

# FACTFILE: GCE BUSINESS STUDIES

## AS1 MOTIVATION



## Motivation

### Learning outcomes

Students should be able to:

- demonstrate and apply knowledge and understanding of the theories of Taylor, Maslow and Herzberg;
- analyse these motivation theories;
- demonstrate and apply knowledge and understanding of monetary methods of motivation including: time rate, piece rate, commission, fees, fringe benefits, profit sharing, performance-related pay;
- analyse monetary methods of motivation; and
- evaluate issues relating to motivation such as the usefulness of motivational theories and the advantages/disadvantages of monetary methods to motivation.
- demonstrate and apply knowledge and understanding of non-monetary methods of motivation, job enrichment, job enlargement, job rotation, employee participation and empowerment, quality circles and team working;
- analyse non-monetary methods of motivation; and
- evaluate issues relating to non-monetary methods of motivation such as the advantages and disadvantages of using non-monetary methods to motivate staff.

It is important that employees within any workforce are motivated as this will ultimately result in high levels of efficiency and productivity, having a positive effect on profit levels and competitiveness. For a business to motivate its employees it first needs to understand what they value, e.g. pay, responsibility, etc.

The need to motivate employees in business has led to different theories being put forward to encourage a better understanding of the issues involved.





## Management Theorists

### Fredrick Winslow Taylor (1956–1917)

Taylor believed that individuals were motivated by money. His theory was founded on the principals that division of labour and close supervision would result in an increase in employee efficiency. Taylor argued the importance of specialisation, that it was essential to have well-trained workers who focused on small, standardised tasks. The employees were paid using the 'piece rate' method – their pay would correlate with the number of items they produced. This encouraged the workers to maximise their productivity.

Many businesses adopted Taylor's theory and reaped the benefits of increased productivity and ultimately lower unit costs.

On the flip side, workers became very de-motivated as they were carrying out repetitive tasks. Employees were likened to machines and the theory did not take into account the welfare of the employees.

Taylor's theory lends itself to an autocratic style of management which some argue can de-motivate the employees.



### Abraham Maslow (1908–1970)

Maslow argued that individuals are motivated by five interdependent levels of needs. Each need is depicted as a level within a hierarchical pyramid structure. Each need must be satisfied in sequence; once a lower level of need has been fully met, a worker would be motivated by the opportunity of having the next level of need in the hierarchy satisfied.

Basic physiological needs are at the bottom of the pyramid. These include food and shelter. These needs can be met through working and receiving pay.

Once these needs are met individuals want security and safety which can be met through good working conditions.

Higher level needs are met through:

- challenging and creative work;
- training and development prospects;
- being recognised for contributions in the workplace.

In theory, once a need is satisfied, it ceases to become a motivator. The main issue with Maslow's hierarchy-of-needs theory is that there is no way to measure how satisfied one level of need must be before the next, higher need is aspired to.

There can be some confusion and overlap as to where an individual currently is on the hierarchy. It can also be argued that some employees may be satisfied with the level they are on and do not wish to move to a higher one!

## Frederick Irving Herzberg (1923–2000)

Herzberg proposed the two-factor theory of motivation. He argued that workers are influenced by either motivators or hygiene factors.

Motivators were the factors that would encourage and motivate workers to work harder:

- promotion;
- status;
- the work itself;
- recognition;
- achievement; and
- responsibility.

Hygiene factors on the other hand, by themselves, would not motivate an employee to work any harder but if they weren't present would de-motivate them.

Examples include:

- pay;
- status;
- job security;
- supervision;
- relationships with fellow workers;
- company policy.

Herzberg argued that it was important to stimulate employees in their work environment by improving the nature and content of their job; satisfied employees are productive employees.

This could be achieved through empowerment, job enlargement and/or job enrichment. However, it is important to remember that job satisfaction does not guarantee motivation and contrary to Herzberg's theory not every individual will seek motivators such as increased responsibility. Finally, what is classified as a motivator for one person could cause job dissatisfaction someone else.



## Methods of motivation

Organisations utilise reward systems as incentives for employees to increase their productivity and quality levels. It is generally accepted that these reward systems fall under the umbrella of either monetary or non-monetary methods of motivation.

### Monetary methods of motivation

Monetary methods of motivation include money or other financial incentives that play a key role in motivating workers. Examples include:

**Time rate** – employees are paid for the number of hours they work. It is a simplistic method of remuneration for both the organisation and the employees. It is calculated by multiplying the number of hours that an employee works by the hourly rate of pay.

A major advantage of the time rate approach is that workers do not have to rush their work, which in theory should help the organisation maintain an acceptable level of quality. However, this in itself can reduce productivity, as staff are paid by hour regardless of how efficient they have been, meaning that some employees may need to work overtime to meet targets, which adds additional overheads to the business.



**Piece rate** – employees are paid for each unit they produce. A piece rate approach enables an organisation to reward employees for their effort. This system is effective in situations where output is easily quantifiable. Piece rate pay usually encourages high levels of efficiency, but, it can be argued, often at the expense of quality. Quality control measures may need to be considered by the organisation to ensure quality is maintained. Also, workers may lose out on pay if a machine breaks down.

**Commission** – mainly used with sales representatives. It is a financial reward made to an employee which is based on the value of sales they have achieved. The employee is paid a percentage of the value of the good or service that is sold. It encourages employees to strive for higher sales levels, however, this can result in customers sometimes being misled so as to confirm the sale.



**Fees** – one-off payments made to employees for one-off tasks. The amount paid will depend on a number of factors, including the

- time taken to do the task,
- complexity of the task,
- skills required to do the task

**Fringe benefits** – incentives given to employees which are non-taxable:

- employee discounts,
- free or private health insurance,
- company car
- other similar benefits.

Fringe benefits can make employees more loyal to a company and help the company retain staff for longer.

**Profit sharing** – employees receive a part of the overall business profits at the end of the financial year, ultimately encouraging all employees to be efficient in their work. This method tends to unify the workforce as everyone is working towards a common goal. However, profit sharing generally rewards all employees on an equal basis regardless of how much effort each individual has contributed to the overall success of the business and if the organisation does not make a high level of profit, employees will receive little or nothing which can be de-motivating.

**Performance related pay (PRP)** – a monetary reward given to employees who meet targets set by their superior. These may have been set based on their appraisal. PRP can motivate employees to perform better but will only be effective if the reward is actually considered valuable by the employee. Problems can arise in situations where it is difficult to quantify performance accurately.

## Summary

Monetary methods of motivation are the most common and effective way to motivate employees. They encourage efficiency and high levels of productivity. However, businesses must be mindful that if the rewards are based on individual performance, conflict can arise between employees. Monetary methods of motivation can cause uncertainty in financial planning and if the rewards are based on quantity, quality can be sacrificed – leading to a host of problems in the long term.



## Non -Monetary methods of motivation

Not all employees are necessarily motivated by money. Non-financial incentives involve employees being rewarded by gaining a sense of achievement, recognition and responsibility from their job, including:

**Job enrichment** – gives employees the opportunity to complete interesting, complex and challenging tasks which are related to a particular area/piece of work. This encourages greater job satisfaction and increases individual responsibility as employees ultimately have a higher degree of participation in the decision-making process.

It encourages lower levels of absenteeism and labour turnover as the employees feel valued. However not all employees want additional responsibility.



**Job enlargement** – provides workers with a greater variety of tasks. Tasks are expanded to include different jobs at the same skill level; to ensure they are not bored, as the work will be less repetitive.

The major criticism is that employees may see it as an attempt to increase their work load as it requires them to carry out more tasks. Job enlargement ignores the benefits that may be achieved through specialisation.

**Job rotation** – employees move through a range of jobs within an organisation or department. Employees become skilled in a range of areas and can cover for absent colleagues. However, in order to be successful, it involves resources dedicated to training. Productivity can also decrease in the short term as employees become familiar with new jobs/processes.

**Employee participation and empowerment** – gives employees greater ownership over their work. Employees are responsible for planning their own work, making their own decisions and solving their own problems. Workers must have adequate training/skills levels to be trusted to make decisions which are in the best interest of the organisation.

**Quality circles** – involves a group of workers rather than individuals. Groups of employees meet on a regular basis to discuss work-related issues. Quality circles are most effective when they have the support of everyone in the organisation.

**Team working** – employees are organised into teams and each team has specific targets to achieve. Team members organise how the work is distributed and how problem-solving should take place. Through team working productivity can increase, innovative ideas can be generated and employees become more responsible and committed. Team working can increase overall job satisfaction.



The main disadvantages of team working include

- the time needed to create an effective team
- the fact that some team members will not participate as much as others resulting in the team becoming ineffective and unproductive.

### Summary

Successful businesses recognise the need for non-monetary methods of motivation. These methods emphasise the importance of recognition within the workplace.

Using these methods will help employees to feel more commitment to the organisation. Non-monetary methods can eliminate boredom and bring about a more flexible workforce. However, to be effective, they have to be valued by the employees.

## ? Revision Questions

**1** Explain what is meant by the term 'non-monetary methods of motivation'.

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**2** Analyse two benefits to a business organisation of using non-monetary methods of motivation.

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**3** Analyse three monetary methods of motivation a business organisation might use to motivate staff.

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**4** Evaluate the usefulness of Taylor's motivational theory for a business organisation.

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