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Motivational foundations of public service provision: Towards a theoretical synthesis

Abstract

Integrating theoretical perspectives is very useful when we investigate an empirical phenomenon, and this article demonstrates how employee motivation can be understood based on principal-agent, self-determination and prosocial theories. Employee motivation can be conceptualized as either extrinsic, autonomous or prosocial or a combination thereof, and a theoretical synthesis allows us to understand this complexity without losing too much coherence and parsimony. We illustrate the theoretical integration specifically for public sector. Although these empirical settings are relevant in themselves, they serve primarily as grist for a wider discussion on strategies for applying multiple theoretical perspectives and crafting a synthesis. The key contribution of the paper is thus theoretical — to develop a coherent understanding of employee motivation — but the empirical illustrations also give insight into the motivation of employees in the context of public sector outsourcing.

Keywords: Public employees, theory building, outsourcing, principal-agent theory, self-determination theory, prosocial motivation.

1. Introduction

Publicly financed services can be provided by both publicly and privately owned organizations, and the employees that provide them — nurses, teachers, administrators and many others — are vital for the success of public service delivery and therefore for society at large. Theoretically understanding the motivation and ultimately the behavior of these individuals is thus a core task for public administration as an academic discipline. Many empirical studies investigate the behavior and motivation of employees in different contexts (Perry and Wise 1990; Andersen, Heinesen, and Pedersen 2014; Bellé 2014), but most previous literature scrutinizes the phenomenon through the lens of one theoretical understanding of employees' nature, motivation and aspirations. Such particular theoretical perspectives are coherent and parsimonious, but may lack potential for developing a more complete and multifaceted understanding of the motivation of employees in public and private organizations. Combining different theoretical perspectives, this paper examines how we can better understand the motivation of the individual employees who provide public services. This is an important task to undertake, because even though employee motivation has been extensively studied, the field has deficiencies in regard to theoretical development. Most importantly, different motivational assumptions lead to diverging understandings and explanations of employee behavior, and hence there is a need for theoretical integration to build an understanding of when different motivations are triggered in specific organizational situations such as the transfer from public to private provision of public services.

We use outsourcing as an illustrative case of a multi-integrative theoretical approach. Public sector outsourcing (and its synonym "contracting out") is here defined as the process where a public sponsor (e.g. municipality) opens up to competition the provision of publicly financed services, which were previously provided by publicly owned organizations. Private organizations thus submit bids for contracts to provide the services

(Domberger and Jensen 1997: 68). Thereby, the public sponsor takes the role as buyer and the private company becomes provider. Outsourcing changes the fundamental principal-agent relationship (and thus the inherent incentives) as well as the general job-related context for individuals' basic need satisfaction. For employees, outsourcing is a change process that unleashes a simultaneous change in the organizational structure, employment conditions, individual reward systems and corporate culture of a workplace (Cunha and Cooper 2002). From a theoretical perspective, outsourcing potentially triggers different motivational mechanisms at the individual level, thus making it a suitable setting for theoretical inquiry into the motivation of employees.

 We include three perspectives that all focus on the motivational foundations of employees: "The extrinsically motivated employee" from principal-agent theory; "the self-determined employee" from self-determination theory; and "the prosocial employee" from prosocial motivation theory. They assume that employees are respectively self-interested, intrinsically motivated or public-service motivated. The mechanisms behind extrinsic motivation are, according to principal-agent theory, individual preferences and incentives linked to work effort and performance. Self-determination theory focuses on fulfillment of the basic needs for competence, autonomy and relatedness, and how this translates into autonomous motivation. Prosocial motivation theory (including the literature on public service motivation) focuses on the orientation to doing good for society and others, the propensity to direct extra effort to society, and the broader societal impact of the job. The selection of these three perspectives is based on logic as well as expected relevance. Logically, we capture the distinctions between instrumental and non-instrumental motivation (extrinsic and prosocial motivation versus intrinsic motivation) and between altruistic and non-altruistic instrumental motivation (prosocial versus extrinsic motivation) (Cerasoli et al., 2014; Bolino & Grant, 2016). The three perspectives correspond to extrinsic, enjoyment-

based intrinsic, and prosocial intrinsic motivations in the terminology of Neumann and Ritz (2015), but none of them are able to give a full understanding of the motivation of employees. Public employees, under some circumstances, react based on extrinsic motivation, while intrinsic (enjoyment-based) motivation and prosocial motivation are more important in other contexts (Weibel, Rost, and Osterloh 2010; Grant 2008a). Understanding individuals' motivation in the context of public sector outsourcing thus requires insights into extrinsic, intrinsic and prosocial motives, highlighting the need to integrate these theoretical perspectives more comprehensively in a public administration context.

Important insights have been offered concerning the integration of the perspectives for some specific situations (such as use of command and incentive systems, Frey 1997). Moreover, Neumann and Ritz (2015) examine extrinsic and various types of intrinsic motivation from a rational choice (i.e. economic) perspective, and Grant (2008b) draws on self-determination theory and analyses how intrinsic motivation moderates the relation between prosocial motivation and outcomes. Other key works combine prosocial motivation theory with insights from self-determination theory (Grant and Berry 2011) or consider each of the three perspectives of extrinsic, autonomous or prosocial motivation separately (Grant and Shin 2012).

Expanding on and combining existing ways of integrating the theoretical perspectives (Frey 1997; Le Grand 2003), we argue that the three theoretical lenses *together* hold strong potential for conceptualizing employee motivation. We thus aim to provide a coherent theoretical understanding of the motivation of employees that deliver public services, and our key argument is that the relative salience of each perspective is determined by how the employees perceive that their managers view their motivation. Do they perceive that managers see them as (knavish) wage earners, as (non-instrumental) task nerds, or as (prosocial) white knights? Please note that we use the term 'manager' in an inclusive way

referring not just to the immediate manager, but also the managerial context in the organization as such. Our claim is that the three perceptions of employees — to some degree — create self-fulfilling prophecies: Individuals will be motivated to behave in the ways in which (they perceive that) their managers assume that they behave. If employees are treated with mistrust they become knaves (see Le Grand, 2003), but if the managers seek to promote prosocial behavior and treat the employees correspondingly this can foster 'givers' rather than 'takers' (Grant, 2013). In other words, if employees perceive that helping behavior is promoted and recognized this prompts them to act accordingly. The same holds for the intrinsically motivated employees. Here, the managers influence the employees' perception of autonomy, competence and relatedness, and this fosters intrinsic task motivation (Mikkelsen, Jacobsen and Andersen 2017). In all these instances, the employees' perception of the managers matters to the activation of particular motivational forms. We argue that this perception explains when one motivational perspective rather than another is called to the fore as illustrated in Figure 1 for outsourcing. After a discussion of this figure in the following sections, we will also include managers' actual assumptions about employees' motivation, arguing that actual and perceived managerial assumptions are the mortar between the conceptual bricks from the three perspectives.

[FIGURE 1 HERE]

The remainder of the paper proceeds as follows. First, we present our strategy for theorizing (Section 2). Next, we discuss the three theoretical lenses of principal-agent theory, self-determination theory and prosocial motivation theory sequentially using public sector outsourcing as empirical grist (Sections 3-5). Drawing out all inspiration that we can from each perspective, the insights from the three examinations are then compared, with a focus on their differences and similarities (Section 6). We then discuss how the three theoretical perspectives can be combined, thereby framing a more comprehensive understanding of

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employee motivation and behavior (Section 7). The final section summarizes the lessons learned and discusses avenues for further theoretical advancement (Section 8).

2. Theorizing about public service providers: Strategies and trade-offs

Our strategy for theoretical development is inspired by Allison (1969). His argument is that insight can be gained from the application of multiple theoretical perspectives sequentially to the same empirical phenomenon. Any conceptual lens has particular strengths and limitations, and by applying multiple lenses rather than a single perspective, researchers can obtain a better understanding of the empirical case of interest (Pfeffer 1981, 29). Similar to Allison (1969), our premise is that improvement in our theoretical and empirical understanding depends critically on more self-consciousness about what we as observers bring to the analysis. What we see and judge to be important is a function not only of the empirical evidence, but also of the conceptual lenses that we apply. Using one perspective at a time gives parsimony, coherence and internal consistency, because there is only one consistent set of assumptions about the actors (Gerring 1999). However, none of the abovementioned three theoretical perspectives are able to give a full understanding of their motivation in general and during outsourcing in particular. Hence, important parts of the mine are left unexplored if we only apply one flashlight to this empirical phenomenon.

Therefore, in line with Allison (1969), we use different theoretical flashlights rather than just one, meaning that the phenomenon on which the light shines is illuminated, while everything else is left in the dark. Metaphorically speaking, we use one single perspective at a time and "clip it on to the helmet as a flashlight" before entering the data mine (Pettigrew 2013, 41-21). We thus shine first with the red light, record what we see, and repeat the process for the green and blue lights, followed by a discussion of what we saw, using the combination of insights from the theoretical flashlights. This multi-perspective

approach assumes that it is possible to propose and test expectations based on each theoretical perspective and afterwards connect and synthesize the insights gained. The aim is thus 'insight seeking' rather than trying to provide only one truth (Pondy and Boje 1980, 84).

There are a number of criteria that are central to theory development (Gerring 1999), but as Gerring argues, all criteria are rarely fulfilled, and there are several trade-offs involved. In particular, theoretical parsimony and logical consistency often come at the cost of in-depth empirical insight. Optimizing the parsimony criterion means choosing the simplest scientific explanation that fits the empirical evidence, and attempting to cut away additional assumptions to generate unequivocal expectations. The inherent risk is one-sidedness and limited explanatory power: One theoretical perspective might only help illuminate a limited number of the gemstones in the metaphorical mine. Theory development thus involves several trade-offs (Gerring 1999). In particular, conceptual parsimony and logical consistency often come at the cost of in-depth understanding of complex phenomena.

The question, however, is what we do if the flashlights — metaphorically speaking — provide inconsistent insights about each corner of the room. How do we find the scope conditions when multiple theoretical perspectives are applied? If we understand theorizing as formulating new theoretical propositions based on the insights gained from each of the relevant perspectives, the goal is to propose a consistent synthesis that improves our understanding of the empirical phenomenon. Here, we combine existing partial syntheses with empirical and theoretical arguments to better understand employee motivation based on insights from principal-agent, self-determination and prosocial motivation theories.

Below, we discuss the theoretical perspectives and how they apply to public sector outsourcing. We then compare the flashlights and present our theoretical synthesis. In other words, we explore each of the pathways in Figure 1 and then synthesize the insights in a new model (Figure 2) based on the insights from the three trips down the (outsourcing) mine.

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3. Motivation in public service provision (and outsourcing) seen through a principal-agent lens

Principal-agent theory sees individuals as rational self-interested maximizers situated in a relationship in which authority is located on one side (the principal; that is, the managers and higher-level decision-makers) and informational advantage on the other (the agent; here the individual employee that delivers services) (Ross 1973; Miller 2005). The assumed self-interest means that individuals' own preferences are expected to affect the decisions they make, while rationality is defined as the ability to rank all known alternatives available to the individual in a transitive manner. Maximization implies that the individuals will consistently choose the alternatives that provide the highest net benefit according to their own preferences. The individuals are assumed to always know their own preferences for each outcome, but the level of information may otherwise vary concerning (1) knowledge of all available strategies, and (2) the probability with which a strategy will lead to given outcomes (Ostrom and Ostrom 1971).

Principal-agent theory is interested in how asymmetric information, outcome uncertainty, incentives and risk unfold in a contractual relationship, in which one party (the principal) delegates work to another party (the agent) (Jensen and Meckling 1976). The focus is on determining the most efficient contract, working from the assumptions that 1) people are self-interested, risk averse and opportunistic, 2) there is a goal conflict between principals and agents and 3) information is asymmetric, but also a commodity which can be purchased (Eisenhardt 1989). In a work context, the key motives are seen as higher remuneration and more leisure (that is, lower work effort), and the key way to motivate individuals is to appeal to extrinsic motivation through contingent rewards and discipline (monitoring of individual effort and results, and punishing low work effort and lack of contribution).

Seen through the lens of principal-agent theory, public sector outsourcing where employees are transferred to a private employer imposes a fundamental change in the principal, while the agents stay the same. Most fundamentally, the ultimate principal is now a private owner, and this changes the principal's incentive structure, because the owner is also the residual claimant (Shleifer and Vishny 1994; Bel, Fageda, and Warner 2010). The residual claimant is the actor who gets the financial benefit that is realized if revenue exceeds expenses. Under public ownership, the residual claimant is per definition the public (or part of the public, e.g. all citizens in a municipality). The public is characterized by a collective action problem and will thus find it difficult to act in a way that maximizes this residual. In an outsourcing situation, revenue is normally fixed in the contract between the private provider and the public sponsor, so here profit maximization means decreasing expenses.

Both before and after outsourcing, principal-agent theory assumes that individuals' motivation is to obtain high income for low work effort, and this focuses the flashlight on incentives linked to effort and/or performance. There is a difference between private and public managers in their opportunities to increase employees' work effort through contingent rewards and sanctions. The salary system in most public organizations (for reasons explained, for example, by Dixit 2002) consists of a flat salary with little or no performance pay. The implication is that employees will shirk as much as possible as long as the principal does not punish them for shirking. However, the principal in a public ownership context will seldom have an incentive to punish shirking, because free-rider problems prevent citizens (the ultimate principals) from monitoring the public managers themselves. The politicians who represent the citizens are seldom rewarded for highlighting and punishing bad performance in the organizations they are responsible for, and this means that public managers are rarely incentivized to maximize productivity. Principal-agent theory would

therefore expect the threshold for firing employees for low work effort to change dramatically after public sector.

The relevance of these theoretical arguments is illustrated by evidence from the outsourcing literature, showing that individual effort demands are substantially higher after outsourcing (Park 2004; Cunningham and James 2009; Zuberi 2011, 927). Reduced salaries and higher firing risk are also common effects of outsourcing (Peoples, Talley, and Wang 2008; Kavanagh and Parker 2000; Dube and Kaplan 2010; Zuberi 2011). The reduced (actual and perceived) job security identified by many outsourcing studies (e.g. Park 2004; Zuberi 2011; Busck 2007; Rubery and Urwin 2011; Ferrie 2001; Engstrom and Axelsson 2010) is also consistent with the profit maximization incentives of the principal, and is predicted by the theoretical lens of principal-agent theory. Following the above-mentioned disciplining effect, a private sector principal will (after outsourcing) have incentive to intensify supervision and control and dismiss unproductive workers, thus increasing the principal's rent (Frey 1993, 663). Depending on their relative utility of income versus their disutility of effort, the employees (the agents) would either increase their effort (due to the increased risk of being fired if their work effort is low) or, if they have a high preference for leisure, still show little effort and risk being fired. The relative utility of these strategies also depends on the chances of getting another job and the compensation given through welfare transfers (such as unemployment benefits). The implication is that employees more often (involuntarily or voluntarily) leave their jobs after outsourcing, and that is exactly what Bhatti et al. (2017) find. In some countries, more than half of the drop in income is compensated by welfare transfers from the state, illustrating the importance of the institutional context for the consequences of the two strategies open to the agents.

Furthermore, if agents weigh marginal costs against marginal benefits, an increase in the marginal contingent benefits can also be expected to increase their effort if the

incentive is credible and higher than the marginal costs in terms of increased effort (Alchian and Demsetz 1972; Lazear and Gibbs 2009, 234). This is the above-mentioned price effect. Here, a classic tool is pay for performance, but other controllable extrinsic rewards are also relevant — such as better offices, more flexible work hours, more interesting job assignments, or a promotion — if their reward is based on performance (Lazear and Gibbs 2009, 232). In popular terms, incentives are both rewards and sanctions and can be thought of as "the stick as well as the carrot" (Bemelmans-Videc, Rist, and Vedung 2011). When outsourcing gives the residual claimant a stronger incentive to drive performance up and fewer restrictions in doing so — for example those imposed for political reasons and maybe also due to influences from organized labor (Moe 2006) — this will be expected to increase the probability of an economic reward for extra effort and/or good results. Such performance-contingent rewards are normally used more often in privately owned organizations (Dixit 2002; Burgess and Ratto 2003), because performance goals are typically fewer and less ambiguous in private organizations combined with the fact that the private principal will have a stronger pecuniary incentive to use this type of reward.

The principal-agent perspective argues that it is notoriously difficult to create credible incentives in public organizations, because politicians always have the power to change the rules of the game (Miller 2000). Credibility means that individuals will have good reasons to believe that the responsible actor will act as promised. If public service provision is outsourced, the commitment of the residual claimant will be more credible as there will be less possibility for political interference. Employees will for example have better reasons to believe they will get a promised performance bonus in the private sector context, because politicians cannot arbitrarily decrease the payment, and the private residual claimant will also have an incentive to invest in being perceived as credible, because it will improve future profit maximization (employees will only respond to future incentives by working harder if

past managerial behavior suggests that they receive the reward). Therefore, the instrumentality of investing in high effort for the attainment of the rewards will increase after outsourcing. Linking back to Figure 1, public sector outsourcing and the change in the ultimate principal strengthens the manager's incentives to increase productivity, leading to a more intense use of sanctions and incentives and thus higher work effort. As we will discuss in more detail later, employees' perception of the manager's assumptions might determine whether this extrinsic motivation dominates, and these expectations might also change as a result of the outsourcing.

4. Motivation in public service provision (and outsourcing) seen through a self-determination theory lens

The second perspective, self-determination theory (SDT), asks whether employee motivation is more or less autonomous. According to this perspective, the most efficient motivational driver is not the wish to obtain an external reward, but rather to do the task, either because it is enjoyable (intrinsic motivation) or because the individual identifies with the objectives behind the action. It is seen as desirable that individuals do not perceive their actions as being controlled by factors outside themselves. The more autonomous the motivation is, the better, and intrinsic motivation is the most autonomous motivation. Individuals' fulfillment of basic needs for autonomy, competence and relatedness is vital, because need fulfillment is necessary to increase and sustain motivation (Gagne and Deci 2005). The theory was originally developed in the realm of educational psychology, but it is also relevant for public and private workplaces.

In the work context, autonomy refers to the individuals' volition to carry out tasks; that is, whether the individual has autonomy in the way tasks are carried out, or is controlled and monitored externally (Deci and Ryan 2000). To be autonomous does not mean

to be independent; it means to have a sense of free will when doing a job and acting based on individual values. The need for autonomy thus concerns the urge to be a causal agent and to act in harmony with your integrated self. The need for competence is linked to the desire to control and master one's environment and outcomes, and its fulfillment depends on the individuals' self-efficacy and being supported by positive feedback on working tasks. The need for relatedness refers to the desire to feel connected to others and to love and care for other individuals (Deci and Ryan 2000, 231). According to SDT, most individuals care for their colleagues and feel emotionally attached to at least some of them, and a broader interpretation would also involve relatedness in relation to individual users.

Motivation can either be intrinsic or (different types of) extrinsic. One of the key points is that extrinsic motivation (the potential willingness to carry out an activity to obtain an external goal) can, to different degrees, be internalized. Internalization is the transformation process of extrinsic motives into personally endorsed values. External goals are, in a work context, often conceptualized as regulations in this theoretical perspective (Gagné and Deci 2005). Regulations can be external, introjected, identified or integrated, depending on the degree to which the motivation is autonomous versus controlled. If motivation is introjected, it is based on an understanding and acceptance of the conditions of the regulation, but the individual does not necessarily agree with or share the values and objectives. Rather than focusing on rewards and sanctions, the individual is driven by feelings of guilt or pride based on the degree to which the work task is carried out. If the regulation is identified, the individual accepts the norms and values that are associated with the regulation. Finally, the assumptions of a regulation and its norms, values and objectives can be assimilated and integrated in the individual. In this case, steering and interventions are much less necessary, as the individuals identify so strongly with the task that they do not need directions. Internalization refers to "taking in" a behavioral regulation and the values

that underlie it. In this perspective, the task and its objectives become the goal. For intrinsic motivation, therefore, it is the enjoyment of the task itself (and not its consequences) that drives behavior.

If we look specifically at public sector outsourcing, the SDT flashlight focuses on how work is organized before and after. A first important question would be whether the same individuals interact before and after the outsourcing. If they do, and if the objectives and values behind the service provision are the same, there is no reason to expect less fulfillment of the need for relatedness. SDT sees the relational dimensions of the outsourcing process as very important (see also Lindholst 2015 for an illustration of this). In the context of the workplace, the need for relatedness is fulfilled if an individual has meaningful social relations with colleagues and/or users, and this is possible to maintain after outsourcing if the basic teams (and the team autonomy) are not changed.

The same logic applies to the needs for competence and autonomy after outsourcing. SDT argues that when people experience satisfaction of the needs for relatedness and competence, they will to some extent internalize the values of a given regulation, while the degree of satisfaction of the need for autonomy is what distinguishes whether identification or integration (rather than just introjection) will occur (Gagné and Deci 2005, 337). Satisfaction of the need for autonomy while internalizing a regulation is, in other words, necessary for the value to be fully internalized and for the subsequent enactment of the behavior to be autonomous. As illustrated by Nuppenau (2008), outsourcing can lead to more managerial discretion, which can be used to give more autonomy to individual workers. Specifically, Nuppenau (2008) illustrates how a change from public to private employment in several municipalities was accompanied by more individual responsibility and increased possibilities for personal and professional development.

Again, there is no guarantee that this will happen, but it can. Engstrom and Axelsson (2010, 166-167) thus argue that there can be two different processes during outsourcing: It can start a virtuous circle leading to more commitment and trust in the (typically) more decentralized private organization, or outsourcing can lead to lower job security and start a vicious circle with decreased commitment and lack of trust. The flashlight of SDT would here highlight the specific organization of the work task, and also stress whether or not the situation in question is one of cutbacks, where social relations are broken and fewer resources are available for actually being able to master the environment successfully and thus feel competent (Gustafsson and Saksvik 2005). Other studies, such as Peoples, Talley and Wang (2008) and Fernandez, Smith and Wenger (2006), illustrate how outsourcing can lead to replacement of experienced employees in full time positions with less experienced workers in part-time positions, which could lead to decreased fulfillment of the need for relatedness with other employees and users. Training and competence development are also important elements in maintaining high competence need fulfillment, and this can go both ways after outsourcing, as illustrated by Flecker and Hermann who highlight one situation in which "training has been stepped up for some workers, while being cut for others" (2011, 541).

Ceteris paribus, SDT would theoretically predict that regulations are less internalized just after an outsourcing, leading to less autonomous motivation and lower well-being. The reason for this expectation is that existing social relationships and work routines will often be broken unless they were explicitly preserved. The key message is thus that depending on contextual factors like the size of budget cuts, employee rights in collective agreements and human resource strategies, outsourcing can either improve or worsen managers' opportunities to support individual satisfaction of the needs for autonomy, competence and relatedness, and that the motivational effects of outsourcing depend

fundamentally on the fulfillment of these basic needs. Linking back to Figure 1, outsourcing can change managers' opportunities to hold teams together, develop employee skills and delegate room to maneuver and thus affect employee need fulfilment. If the manager initially sees the employees as autonomously motivated individuals, the changes will probably be smaller, because the manager will try to satisfy employee needs in the change process, both for the sake of the employees and to increase organizational performance.

5. Motivation in public service provision (and outsourcing) seen through a prosocial motivation lens

The prosocial motivation perspective argues that many employees are motivated to carry out behaviors that mainly benefit others and society, and which are frequently costly or involve self-sacrifice from the individual delivering the service (Bénabou and Tirole 2006; Perry and Wise 1990). This interest in prosocial motivation is found in both economics and psychology, and since 1990 it has emerged as a particular field of study in public administration focused on the concept of public service motivation (Perry and Wise 1990; Ritz, Brewer, and Neumann 2016). Rainey and Steinbauer (1999, 23) define public service motivation as the general altruistic motivation to serve the interests of a community of people, a state, a nation or humanity. This understanding largely overlaps with concepts of prosocial motivation found in economics (see Francois and Vlassopoulos 2008), while the psychological part of the literature (e.g. Bolino and Grant 2016) sees a difference between prosocial motives and altruism. Specifically, they define prosocial motives as "the desire to benefit others or expend effort out of concern for others" (ibid, 5), and such motives are seen as distinct from purely altruistic (selfless) motives, because they may involve both concern for others and concern for oneself. In our discussion, prosocial motivation means the desire to benefit other people

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and society, and we see public service motivation as a specific type of prosocial motivation linked to public service provision.

One of the mechanisms triggering prosocial motivation is contact with the beneficiary (Grant 2007; 2008; Bellé 2013). If employees see with their own eyes that their efforts help specific other individuals, their motivation increases and they work harder to do good for others and society. Prosocial motivation is thus expected to increase individual performance due to the employees' higher willingness to increase their efforts to help other people and contribute to society (Perry and Wise 1990). Several empirical studies have confirmed this expectation (Bellé 2013; 2014; Andersen, Heinesen, and Pedersen 2014). Seen from this perspective, it is important for employees to have and see a prosocial impact of their jobs. Adam Grant (2008a), for example, argues that employee motivation can be enhanced by connecting the employees to their prosocial impact. Specifically, he finds that it changed the behavior of fundraising callers serving a public university to meet a fellowship student who benefited from the funds raised by the organization. These fundraisers increased significantly their numbers of pledges and donation money obtained compared to a control group. This implies that the effect of outsourcing will depend on whether the beneficiary contact changes. Grant (2007, 399) also highlights the affective commitment to beneficiaries. If outsourcing means that beneficiary contact is changed from a relationship focused on doing good for the others and society to a more individualized merchant/customer relationship in the private sector context, the psychological state that shapes the motivation to make a prosocial difference will be expected to change too. Individuals from the exact same occupation (e.g. teachers in private and public schools, nurses in public and private hospitals) have slightly different types of prosocial motivation depending on whether they work in privately or publicly owned organizations. Public employees tend to be more motivated to contribute to society, whereas private employees tend to be more motivated to help the

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individual users (Andersen and Pedersen 2013). This can be important, given that this balance has been shown to affect behavior: General practitioners, for example, use more antibiotics if they are highly user-oriented, while a more society-oriented motivation profile suggests prioritizing narrow spectrum antibiotics in favor of broad spectrum (Jensen and Andersen 2015). Similarly, very user-oriented university teachers give higher grades and have a higher pass rate, while society-oriented prosocial motivation can help prevent grade inflation (Andersen, Pallesen, and Salomonsen 2013). Managers can thus expect employees that are more user-oriented and less society-oriented after outsourcing.

Another key question in relation to outsourcing seen from this theoretical perspective is whether individuals can see the societal impact potential in their jobs. Some contributions within the prosocial motivation perspective (e.g. Francois 2003) argue that this depends on whether they work in for-profit or non-profit firms. Especially if they work in a publicly owned firm, the argument is that they are able to direct effort straight to the public (Francois and Vlassopoulos 2008). This implies that outsourcing (where public employees become privately employed) makes the employees feel less responsibility towards the public interest, which might in turn decrease their prosocial motivation. Prosocial motivation leads to job satisfaction and performance only if the individuals can see their prosocial impact (Van loon et al. 2016; Andersen and Kjeldsen 2013). If employees with by prosocial motives feel that they no longer have the same prosocial impact when they transfer to a private organization, the fit will be poor and they might therefore lose motivation.

If employees stay with their new (private) employer after outsourcing, their work effort might be lower compared to their effort with the previous public employer (note that this argument is the exact opposite of principal-agent theory). The argument (François 2001; François and Vlassopoulos 2008) is that prosocially motivated employees will work harder in the public sector than in the private sector, because public sector managers cannot increase

other factors of production, whereas private sector managers can, due to the profit maximization motive and the more direct link between delivered services and earnings. If employees care about the level of the service, but not who provides the service, and do not get utility from the act of providing it (they do not have intrinsic motivation), then they will work harder in the public organization. Otherwise, the outcome they see as important would not be achieved. In a private organization, they would know that the manager would have to hire more workers to deliver what was promised and what generates revenue. However, a public organization with no residual claim on profits does not face a similar incentive. Under these conditions, public organizations are expected to provide the service at a lower cost than a profit-maximizing firm operating under contract with the public sector. This is used to argue why we see few performance-based contracts in public organizations: If the funding depends on the number of services delivered, high-powered incentives in publicly owned organizations can crowd out the prosocially motivated contributions and raise costs, because the organization would have an incentive to hire more employees to provide the agreed services. This might also apply to outsourcing if the contract between the sponsor and contractor specifies the required level of output that will release financial compensation. The key implication is that employees with prosocial motives will work less after outsourcing, unless their manager convinces them that extra work will still benefit others and society (and not only the residual claimant) and/or that the services (that the employees see as important) will not be delivered regardless by hiring more workers. Whether managers do this, depends on the assumptions about the employees as discussed in more detail below.

Note that this understanding sees individuals motivated by prosocial motivation and as pure altruists who are outcome oriented. With this type of prosocial motivation the nature of the actions performed is irrelevant, and all that matters is the result of the actions. This is different from an action-oriented motivation such as a "warm glow," under which

individuals experience an increase in utility just by performing certain actions. This can give rise to a free-rider problem which might affect employee behavior: "I am better off if the poor are better off; I am better off still, if you are the one who makes them so" (Gassler 1998, 3 cited in Francois 2001, 278).

In sum, outsourcing can mean that the organizations will get a different balance of employee priorities in terms of doing good for society versus doing good for specific other people, and it can change employees' behavior due to different (perceived) opportunities to contribute to others and society. Referring back to Figure 1, the employees' perception of the manager's assumptions about them might be even more important for whether this is the dominant type of motivation, because individuals with prosocial motivation will feel exploited by a manager who does not recognize that it is important for them to make a meaningful difference for others, and the profit motive after outsourcing might increase this.

6. Comparing flashlights: Insights from the three perspectives

Metaphorically, we have now gone into the "public sector outsourcing mine" three times with different flashlights clipped on to the helmet, focusing on the motivational consequences for public employees being transferred to organizations with private ownership after public sector outsourcing. Table 1 below summarizes and compares the insights.

[TABLE 1 HERE]

Principal-agent theory depicts employees as potential shirkers and expects that managers after outsourcing will have greater incentive to treat them as such, thereby incentivizing employees to work harder in private organizations. In contrast, the prosocial motivation perspective sees employees who deliver public services as motivated by doing good for

society and other people. This implies that public ownership induces them to work harder, because they can more easily direct effort to society and others in that context. Outsourcing is thus expected to result in less motivated employees, at least in terms of wanting to contribute to society (direct effort to society) and not merely help individual service users. Self-determination theory focuses on intrinsic motivation and (similar to the prosocial perspective) suggests that there are drivers and values guiding employees other than pecuniary utility. It warns us that lower need satisfaction and reduction in enjoyment of the task in itself will lead to a decrease in well-being and productivity, but it also highlights that this is not a necessary consequence of outsourcing.

At first sight, the expectations are pretty inconsistent: The three flashlights seem to provide entirely separate, even conflicting, pictures of the same mine. This is hardly surprising, given that the three theoretical perspectives have grown out of different fields of research with different actor assumptions, but we argue that there is potential for integrating them through the interplay between managerial behavior and assumptions and employee perceptions. Below, we discuss how others have already contributed to doing this, and how our synthesis continues these endeavors.

6. Combining flashlights: (Knavish) wage earners, (non-instrumental) task nerds and (prosocial) white knights

We do not start from scratch in our efforts to integrate the three perspectives. The motivation crowding theory combines principal-agent theory (Alchian and Demsetz 1972) and an early version of self-determination theory (Deci 1975) by "stipulating a systematic interaction between extrinsic and intrinsic motivation" (Frey and Jegen 2001, 591). Specifically for motivation crowding theory, the question is how the introduction of an external managerial intervention such as an incentive system affects intrinsic and prosocial motivation, depending

on the self-determination and self-esteem processes. The theoretical flashlights are here the concepts of (1) the disciplining/price effect where attention is directed towards the costs of shirking and the rewards of performing well; and (2) the crowding-in/-out effects where attention is directed towards how external interventions can change preferences and the perceived nature of the performed task, thus leading to impaired self-determination and impaired self-esteem. The grist in motivation crowding theory is the external intervention (typically a reward or command system), and the integration is centered on the psychological conditions under which the crowding effects appear (Frey and Jegen 2001, 594). Specifically, the key difference is expected to be between situations where employees perceive the external intervention as controlling and self-determination and self-esteem suffer versus situations where the intervention is perceived as supportive and "self-esteem is fostered, and individuals feel that they are given more freedom to act, thus enlarging self-determination" (ibid, 595).

Le Grand (2003; 2010) also contributes to integrating the perspectives, arguing that decision-makers and managers tend to assume that employees are either "knaves" with extrinsic motivation or "knights" with prosocial motivation. They then base their actions on these (untested) assumptions about the motivation of the people who implement public policy (2010, 56). Those decision-makers and managers who believe that employees are knaves will use what Le Grand (2010, 60) calls command-and-control: "A hierarchy of control, with direction from the top, coupled with external rewards or penalties for those complying or failing to comply with the central directives." Le Grand further argues that such regimes might turn knights into knaves, driving out their prosocial motivations and making them responsive to (knavish) extrinsic incentives. The logic is that the use of external rewards or penalties leads to discouragement and demoralization such that extrinsic motivation drives

out intrinsic motivation. The key takeaway point is that the employees' perception of the tools used by managers is crucial to their motivation and behavior.

Turning to the decision-makers who believe that employees are knights, Le Grand (2010, 57) argues that they will trust the "public-spirited altruists committed to the welfare of the people that they were being employed to serve" to provide high-quality services without any direction from government or anyone else (he calls this the trust model of public service provision). They will basically give the employees discretion to make resource allocation decisions as they see fit. Le Grand has less to say about whether the trust model will turn knaves into knights, but other contributions argue that this can happen if managers actively highlight the prosocial impact through visionary/transformational leadership and/or beneficiary contact (Wright, Moynihan, and Pandey 2012; Bellé 2014; Bro, Andersen, and Bøllingtoft 2017). In line with this, Adam Grant (2007, 406) argues that rather than concentrating on whether employees are ultimately self-interested, managers should focus on how "well-designed jobs can motivate employees of all dispositions to care about improving the welfare of other people." Thus, drawing on prosocial motivation literature, the claim is that knights can be fostered through a managerial behavior that makes the societal impact of public service provision clear and that creates a "fit" between the motivation of the employee and organizational values (Moynihan and Pandey 2007; Wright, Moynihan, and Pandey 2012). In other words, managers' assumptions about their employees and the behavior and interventions related to these assumptions can potentially turn knaves into knights and (as discussed above) knights into knaves.

Our discussion of all three perspectives and the existing syntheses thus implies that the perceptions managers and employees build of each other explain the relative weight of the three types of motivation. The perception is the game-changer which helps us understand when and why one theoretical perceptive rather than the others will provide the

most relevant explanations. As such, the managers' assumptions about employees' motivation and especially the employees' perceptions of these assumptions are the mortar between the conceptual bricks from the three perspectives.

An intervention will only affect behavior when the employees perceive that the formally stated mechanisms will actually happen. A financial reward, for example, will only change behavior if the potential recipient believes that he will get the reward if (and only if) he fulfills the terms. The crucial question then is how stable perceptions are, and how they are formed? On one hand, personal traits and ethics - such as a person's feeling of moral obligation to stick to an agreement - matter. On the other hand, the contextual relations also matter to how credible interventions are perceived to be (Cook, Hardin and Levi 2005, 5). One example proceeds as follows. A municipality outsources garbage collection and offers a job guarantee to employees in the organization. Hence, the immediate manager — who is perceived as a trustworthy person by his employees — communicates that nobody will lose their job due to this outsourcing. This sends a signal about his assumptions about the employees (that they will be hardworking and contribute also after outsourcing). However, some months later, the strategy is changed at a higher hierarchical level, and several refuse collectors are dismissed. In this situation, the employees may not continue to build their perceptions of the intervention on the communication from their immediate manager, but discount his relevance for interpreting and communicating changes to the organization. In contrast, the employees may subsequently form their future perception of interventions and other changes based on the signals from the hierarchical levels above the immediate manager. Thus, a dynamic process takes place between employees on the one side and the manager/managers that they see as decisive for their working conditions on the other side. Employees' perception of their managers' motives and incentives are thus important to their own motivation: If the manager at the relevant hierarchical level (that is, the level they see as

decisive) is perceived to assume that employees are wage earners, their motivation will change towards more emphasis on extrinsic motivation, and oppositely for perceived assumptions as task nerds or white knights. Therefore, the managerial assumptions behind the use of outsourcing and dismissals can become a self-fulfilling prophecy.

We expect perceptions to be based on managerial signals, and behavioral signals will be stronger than rhetorical signals. Managers might, in other words, pretend that they see the employees as "knights" at a rhetorical level, but if they regulate them very tightly with central rules and incentive systems, then the rhetorical signals will lack credibility and fail to affect employee perceptions. Systematic communication is a potential accelerator of the effect of external interventions, but it might be a boomerang if the communication is not credible. In sum, we expect that the employees' motivation depends on their perception of managerial assumptions, which is again linked to the credibility of the managers' communication. The other way around, the behavioral reflections of the employees' motivation also affects managers' assumptions about their motivation, which then again matter to the choice of interventions and the credibility of the managerial communication.

Based on these arguments, the perception of managerial interventions and the formation process for these perceptions are core building blocks in the synthesis we propose here (as illustrated in Figure 2 that further develops and generalizes the insights from Figure 1). It is not just the managers' assumptions about employees' motivation that matter to the interventions coming from above, as stated by Le Grand (2010), and the employee perceptions are no longer only an individual process related to self-determination and self-esteem (as in motivation crowding theory, see Frey and Jegen 2001). The formation of perceptions and assumptions between employees and managers at all levels are mutually dependent, according to our synthesis. In Figure 2, the double arrows between the managers'

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assumptions about employee motivation and managerial interventions and dominant types of employee motivation illustrate this.

[FIGURE 2 HERE]

This dynamic, interactive process integrates the mechanisms described in motivation crowding theory (impaired/enhanced self-determination and self-esteem) with a stronger focus on the context, where the perception of an external intervention also depends on how employees perceive the assumptions of managers at different hierarchical levels. This is in line with identity economics, which argues that individuals balance between reacting to incentives and avoiding actions that conflict with their concept of self (Akerlof and Kranton 2000). Identity is associated with different social categories and how people in these categories should behave. We argue that managers' behavior, especially during an organizational change process such as outsourcing, will be important for employees' identity through a mechanism where employees form a perception of the managers' assumptions about themselves and develop their motivational profiles in response to these assumptions. Basically, we argue that the managers — through their assumptions — contribute to putting employees in a given identity category, and that this is important for the salience of different types of motivation for the employees. It is hardly deterministic in the sense that some individuals are clearly more knavish while others are more knightly or more autonomous in their motivation structure, and actors other than managers might also be relevant. Still, we argue that (employees' perception about) managerial assumptions can to some extent bring out "the knight" (or "the knave" or "the task nerd") in a given individual. This is in line with the conclusions of Mikkelsen, Jacobsen and Andersen (2017) and Andersen, Boye and Laursen (2017), who find that managerial actions signaling very different assumptions about

employees lead to different perceptions of external interventions and ultimately to different motivation among the employees.

In a synthesis of all three perspectives (principal-agent theory, SDT and prosocial motivation theory), a key assumption is that individuals can *simultaneously* have extrinsic, intrinsic and prosocial motivation (see Figure 2). In addition to the evidence presented within the motivation crowding literature (Frey and Jegen 2001), research on public leadership indicates that this is a fruitful assumption. Receiving rewards for high performance and being part of an organization with a clear prosocial vision, for example, make employees feel more competent, autonomous and related and increases their prosocial motivation (Bellé 2014; Jacobsen and Andersen 2017; Jensen and Bro 2017). Bó, Finan, and Rossi (2013) also find that increased salary attracts job applicants to public sector jobs with higher, rather than lower, prosocial motivation, suggesting that employees can very well have both types of motivation. Taken together, these empirical studies suggest that mixed motivation is indeed a plausible assumption. This highlights the relevance of the relative salience of each type of motivation in different situations. In line with this, it is important to theorize about which mechanisms matter most in different situations. Why do employees sometimes see external interventions as controlling (rather than supportive), how does this link to the managerial assumptions about employee motivation, and how does this in turn affect motivation? Some of these questions can hopefully be answered based on the synthesis presented in this paper.

Specifically for outsourcing, we argue that managers' and employees' perceived assumptions will be very important for how employees understand an outsourcing initiative. Will outsourcing be seen as a change to (1) a market where the employees are seen as wage earners who sell effort as expensively as possible; (2) a forum for development and personal and social growth, where their managers will still facilitate their need satisfaction and

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enjoyment of meaningful tasks; or (3) a mechanism for making a more flexible societal contribution and a positive difference for other people, where they are still seen as (knightly) professionals? As mentioned, we argue that managers' assumptions affect the identity choices made by the employees (Akerlof and Kranton 2000, 717). The ownership status of the organization and interpretation of communication about the beneficiaries are thus important. While public ownership (ceteris paribus), to a larger extent than private ownership, allows individuals to perceive that they are directing their efforts to society, it is still possible to have a positive societal impact in private employment; but it is highly possible that after outsourcing individuals will perceive to a lesser extent that their manager assumes that they are prosocially motivated. This can especially be expected if the manager pays less attention to highlighting the prosocial impact of the work and depicts the beneficiaries as customers rather than citizens. Correspondingly, it is also relevant whether the manager still facilitates frequent and positive beneficiary contact (to support need satisfaction in relation to competence, autonomy and relatedness).

[TABLE 2 HERE]

As shown in Table 2, the role of the manager in public service-providing organizations is seen fundamentally differently in the three theoretical perspectives. While principal-agent theory implies that managers should design systems that incentivize agents to deliver maximum effort to obtain organizational goals (because this benefits the agents themselves), self-determination theory focuses on the manager's role in designing a work environment that supports employees' well-being through higher need satisfaction (which is ultimately also expected to make them perform better through a more autonomous motivation structure). Finally, the prosocial perspective implies that private managers cannot facilitate

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that individuals donate directly to society. However, the managers can still exercise visionary leadership in order to show employees with a high level of prosocial motivation that they can have a prosocial impact on society and other people. This could be done through a transformational leadership style (Paarlberg and Lavigna 2010; Bellé 2014). Which of the abovementioned types of behavior the manager chooses during outsourcing (and during public service provision in general) is expected to be important for employees' perception of their manager's assumption about them, and thus for their own balance between different types of motivation. Specifically, the managerial actions suggested by all three perspectives may be useful in combination (incentives, autonomy to individuals and highlighting the prosocial impact) if the signal behind the communication is consistent.

To illustrate this with the outsourcing example, the change from private to public ownership can hardly be simultaneously communicated as a way to optimize productivity through market mechanisms, as a vehicle for increased autonomy, and as a closer connection to users seen as beneficiaries rather than customers. But depending on the objectives behind the outsourcing decision, managers might draw attention to the increased room for maneuver that the organization has outside the public sector hierarchy, and show how this can be used both to give employees more autonomy and to better fit the services to the needs of individual users. The signal might even be strengthened through the use of incentives perceived as supportive pats on the back to employees who succeed in balancing organizational and user considerations. If the signal is that outsourcing will make the job a purely financial exchange of effort and money, individuals will stop directing effort to society, whereas increased use of performance pay may speak to their new "wage earner" identities and result in higher performance (and firings of low-effort individuals). If managerial actions portray outsourcing as giving more room for self-determination (for employees), employees' motivation might be more autonomous, leading to higher

performance this way — if the managers accept the variation in services that naturally results from this delegation. Hence, if the signal about outsourcing continues to see users as beneficiaries (and not customers), and if it is emphasized that outsourcing improves beneficiary contact and the opportunities to do good and fulfill the needs of other people, we might actually see an increase in prosocial motivation as a result of outsourcing. A balanced approach with attention to all types of employee motivation (extrinsic, autonomous and prosocial) and a conscious effort to send credible signals about the motivation of employees may thus contribute to better conditions for improving performance in public service delivery.

So far, we have used outsourcing as a grist for theoretical development. But it is relevant to discuss the implications of the framework for a case without sector change. Digitalization is a very frequent change in work settings which takes place across sectors and countries. A typical incident of this is the introduction of case-management systems in welfare provision, systems which aim to systematize case-work, provide performance information to managers, in order to integrate economic and professional concerns in the decision making and make the administrative process more efficient. First, seen from a principal agent perspective the introduction changes the information asymmetry between the employees and the managers. As such it strengthens the managers' possibilities to sanction caseworkers who are slow, and to reward those who finish a large number of cases. The employees may in response increasingly perceive that the managers do not trust that they work to do good for others, when they are granted autonomy. They may perceive digitization in this form as mistrust, and the result could be motivational crowding out. Second, from a SDT perspective the outcome of the introduction of a new case-system may be contingent on the extent to which the managers have opportunities to hold the team together in the implementation of the system, to develop their skills and enhance their perception of

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competence and autonomy. Here, the system may actually be perceived as a tool for the employees to do their work better. Third, digitalization reduces face-to face relationships with users, and the prosocial motivation perspective draws attention to the potential negative motivational effects if case-workers loose contact with the beneficiaries. In line with this, the effects will depend on the extent to which digitization is perceived as a way of enhancing the possibility of providing better and more welfare services rather than simple being a way to facilitate budget cuts. If the managers are successful in highlighting the positive prosocial impact of digitalization, the employees will perceive that they actually are able to do more good, while the opposite will be the case if they perceive that the managers assume that they are wage earners who only care about leisure and income. Again, the formation of expectations is interactive, given that managers' assumptions will depend on actual employee motivation, and that employees will base their perceptions on managerial behavior originating in in their actual assumptions about the employees. Thus, this example illustrates that the synthesis can be applied to other examples than outsourcing.

Prosocial, intrinsic and extrinsic motivation might be complementary in public service provision if employees have the opportunities to benefit "not only others but also themselves through constructing valued relationships and identities" (Grant 2008a, 406). One way to do this might be through a relational approach of changing employees' interactions with other people combined with seeing prosocial impact as a variable, rather than a stable disposition (ibid.). We argue that the interaction between managerial assumptions about employees and these employees' perceptions of these assumptions and the credibility of the interventions are important, not only for outsourcing, but for public service provision in general. A first step towards further understanding employee motivation would naturally be to test the empirical validity of key claims in this argumentation, most notably the proposition

that employees' perception of their managers' assumptions about them affect the relative salience of their extrinsic, intrinsic and prosocial motivation.

7. Conclusion: Perspectives for future theory development

As mentioned, there are a number of strategies for theory development. One single flashlight can be clipped on to the helmet, but using more than one theoretical perspective can give deeper insight into an empirical phenomenon, as Allison (1969) demonstrates. The fundamental tradeoffs involved are theoretical parsimony and internal consistency versus a more complete understanding of empirical complexity. We illustrate the usefulness of theoretical combination and synthesis for three distinct perspectives on the motivational foundations of service provision: principal-agent theory, self-determination theory and prosocial motivation theory. We illustrate the usefulness of combining different theoretical perspectives trough the example of public sector outsourcing; that is, the transfer of employees from public to private organizations after their tasks have been moved from an organization with public ownership to an organization with private ownership. Admittedly, outsourcing by the public sector is very different from the Cuban Missile Crisis, which Allison (1969) analyzed. However, the overall aim of this paper is to illustrate how different theoretical perspectives are relevant for the same phenomenon, and that we need to triangulate and draw on the insights from several perspectives to develop a comprehensive understanding. The basic idea is to "keep the light" stringent in the sense that you go into the mine and first turn on one flashlight, registering all you see in this light. Then you turn it off and switch on the next flashlight, repeating the process for the relevant theories. Finally, the sum of insights is discussed, compared and synthetized in order to generate new theory.

The theoretical contributions of the synthesis made here are: 1) to include how employees are placed in a chain of command; 2) to discuss how assumptions and perceptions

might be formed among managers and employees in this chain of command; and 3) to connect these insights to the relative importance of extrinsic, prosocial and intrinsic motivation in different situations. When multiple theoretical perspectives are applied, the risk is that parsimony and logical coherence are sacrificed to obtain a comprehensive (all-inclusive) understanding of the empirical phenomenon (Roness 1997, 102). We hope to balance these criteria, and that other public administration scholars will be tempted to come down the theorizing mine. Public administration as an academic discipline needs more theory development, and there is still lots of room for conceptual and theoretical work in the mine.

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Figure 1: Expectations about motivation of employees, exemplified for public sector outsourcing
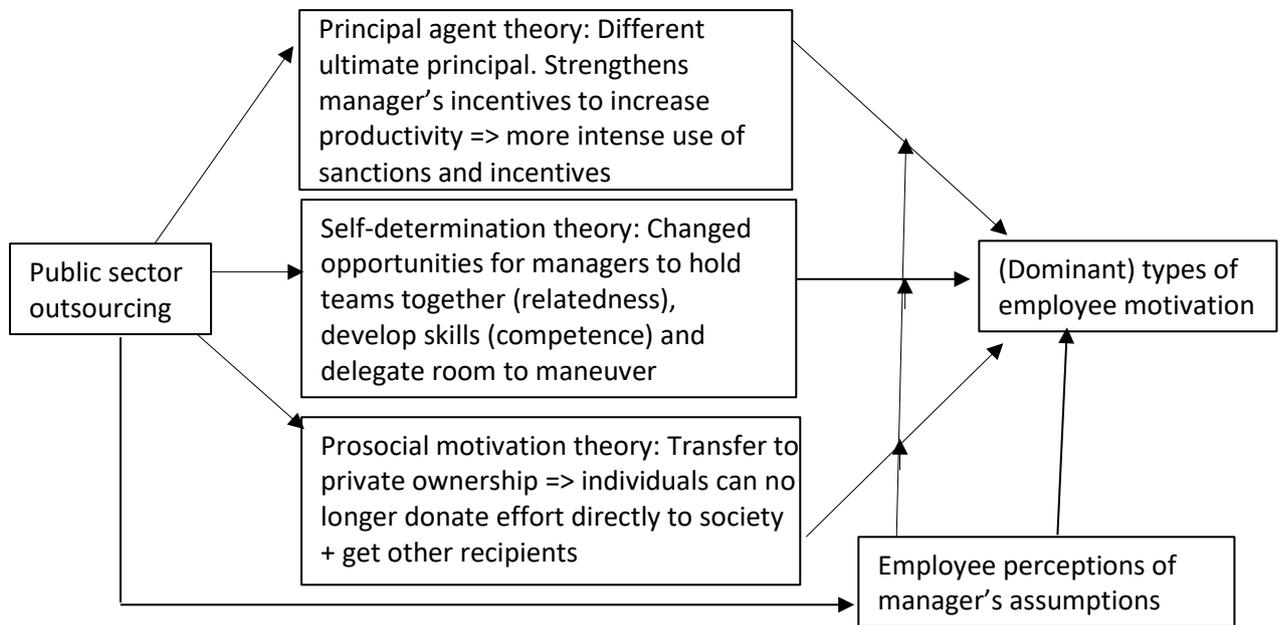
Principal agent theory: Different ultimate principal. Strengthens manager's incentives to increase productivity => more intense use of sanctions and incentives

Self-determination theory: Changed opportunities for managers to hold teams together (relatedness), develop skills (competence) and delegate room to maneuver

Public sector outsourcing

Prosocial motivation theory: Transfer to private ownership => individuals can no longer donate effort directly to society + get other recipients

(Dominant) types of employee motivation

Employee perceptions of manager's assumptions

Figure 2: Conceptual models of employee motivation: A synthesis of theoretical perspectives
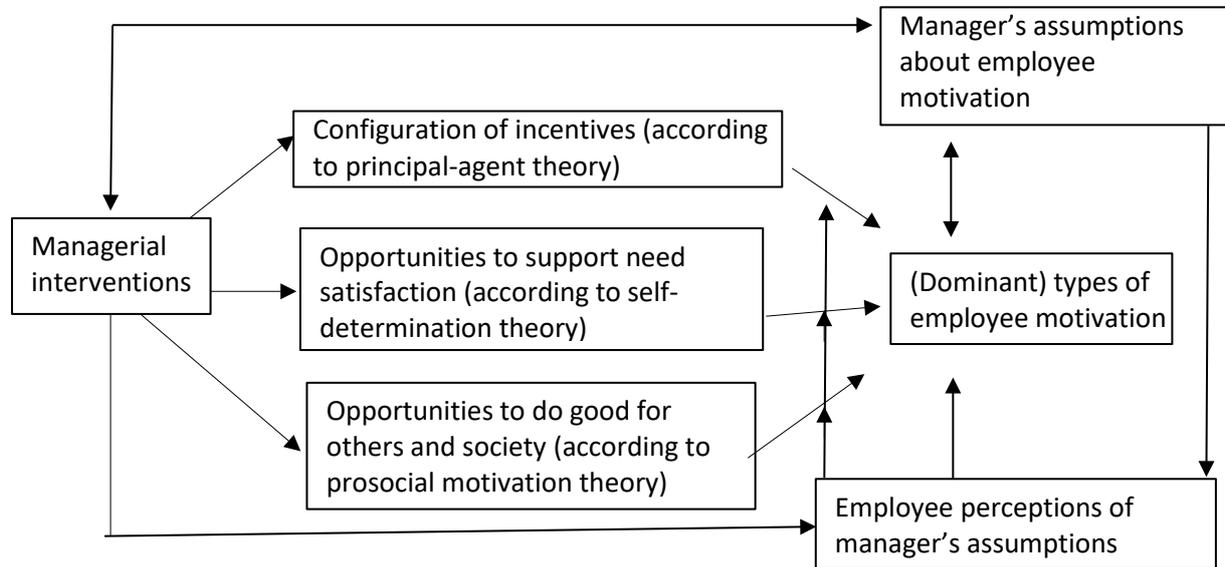
Table 1: Models of motivation

	Principal-agent theory	**Self-determination theory (SDT)**	**Prosocial motivation literature**
Driving forces	Optimizing own utility (instrumental, self-serving motives)	Enjoyment of tasks and internalization of regulation	Experiencing prosocial impact (instrumental, prosocial motives)
Goals	Pecuniary utility (increased income and more leisure)	Doing activities for their own sake and accomplishing internalized (and therefore meaningful) objectives	Having a prosocial impact (doing good for others and society in one's own understanding of doing good)
Mechanisms	Price and disciplining effect	Self-determination: Sense of free will + acting based on own values	Affective commitment to beneficiaries + societal impact potential
Triggered by	Contingent sanctions and rewards (sticks and carrots)	Basic need fulfillment: Autonomy, competence, and relatedness	Beneficiary contact and opportunity to direct effort to society
Role of manager in provider org.	Incentivize that goals of residual claimant are attained (if managers are incentivized themselves)	Optimize employee well-being and motivation through basic needs satisfaction	Through visionary leadership and beneficiary contact show individuals their prosocial impact

Table 2: Models of motivation: Expectations to outsourcing effects

	Principal-agent theory	**Self-determination theory (SDT)**	**Prosocial motivation literature**
Implications of out-sourcing for managers' behavior	Outsourcing strengthens manager's incentives to increase productivity, thus making managers use sanctions and incentives more intensely	Different outsourcing effects depending on managers' use of opportunities to hold teams together (relatedness), develop skills (competence) and delegate room to maneuver (autonomy)	Transfer to private ownership means that managers can no longer facilitate that individuals can donate effort directly to society and face employees with other recipients of prosocial motivation
Outsourcing effects on employee perceptions of manager's assumptions	After outsourcing, employees will increasingly perceive that managers assume that they are (self-interested) wage earners	Outsourcing will only change these perceptions if the conditions for supporting need satisfaction are changed	After outsourcing, employees will decreasingly perceive that managers assume that they are (prosocial) professionals