) that stimulate their behavior most effectively; (c) Their sensitivity to different characteristics of their job (skill variety, task identity, task relevance, autonomy, knowledge of results) [43]; (d) The importance they attach to having a job tailored to their preferences and attitudes; (e) The extent to which, and the ease with which, they internalize organizational norms and values; and (f) The importance they place on feeling fully integrated in the social community in which they work.

Individual preferences are not the only contingency we need to consider in our model of motivation, however. There are also important factors at the organizational level that determine whether a certain effort to enhance motivation actually translates into higher performance. An obvious one is the set of objectives defined by the firm's leading coalition of powerful actors (top management, board members, key

shareholders, etc.), and the fundamental choices and trade-offs made to achieve those objectives. Performance depends on the degree to which individual motivation is directed towards the implementation of strategic choices and the realization of organizational objectives.

Another organizational attribute that plays an important role in this context is cultural norms and values. One principal factor that renders a set of cultural norms and values *valuable* is the degree to which they facilitate the alignment between individual and organizational goals [66]. For example, cultural norms and values function as boundary conditions for socialization processes because organizations can only socialize their members to the values and norms the organization reflects [54,55]. At the same time, organizational norms and values can influence the degree to which employees accept-or reject-a given reward system.

These motivation levers are therefore dependent on several aspects of the organizational context: employees' individual preferences and the organization's strategic objectives and cultural norms and values. These organizational attributes are (relatively) stable in nature but may change over time. For instance, it may be possible that over time the motivation levers themselves influence the development of these organizational attributes. One could imagine, for example, that a heavy use of high-powered rewards and tight control regimes can push organizational norms and shared values towards increasing degrees of opportunism [67]. Similarly, the existence of a specific incentives system or a particular job characteristic may both attract and repel individual employees with specific sets of preferences, so that workforce attributes change over time.

The Interdependence of job design, reward systems and socialization regimes

The applicability of the various motivational levers (job design, reward system, and socialization regime) as strategic variables influencing individual behavior depends on the characteristics of the desired behavior. One can imagine a situation in which the same behavior, e.g., working overtime, can be a result of any of the three types of motivation: extrinsic motivation to work overtime may stem from higher overtime pay; hedonic intrinsic motivation to work overtime may be due to a direct utility from continued engagement in a pleasant activity; and normative intrinsic motivation to work overtime may be the consequence of organizational norms that consider occasional (unpaid) overtime an aspect of 'good organizational citizenship'. In this sense, job design, rewards, and socialization can be *alternative* possibilities stimulating the same behavior.

On the other hand, there may be types of behavior stimulated by one of these factors but not by others. For example, the literature on reward systems has pointed out that, because of free-riding problems, rewards alone will not readily inspire cooperative behavior in a teamwork setting, in which individual contributions to team performance remain unobserved [8,53]. However, in the presence of organizational norms and values that favor cooperative behavior, socialization regimes can be a successful way of enhancing team performance.

Similarly, a large number of tasks are necessary, but will never be perceived as pleasant, self-determinant, or competency-enhancing regardless how the job design is formulated. An oft-cited example is that of extracting the inner organs of slaughtered animals on the manufacturing line of a food processing plant. In this and comparable cases, hedonic intrinsic motivation is virtually impossible and organizations must rely on either rewards or normative intrinsic

motivation to stimulate the desired behavior. These cases show how job design, socialization regimes, and reward systems can be *complementary* mechanisms to motivate desired behavior.

Researchers in economics and organizational behavior have recently begun to recognize a potential bi-directional interaction effect between intrinsic and extrinsic motivation and are now looking for factors that determine whether interaction effects are positive or negative. While social psychologists have focused traditionally on the negative impact of rewards on (hedonic) intrinsic motivation [29,31,32,39], more recent work in this area distinguishes between rewards that are perceived as controlling (and thus have a negative impact on intrinsic motivation) and performance-contingent rewards that are perceived as informative (and thus can have a positive impact on hedonic intrinsic motivation) [46,68]. Economists have also begun to move away from an exclusive focus on extrinsic motivation based on rewards and monitoring and controlling activity [69] and started to incorporate intrinsic motivation, as well as the impact of rewards on intrinsic motivation, in their models [36,37,52,64].

It is important to keep in mind that the three motivation levers and the corresponding types of motivation are not orthogonal in their impact on performance, but that important interaction effects exist between them. Rewards can be detrimental to hedonic and normative intrinsic motivation [29,32,67], but one can also imagine that a 'fair' reward system will facilitate an individual's identification with an organization and enhance normative intrinsic motivation. Similarly, socialization to norms and values that counter the reward system's objectives can negatively impact its efficiency, such as in the case of piece-rate systems, which are rendered inefficient when a strong norm of equality exists among co-workers and against 'rate busters' [70,71]. At the same time, socialization and compliance with organizational norms can serve as a fix for some of the problems that have been identified in the incentive literature. One frequently mentioned caveat is the tendency of people to focus on performance-relevant behavior that the incentive system rewards to the detriment of (equally important) performance-relevant behavior that the incentive system does not capture [50-52,53]. In such a situation, internalizing organizational norms and values that oppose individualism and selfishness may reduce behavior aimed exploiting a rewards system. Based on the observation that job design, socialization regimes, and reward systems are interrelated [49], partly alternative and partly complimentary mechanisms, we conclude that all three motivational levers need to be considered simultaneously, both in their independent and joint effects, in order to study the conditions required for realizing a maximum degree of performance. This argument is consistent with the notion of required 'internal' or 'horizontal' fit of human resource practices that influence employee capabilities and behavior [20]. In other words, different human resource practices need to be considered simultaneously, both in their independent and joint effects, in order to study the conditions required to generate a maximum degree of performance. Implied here is that it is difficult to identify the causal linkages between a single initiative to enhance motivation and the overall performance of an individual and, ultimately, a firm.

In summary, we have seen that organizations can influence performance by adjusting three motivation levers: the reward system, the socialization regime, and the job design. The three levers interact in their effects on extrinsic, hedonic intrinsic and normative intrinsic motivations. The joint impact of these levers on performance is contingent upon organizational traits, such as goals, norms, and values, as well as upon individual preferences regarding the different determinants of motivation (Figure 2). Next we will take a more

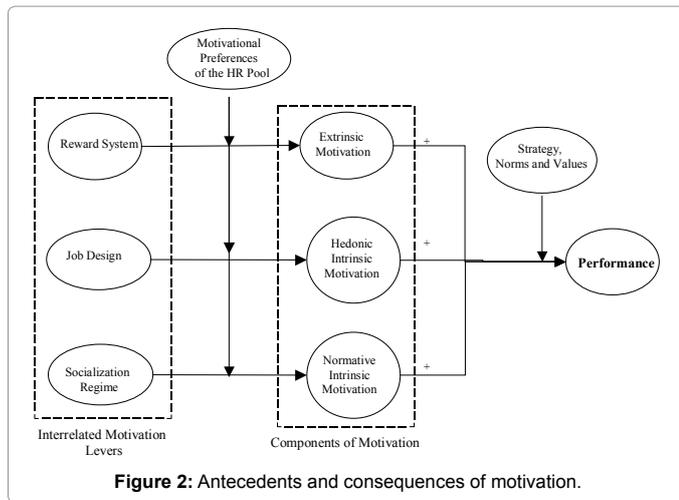


Figure 2: Antecedents and consequences of motivation.

detailed look at the costs related to each motivation lever.

Towards motivational rents: The cost and benefits of motivation

To analyze whether firms can, in fact, use their ability to motivate employees to gain and sustain competitive advantage, we need to first understand whether organizations are able to capture *economic rents* by increasing aggregate motivation. We thus need to compare the performance advantage of increased aggregate motivation with the 'cost' of increasing aggregate motivation in the broadest sense [2].

It is obvious that aggregate motivation cannot be created for free: actions that create an appropriate socialization regime (training, events, collective retreats, workouts, etc.) or task design are costly, as is funding a reward system, primarily due to the employee compensation required but also because the administration of rewards requires a system of monitoring and control. Organizations need to carefully consider the cost and benefits of a change in the determinants of aggregate motivation in their efforts to increase organizational efficiency. This raises the question of whether and under what conditions the advantages of a performance increase through higher aggregate motivation exceed the costs required for their generation, translating into economic rents for the organization.

This question is difficult to answer in general as the advantages of increased aggregate motivation, and the costs required to achieve them, are difficult to assess and quantify in general. For our theoretical discussion, however, the most pertinent question is whether employees capture all of the rents that result from their enhanced motivation, or whether organizations can capture some of them. Quantifying an individual employee's contribution to organizational performance, as well as the determinants of how the corresponding benefits are split between the individual and the organization, have been subject to extensive research [15,72,73]. For the purpose of our analysis, it is sufficient to note that employees will have difficulty appropriating *all* the rents from their activities whenever the processes that determine organizational performance are collective in nature and the exact contribution of each individual is difficult to assess [2]. Thus we can conclude that, under normal conditions, it is possible for organizations to capture at least part of the rents from increased motivation.

We can then define 'motivational rents' as simply: *'the improvement in organizational performance due to changes in employee behavior*

obtained through increased aggregate motivation that accrues to the organization, net of the costs required to establish this level of motivation.'

Motivation as a source of sustainable competitive advantage

We have seen in the previous section that firms can capture *motivational rents* when human resource practices aimed at the stimulating employee motivation are both (1) successful and (2) less costly than the productivity gains achieved. The next logical step is to analyze whether and under what conditions these motivational rents can be a source of competitive advantage. While there is a substantial debate around how to best define competitive advantage [74], we conceptualize it for the purpose of this paper as a situation in which a firm earns a higher rate of economic rents than its average competitor [29]. Given our focus on motivation-based advantages, this requires us to compare competitors' abilities to generate economic rents from superior aggregate motivation. We will therefore assume in this section that competitors' endowments of assets, capabilities, market position, and other potential determinants of competitive advantage are identical. We thus isolate the performance impact of differences in motivation *ceteris paribus*, which results in a direct influence of changes in motivation on performance and competitive advantage.

The crucial question in this case becomes: when are differences in motivational rents (in other words, motivation-based competitive advantage) *sustainable*, *i.e.*, when do the performance differences persist over time, despite competitive pressures?

Isolating mechanisms for motivation-based advantages

In a static context, a sustainable competitive advantage depends on the presence of isolating mechanisms that limit the competitor's ability to imitate or substitute [66,74]. But which isolating mechanisms exist that can make motivation-based advantages sustainable over time? *Prima facie*, it seems as if the elements of an advantageous configuration of motivation levers would be easy to observe and understand. Therefore, they cannot be expected to constitute barriers to imitation or substitution. However, this impression might be misleading. Consider the insights in the resource-based and knowledge-based perspective—that sustainability has to do with the tacitness, context dependence, and the causal ambiguity of the factors that underlie the competitive advantage [66,75,76]. As we will see, configurations of motivation levers are similar to knowledge resources in that they can vary substantially along all three of the critical dimensions. Hence, they can be combined to produce conditions under which motivation-based advantages are sustainable.

Tacitness: Superior motivation is the result of three distinct motivational mechanisms: reward-based extrinsic motivation, task-based hedonic intrinsic motivation, and identity-based normative intrinsic motivation. A firm's reward system can contain several explicit elements, such as the bonus payment attached to a certain behavior or performance outcome. At the same time, important parts of the reward system remain tacit, such as the relationship between 'good corporate citizenship' and time-to-promotion. Similarly, many aspects of the (perceived) task characteristics that determine the level of hedonic intrinsic motivation can be easily observed, such as the codified job description or the physical layout of a shop floor or office space. Other factors, such as the work climate or the implicit task requirements are significantly more tacit. Finally, the factors that underlie normative intrinsic motivation, norms and values and the socialization regime, are largely tacit; only explicit efforts to socialize employees, such as training sessions or similar events, can be observed.

Thus, there seems to be a continuum between explicit and tacit factors along which each of the three motivational levers can be positioned. The degree of tacitness of a given configuration of motivational levers is positively related to the sustainability of a potential motivation-based competitive advantage, as it limits competitors in their ability to observe and imitate an advantageous configuration of motivational levers.

Context dependence: Consider now the condition of context dependence. We have seen that the performance impact of a given initiative to enhance motivation can be tightly coupled to a given set of attributes in the organizational context in which they operate. For example, the performance impact of socialization efforts greatly depends on the degree to which organizational norms and values are in line with strategic objectives [54]. Moreover, the effect of changes in reward systems and job designs is often dependent on employees' individual preferences, as only initiatives that are perceived as motivational by the employee will have the desired positive effect on performance. However, other forms of motivation are considerably less context dependent. Examples include low-powered incentives that are not contingent upon specific behavior or performance outcomes, as well as general initiatives to improve task characteristics, such as shorter work hours or additional holidays, that will likely be perceived as positive by most employees.

Context dependence contributes to the sustainability of competitive advantage, since even if competitors were able to copy a given configuration of motivational levers; the effect of these levers is unlikely to be the same in a different organizational context. We can therefore conclude that combinations of motivational levers that are characterized by high levels of context dependence will be capable of generating sustainable competitive advantage.

Causal ambiguity: Another potential isolating mechanism for motivation-based competitive advantage lies in the degree of causal ambiguity between a given determinant and the organization's performance outcome. The reader might recall that in the previous section we identified a number of possible interaction effects between the three types of motivation. For example, enhancing extrinsic motivation through stronger reward systems might have negative effects on the levels of intrinsic motivation people feel in executing a given task [30,31,33,38]. Also, as the case of Lincoln Electric shows, the internalization of norms and values that support a given reward system can facilitate the stimulation of extrinsic motivation [77].

Furthermore, each motivation lever itself is result of a variety of individual human resource practices. Consider for instance, the variety of individual elements that contribute to job design, and add all the various human resource practices through which the socialization of individuals occurs within an organization (from training programs to social events, from joint client calls to post-mortem project debriefings,

etc.). Since each of the three types of motivation are potentially influenced by various human resource practices, and since the different types of motivation interact in their influence on performance, it can be argued that the exact causal mechanisms that lead to a superior level of motivation-based performance are inherently difficult to identify—as much for the competitor as for the firm itself. Consequently, the causally ambiguous nature of the link between a configuration of motivational levers and an organization's competitive advantage serves as an important isolating mechanism in a static environment.

In summary, motivation-based competitive advantage can be protected from competitive pressures by three isolating mechanisms: the levels of tacitness and context dependence of certain types of human resource practices aimed at the creation of employee motivation, and the causal ambiguity created with these motivational levers are combined.

The aim is to better assess both the differences and the similarities between the conceptualization of human resource practices specific to motivational processes and those related to the management of knowledge, skills and abilities. The latter have so far received the most attention in the literature on the capability-based view of the firm. It might therefore be helpful to consider the sources of competitive advantage and the nature of the isolating mechanisms in both perspectives (Table 1).

The comparison of the two theories shows the similarity in the general typology of factors responsible for generating a competitive advantage and for sustaining it (i.e., the isolating mechanisms). The factors themselves, however, differ in a theoretically meaningful way, since they stem from two distinct processes at the most fundamental level: one is about operating routines (doing); the other is about motivation (the willingness to do). So, for example, operating knowledge evolves and is 'managed' in ways that have little in common with the process through which individual motivation is aligned with organizational goals.

Summary and Conclusion

This paper set out to address a gap in the strategic human resource management literature related to the role of human resource practices in creating superior levels of aggregate employee motivation, which in turn offers the possibility for sustainable competitive advantage. To do so, the analysis proceeded through different stages. First, we held constant the non-motivation-related factors explaining competitive advantage and focused instead on the human resource processes underlying the development of superior levels of aggregate employee motivation in organizations. By distinguishing between extrinsic motivation and two types of intrinsic (hedonic and normative) motivation, the analysis built on the most recent advances in motivation theory [78] and emphasized the role of interdependencies among the

Static Environment and Operating Capabilities		
Component	Motivational-Rents Theory	Knowledge-Based View
Relevant aspect of 'Human Resources'	Motivation	Knowledge, skills and abilities
Source of Sustainable Competitive Advantage	Human resource practices that develop employee motivation in a way that leads to a superior level of motivation rents	Human resource practices that develop employee knowledge, skills, and abilities in a way that generates a superior level of economic rents
Isolating Mechanisms	<ul style="list-style-type: none"> • Causal ambiguity regarding determinants of motivation • The contextual nature of motivation • The tacitness of motivation mechanisms 	<ul style="list-style-type: none"> • Causal ambiguity regarding performance impact of knowledge components • The contextual nature of knowledge • The tacitness of knowledge

Table 1: Comparing motivational-rents theory and the knowledge based view.

different motivational mechanisms. In addition, the roles of individual preferences *vis-à-vis* motivational levers, and of organizational traits such as shared norms and values, were highlighted to build a more robust theoretical frame linking individual behavior to macro (firm-level) factors.

In the next step, we proposed that superior levels of aggregate employee motivation could produce economic rents because, under normal conditions, motivation can be generated at a cost that remains below its benefits. To this end, we leveraged the received literature in human resource management [15] and, more recently, in strategic management [2], to argue that employees are normally unable to fully capture the value that an organization derives from their motivation. With these points established, we analyzed the conditions under which motivation can generate competitive advantage, focusing on the role of three antecedents to the sustainability of competitive advantage: the tacitness, the context-specificity, and the causal ambiguity of motivational processes. Higher levels of tacitness, context-dependence, and causal ambiguity help in a static environment by isolating an organization's mechanisms from imitation by competitors, effectively rendering motivation-based advantages sustainable over time.

The juxtaposition of motivational rent theory with existing knowledge-based theories of competitive advantage highlights the complementarity of both theories, as the former is concerned with operating routines (the ability to do), while the later is about motivation (the willingness to do) (Table 1). It strikes us that a theory of competitive advantage cannot do without either of the two domains, and that a fruitful avenue for future research lies precisely in the understanding of how the domains interact with, and influence, one another. With this conclusion, this paper directly responds to frequent calls by several human resource management scholars for a serious consideration of the (joint) impact of both the capability and motivational aspects of human resources [10,21,56-79]. In fact, the strategic role played by the human resources function (whether institutionalized in the human resources department or diffused throughout an organization's management) turns out to be key to both arguments.

Clearly though, the development of a comprehensive theory that explains the impact of motivation rents on competitive advantage is an ambitious target towards which this paper makes only a first step. The analysis has raised several important questions that were beyond the scope of this paper but which we strongly encourage scholars to consider in future work. One of these has to do with the influence of personnel-selection processes as a means of enhancing the general level of aggregate employee motivation. Whereas our analysis is mute to the potential effect of selection processes in the pursuit of superior motivation, future work might consider how selection processes interact with motivational ones in influencing the ability of firms to generate advantage from superior levels of performance.

Another area of exploration lies in appreciating the multiple ways in which human resource practices related to the creation of employee motivation interact with those related to the management of knowledge, skills, and abilities. One can argue that differing levels of motivation might impact, for example, skill development processes, and that the same might be true in the opposite direction given the hedonic motivational outcomes that learning produces in some individuals. As of today, however, we have very little clue about how these interdependencies might work *vis-à-vis* the development of sustainable competitive advantage.

Whereas the road ahead appears long and poorly charted, we

hope that this analysis has offered at least some initial steps towards a comprehensive treatment, and possibly an integration of the two aspects of the 'human factor' in the strategic management discourse the ability to act in pursuit of superior performance, and the motivation to do so.

Human Assets can be an important source of competitive advantage and economic rents. Both aspects of Human Resources (knowledge and motivation) have been shown to have the potential to generate rents. The ability to create a sustainable competitive advantage linked to Human Assets depends on the presence of isolating mechanisms that protect rent-generating HR practices from imitation and substitution [9].

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