WESTAMERICA
A CASE STUDY
by
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A project submitted to
Sonoma State University
in partial fulfillment of the requirements
for the degree of
MASTERS OF BUSINESS ADMINISTRATION

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Dec. 3, 1998
Date
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Street Address

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Purpose of the Study:

Westamerica has been experiencing a large turnover in its financial sales staff. The purpose of this project is to identify the motivational orientation of the staff that has remained. From this data recommendations will be made that will assist Westamerica obtain a consistently high level of productivity.

Procedure:

A questionnaire was developed to identify the current motivational orientation of Westamerica's sales staff. A literature review was conducted of the current studies completed to identify motivational elements. The primary and secondary data were combined to formulate a list of recommendations to improve productivity at Westamerica.

Findings:

The study showed that a prevalent motivational orientation does not exist in Westamerica's current sales force.

Conclusions:

The results of the study and the literature review supported the hypothesis that a worker's loci of motivation is affected by more than the nature of the reward he/she receives for accomplishment of an action. Rewards should be viewed as a part of the overall business culture which, to be effective, needs to be perceived by the work force to be satisfying enough to sustain the efforts needed to achieve the goals they have been assigned to accomplish.
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CHAPTER ONE

Introduction

Westamerica's management is adamant in its goal to remain an independent institution (Westamerica's Mission Statement, 1996). This business position can be retained provided the bank continues to provide its investors with the return rate they seek. This profit agreement can be met in two ways. Westamerica may continue to acquire other smaller institutions in market areas where they already have a presence, thereby increasing their market share of deposit and loan volumes and the fees associated with the services that they provide; or they can provide such superior service that customers automatically turn to Westamerica with their financial needs. The first method has been the one most heavily relied upon by Westamerica in the past few years with the acquisition of John Muir Bank in 1992, Napa Valley Bancorp in 1993, and the following three institutions in 1995, PV Financial/ Pacific Valley National Bank, Capitol Bank and North Bay Bancorp/Novato National Bank (Westamerica's Merger Update, 1996). It appears that this method of business development is slowly dwindling as the number of smaller institutions in the banking industry is steadily vanishing. This decline is the result of two factors. The first is the merger mania, 96 in California, that has prevailed in the financial industry in the last five years (Finley Report, 1998). The second event is the Federal Reserve's decision to close down those who cannot meet the Reserve's mandated year 2000 computer standards (Mauldin, 1998).
Since the resources found through acquisitions and mergers is disappearing, it appears that Westamerica will need to focus on attracting and retaining customers as its means of profit generation and to ensure its continued existence as a going concern. In order to accomplish this, Westamerica’s sales staff needs to ensure they are providing customers with uncompromising financial advice and service.

Unfortunately, Westamerica has been experiencing a high turnover in this critical employee population over the past couple of years. I chose this project to determine if the compensation and management systems in place at Westamerica align with the loci of motivation of its sales staff. The specific question I will attempt to answer is this: Is the Company’s current managerial, reward and compensation programs perceived by their sales staff as an adequate reward for the efforts they are required to put forth to achieve increased revenues goals set by the Bank’s managers?

Upon a review of the various motivational and related studies, I have elected to use a modified verse of the Work Preference Inventory (Amabile, Hill, Hennessey & Tighe, 1994) as the instrument to facilitate the identification of the motivational orientation of Westamerica’s current sales staff. The preponderant reason I chose this type of survey instrument was to ensure that I would receive senior management’s approval and support of the project. In order to secure their consent the fact finding methodology I would employ needed to have a minimal impact on the daily calling schedule of the sales staff. A short mail survey seemed to be the most appropriate since it could easily be completed during an employee’s break or at lunch time. Secondly, the geographic spread
of Westamerica’s branches (from Gualala to Arroyo Grande) narrowed the available methods of quickly gathering information to that of a written document.

The theoretical framework, or general problem, addressed by this project is to determine if the company’s incentive and management systems provide rewards which are valued by the staff and therefore increase their motivation to achieve the profit goals they have been given. Expectancy theory (Jurkiewicz & Massey, 1997) states that an employee’s positive motivation is based on the following three factors.

1. The employee must desire the reward that is being offered.
2. The reward must be perceived by the recipient to be a fair exchange for the effort they must put forth to achieve the goal set before them.
3. The individual must believe that they will indeed receive the promised reward if they display behaviors which have been identified as important by their managers.

If the "carrot," or reward, meets these conditions it follows that the employee will be willing to invest the time and resources required to achieve the stated objective.

Therefore, it is in the best interest of an employer to determine what its staff considers a fair exchange for performing the envisioned degree of productivity expected of them. The value associated with different types of rewards will depend on the employee’s motivational orientation. If their motivational loci is intrinsic, they will be interested in satisfying their self-actualization needs (Maslow, 1943). These employees seek satisfaction from the type of work they perform and the insights they receive while completing their daily activities. Extrinsically oriented staff are concerned with meeting their self-esteem needs (Maslow, 1943). They desire rewards which bolster their worth in the eyes of others. Valued rewards for this type of worker are tangible in nature (i.e., incentive and prizes).

Employers must determine what gaps if any exist between what employees value as rewards and the value they assigned to those rewards the company provides. Any discrepancy between the desires of an employee and the value of the award they are
offered lessens their motivation according to Frederick Herzberg (1968). Put another way, the greater the imbalance between what the employee desires and that which they are receiving, the greater the reduction in their productivity. Therefore it is a vital concern of the organization to ensure the rewards they offer align with the expectations and motivational orientation of their staff. The more vital are the functions performed by an employee group to the organization's survival, the more necessary it is for the organization to look at their current management, reward and compensation systems to determine if they are indeed meeting the "wants" of their staff. They should examine their entire business culture to determine if its current orientation is focusing on hygiene factors that lead to employee dissatisfaction or motivation factors which invite employees to actively participate in activities that support the achievement of the organization's goals (Herzberg, 1968).
CHAPTER TWO

History of the Company

Most firms rely on pay, recognition, bonuses or other types of rewards to encourage high levels of performance from their employees. Recently this practice has been questioned by lecturer Alfie Kohn (1995). Kohn's theorem is that individuals who like what they are doing experience a decreased interest in continuing that activity once they have been rewarded for performing it. Therefore, according to Kohn, an employer should not provide external incentives which only set up the expectation in employee population that appropriate actions will always be tangibly rewarded unless they are certain they will never have to withdraw these rewards. Kohn states that the expectation of a reward decreases the employee's perception of their competence and lessen their self-determination. These two factors have traditionally been considered the basis for sustained motivation and quality performance in the work force. Thus once the reward is withdrawn an employee has little motivation to continue with the task.

This project was undertaken to determine if the Bank's present management and reward and compensation programs align with the motivational orientation of its sales force. In the words of Peter Drucker (1992), "Is there a strategic fit between the business culture and the goals of its employees?"

Westamerica has undergone a great transition over the past seven years. Prior to 1992, Westamerica's banking operations were limited to the following Northern California counties: Sonoma, Mendocino, Solano, Nevada, and Marin. Business was
conducted in a typical banking manner; the staff waited in the branch for business to come to them. That was the normal course of business until Mr. Payne was elected Chief Executive Officer (CEO) by the Board of Directors in 1992. He began his tenure in the midst of two controversies. The first was a financial set back due to a large real estate venture that failed in Arizona which resulted in a large financial loss for the bank. The second was a leadership and integrity crisis due to the arrest of one of Westamerica's senior managers on murder charges.

Not being a banker by trade, but certain he had to stop the company's downward spiral, Mr. Payne meticulously examined every aspect of the business in order to gain the breadth and depth of knowledge he felt was necessary for him to effectively lead this institution. Once enlightened as to what the standard practices of the banking industry were, he thoroughly examined every one of the company's business modes against the principal question posed by Peter Drucker (1992), "If we did not do this already, would we do it now?" From this critical review, he determined that Westamerica's credit program had to be overhauled since the current business focus, primarily retail customers, would not provide Westamerica with the profits it needed to remain competitive in the changing finance industry. Fierce competition for these retail customers' financial assets was being waged by stock companies who had once wooed only those with large sums of discretionary income. These competitors offered small investors a way to pool their dollars which gave them access to profits which greatly exceed the interest earned on traditional banking products. Many institutions also offered new methods to save for
retirement which provided the investor with a choice of investment type and degree of potential gains. These choices are readily apparent to anyone who has a television set and has seen the advertisements produced by the larger investment firms such as Merrill Lynch and Dean Witter. In this environment, Mr. Payne reasoned, profits would continue to be realized by Westamerica only when they had identified a more profitable definitive market niche to capture. All company resources, technological and material, would then be directed toward this select group of customers. Mr. Payne chose to actively pursue the small commercial community business market. He reasoned these customers would most likely need loans to expand their enterprises. The amounts of money they needed would not be large enough for the big institutions, Bank of America and Wells Fargo, to fuss with. Additionally he felt that in the interest of convincing these customers, he would probably elect to have Westamerica handle their personal financial needs as well.

A set of guiding principles (Westamerica's Guiding Principals, 1996) were developed to focus the resources of the organization toward its new mission: strengthening Westamerica's credit programs and reducing its operational expenses. The financial sales staff was now required to conduct their business within the local business owner's offices rather than sit in the branch office. The support staff was challenged to infuse functionality into all their activities. The results would be a superior customer product (Prahalad & Hamel, 1990.) Incentive plans were developed and implemented to lead the desired cultural shift of the branch sales staff. Training programs focused on the development of the core sales competencies identified as vital to the successful
achievement of this new sales orientation. Tactical management systems and sales procedures were implemented (Lado & Wilson, 1994) to facilitate Westamerica's ascension to that of a market leader among Northern California community banks providing services geared toward the needs of the small commercial business community.

Soon this "cold call" sales strategy was adopted by other banks as Kolter (1994) pointed out inevitably happens when adapters, those who wait to see how the market place will react, then embrace this successful innovative marketing strategy. Westamerica, desiring to capture all the market shares possible, continued to set the most aggressive sales call program within its peer group. Conceptually Westamerica’s incentive programs were the most lucrative in the business for the capture of profitable business. However, its sales staff often could not meet the ever increasing profit goals they were assigned and therefore earned a very small amount of these promised incentive dollars. At this same time Mr. Payne directed that the base compensation program for the employees in the branches be designed so that it lagged behind that which was being paid by the remainder of the market. This was done in an attempt to create a financial need in the sales staff to excel to ensure they would make enough income to satisfy their basic and recreational needs. Senior management felt this kind of drive was needed in order to ensure the staff would put forth the efforts they felt were required to meet the desired volume and profit goals they had projected for the company. The combination of these two pay strategies resulted in an increasingly widening gap between the cash compensation paid to the Westamerica's sales force, and that which was awarded their
peers in competing organizations. Soon the sales staff began to question whether there were sufficient obtainable rewards at Westamerica for them to continue to exert the physical efforts required to meet the aggressive goals set by management. Added to this was Westamerica's company-wide implementation of Mr. Payne's personal philosophy, that one can always do more and do it better. Soon after, the profit margins Westamerica had realized during the initial loan clean up period were beginning to decrease as a direct result of senior management's decision to continue to adhere to the strictest credit standards in the industry. As the source of loan revenue began to dwindle, management turned its attention to expense reduction and acquisitions as its means of continuing to increase earnings. Expense reductions included a substantial reduction in training, adoption of a compensation and benefits package in parity with the 50th percentile of the industry, and a decision to use manual processing methods rather than invest in automated solutions.

Acquisitions came rapidly, five within a short four year span of time. The added work volume generated by these new branches was not accompanied by a proportional increase in either support staff or technologies. This situation created an environment where employees felt they were expected to work harder and smarter but were unable to obtain the resources they felt they needed to achieve the expected results.

This was the business climate that I discovered within Westamerica during my study. Perhaps the most significant problem I became aware of was the high degree of turnover in the sales force as reported by the recruiting staff. The recruiter reported that
the most vocal challenge they encounter when trying to recruit sales personnel was the bank's expectation that their financial sales staff be the most aggressive in the industry, selling fairly high priced products, but whose targeted financial rewards match the aggregated median paid by peer institutions. Westamerica's support staff report they feel stretched to their maximum potential, and yet they are expected to consistently provide flawless superior customer service to the customers as well as their sales staff at all times.

The question to be answered is how can Westamerica ensure it is motivating its sales staff, the profit generators of the company, to put forth the efforts required to establish new profitable business relationships and expand current fee income? I wondered what insights the many published research documents might have that could be presented to Westamerica's which, if employed, might increase the retention and productivity of their valued sales employees.
CHAPTER THREE

Literature Review

Studies of how external rewards affect an individual's intrinsic motivation litter the annals of academic publications beginning in early 1960. The studies all seem to agree there are two basic but opposing types of motivational orientation, intrinsic and extrinsic. Deci 's 1975 definition of intrinsic motivation is still in use today. He stated that intrinsic motivation occurred when an activity is undertaken for no apparent reward except for the perceived satisfaction the individual obtains by performing the activity itself. In contrast extrinsic motivation occurs when an activity is completed because there is an external reward received by the individual when they have displayed the identified behavior (Cameron & Pierce, 1994). Either of these types of motivation can be harnessed by employers to unleash the energy necessary in its work force to ensure achievement of the company's desired productivity goals. The value of instilling and relying on intrinsic motivation has been the belief that intrinsically motivated staff will remain productive whether or not there is an external award. The productivity of an employee which is extrinsically motivated will be adversely affected if the expected reward is taken away. If these statements are true why then would companies still cling to the use of monetary rewards as a means of motivating employees? One reason I believe this practice continues is the fact that most companies are unaware of the research findings which state that employees can be motivated to perform their jobs well without having to receive a tangible reward. A second reason may be the fact that acquisition of wealth is the heart of the laissez faire business system embraced by this country.
Researchers have published many differing views about the impact tangible rewards will have on an individual’s intrinsic motivation level. Some studies have demonstrated that an inverse relationship exists between sustained motivation and the receipt of extrinsic rewards. Others have contended there is a positive relationship between the two. Porter and Lawer published a study in 1968 that stated it was not one type of motivation but a combination of intrinsic and extrinsic factors that produced the greatest level of productivity and provided the deepest sense of satisfaction to the participants of their study. They found this to be particularly true in work settings where optimal performance occurred when the jobs were perceived by the employees to be both interesting and challenging (intrinsic motivators) and where they felt they were fairly paid for their efforts (i.e., extrinsic tangible rewards). Other theorists challenged this early combination theory after conducting experiments which revealed extrinsic rewards often interfered with the development or maintenance of intrinsic motivation (deCharms, 1968). deCharms espoused the theorem that the individual’s motivational focus needed to be intrinsic in nature to ensure continuation of a desired sustained performance level to retain the desired performance level once the reward was withdrawn.

The idea that deCharms fostered, that extrinsic rewards may in fact disrupt an individual’s intrinsic motivation, was first tested in an experiment conducted by Lepper, Greene and Nisbett in 1973. In their study, these researchers tested the hypothesis that external rewards would undermine the development of intrinsic motivation. They found that introduction of an external remuneration for engagement in a requested task undermined, or reduced, the recipient’s intrinsic motivation in one of the following two
ways. The reward either subverted the subject's feeling of competence and self-determination (the measurements used by the researchers used to identify intrinsic motivation) or it deflected the participant's source of motivation from an internal source, such as satisfaction in completing the task, to the receipt of an external reward. Undermining of intrinsic motivation has taken place when the individual's performance decreases once the reward is withdrawn.

More experiments were subsequently conducted, using a common set of procedures, to investigate whether tangible rewards did indeed have an undermining effect on an individual's intrinsic motivation. Typically in these experiments the subjects were presented with an interesting task (e.g., solving puzzles, drawing pictures or playing word games) to complete. Members of the control group in these experiments received no feedback regarding their performance. Individuals in the test group were granted a reward of some type, such as money, candy, gold stars and so forth (Elliot & Harackiewicz, 1994; Enzle, Wright & Redondo, 1996) upon the successful completion of their assigned task. Both groups were then observed during a time out period in which they were free to continue performing the same task or to engage in some alternative activity. The time that participants spent on the targeted activity during this free period, or their expressed attitude toward wishing to continue with the activity, were defined as measures reflecting their intrinsic motivation level. If the rewarded participants spent less free time on the activity or express less task interest than non rewarded participants, then the reward was reported to have undermined their intrinsic motivation. The researchers found that most of the rewarded group participants did not choose to freely engage in the
observed activity during their free time; therefore, the researchers concluded that rewards
have a negative impact on a person's intrinsic motivation and will decrease their
sustained interest in performance of the requested task once the reward is taken away.

A further examination of other experiments on reward and intrinsic motivation
revealed the opposite results. Rewards were shown to have no noticeable effect on
intrinsic motivation (Cameron & Pierce, 1997). Given this diversity of results
researchers speculated that an individual's level and loci of motivation must be affected
by many more diverse and complex factors than just the receipt of a tangible reward.
Studies done in the 1990s concentrated on determining what these other factors might be.

Ambabile, Hill, Hennessey and Tighe (1994) increased the number of measures that
define intrinsic and extrinsic motivation. Using these refined measures they concluded
there are actually two additional types of motivation. In addition to the two original
motivational orientations, intrinsic and extrinsic, they concluded there are individuals
who have no known motivational orientation as well as those who are motivated only
when they experience a combination of intrinsic and extrinsic motivational elements.

Organizational variables affecting an employee's intrinsic motivation were examined
by other researchers in the 1990s. Oliver (1994) proposed that an employee's motivation
orientation must align with the organization's management system if success is to be
realized. Oliver found that behavior-based control management systems (those which
emphasize qualitative performance measures) are best suited for employees whose loci of
motivation is intrinsic, while outcome-based control systems (quantitatively focused)
work well for staff members who are extrinsically focused.
Goals were found to play an integral role in maintaining a person's motivation in Elliot and Harackiewicz's 1994 project. Organizational culture was found to alter an individual's sense of personal empowerment with a resulting shift of their motivation focus by Spreitzer in his study (1996). He concluded from the study that if the organization's culture is nurturing, the employee's feeling of success will be based on the intrinsic satisfaction they receive from giving back to the organization. If the management structure is controlling, the individuals desire to "do a good job," or their measure of their success, will reside in the receipt of an external acknowledgment.

Concatenation of the available research findings reveals motivation to be a complex psychological element. An individual's motivation orientation can be found as a point on a satisfaction continuum ranging from the pleasure derived at completing the activity at one end, to the delight at the receipt of an external reward for accomplishing the stated task at the other end. This revelation justifies the idiosyncratic hybrid reward systems found in the business world. Most of us who have been employed have experienced such systems. These systems are comprised of tangible reward elements such as cash and prizes and internal motivators such as a flattering performance appraisal or the one-on-one "you've done a great job speech" from the boss. To be effective, each reward system should be an array of intrinsic and extrinsic factors that are perceived by its employee population as a gratifying and equitable exchange for the efforts they are expected to put forth to be deemed successful. It is the survival challenge of any organization to determine what the preponderant motivational orientations of its staff are and build reward programs which satisfy these values if they wish to build a successful enterprise.
CHAPTER FOUR

Methodology and Analysis

Westamerica’s entire population of seventy employees, classified as Branch Sales Managers or Financial Sales Officers, were invited to participate in this inclusion, convenience and unclustered study. An anonymous questionnaire, the survey’s instrument, was sent to each participant with an introductory memo from the Banking Division Manager and a letter from me. These three documents are found in Appendix B.

Each participant was asked to select one of two responses to each of the fourteen dichotomous questions comprising the written instrument. One response was extrinsic in nature and the other intrinsic.

Eleven responses were immediately excluded from the results because the respondents had been employed with Westamerica for less than one full year. The decision to exclude these employees was made when it was discovered that an employee's first nine months are spent in a training status. Employees in this status are not given their own “book of business accounts” and therefore do not participate in the incentive program. Eight of the remaining fifty nine participants choose not to participate in the study. Five of the fifty one who completed questionnaires had chosen both responses or neither response for at least one survey question. None of the responses from this group of participants was included in the data analysis as I chose to have the data base populated only by those employees who provided just one response to each question since this group appeared to have a greater sense of what motivated them then those who could not
decide how to answer the question. The data base used in my analysis is comprised of the responses submitted by the remaining forty six participants. A table summarizing this data is found below.

<table>
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<th>Status of questionnaires</th>
<th>No.</th>
<th>% of total</th>
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<tr>
<td>Total population invited to participate</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Number eliminated (less than twelve months employment)</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Number who did not respond</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Number of questionnaires returned</td>
<td>51</td>
<td>100</td>
</tr>
<tr>
<td>Number with undefined responses</td>
<td>5</td>
<td>9.8</td>
</tr>
<tr>
<td>Final Number used in analysis</td>
<td>46</td>
<td>90.2</td>
</tr>
</tbody>
</table>

Table One

I began my univariate analysis with the following question: Will the sum of the participants' responses show a preponderant motivational orientation? Three hundred thirty nine or 53 percent of the responses were extrinsic in focus while the remaining three hundred five or 47 percent were intrinsically focused. Using this data I concluded that the sales staff, as whole, was more extrinsically motivated. Chart 1 in Appendix D graphically reflects these results.

I further examined the responses to determine if there was a substantial contrast, defined in my study as greater than a 10 percent differential, in the motivational focus of the male versus female employees in the study. The results were interesting. The women's responses were equally divided between the two orientations, one hundred forty seven intrinsic responses and one hundred forty seven extrinsic responses to the questions. Male respondents had a total of one hundred ninety two extrinsic responses and one hundred fifty eight intrinsic answers. As a group males had 17.7 percent more
extrinsically oriented responses than their female counterparts. Charts 2 and 3 in Appendix D illustrate these findings.

I performed a chi square test of the intrinsic and extrinsic responses to validate the previous finding that there appeared to be a difference in the motivational orientation between the genders. The two chi square hypotheses I tested against and the result of this statistical cross-tabulation evaluation are found in the following table.

Table Two

<table>
<thead>
<tr>
<th>Sex</th>
<th>Responses</th>
<th>Row Total</th>
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<tbody>
<tr>
<td></td>
<td>Intrinsic</td>
<td>Extrinsic</td>
</tr>
<tr>
<td>Male</td>
<td>Actual 158</td>
<td>192</td>
</tr>
<tr>
<td></td>
<td>Expected 166</td>
<td>184</td>
</tr>
<tr>
<td></td>
<td>24.5%</td>
<td>29.8%</td>
</tr>
<tr>
<td></td>
<td>squared value</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>chi-squared</td>
<td>.386</td>
</tr>
<tr>
<td>Female</td>
<td>Actual 147</td>
<td>147</td>
</tr>
<tr>
<td></td>
<td>Expected 139</td>
<td>155</td>
</tr>
<tr>
<td></td>
<td>22.8%</td>
<td>22.8%</td>
</tr>
<tr>
<td></td>
<td>squared value</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>chi-squared</td>
<td>.46</td>
</tr>
<tr>
<td>Total</td>
<td>305</td>
<td>339</td>
</tr>
<tr>
<td></td>
<td>47.4%</td>
<td>52.6%</td>
</tr>
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Chi-squared value = 1.61 degrees of freedom = 1 Probability = 21.88

These results appear to indicate to this researcher that there is a difference, as expressed in hypothesis $H_A$, in the motivational orientation of Westamerica's sales staff since the percentage of each row is close in number to the percentage of the column. In other
words, this chi-squared analysis indicates there is indeed a difference in the motivational orientation based on gender. Males express a greater tendency to value extrinsic rewards. Therefore, it follows that they will have a greater propensity to reap benefits from the company’s extrinsically oriented “pay at risk” compensation component than their female peers.

With this observation in mind, I explored the data to see if the male gender in this population, had received greater incentive compensation rewards than their female counterparts. Total incentive dollars paid out to the group for the year was $810,875. Sixty four percent of these incentive dollars were paid to male sales employees. In this study, men received one dollar and seventy cents for each dollar paid to the female sales staff. Four of the six employees, representing 66.66 percent of the population, who received $0.00 incentive dollars were female. Further analysis revealed that fifteen, or 75 percent, of the top twenty-two producers, as measured by the receipt of at least $10,000 in annual incentive compensation, were males. These results support the observation that those who are more extrinsically motivated, represented as males in this study, were also the ones who had received the greater amount of rewards from the Bank’s externally oriented compensation system.

I then wondered if there was a potential relationship between two other factors and the incentive dollars earned by the sales staff at Westamerica. The first factor I examined was whether location of an employee’s sale assignment influenced the amount of incentive they earned. I used the same definition as that in the analysis of gender differential, receipt of at least $10,000 in their annual incentive payout, in my
analysis of the data for the top 20 producers, as displayed in the following table.

<table>
<thead>
<tr>
<th>County</th>
<th>No.</th>
<th>percent of Population</th>
<th>Avg. Payment</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alameda</td>
<td>1</td>
<td>4.55</td>
<td>$32,829</td>
<td>18.01</td>
</tr>
<tr>
<td>Contra Costa</td>
<td>4</td>
<td>18.18</td>
<td>$23,825</td>
<td>13.07</td>
</tr>
<tr>
<td>Marin</td>
<td>9</td>
<td>40.91</td>
<td>$51,810</td>
<td>28.42</td>
</tr>
<tr>
<td>Nevada</td>
<td>1</td>
<td>4.55</td>
<td>$15,991</td>
<td>8.77</td>
</tr>
<tr>
<td>San Francisco</td>
<td>1</td>
<td>4.55</td>
<td>$19,727</td>
<td>10.82</td>
</tr>
<tr>
<td>Sonoma</td>
<td>5</td>
<td>22.73</td>
<td>$16,841</td>
<td>9.24</td>
</tr>
<tr>
<td>Stanislaus</td>
<td>1</td>
<td>4.55</td>
<td>$21,266</td>
<td>11.67</td>
</tr>
</tbody>
</table>

Location does appear to have a direct relationship to the amount of money incentive received. Deleting the counties where there was only one incumbent, whose incentive dollars might be representative of several business transactions or one large deal, one can clearly see that the greatest number of sales employees to receive an incentive payout were assigned to affluent counties. Additionally, the average incentive for these staff members was greater than that earned by staff members in other, less affluent counties. A study which spans a longer period of time would clarify whether these results were a one time phenomenon or truly represented a relationship between affluence in an assigned sales area and potential incentive earnings.

I then prepared the following table of data associated with years of service to determine what the percent of the total incentive dollars were received by each employee group.

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>% of Population</th>
<th>% of Incentive Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 5</td>
<td>60.78</td>
<td>62.62</td>
</tr>
<tr>
<td>5-9</td>
<td>17.65</td>
<td>16.16</td>
</tr>
<tr>
<td>10-14</td>
<td>7.84</td>
<td>12.83</td>
</tr>
<tr>
<td>14-19</td>
<td>3.92</td>
<td>6.96</td>
</tr>
<tr>
<td>20-24</td>
<td>7.84</td>
<td>1.43</td>
</tr>
<tr>
<td>Over 24</td>
<td>1.96</td>
<td>0.00</td>
</tr>
</tbody>
</table>
What I found interesting in this data is that the cluster of persons receiving the greatest number of incentive dollars are those with less than five years service. When I added the percentages of those with less than ten years total service, the percentage of incentive dollars earned by this sub group climbed to 79 percent. The following questions raised by this data might make for additional interesting studies. Does this data indicate that newer employees bring a certain degree of business with them which accounts for their success? Is it an indication that longer term sales staff lose their desire to remain with the bank after they have experienced a few unprofitable quarters? Are these results skewed because of the high degree of turnover Westamerica has had in the past couple of years? These are questions can be better addressed in a subsequent project where the researcher can personally address each employee.

Before leaving this chapter I would like to mention a few potential limitations of this study. Sending a memo from the Senior Vice President of the Banking Division may have influenced some incumbents to chose responses they thought management would want to hear rather than the one they would have otherwise chosen. Participants who had already received a large sum of incentive compensation may have selected extrinsic responses and pushed the data in the yea-sayer direction. Those participants who had earned little incentive compensation may have selected intrinsic responses and pulled the results in the nay-sayer direction. Selecting the whole population, rather than choosing the participants at random, may have introduced selection bias leading to an over or under representation of certain types of respondents. In spite of these inherent biases this study offers Westamerica’s management valuable insights into who is receiving incentives, where they are assigned and the length of service of these employees.
CHAPTER FIVE

Conclusion

My study indicates that Westamerica's current compensation system is a better reward strategy for individuals who are extrinsically motivated. The bank's intrinsic paternalistic management control style appeals to individuals who are intrinsically motivated. These two strategic parts of Westamerica's business culture appear to be incongruent, each offering its current sales population only a partial way to fulfill their desired goals. This clash between Westamerica's extrinsically oriented incentive compensation system and their intrinsically oriented management system does not present a work environment that would universally appeal to any of its current sales employees.

I recommend Westamerica's senior management take whatever time is needed to determine what they actually want the company's sales representatives to accomplish. Does Westamerica want to embrace a cold-call sales culture? If so the management culture would allow the employee to conduct their business fairly independently of review, which is not the current style sued by Westamerica's senior managers. The bank's current compensation plan, which rewards those actions that impact the bottom line, focuses the sales employees' efforts toward the outcome of their behaviors and away from how these results are achieved. In direct contradiction to this orientation are the daily sales meetings that must be held and that the sales reports that focus on the methods employed by the sales person. These activities are viewed as obstacles to their productivity by the sales staff as they reduce the time the staff feels they need to successfully complete their "outside sales" activities.
If Westamerica wants to be a premiere sales organization, management must abandon or greatly reduce the amount of time it requires its sales personnel to complete non direct sales activities such as attending meetings, producing reports or completing in branch assignments. This would result in the adopting of a laissez faire managerial work environment. Management must understand that employees who are successful in a sales work environment are motivated by external rewards such as money and prestige. When they are required to perform tasks which they perceive are incidental and which take away time they need to perform calling activities they become frustrated and feel they can’t achieve their self-esteem needs which are represented by the incentives they earn. When their self-esteem needs are not being met they will move to another organization that will provide them with the freedom they feel is necessary to achieve success as measured in the income they earn.

Westamerica’s paternalistic management culture is more highly valued by those staff members who seek to have their self-actualization needs met (Maslow, 1943). These employees want to know and apply the “correct inputs” expected by management (Oliver & Erin, 1995). They tend to be committed to meeting the goals of the organization, like being a part of the sales team and often express the feeling that they experience a sense of satisfaction in just completing their daily tasks. Westamerica’s pay for profit compensation system is not the best pay system for these type of employees since it does not compensate them for the time they spent building the relationship with the customer which ultimately resulted in the sale. I predict the disharmony between Westamerica’s management system and its current compensation program will become
even more apparent when the next set of sales trainees, who have experienced nine months of nurturing with a selected mentor, are placed in their individual assignments within Westamerica’s bottom-line, production oriented branch sales system.

If Westamerica chooses to change its current business strategies to better meet the motivational orientation of its staff, I would recommend they consider implementing the following changes to their current programs. Reduce the amount of information required from the sales staff on their reports to the bare essentials such as company name, number of calls, major service requirement. Decrease the frequency these reports must be submitted. Perhaps the bank could provide their sales personnel with administrative support to complete the paperwork or find a way to automate these activities. Adoption of this recommendation would lessen the dissatisfaction the extrinsically oriented sales staff have toward having to completing “non-sales” activities. It might also increase the long term retention of the employees, thus providing customers one sales person they can count on being there to assist them.

The second would be to reduce the amount of incentive compensation in the current pay program from 25 percent to 15 percent. Increasing the base pay would provide an increased sense of satisfaction for both types of sales employees. Intrinsically oriented staff member would feel rewarded for their efforts which they feel are needed to build a business relationship. Extrinsically oriented sales personnel would feel they are being fairly rewarded for their positive contribution to Westamerica’s bottom line results. Additionally, the current mix of incentive and base pay might be better received by the sales staff if the given profit goals more closely matched that which could be gained from
the types of businesses within, and the affluence of, their assigned territory.

Westamerica would surely benefit from this since they will be able to retain staff and substantially reduce their current turnover costs.

Neither an intrinsic or extrinsic oriented business culture is necessarily better than the other. Either orientation can help a business prosper if its employees also share the orientation that has been embraced by the company in its managerial, reward and compensation programs. What is important for Westamerica’s survival is management’s commitment to synchronize all systems, managerial as well as financial, to meet the motivational orientation of the type of sales person they want to attract and retain. Recruiters could use this profile to measure each candidate’s skills thereby enhancing the chances that future employees will be more productive since they will be working in an environment which satisfies their motivational orientation. Westamerica would reap the benefits already mentioned: increased profits, reduced turnover and achievement of Drucker’s (1992) “strategic fit” that will ensure Westamerica is a successful survivor in the competitive financial world. If it fails in its task to identify and then provide the rewards which are valued by their sales staff, Westamerica will surely become an acquisition itself.
APPENDIX A
COMMITTEE ON THE RIGHTS OF HUMAN SUBJECTS

SONOMA STATE UNIVERSITY
Protocol Summary Sheet
(including Request for Exemption from Review or Expedited Review)

Complete this sheet and respond to the questions listed on the reverse side. Retype the questions and use as many sheets as necessary to respond fully. Submit to: Executive Secretary, CRHS, 60 Office of Sponsored Programs, NI-12.

Proposals must be submitted ONE MONTH BEFORE RESEARCH IS SCHEDULED TO BEGIN.

<table>
<thead>
<tr>
<th>Principal Investigator</th>
<th>Home Phone</th>
<th>Work Phone</th>
<th>Title or Academic Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karla Jensen</td>
<td></td>
<td></td>
<td>MBA, Candidate</td>
</tr>
</tbody>
</table>

Co-Investigator(s) If student, include faculty advisor
Wingham Lidell & Lawrence Clark

New Project □ Modification □ Substudy □ Previous Study Date
Start Date 5/1/97 End Date 12/31/97

Title of Project
WESTAMERICA: A CASE STUDY

Determine which work preference, intrinsic or extrinsic, is best suited for Company’s sales culture.

Subject Population: Financial sales staff
Subject Source: Current employees
Number of Subjects: 90

How Contacted: Mail

Types of Instruments (e.g., tests, questionnaires, interview guides, etc.) ATTACH A COPY. IF NOT DEVELOPED, PROVIDE DRAFTS/SAMPLES, OUTLINES.

How administered: Phone □ Mail □ Face-to-Face
Setting: Work place

<table>
<thead>
<tr>
<th>Type of Instrument</th>
<th>How Administered</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Phone</td>
</tr>
</tbody>
</table>

Length and Frequency of Procedure: 30 minutes once

PLEASE NOTE:
You must obtain CRHS approval before initiating any activity with the subjects. Literature search and other work not involving human subjects may be conducted prior to CRHS review.

Student investigators must obtain clearance from their department’s human subjects committee. The faculty advisor can sign if the department does not have a committee.

DEPARTMENT CLEARANCE: C DATE: 7/1/97

THIS SPACE FOR CRHS USE ONLY:

This project: ☐ is exempt under category A
☐ is eligible for expedited review under category B
☐ requires CRHS review

COMMENTS: __________________________

EXECUTIVE SECRETARY, CRHS

CHAIR, CRHS

DATE 1/24/97

DATE 8/10/97
WESTAMERICA BANCORPORATION

and Subsidiaries

TO: FIELD (Name)  DATE: FIELD(date)
FIELD (Branch)

FROM: Bob Entwisle

SUBJECT: Work Preference Thesis Questionnaire

Karla Jensen is completing her MBA thesis project at Sonoma State. Part of this project will include an analysis of a work preference questionnaire for financial sales personnel. I have consented to allow Karla to send a copy of this questionnaire to each member of Westamerica’s sales staff. Your cooperation is strictly voluntary.

If you would like to contribute to the project please complete and return the attached questionnaire to Karla at Mail Stop A-1R. If you have any questions regarding this request please call Karla directly at x6057.
WESTAMERICA BANCORPORATION
and subsidiaries

TO: FIELD(Name)                                  DATE: FIELD(date)
    FIELD(Branch)

FROM: Karla Jensen

SUBJECT: Work Preference Thesis Questionnaire

I am an MBA student at Sonoma State University currently completing my thesis project under the guidance of Professors Wingham Liddell and Lawrence Clark. I hope to learn what type of work environment is valued by sales employees. You were selected to participate based on your sales position here at Westamerica.

Your decision whether or not to participate will not in any way affect your employment with Westamerica nor any present or future relationship you may have with Sonoma State.

If you decide to participate, please complete the attached questionnaire and return it to my attention at Mail Stop A1R. Any information that I obtain during this project that can be identified with you will remain strictly confidential and will only be released with your permission or as required by law. If you wish, you may give me permission to release such information by signing this form and returning it with your completed questionnaire. You may terminate your participation at any time by notifying me of your wishes.

If you have any questions or concerns regarding this request please call me directly at x6057. If you would like to discuss any aspect of this project with either of my advisors you may do so. Dr. Liddell may be reached at (707) 664-2377. Dr. Clark's number is (707) 664-2220.

Thank your for time, attention and consideration regarding my request.

I agree to have my responses individually indentified if there is a request to do so.

(Signature)                                     (Date)
c:\wp60\wpdocs\theques3

MEMO 5 (2194)
Appendix C

WABC Work Preference Questionnaire

Please circle the number the letter of the statement in each of the following questions that best describes your preferred work environment.

1)
   a) I am usually not concerned about what other people think of my work.
   b) I find greater satisfaction in doing a good job when my efforts are recognized.

2)
   a) I prefer having someone set clear goals for me.
   b) I am more comfortable setting my own goals.

3)
   a) The more difficult the problem the more I enjoy solving it.
   b) I prefer doing work that is rather straightforward.

4)
   a) I am keenly aware of the salary goals I have set for myself.
   b) I seldom think about salary and promotions.

5)
   a) I am motivated by work that provides opportunities for me to increase my knowledge and skills.
   b) I am strongly motivated by the recognition I earn from others.

6)
   a) I measure success as how well I do compared to others.
   b) I feel successful if I have given my best to get the job done.
7) 
a) I prefer to figure things out for myself.

b) I prefer working on projects that have clearly defined guidelines.

8) 
a) No matter what the outcome, I am satisfied if I have had a new experience.

b) I am satisfied if I feel I have been appropriately rewarded for my efforts.

9) 
a) I am always aware of the career goals I have set for myself.

b) As long as I can do what I enjoy, I am not concerned with my title or salary.

10) 
a) I want others to recognize how good I am at what I do.

b) Curiosity is the driving force behind most of what I do.

11) 
a) I am less concerned with the type of work I do as I am about the salary I receive.

b) It is important for me to do what I most enjoy.

12) 
a) I completing assignments that I know I can do accomplish.

b) I enjoy tackling problems that I have not previously encountered.

13) 
a) I prefer to work independently.

b) I like working in a team environment.

14) 
a) Regular feedback on how well I am performing is important to me.

b) The only time I want to hear from my boss is when I not meeting his/her expectations.

PLEASE RETURN COMPLETED QUESTIONNAIRE NLT THAN AUGUST 13, 1997.
Answer Sheet for Questionnaire

1)
   a) Intrinsic
   b) Extrinsic

2)
   a) Extrinsic
   b) Intrinsic

3)
   a) Intrinsic
   b) Extrinsic

4)
   a) Extrinsic
   b) Intrinsic

5)
   a) Intrinsic
   b) Extrinsic

6)
   a) Extrinsic
   b) Intrinsic

7)
   a) Intrinsic
   b) Extrinsic
8)  
a) Intrinsic  
b) Extrinsic  

9)  
a) Extrinsic  
b) Intrinsic  

10)  
a) Intrinsic  
b) Extrinsic  

11)  
a) Extrinsic  
b) Intrinsic  

12)  
a) Extrinsic  
b) Intrinsic  

13)  
a) Intrinsic  
b) Extrinsic  

14)  
a) Extrinsic  
b) Intrinsic
Appendix D
Chart 1
Responses to Questions

Question No.

Intrinsic  Extrinsic

Percent

1  2  3  4  5  6  7  8  9  10  11  12  13  14
Chart 2: Female Responses to Questions

No. of Respondents

Question No.

Intrinsic - Extrinsic
Chart 3: Male Responses to Questions

Intrinsic | Extrinsic

No. of Respondents

Chart 3: Male Responses to Questions

Intrinsic | Extrinsic

No. of Respondents
Bibliography


