14 Motivation

This chapter covers syllabus section 2.5

On completing this chapter you should be able to:

- understand what motivation is and analyse intrinsic needs and extrinsic needs
- discuss the motivational theories of Taylor, Maslow, McGregor and Herzberg and their relevance to businesses today
- evaluate different forms of financial motivation and their impact on motivation
- assess the role of non-financial methods of motivation and evaluate their impact
- H apply the content theories of Mayo and McClelland and the process theories of Vroom and Adams.

SETTING THE SCENE

How important is pay for motivating workers?

Many studies have been undertaken to try to explain what motivates workers. There seems to be some agreement that pay and benefits are important in encouraging staff to work well, but these are not necessarily the most important factors. Work enjoyment, work challenges and recognition for work well done – these are the factors most frequently quoted by employees when asked what keeps them with their current employer. Compared to job satisfaction and pay, benefits (financial and non-financial) have a smaller role in terms of recruitment, retention and motivation.

A recent employee survey led to the following response rate in answer to the question: What increases your morale and motivation?

Increased pay	65%
Increased bonuses	28%
Recognition from managers	22%
Career development through training	20%
Improved career prospects	17%
Option to work flexible hours	17%
Increased benefits: holidays/pensions/discounts	15%
Better work environment	11%
Help with childcare	7%
Option to work from home	6%

Research carried out by the mobile phone company O2 found that 85% of employees would be more loyal to their company if they were praised for their work and 100% suggested that they would stay in their jobs longer if thanked more often. Just under 50% of workers had either never been thanked by their companies or could not remember the last time they were. Finally, managers should take note that 71% of workers would be willing to work harder if they got more recognition for the work they did.

Points to think about:

- Why do you think that pay and bonuses are not the most important factor for *all* workers?
- Explain why 'loyalty' and 'working harder' are important to a business of your choice.
- Why do you think 'recognition' is important to many workers? Is it important to you?

Introduction

Well-motivated workers will help an organisation achieve its objectives as cost effectively as possible. Motivated workers will also be trying to reach their own personal goals by satisfying their own needs. Employers need to be aware of extrinsic needs, such as pay, which can provide motivation even if the job itself does not. Intrinsic motivation stems from the nature of the job itself but this does not mean that employers can pay workers doing interesting work nothing at all! Some rewards will be needed even for workers driven by the fulfilment of intrinsic needs.

Unmotivated or demotivated staff will not perform effectively, offering only the minimum of what is expected. Motivation levels have a direct impact on productivity levels and the competitiveness of the business – highly motivated workers have high productivity and this reduces unit costs. Motivated staff will be keen to stay with the firm, reducing the costs of labour turnover. They will be more likely to offer useful suggestions and to contribute in ways other than their contractual obligations. They will often actively seek promotion and responsibility. In contrast, some indicators of poor staff motivation are shown in Table 14.1.

KEY TERMS

motivation the intrinsic and extrinsic factors that stimulate people to take actions that lead to achieving a goal

intrinsic motivation comes from the satisfaction derived from working on and completing a task

extrinsic motivation comes from external rewards associated with working on a task, for example pay and other benefits

Indicator	Explanation
Absenteeism	Deliberate absence for which there is not a satisfactory explanation; often follows a pattern.
Lateness	Often becomes habitual.
Poor performance	Poor-quality work; low levels of work or greater waste of materials.
Accidents	Poorly motivated workers are often more careless, concentrate less on their work or distract others, and this increases the likelihood of accidents.
Labour turnover	People leave for reasons that are not positive; even if they do not get other jobs, they spend time in trying to do so.
Grievances	There are more of them within the workforce and there might be more union disputes.
Poor response rate	Workers do not respond well to orders or leadership and any response is often slow.

Table 14.1 *Some indicators of poor staff motivation*

Motivation theories

CONTENT THEORIES

These theories are based on the assumption that individuals are motivated by the desire to fulfil their inner needs. They focus on the human needs that energise and direct behaviour and how managers can create conditions that allow workers to satisfy them.

F. W. TAYLOR AND SCIENTIFIC MANAGEMENT

Taylor made the first serious attempt to analyse worker motivation. He aimed to advise management on the best ways to increase worker performance and productivity. The techniques he used – of establishing an idea or hypothesis, studying and recording performance at work, altering working methods and re-recording performance – are still used in modern industry. This approach has become known as 'scientific management' due to the detailed recording and analysis of results that it involves.

Taylor's main aim was to reduce the level of inefficiency that existed in the US manufacturing industry. Any productivity gains could then, he argued, be shared between business owners and workers. The scope for efficiency gains in early twentieth-century manufacturing plants was huge. Most workers were untrained and non-specialised. They were poorly led by supervisors and managers with little or no formal training in dealing with people. There was usually no formal selection or appraisal system of staff and many were recruited on a daily or weekly basis with no security of employment.

How to improve worker productivity

Taylor's scientific approach identified seven steps to improving worker productivity:

1. Select workers to perform a task.
2. Observe them performing the task and note the key elements of it.
3. Record the time taken to do each part of the task.
4. Identify the quickest method recorded.
5. Train all workers in the quickest method and do not allow them to make any changes to it.
6. Supervise workers to ensure that this 'best way' is being carried out and time them to check that the set time is not being exceeded.
7. Pay workers on the basis of results – based on the theory of 'economic man'.

Taylor believed in the theory of 'economic man', which stated that man was driven or motivated by money alone and the only factor that could stimulate further effort was the chance of earning extra money. This formed the basis of Taylor's main motivational suggestion – wage levels based on output. He always maintained that workers should be paid a 'fair day's pay for a fair day's work' and that the amount should be directly linked to output through a system known as 'piece rate'. This means paying workers a certain amount for each unit produced. To encourage high output a low rate per unit can be set for the first units produced and then higher rates become payable if output targets are exceeded. Table 14.2 summarises the relevance of Taylor's approach to modern industry and identifies its limitations.

Ford factory in the 1930s – early mass production manufacturers adopted Taylor's approach

MASLOW'S HIERARCHY OF HUMAN NEEDS

Abraham Maslow's research was not based solely on people in the work environment and his findings have significance for students of psychology and sociology too. He was concerned with trying to identify and classify the main needs that humans have. Our needs determine our actions – we will always try to satisfy them and we will be motivated to do so. If work can be organised so that we can satisfy some or all of our needs at work, then we will become more productive and satisfied. Maslow summarised these human needs in the form of a hierarchy – see Figure 14.1 and Table 14.3.

This hierarchy was interpreted by Maslow as follows:

- Individuals' needs start on the lowest level.
- Once one level of need has been satisfied, humans will strive to achieve the next level.
- Self-actualisation is not reached by many people, but everyone is capable of reaching their potential.
- Once a need has been satisfied, it will no longer motivate individuals to action – thus, when material needs have been satisfied, the offer of more money will not increase productivity.

Taylor's approach	Relevance to modern industry	Limitations
Economic man	Some managers still believe that money is the only way to motivate staff.	A more commonly held view is that workers have a wide range of needs, not just extrinsic needs of money, that can be met, in part at least, from work.
Select the right people for each job	Before Taylor there had been few attempts to identify the principles of staff selection. The importance he gave to this is still reflected in the significance given to careful staff selection in nearly all businesses.	Requires an appropriate selection procedure.
Observe and record the performance of staff	This was widely adopted and became known as 'time and motion study'. It is still employed as a technique but often with the co-operation and involvement of staff.	Taylor's autocratic use of this technique was regarded with suspicion among workers who saw it as a way of making them work harder.
Establish the best method of doing a job – method study	This is still accepted as being important as efficiency depends on the best ways of working being adopted.	The Taylor approach of management, which involved giving instructions to workers with no discussion or feedback, is considered to be undesirable. Worker participation in devising best work practices is now encouraged – see 'Kaizen' (Chapter 33).
Piece-work payment systems – to maximise output through motivating workers to produce more	Of limited relevance as it has become difficult to identify the output of each worker.	This is not now a widely used payment system. Quality may be sacrificed in the search for quantity – workers will vary output according to their financial needs at different times of year and it discourages them from accepting changes at work in case they lose some pay. In most of modern industry, especially service industries, it has become very difficult to identify the output of individual workers.

Table 14.2 *Evaluating how relevant Taylor's views and methods are today*

- Reversion is possible – it is possible for satisfaction at one level to be withdrawn, e.g. a loss of job security, and for individuals to move down a level.

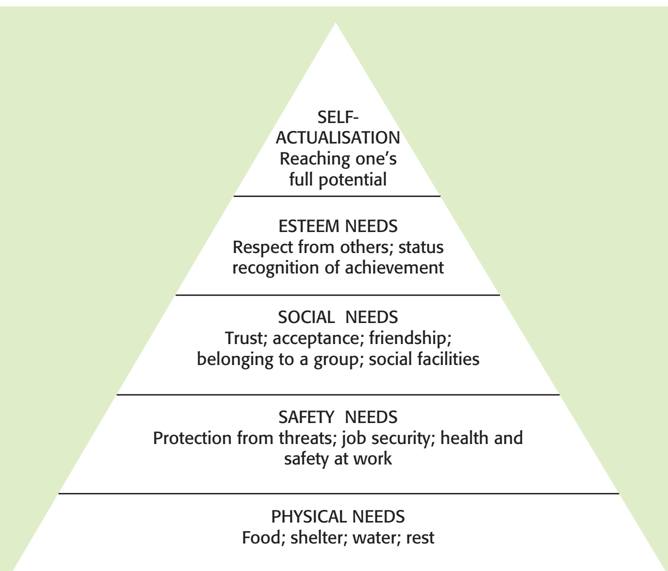

Figure 14.1 *Maslow's hierarchy of needs*

Level of need	Business conditions which could allow for the needs to be met
Self-actualisation – fulfilment of potential	Challenging work that stretches the individual – this will give a sense of achievement. Opportunities to develop and apply new skills will increase potential.
Esteem needs	Recognition for work done well – status, advancement and responsibility will gain the respect of others.
Social needs	Working in teams or groups and ensuring good communication to make workers feel involved.
Safety needs	A contract of employment with some job security – a structured organisation that gives clear lines of authority to reduce uncertainty. Ensuring health and safety conditions are met.
Physical needs	Income from employment high enough to meet essential needs.

Table 14.3 *Significance of the hierarchy of needs to business*

KEY TERM

self-actualisation a sense of self-fulfilment reached by feeling enriched and developed by what one has learned and achieved

Limitations of Maslow's approach

Criticisms of Maslow's hierarchy include:

- Not everyone has the same needs as are assumed by the hierarchy.
- In practice it can be very difficult to identify the degree to which each need has been met and which level a worker is 'on'.
- Money is necessary to satisfy physical needs, yet it might also play a role in satisfying the other levels of needs, such as status and esteem.
- Self-actualisation is never permanently achieved – as some observers of the hierarchy have suggested. Jobs must continually offer challenges and opportunities for fulfilment, otherwise regression will occur.

MCGREGOR'S THEORY X AND THEORY Y

McGregor identified two distinct management views of workers and how they are motivated. He called these Theory X and Theory Y. Theory X managers, according to McGregor, view their workers as lazy, disliking work and unprepared to accept responsibility, needing to be controlled and made to work. Clearly, managers with this view will be likely to adopt an autocratic style of leadership and will focus on extrinsic rewards.

On the other hand, McGregor believed that the managers who held Theory Y views believed that workers did enjoy work and that they found it as natural as rest or play. They would be prepared to accept responsibility, were creative and they would take an active part in contributing ideas and solutions to work-related problems – meeting their intrinsic needs in the process. A very important point to note about McGregor's work is this – he did not suggest that there were two types of workers, X and Y, but that the attitudes of management to workers could, in extreme cases, be described by these two theories. In practice, of course, most managers will have views somewhere between these two extremes.

What is the significance of McGregor's work? The general view is that workers will behave in such a way as a result of the attitudes management have of them. For instance, if a manager believes that all workers behave in a Theory X way, there will be control, close supervision and no delegation of authority. The staff, as a result of this approach, will almost certainly not enjoy their work and may indeed try to avoid it and fail to contribute in any meaningful way. Therefore, they will become like Theory X because of the way they are treated. The exact reverse could be the case for workers treated in a more democratic style, based on the Theory Y view (see Table 14.4).

Theory X managers believe that workers	Theory Y managers believe that workers
• dislike work • will avoid responsibility • are not creative.	• can derive as much enjoyment from work as from rest and play • will accept responsibility • are creative.

Table 14.4 *Summary of Theory X and Theory Y management attitudes*

HERZBERG AND THE 'TWO-FACTOR THEORY'

Despite basing his research on just 200 professionally qualified workers, Herzberg's conclusions and famous two-factor theory have had the greatest impact on motivational practices since Taylor's work almost 60 years earlier. Herzberg used worker questionnaires to discover:

- those factors that led to them having very good feelings about their jobs
- those factors that led to them having very negative feelings about their jobs.

These were his conclusions:

- Job satisfaction resulted from five main factors – achievement, recognition for achievement, the work itself, responsibility and advancement. He called these factors the 'motivators'. He considered the last three to be the most significant.
- Job dissatisfaction also resulted from five main factors – company policy and administration, supervision, salary, relationships with others and working conditions. He termed these 'hygiene factors'. These were the factors that surround the job itself (extrinsic factors) rather than the work itself (intrinsic factors). Herzberg considered that the hygiene factors had to be addressed by management to prevent dissatisfaction, but even if they were in place, they would not, by themselves, create a well-motivated workforce.

Consequences of Herzberg's theory

1 Pay and working conditions can be improved and these will help to remove dissatisfaction about work; but they will not, on their own, provide conditions for motivation to exist. Herzberg argued that it was possible to encourage someone to do a job by paying them – he called this movement. However, movement does not mean that someone wants to do the job – that would require motivation. Motivation to do the job,

and to do it well, would only exist if the motivators were in place. Herzberg did not claim that pay did not matter, but that it moves people to do a job and does not motivate them to do it well.

2 The motivators need to be in place for workers to be prepared to work willingly and to always give of their best. Herzberg suggested that motivators could be provided by adopting the principles of 'job enrichment'. There are three main features of job enrichment:

- Assign workers complete units of work – typical mass-production methods leave workers to assemble one small part of the finished product. This is not rewarding, can be boring and repetitive and prevents the worker from appreciating the importance of what they are doing as part of the overall production system. Herzberg argued that complete and identifiable units of work should be assigned to workers, and that this might involve teams of workers rather than individuals on their own. These complete units of work could be whole sub-assemblies of manufactured goods, such as a complete engine assembly in a car plant. In service industries it could mean that a small team of multi-skilled people, such as waiters, chefs and technicians for IT/video equipment, provide all of the conference facilities in a hotel for a business conference rather than many people doing just one small and relatively unimportant task before moving on to another part of the hotel. 'If you want people motivated to do a good job, give them a good job to do,' said Herzberg.
- Provide feedback on performance – this type of communication could give recognition for work well done and could provide incentives to achieve even more.
- Give workers a range of tasks – to challenge and stretch the individual, a range of tasks should be given, some of which may be, at least initially, beyond the workers' current experience. This, in quite a large measure, ties in with the 'self-actualisation' level in Maslow's hierarchy.

3 A business could offer higher pay, improved working conditions and less heavy-handed supervision of work. These would all help to remove dissatisfaction, but they would all be quickly taken for granted. If work is not interesting, rewarding or challenging, then workers will not be satisfied or will not be motivated to offer their full potential whatever the pay level offered to them.

KEY TERMS

job enrichment aims to use the full capabilities of workers by giving them the opportunity to do more challenging and fulfilling work

hygiene factors aspects of a worker's job that have the potential to cause dissatisfaction such as pay, working conditions, status and over-supervision by managers

motivating factors (motivators) aspects of a worker's job that can lead to positive job satisfaction such as achievement, recognition, meaningful and interesting work and advancement at work

ACTIVITY 14.1

Read the following case study and then answer the questions that follow.

Applying the motivational theories

Corie Jones joined Index Computers after working for IS Computers (ISC) for several years. At ISC, Corie had been paid a high salary, but he did not find the work rewarding. He was given specific programming tasks to perform but was not involved in designing complete software solutions to clients' problems. He worked to tight deadlines. He was not assigned to a team and worked alone on most tasks. He felt that Index offered better career prospects as well as the opportunity to take on more responsibility. He joined Index as a senior programmer on a higher salary – but this was less important to him than the chance to work as a team member. He was appointed to Daveena Davis's five-member team of programmers. Corie had met her already and his team colleagues seemed friendly and were appreciative of Daveena's leadership. She recognised talent and achievement and wanted colleagues to reach their full potential. She allowed team members to take control of complete software solutions – not just a small section of them.

22 marks, 35 minutes

1 Explain which level of Maslow's hierarchy Corie seemed to be on:
   a at ISC
   b at Index Computers. [6]

2 Explain why team working might be important to Corie's motivation. [6]

3 Evaluate, using this case study as a starting point, how Herzberg's research on 'hygiene and motivating factors' can be effectively applied within a work environment. [10]

Evaluation of Herzberg's work

- Team working is now much more widespread as a consequences of his findings, with whole units of work being delegated to these groups.
- Workers tend to be made much more responsible for the quality of their own work rather than being closely supervised by a quality-controlling inspectorate.
- Most firms are continually looking for ways to improve effective communication, and group meetings allowing two-way communication are often favoured.

H HIGHER LEVEL

MAYO AND THE HUMAN RELATIONS THEORIES

Elton Mayo is best known for his 'Hawthorne effect' conclusions. These were based on a series of experiments he conducted at the Hawthorne factory of Western Electric Co. in Chicago, USA. His work was initially based on the assumption that working conditions – lighting, heating, rest periods and so on – had a significant effect on workers' productivity. Experiments were undertaken to establish the optimum working conditions and, as in all good scientific practice, the output of a control group was also recorded – this group experienced no changes in working conditions at all. The results surprised the observers – as lighting and other conditions were changed, both improved and worsened, so productivity rose in all groups including the control group. This forced Mayo to accept that:

- working conditions in themselves were not that important in determining productivity levels
- other motivational factors needed to be investigated further before conclusions could be drawn.

Subsequent experiments were carried out with a group of assembly-line workers. Changes to rest periods, payment systems, assembly-bench layout and canteen food were made at 12-week intervals. Crucially, before every major change, the researchers discussed the new changes with the work group. At the end of the experiments, the working conditions and hours of work were returned to how they had been before the start of the trial. Output rose far above the original level. Clearly, other motivational factors were operating to increase productivity completely separate from the conditions of work.

The Hawthorne effect – the conclusions of Mayo's work

Mayo drew the following conclusions from his work:

- Changes in working conditions and financial rewards have little or no effect on productivity.
- When management consult with workers and take an interest in their work, then motivation is improved.
- Working in teams and developing a team spirit can improve productivity.
- When some control over their own working lives is given to workers, such as deciding when to take breaks, there is a positive motivational effect.
- Groups can establish their own targets or norms and these can be greatly influenced by the informal leaders of the group.

Evaluation of Mayo's research for today's businesses

- Since Mayo's research there has been a trend towards giving workers more of a role in business decision-making – this is called participation.
- Personnel departments, which hardly existed in the early years of the twentieth century, were established to try to put the Hawthorne effect into practice.
- Team working and group working can be applied in many types of modern business organisations and these offer the greatest opportunities for workers and firms to benefit from the Hawthorne effect.
- The idea of involving workers, taking an interest in their welfare and finding out their individual goals has opened up new fields of research for industrial psychologists and this area of study is now regarded as an important component of university business courses.
- This development of the 'people' side of business has taken industry away from the engineer-focused and purely money-motivated views of Taylor.

McCLELLAND AND MOTIVATIONAL NEEDS THEORY

A doctor of psychology, David McClelland, pioneered workplace motivational thinking, developed achievement-based motivational theory and promoted improvements in employee assessment methods. He is best known for describing three types of motivational need, which he identified in his book, *The Achieving Society* (1961).

Achievement motivation (n-ach) A person with the strong motivational need for achievement will seek to reach realistic and challenging goals and job advancement. There is a constant need for feedback regarding progress and achievement and a need for a sense of accomplishment. Research has suggested that this result-driven attitude is almost always a common characteristic of successful business people and entrepreneurs.

Authority/power motivation (n-pow) A person with this dominant need is 'authority motivated'. The desire to control others is a powerful motivating force – the need to be influential, effective and to make an impact. There is a strong leadership instinct and when authority is gained over others, it brings personal status and prestige.

Affiliation motivation (n-affil) The person with need for affiliation as the strongest driver or motivator has a need for friendly relationships and is motivated towards interaction with other people. These people tend to be good team members – there is a need to be liked and popular and to be held in high regard.

McClelland stated that these three needs are found to varying degrees in all workers and managers. The mix of motivational needs characterises a person's or manager's behaviour, both in terms of what motivates them and how they believe other people should be motivated. McClelland firmly believed that 'achievement motivated' people are generally the ones who make things happen and get results. However, they can demand too much of their staff in the achievement of targets and prioritise this above the many and varied needs of their workers.

Process theories

Process theories emphasise how and why people choose certain behaviours in order to meet their personal goals and the thought processes that influence behaviour. Process theories study what people are thinking about when they decide whether or not to put effort into a particular activity. One of the best-known process theorists is Victor Vroom.

VROOM AND EXPECTANCY THEORY

Vroom suggested that individuals chose to behave in ways that they believe will lead to outcomes they value. His expectancy theory states that individuals have different sets of goals and can be motivated if they believe that:

- there is a positive link between effort and performance
- favourable performance will result in a desirable reward
- the reward will satisfy an important need
- the desire to satisfy the need is strong enough to make the work effort worthwhile.

His expectancy theory is based on the following three beliefs:

- 'valence' – the depth of the want of an employee for an extrinsic reward, such as money, or an intrinsic reward such as satisfaction
- 'expectancy' – the degree to which people believe that putting effort into work will lead to a given level of performance
- 'instrumentality' – the confidence of employees that they will actually get what they desire regardless of what has been promised by the manager.

Even if just one of these conditions or beliefs is missing then, Vroom argued, workers will not have the motivation to do the job well. Therefore, according to Vroom, managers should try to ensure that employees believe that increased work effort will improve performance and that this performance will lead to valued rewards.

ADAMS AND EQUITY THEORY

John Adams's equity theory is built on the belief that employees become demotivated towards their jobs and employer if they feel that their inputs are greater than their outputs. Inputs include effort, loyalty, commitment and skill. Outputs include financial rewards, recognition, security and sense of achievement.

While many of these factors cannot be quantified, Adams argued that employers should attempt to achieve a fair balance between what the employee gives an organisation and what they receive in return. If workers consider that their inputs are greater than the outputs received, they will moved to try to redress this imbalance. When a balance is reached, then employees will consider their treatment to be fair and will respond with positive attitudes and high levels of motivation.

ACTIVITY 14.2

What people want from work

'I was asked by the principal of my university to help form a committee of ten lecturers to discuss holiday dates, student enrolment and ways to check on the quality of lectures. He told us it was a very important committee, we would receive recognition for our time and our views would influence future decisions. We had many meetings, agreed and wrote a report and sent it to the principal. We heard nothing back – no feedback, no thanks and no decisions made on our recommendations. I would not do it again if I was asked.' Can you believe how demotivated these lecturers were? They had been misled about the degree to which the extra effort they put in to attending these meetings would be responded to by the principal.

According to Bob Nelson, a reward and motivation guru, giving people what they want from work is quite easy – even though it depends on the type of work situation and depends on the individual person. He thinks that people want:

- some control of their work – job enrichment; responsibility for a well-defined task, recognition for achievement
- to receive feedback and to understand how managers take decisions – good communications from management and some participation opportunities
- the opportunity for growth and development – education, career paths, team working
- leadership – providing clear expectations, structure and appropriate rewards if these expectations are met.

Of course, money is important, but once workers have satisfied their essential needs from money, they look for other things from work – according to Susan Heathfield (http://humanresources.about.com), 'Most people want involvement in decisions that affect their work. People who contribute ideas should be recognised and rewarded. True employee involvement is based on the expectation that people are competent to make decisions about their work every single day on the job.'

22 marks, 40 minutes

1 Analyse how the two sets of views can be applied to the work of Herzberg or Vroom or McClelland. [8]

2 Discuss how the views contained in the case study could be applied in practice to:
a a restaurant
b a food shop
c teaching staff at a school or college. [14]

EXAM TIP

When there is a question about motivational theorists, try to do more than just list their main findings – apply their ideas to the business situation given.

H

Motivation in practice

PAYMENT OR FINANCIAL REWARD SYSTEMS

The most common payment systems are:

- hourly or time wage rate
- piece rate
- salary
- commission
- performance-related pay and bonuses
- profit-related pay
- employee share-ownership schemes
- fringe benefits.

Hourly wage rate

An hourly wage rate or 'time rate' is set for the job – perhaps by comparing with other firms or similar jobs. The wage level is determined by multiplying this by the number of hours worked and is usually paid weekly. Although there is more income security than with piece rate, speed of work is not rewarded with this payment system – indeed, the opportunity to earn overtime might encourage workers to stretch work out unproductively.

Piece rate

A rate is fixed for the production of each unit, and the workers' wages therefore depend on the quantity of output produced. The piece rate can be adjusted to reflect the difficulty of the job and the 'standard' time needed to complete it. The level of the rate can be very important. If set too low, it could demotivate the workers, but, if too high, it could reduce the incentives – because workers will be able to meet their target wage level by producing relatively few units (see Table 14.5).

Advantages	Disadvantages
• It encourages greater effort and faster working. • The labour cost for each unit is determined in advance and this helps to set a price for the product.	• It requires output to be measurable and standardised – if each product is different, then piece work is inappropriate. • It may lead to falling quality and safety levels as workers rush to complete units. • Workers may settle for a certain pay level and will therefore not be motivated to produce more than a certain level. • It provides little security over pay level, e.g. in the event of a production breakdown.

Table 14.5 *Advantages and disadvantages of the piece rate*

Salary

A salary is the most common form of payment for professional, supervisory and management staff. The salary level is fixed each year and it is not dependent on the number of hours worked or the number of units produced. The fixing of the salary level for each job is a very important process because it helps to determine the status of that post in the whole organisation. Job evaluation techniques may be used to assist in deciding the salary bands and the differences between them. In most organisations, all jobs will be put into one of a number of salary bands and the precise income earned within each band will depend upon experience and progress. It is always possible to gain promotion to another job in a higher salary band. Firms that are interested in creating a 'single status' within their organisation are now increasingly putting all staff – manual and managerial – on to annual salaries to give the benefits of security and status to all employees (see Table 14.6). The advantages and disadvantages of a salary system are outlined in Table 14.7.

Job grade	Salary band (per year)
E, e.g. regional heads	$50 000–$75 900
D, e.g. departmental heads	$30 000–$49 900
C, e.g. office managers	$20 000–$29 900
B, e.g. secretaries	$10 000–$19 900
A, e.g. junior clerical staff	$5000–$9900

Table 14.6 *Salary bands – typical example*

Advantages	Disadvantages
• Gives security of income. • Gives status compared to time rate or piece rate payment systems. • Aids in costing – the salaries will not vary for one year. • Is suitable for jobs where output is not measurable. • Is suitable for management positions where staff are expected to put in extra time to complete a task or assignment.	• Income is not related to effort levels or productivity. • It may lead to complacency of the salary earner. • Regular appraisal may be needed to assess whether an individual should move up a salary band, although this could be an advantage if this becomes a positive form of worker appraisal.

Table 14.7 *Advantages and disadvantages of a salary*

KEY TERMS

hourly wage rate payment to a worker made for each hour worked

piece rate a payment to a worker for each unit produced

salary annual income that is usually paid on a monthly basis

Commission

Commission can make up 100% of the total income of direct sales staff – it reduces security as there is no 'basic' or flat-rate payment if nothing is sold during a particular period – or it can be paid in addition to a basic salary. It has the same advantages and disadvantages as the piece rate used in production industries, except that the potential drawback of low quality of production may be replaced by the risk of high-pressure selling, where sales staff try so hard to convince a customer to buy a product or service that they simply create a bad impression of the company. Commission-based pay also does not encourage team work – each individual sales person will be keen to hold on to each new customer for themselves to earn more commission!

Performance-related pay (PRP)

Performance-related pay is usually in the form of a bonus payable in addition to the basic salary. It is widely used for those workers whose 'output' is not measurable in quantitative terms, such as management, supervisory and clerical posts. It requires the following procedure:

- regular target setting, establishing specific objectives for the individual
- annual appraisals of the worker's performance against the pre-set targets
- paying each worker a bonus according to the degree to which the targets have been exceeded.

The main aim is to provide further financial incentives and to encourage staff to meet agreed targets. Bonuses are usually paid on an individual basis, but they can also be calculated and awarded on the basis of teams or even whole departments.

There are problems with PRP schemes (see Table 14.8). The main issue is one that Herzberg would recognise – does the chance of additional pay 'motivate' or just temporarily 'move' a worker to perform better? As there is no change in the nature of the work being undertaken most of the 'motivators' recognised by Herzberg would not be satisfied by PRP. In addition, the concentration on individual performance can create divisions within teams and groups, and this can work against the findings of the Hawthorne effect. There is also a widely held view that PRP bonuses are often inadequate, even to achieve short-term productivity gains or improvements in effort. The last problem concerns the style of management that PRP can lead to. By giving senior managers the power to decide which subordinates have achieved performances above target, it can lead to claims of favouritism and the ability to control staff by means of the 'carrot' of extra rewards.

Advantages	Disadvantages
• Staff are motivated to improve performance if they are seeking increases in financial rewards. • Target setting can help to give purpose and direction to the work of an individual. • Annual appraisal offers the opportunity for feedback on the performance of an individual, but as it tends to occur only once a year this is not usually sufficient to achieve a key feature of job enrichment.	• It can fail to motivate if staff are not driven by the need to earn additional financial rewards. • Team spirit can be damaged by the rivalry generated by the competitive nature of PRP. • Claims of manager favouritism can harm manager–subordinate relationships. • It may lead to increased control over staff by managers because of the danger that bonuses may not be awarded if workers do not 'conform'.

Table 14.8 *Advantages and disadvantages of performance-related pay*

KEY TERMS

commission a payment to a sales person for each sale made

performance-related pay a bonus scheme to reward staff for above-average work performance

Profit-related pay

KEY TERMS

profit-related pay a bonus for staff based on the profits of the business – usually paid as a proportion of basic salary

The essential idea behind profit-sharing arrangements is that staff will feel more committed to the success of the business and will strive to achieve higher performances and cost savings (see Table 14.9). Some shareholder groups, however, claim that profits should be the return to the owners of the business and are a reward to them for taking risks with their own capital.

Employee share-ownership schemes

Some profit-sharing schemes do not offer cash but shares in the business to each worker when the firm declares a profit. This is designed to establish the workers as part owners of the business and reduce the conflict that might exist between 'them' (the owners and managers) and 'us' (the workers). In practice, many of the shares in such schemes are quickly sold by the workers, thus reducing the hoped-for long-term impact on motivation (see Table 14.9).

Fringe benefits

These are non-cash forms of reward – and there are many alternatives that can be used. They include company cars, free insurance and pension schemes, private health insurance, discounts on company products and low interest rate loans. They are used by businesses in addition to normal payment systems in order to give status to higher-level employees and to recruit and retain the best staff. Some of these fringe benefits are taxed, but others are not and that gives the employees an added benefit, because to purchase these 'perks' from after-tax income would be very expensive. It is very difficult to assess the impact of these benefits on productivity.

NON-FINANCIAL METHODS OF MOTIVATION

It is now widely recognised that businesses cannot use money alone to create the necessary motivation for employees to complete jobs efficiently. Non-financial motivators include:

- job enlargement
- job enrichment
- team working
- empowerment.

Advantages	Disadvantages
• Potential conflict between owners and workers is reduced as everyone now has an interest in higher profits. • They are designed to lead to higher worker effort levels and a greater preparation to accept cost reduction measures and changes that benefit the business. • The business is likely to attract better recruits drawn by the chance of sharing profits or owning shares in the firm. • As the bonuses are paid out of profits, the scheme does not add to business costs, unlike a normal increase in pay levels. • If successful in increasing motivation, then the schemes could lead to an increase in overall business profitability.	• The reward offered is not closely related to individual effort – why should one worker put in greater effort when everyone will be benefiting? • The schemes can be costly to set up and operate, especially in large firms with many employees. • Small profit shares paid at the end of the financial year are unlikely to promote motivation throughout the year. • Profit-sharing schemes will reduce profits available to be paid to owners (reducing dividends) and to be reinvested in the business (retained profits). • Worker share-ownership schemes can increase the total number of shares issued and 'dilute' the value of existing shares.

Table 14.9 *Advantages and disadvantages of profit sharing and employee share ownership*

ACTIVITY 14.3

Look at the job adverts and then answer the questions that follow.

Different jobs, different pay systems

SIX-FIGURE SALARY (AT LEAST $100,000) + SUBSTANTIAL FRINGE BENEFITS
CAR, INSURANCE, PENSION, HEALTH CARE

Human Resources Director – Singapore

Diverse Portfolio of International Businesses

Our client is an undisputed leader in the private equity market. It has financed the acquisition of a wide variety of businesses with a presence in more than 50 countries, an annual turnover in excess of £3.5 billion and 50,000 employees. Key to the group's success has been its close financial management and the assistance it has given portfolio companies in areas such as human resources and IT.

Due to continuing growth, an HR Director is now sought to add value across the group.

THE POSITION

- Optimise the deployment of HR to add value within the portfolio businesses and support the group's overall objectives.
- Provide business and HR support to operating company management teams. Emphasis on management development, leadership teams and compensation.
- Active involvement in evaluation of potential acquisition targets. Provide critical analysis of management strengths and weaknesses.

QUALIFICATIONS

- Outstanding HR professional with a minimum of 15 years' experience, a demonstrable record at group and divisional levels in an international business.
- Practical understanding of business drivers and HR issues within large and small organisations. Highly influential with outstanding business management tool kit.
- Specific experience in Asia is required, with fluency in an Asian language a distinct advantage.

Please send full CV and current salary details to S. Amm at the address below.
Alternatively email: samm@partnership.com

THE PACIFIC RECRUITMENT AGENCY

DRIVER WANTED

- Must have clean driving licence
- Light removal work
- $5 per hour
- Overalls provided
- Ring: 0837 5108 if interested

12 marks, 21 minutes

1 Explain the different pay systems operated by these two businesses for these jobs. [4]

2 Why do you think that these pay systems are different? [4]

3 Why do you think that the higher-paid post also carries a range of other benefits? [4]

KEY TERMS

job enlargement attempting to increase the scope of a job by broadening or deepening the tasks undertaken

team working production is organised so that groups of workers undertake complete units of work

Job enlargement

This can include both job rotation and job enrichment, but it also refers to increasing the 'loading' of tasks on existing workers, perhaps as a result of shortage of staff or redundancies. It is unlikely to lead to long-term job satisfaction, unless the principles of job enrichment are adopted.

Job enrichment

This involves the principle of organising work so that employees are encouraged and allowed to use their full abilities – not just physical effort. The process often involves a slackening of direct supervision as workers take more responsibility for their own work and are allowed some degree of decision-making authority. Herzberg's findings formed the basis of the job enrichment principle. The three key features of it are not always easy to apply in practice, but employers are increasingly recognising the benefits to be gained by attempting to implement them:

- complete units of work so that the contribution of the worker can be identified and more challenging work offered, e.g. cell production (see Chapter 30, page 319)
- direct feedback on performance to allow each worker to have an awareness of their own progress, e.g. two-way communication (see Chapter 12)
- challenging tasks offered as part of a range of activities, some of which are beyond the worker's recent experience – these tasks will require training and the learning of new skills. Gaining further skills and qualifications is a form of gaining status and recognition – see Maslow's hierarchy of human needs (page 142).

To introduce job enrichment into many traditional businesses, a process known as job redesign is often necessary (see Figures 14.2 and 14.3).

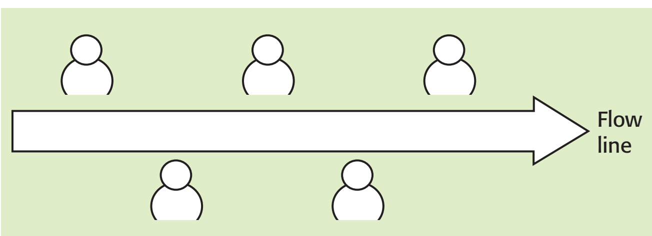

Figure 14.2 Traditional mass production – each worker performs a single task

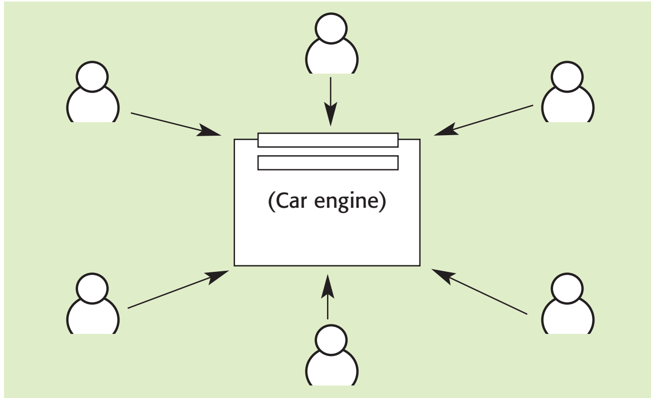

Figure 14.3 Team production allowing for job enrichment – all workers contribute to producing the completed unit

KEY TERM

job redesign involves the restructuring of a job – usually with employees' involvement and agreement – to make work more interesting, satisfying and challenging

EXAM TIP

Do not confuse job enlargement with job enrichment/redesign.

Team working

This approach to work places each member of staff into a small team of employees. Some traditionalists argue that moving away from 'pure division of labour', where one worker performs just one simple task all of the time, will result in lower productivity and time-wasting 'team' meetings. Supporters of job enrichment would respond by claiming that more challenging and interesting work, as allowed by team working or 'cell' production, will lead to:

- lower labour turnover
- more and better ideas from the workforce on improving the product and the manufacturing process
- consistently higher quality, especially when total quality management (TQM) is incorporated (see Chapter 33, page 346).

Table 14.10 summarises the advantages and disadvantages of team working.

There are a number of benefits to the organisation from team working:

- Team spirit should improve motivation of staff.
- Teams are more flexible than hierarchical systems.
- New teams can be formed and redundant teams disbanded as the needs of the organisation change.
- Management costs may be reduced as fewer middle managers and supervisory staff are required.

Advantages	Disadvantages
• Workers are likely to be better motivated as social and esteem needs (see Maslow) are more likely to be met. By empowering workers within teams, job enrichment can be achieved (see Herzberg). • Better-motivated staff should increase productivity and reduce labour turnover – both will help to reduce business costs. • Team working makes fuller use of all of the talents of the workforce. Better solution to problems will be found as those most closely connected with the work participate in suggesting answers. • Team working can reduce management costs as it is often associated with delayering of the organisation – fewer middle managers will be required. • Complete units of work can be given to teams – a key feature of job enrichment.	• Not everyone is a team player – some individuals are more effective working alone. When teams are formed, this point must be considered and training may need to be offered to team members who are not used to working collaboratively in groups. Some workers may feel 'left out' of the team meetings unless efforts are made to involve and encourage all team members. • Teams can develop a set of values and attitudes which may contrast or conflict with those of the organisation itself, particularly if there is a dominant personality in the group. Teams will need clear goals and assessment procedures to ensure that they are working towards the objectives of the organisation at all times. • The introduction of team working will incur training costs and there may be some disruption to production as the teams establish themselves.

***Table 14.10** Advantages and disadvantages of working in teams*

EXAM TIP

Team working might not always be a suitable way of organising a workforce.

Delegation and empowerment

These methods of staff motivation were fully examined in Chapter 11 (see page 111). Delegation involves the passing down of authority to perform tasks to workers. Empowerment goes further, by allowing workers some degree of control over how the task should be undertaken and the resources needed to complete it.

EVALUATION OF FINANCIAL AND NON-FINANCIAL MOTIVATIONAL METHODS

If it is accepted that pay is not the only motivating factor for people to work effectively and to be satisfied in their jobs, then managers need to take a critical look at all of the payment and non-financial methods of motivating staff. What works for some groups of workers will not be effective with others. Managers need to be flexible and adapt the methods and approaches that are available to motivate staff to the particular circumstances of their business and their workforce. The main factors that influence the different degrees of emphasis on pay and non-pay factors include the leadership style of management and the culture of the organisation. If managers have the attitude that workers are naturally lazy and cannot be trusted, then a 'payment by results' system with close supervision will be adopted. If the culture views workers as partners or associates in the business, then production will be organised to give workers a chance to accept responsibility and to participate. A monthly salary payment system is likely under these circumstances. As with so many important decisions made within a business, so much depends on the attitudes and beliefs of senior managers – and the business culture they adopt.

EXAM TIP

You should be able not just to describe and explain different methods of financial and non-financial motivation but to suggest which ones might be most suitable in different business situations – and why.

THEORY OF KNOWLEDGE

The world economy was brought to its knees in 2008 by risk-taking bankers hungry for bonuses that brought them riches beyond the wildest dreams of most normal working people. One American bank paid an average bonus of $500,000 to its staff, with top staff receiving multi-million dollar pay-outs. Striving for such large sums meant bankers took huge risks by making loans to businesses and individuals who were often not in a position to pay them back.

'Organisations like banks should not be allowed to motivate their staff by using large financial rewards.'

In groups, discuss to what extent you agree or disagree with this statement.

OVER TO YOU

REVISION CHECKLIST

1 What do you understand by the term ‘motivation’?
2 Why is a ‘motivated workforce’ important for a manufacturing business?
3 Explain how a high-quality clothing shop might be badly affected by low motivation of sales staff.
4 State **three** features of Taylor’s research that might be relevant to manufacturing industries.
5 Explain why studying intrinsic and extrinsic needs is an important part of motivation theory.
6 Give an example of how an individual might revert to a lower level of Maslow’s hierarchy of human needs.
7 Consider **two** different levels of Maslow’s hierarchy. Explain how these needs could be satisfied at work.
8 Differentiate, using examples, between Herzberg’s motivators and hygiene factors.
9 Why did Herzberg consider it important to differentiate between ‘movement’ and ‘motivation’?
10 Outline the **three** key features of job enrichment.
11 Examine **two** problems of using the piece-rate system for each individual in a business that uses a flow line production system.
12 Explain how the payment of a fixed monthly salary could help to satisfy some of the needs identified in Maslow’s hierarchy.
13 Assume that you are the manager of a computer shop. Which payment system would you use for your staff: commission only, time-based wage rates or a combination of the two? Justify your choice.
14 Explain to the directors of a private limited company the advantages and disadvantages of introducing a profit-sharing system for the workforce.
15 Do you believe that performance-related pay should be introduced for the teachers in your school or college? Justify your answer.
16 Explain **two** benefits to the firm that might be gained from adopting team work in a factory making computers.
17 Explain **two** benefits to workers from being organised into teams.
18 How might business culture influence the motivational methods adopted by managers?
19 Outline the benefits to a business of using non-financial methods of motivation.
20 Give **two** examples of fringe benefits that might be offered to senior managers in a bank.
21 Analyse the potential benefits of employee empowerment in a busy fast-food restaurant.
H 22 Outline the main findings of Mayo’s Hawthorne research.
H 23 Why did McClelland believe that achievement was so important to motivation?
H 24 Outline the differences between content and process motivation theories.

REVISION ACTIVITY

Read the case study below and then answer the questions that follow.

Staff turnover increases at Telemarketing Ltd

The human resources manager at Telemarketing was under pressure to solve the problem caused by so many staff leaving. Recent data gathered about staff are shown below:

	2007	2008	2009
Labour turnover (% of staff leaving each year)	15	20	45
Staff absence (average % of total staff absent)	5	7	9

Recruitment and training costs and covering for absent staff were reducing the profitability of the business. Since it was set up five years ago, Telemarketing has grown rapidly and is now one of the largest telephone direct marketing organisations in the country. It sells insurances and other financial products directly to consumers rather than using banks or insurance brokers as intermediaries.

Seventy-five per cent of staff are telephone sales people. They have two ways of selling the products. Either they ‘cold call’ potential customers from telephone directories or they receive calls from interested members of the public responding to advertisements. Telephonists work at individual work stations. All of their calls are recorded and monitored by supervisors. Rest time is strictly controlled and excess rest periods lead to pay being reduced. Staff are paid a low basic wage, plus a proportion of the value of sales made. Because of the nature of the job – telephones must be operated 18 hours per day – there is no time for meetings between all of the staff and workers. The main communication is a daily newsletter, pinned to all work stations at the start of every shift, giving details of daily sales targets for the whole business.

32 marks, 58 minutes

1 Explain the drawbacks to the business of high labour turnover and high staff absence. [4]

2 Referring to the work of **two** motivational theorists, explain the likely reasons for the staffing problems at telemarketing. [8]

3 To what extent might the principles of job enrichment be introduced into this business to help staff achieve 'self-actualisation'? [10]

4 Recommend a pay system for staff in Telemarketing that will encourage long-term motivation. Justify your recommendation. [10]

EXAM PRACTICE QUESTION

Read the case study below and then answer the questions that follow.

WHY WOMEN ARE HAPPIER IN THEIR WORK THAN MEN

The world of work is a better experience for women than it is for men, according to a survey. Asked to rate their job satisfaction on a scale of one to seven, they scored an average of 5.56, while males scored 5.22. Experts appear divided over the reasons why women appear to get more out of their work than men. Many women work part time and have job-sharing schemes, which, the survey found, increased job satisfaction as they could pursue other interests too. In addition, older workers get the greatest satisfaction from their jobs, while university graduates are the most dissatisfied of all, according to the survey of 30 000 employees. Employees generally enjoyed their first years at work, but then job satisfaction falls between the ages of 30 and 40. But employees over 60 gained the greatest satisfaction from their work. Professor Andrew Oswald of Warwick University, who conducted the survey, said, 'The young are just happy to have a job. As they grow older they realise that ambitions and needs may not be so easily fulfilled.' It seems that we all begin thinking we will reach the top in our careers, but most of us are forced to adjust. 'The older we get, the more settled and content with our role at work we get,' he added. Graduates are often frustrated by the lack of challenging work on offer. They are often forced to take low-skilled jobs for which they are over-qualified in order to pay off debts. The survey also revealed that long hours at work did not turn people off their jobs.

Employees of small businesses and non-profit-making organisations, such as charities, were more motivated and happier at work than those working for big companies. David Hands, of the Federation of Small Businesses, said, 'There is a greater camaraderie (friendship) in small firms than in big companies.' Workers feel less involved and less secure in bigger firms. He added, 'It is more relaxed in small firms and people enjoy it more. Many also get more responsibility which adds to their satisfaction.'

Source: Adapted from various sources

25 marks, 45 minutes

1 Explain what you understand by the terms:
   a) motivation
   b) responsibility. [4]

2 Identify **two** factors that seem to influence job satisfaction and explain them in terms of Maslow's hierarchy of needs. [6]

3 Explain in terms of the features of job enrichment why it might be easier for small firms to motivate staff than big businesses. [6]

4 Discuss the extent to which it might be possible for large firms to use Herzberg's motivators to improve the level of worker motivation. [9]