

individual board member affects the likelihood that a firm will comply with environmental laws. Board members who serve on multiple boards are more worried about their overall reputation than directors who serve on only a single board. As a result, they have an incentive to act proactively and exert pressure on the company to respond to the long-term environmental interests of the community.

Another important deterrent concerns a director's affiliation. Firms who were targeted for lawsuits had a higher percentage of board members from peer companies. Apparently, being affiliated with the industry makes board members more willing to overlook weak environmental policies. In contrast, other types of directors (e.g., academics, clergy, members of the military, and former politicians) are more likely to align their interests with the community and, as a result, exert pressure on the firm to comply with environmental laws. Finally, inside ownership also had an impact on firms' environmental position. The more shares held by insiders, the more likely that a firm was involved in environmental litigation. Apparently, more inside ownership leads to stronger support for management decisions, even if it means being an environmental laggard.

Taken together, these findings suggest a path for policy makers and activists that want to encourage firms to embrace environmental initiatives. And that's a good thing since environmental activism and strict regulations don't appear to be having much of a direct impact on firms' environmental performance. Instead, Kassinis and Vafeas suggest that more emphasis should be placed on reforming corporate governance and increasing the number of board members who are sensitive to environmental issues. At a minimum, environmental activists may want to coordinate with corporate governance reformers. The goal? To ask that firms reduce the size of their boards and include more members who serve on multiple boards, are from outside the industry, and have smaller ownership stakes in the firm.

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Kassinis and Vafeas's study underscores the idea that developing an independent board can

pay off in better environmental performance. Indeed, this study confirms evidence from the corporate governance literature that more independent boards do a better job of overseeing managerial activities that are directly related to financial performance. Kassinis and Vafeas also offer a clear message for executive directors with respect to presenting environmental issues to the board. Directors need to ensure that the entire board fully understands the benefits and costs associated with environmental responses, particularly given the high stakes involved. Of course, avoiding costly litigation will improve a firm's bottom line.

While Kassinis and Vafeas provide important insights about poor environmental performers, their sole focus was to distinguish firms that broke the law from those that complied. It would be interesting to expand their work into the specific roles that boards play in promoting environmental initiatives. For instance, what role does the board play in firms that have implemented best practices or that are considered environmental leaders? Is the board less important in a context where managers are already willing to pursue environmental interests? Moreover, what happens over time as the composition of the board changes? And how does that relate to firms' environmental performance? Answering these and related questions should help us paint a more complete picture of how boards impact corporate environmental performance.

Source: Kassinis, G., & Vafeas, N. 2002. Corporate boards and outside stakeholders as determinants of environmental litigation. *Strategic Management Journal*, 23(5): 399-415.

What Every Manager Should Know: Does Personality Help Drive Employee Motivation?

Thomas A. Wright, University of Nevada, Reno

"We know nothing about motivation. All we can do is write books about it."

—Peter Drucker

Employee motivation is crucial to good management. Consequently, it's no surprise that employee motivation is a subject near and dear to both managers and scholars alike. But as the Drucker quote suggests, our understanding of motivation is far from complete. There are several reasons for this state of affairs, including the sheer complexity of the concept. For instance, trying to answer what

seems like a fairly basic question—How do personality traits relate to employee motivation?—turns out to be an enormous undertaking. No wonder that a variety of conceptual approaches and classification systems have been trotted out over the years to help make sense of motivation. No single, accepted theory currently exists that can fully and accurately explain motivation. In fact, research addressing this question has produced varied and often inconsistent results.

This inconsistency has been a source of frustration to managers who want to design better ways to motivate employees. Indeed, a side effect of these inconsistent findings is that some managers have begun to question the usefulness of motivation research. Fortunately, a methodological technique called meta-analysis shows considerable promise in helping us make practical sense of these inconsistencies. For example, Timothy A. Judge and Remus Ilies of the University of Florida recently used meta-analysis to help clarify the 'relative disarray' found in research seeking to link personality to employee motivation.

Simply stated, meta-analysis involves averaging research results across studies. Typically, meta-analysis involves three steps: (1) find all published studies on the topic of interest, (2) code the relevant study information, and (3) apply appropriate statistical techniques to the obtained information. Using this procedure, Judge and Ilies demonstrated relationships between personality traits and three key theories of performance motivation.

Most managers think that personality plays a significant role in employee performance motivation. But trying to learn more about this relationship is a huge challenge. As Judge and Ilies note, literally thousands of personality measures exist. To make sense of this quagmire, Judge and Ilies decided to focus on what are generally known as the Big Five personality traits: Neuroticism, Extraversion, Openness to Experience, Agreeableness, and Conscientiousness. These traits show up time and time again in research. Indeed, they tend to pop up regardless of the measures used and also appear to exist in every culture.

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Neurotic individuals typically demonstrate poor emotional adjustment and are more likely to be anxious and depressed. Extraverted individuals

are likely to be sociable, dominant, and positive in their outlook on life. Individuals who score high on Openness to Experience are creative, curious, and tend to be unconventional in nature. Individuals high on Agreeableness tend to be kind, gentle, warm, and trustworthy. Conscientious individuals tend to be deliberate, dependable, and achievement-oriented.

Like personality, motivation has been defined in a number of different ways. Judge and Ilies noted that most researchers have focused, for obvious practical reasons, on motivation to perform. In fact, three of the most popular motivation theories—goal-setting theory, expectancy theory, and self-efficacy theory—all have the prediction of job performance as their ultimate objective.

Goal-setting theories are based on the motivational benefits that result from establishing specific, tangible goals to help guide and direct behavior. A number of management practices, including MBO, zero-based budgeting, cost-benefit analysis, and incentive pay systems, are based on goal-setting concepts.

Expectancy theory has been widely tested in a variety of work settings. This theory is based on the principle that employees vary in their beliefs about the extent to which their levels of effort, performance, and subsequent rewards are related. According to expectancy theory, employees tend to make decisions (e.g., to work hard or not) based on a utilitarian, cost-benefit perspective.

Self-efficacy theory proposes that employees with positive beliefs about their ability to perform successfully are more likely to attempt and persist at difficult tasks. Consistent with research on Emotional Intelligence (EI), level of self-efficacy has been shown to be predictive of job performance.

Using meta-analysis, Judge and Ilies examined how the Big Five personality traits related to measures of employee motivation based on these three popular theories. The first step involved finding all relevant published studies linking the Big Five traits to performance motivation. This was accomplished by searching the PsycINFO database for research published between 1887 and 2000, a process that yielded over 2,000 studies. Judge and Ilies then used a variety of decision rules to exclude studies for analysis. For instance, studies that didn't measure Big Five traits or motivation (e.g., employee goals, performance expectations, or feelings of self-efficacy) were dropped. In the end, Judge and Ilies found 65 published studies that met their criteria for inclusion in their analyses.

The second step in the meta-analytic procedure involved the actual extraction and coding of information from the included studies. A panel of six experts experienced in personality assessment was asked to classify which of the Big Five personality traits were being tapped by the personality measures used in these studies. Any significant disagreements among the experts were successfully resolved by discussion and reaching consensus. Regarding motivation, studies were also classified as focused on self-efficacy (41 per cent), goal-setting (34 per cent), or performance expectations (25 per cent).

After completing this classification process, Judge and Ilies statistically analyzed the connection between personality and motivation across their 65 studies. Considered as a set, the Big Five traits were strongly correlated with various measures of motivation. This suggests that the Big Five traits are important drivers of employee motivation. Neuroticism and Conscientiousness were the most strongly correlated with each of three approaches to measuring employee motivation. In particular, Neuroticism was negatively related to each of the three performance motivations (i.e., higher Neuroticism was associated with lower employee motivation), while conscientiousness was positively related to all three motivational perspectives (i.e., higher Conscientiousness was associated with higher performance motivation). The results for the other three personality variables, Extraversion, Openness to Experience, and Agreeableness, were less clear-cut.

Overall, these results have important implications for management. To begin with, managers can place added confidence in Judge and Ilies'

results, thanks to their use of meta-analysis to summarize findings across dozens of studies. In other words, managers can be quite confident that personality traits, particularly Neuroticism and Conscientiousness, help drive employee motivation (for better . . . or for worse). Underscoring the significance of this point is that research has also found Neuroticism and Conscientiousness to consistently predict actual job performance.

Consequently, Judge and Ilies concluded that employees who are low in Neuroticism and high in Conscientiousness might have an added performance edge in many jobs. The practical implications of this conclusion for selection, placement, training, and development are potentially quite consequential.

Of course, as with any research in the social sciences, Judge and Ilies' research has limitations. One limitation is that only three perspectives were used to assess employee motivation. Likewise, personality measures were limited to the Big Five traits. Moreover, acceptance of the Big Five is far from universal. For instance, recent research suggests that employee happiness is significantly related to job performance ratings. Given the practical importance of the topic, future meta-analyses will have ample opportunity to examine the relative merits of different measures of personality, motivation, and performance behavior. But as it stands, the Judge and Ilies study is a valuable step in extending our understanding of employee performance motivation. Peter Drucker should be pleased.

Source: Judge, T. A., & Ilies, R. 2002. Relationship of personality to performance motivation: A meta-analytic review. *Journal of Applied Psychology*, 87(4): 797-807.

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