

Motivation is the way in which a person can be encouraged to make an effort to do something.

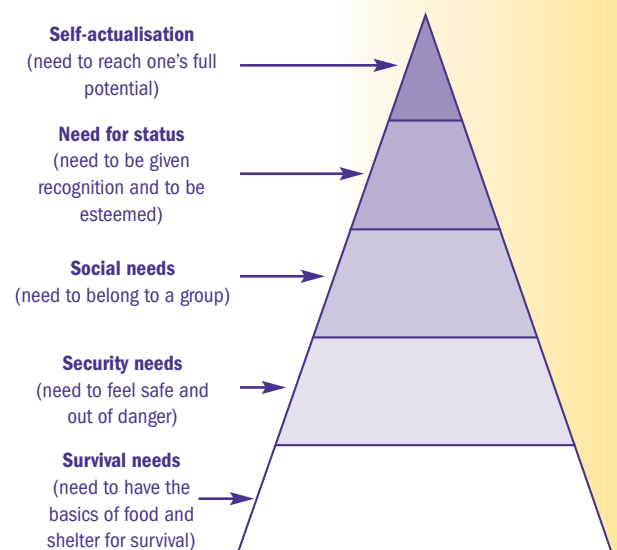
Many studies have been carried out on what makes people want to work. Probably the most famous of these studies was by Abraham Maslow, an American psychologist who died in 1970.



Maslow concluded that people have five levels of need which he illustrated in a 'Hierarchy of Needs' pyramid. He placed the most basic needs at the bottom of the pyramid and the most advanced needs at the top of the pyramid. According to Maslow, when people satisfy one level of need, they then move up to the next level.

In his theory, the most basic need is to survive – to have enough money to buy food, shelter and necessary clothes. When they have satisfied the need for **survival**, they then need to feel safe and secure – perhaps from unemployment – so the second level of need is for **security**. After that, people need to belong to a group and to have friends – these are their **social** needs. They then move on to needing **status**. At this stage they need to be respected in the community, to be esteemed, and to be given recognition for what they do. When all these needs have been satisfied, people finally have **self-actualisation (or self-fulfilment)** needs. This is ambition to achieve as much as they possibly can – perhaps to be promoted to a high-level position with more responsibility.

Maslow's Hierarchy of Needs



Importance of Motivation

Obviously, it is very important for a business to have well-motivated employees. This is because highly motivated employees:

- will probably work harder
- are likely to produce a higher quality of work
- are less liable to take time off.

ACTIVITY

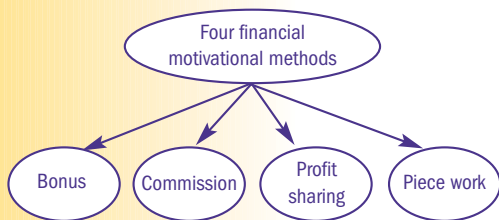
Employers are anxious to have a highly motivated staff.

- a Name two benefits for the employer if employees are well motivated.
- b In what ways would work be more satisfying for employees if their motivation is high?

A generous pay system is a good incentive for workers, but money alone is not enough! Maslow's theory has shown that employees need to feel valued in the workplace, they need to feel they belong, and they need to be rewarded for good work.

For these reasons, employers introduce a variety of methods of motivation which offer rewards to employees usually in addition to their basic pay. These methods of motivation may or may not be for money – in other words, they may be either financial or non-financial.

Financial Methods of Motivation



Bonus

A bonus is an extra payment made to employees who work well and help the business, for example, to complete its orders on time or to meet its sales targets. It is paid as a lump sum, usually either at Christmas or at the beginning of the summer holidays.

Bonus payments encourage employees to work harder. The advantage for the employees is that they can increase their income while the employer has the advantage of greater production, resulting in higher sales and profits.

Commission

Commission is an extra financial reward which is most suitable for a sales person. It is calculated as a percentage of the sales which that person makes. For example, if the commission is 10% and the sales person's sales amounted to £8,000, then the total commission that person would earn would be £800 on top of his salary.

Commission payments encourage sales staff to increase their sales. In this way the sales staff increase their income while the business sells more goods and makes more profit.

Profit sharing

Under a profit-sharing scheme, employees receive a share of the profit made by the business in addition to their basic salary.

Profit sharing acts as a good motivator for employees because it encourages them to increase the business's output and profits of which they can then own a share. It also has the advantage that the employees feel a greater sense of belonging to the business and take a greater interest in its success.

Profit sharing is most usually found in the service sector because, in that type of work, it is not possible to estimate any single employee's contribution to the profits made in the business. A slight unfairness of the system is that all employees benefit from the profits made in the business – even those who have worked less well and are less deserving.

In August 2002, B&Q made a record payment to their employees after the company's annual profits increased by 14% to £300 million. Around 30,000 employees received 8.25% of their salaries as part of a profit share scheme.

The B&Q Human Resources Director said 'People are the key to B&Q's success. We want to share incentives across the company so that the hard work of every one of our employees is recognised as contributing to the company's success'.

Piece work

In piece work, employees are paid according to the number of products they make. Therefore the harder they work, the more they earn which acts as a motivator to work harder. Usually a basic wage is paid and extra money is paid according to the amount of work completed.

Piece work payment is only possible in the type of job where products can be counted and where the product can be made fairly quickly – in a factory, for example.

Piece work has the advantage for the employer that more goods are likely to be produced while for the employee, it has the advantage of increased earnings.

The major disadvantage of piece work is that employees may rush their work and produce poor quality articles which would not sell and would give the business a poor reputation.



Figure 2.16

ACTIVITY

Thomas, Jane, Beryl and Marina all work for the same company. Study the following details and then write down the method of financial motivation each one receives.

- a Thomas has a management position and each year he receives some of the profits made by the company.
- b Jane is a salesperson for the company and receives a percentage of the sales she makes.
- c Every Christmas, Beryl receives a welcome addition to her wages because the employees have worked hard all year.
- d Marina gets a basic wage but can increase that by producing more goods each week.



EXAMINATION QUESTION

Justify an appropriate financial method of motivation the sales team might receive in addition to their basic salaries.

(4 marks)

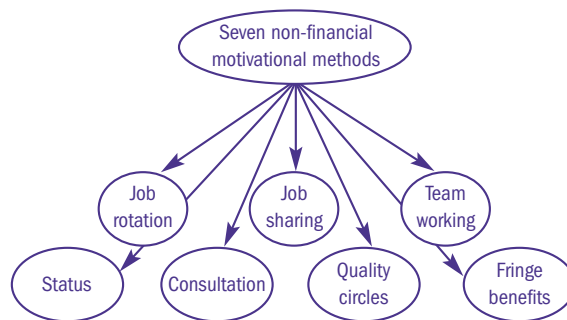
(CCEA Business Studies, GCSE, Paper 2 Higher Tier, 2001)

Tips for answering this question:

In your answer you must first decide on, and name, an appropriate method of motivation for sales staff. Then you have to 'justify' your decision. This means you must show **why** that method of motivation is suitable for the sales team.

2 marks would be given for choosing a suitable method and 2 marks would be given for justifying your choice. Notice that the question asks for **an** appropriate method so do not waste time on more than one method – you will not get marks for them.

Non-Financial Methods of Motivation



Job rotation

Job rotation is a system in which employees move around different jobs in the business in order to avoid the possibility of them getting bored by doing the same work all the time.

The system has the added advantage of giving opportunities for workers to learn more jobs. Job rotation is suitable for unskilled work and is frequently used for factory workers on production lines.

Job sharing

Job sharing, as the name indicates, is dividing a full-time job between a number of part-time workers – usually two workers. It is becoming very popular, especially in administration, where one worker might, for example, work two days per week and the other might work three days per week.

For job sharing to work efficiently, it is vital that each one pulls his/her weight and that they keep each other informed of the tasks they have undertaken and decisions made.

Team working

In a team-working system, employees are grouped together in teams, making sure that the team has the full range of abilities and skills required to make the product or carry out whatever task they have been set. The team may be given responsibility for how they carry out the work and organise it.

This system has the advantage of making the employees feel more responsible for their own team's decisions. In addition, employees feel committed and will be anxious to make their own team successful so will work hard to make that happen.

Team working increases job satisfaction for employees and improves morale in the workplace.

Status

Employees feel motivated if they have the opportunity to progress to higher-level positions within the business and to take on more responsibility.

To meet this need for status, businesses offer opportunities for employees to improve their education or training by funding them to attend courses which will improve their promotional prospects.

Consultation

Consultation is the process by which management discusses with employees and seeks their views and advice. This consultation might be on matters relating to shop floor practice or the proposed introduction of new procedures or machinery, for example.

Businesses benefit from spreading decision making in this way since they get new ideas and employees feel better motivated and can take ownership of the decisions.

Quality circles

Quality circles originated in Japan where they are used widely and successfully. They have now become very common in this country, possibly because of the spread of Japanese business in the British Isles.

The introduction of quality circles is really another approach to team working. Employees are organised into work teams and meet regularly to examine the quality of what they are doing and to try to find ways of doing the job better and improving the quality of the product even further.



Figure 2.17

Fringe benefits

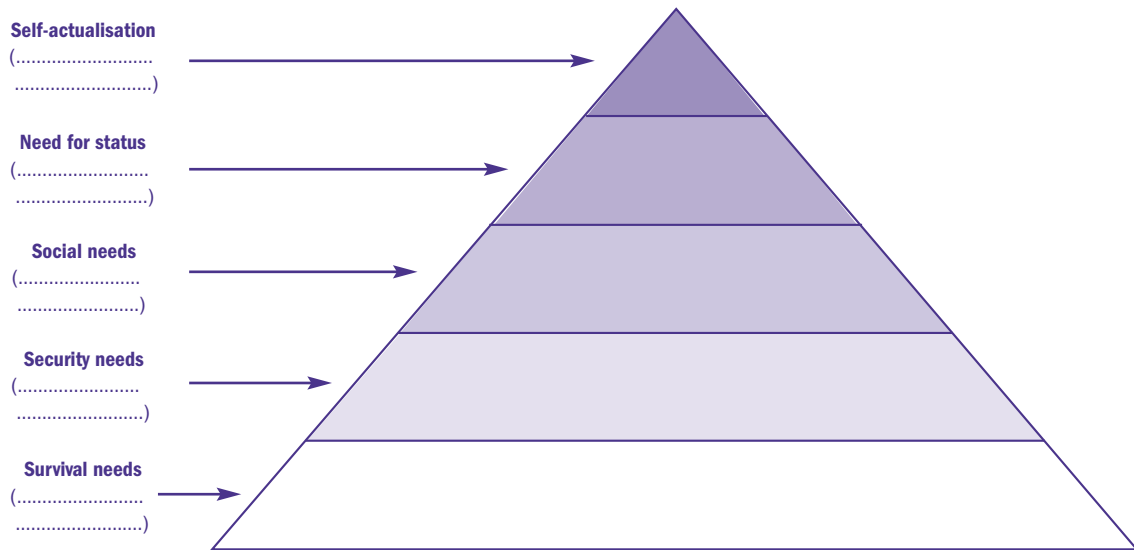
Fringe benefits – sometimes referred to as perks – come with many occupations and are usually related to the seniority of the employee.

For example, directors and senior managers may be entitled to benefits such as company cars, free use of houses, education fees paid for their children, expense accounts, private health care for themselves and their families, pension schemes and trips abroad.

Factory floor workers may be entitled to benefits such as transport to work, free uniforms, discounts on the business's products, recreational facilities, savings schemes, company shares and luncheon vouchers.

ACTIVITY

Copy out the following diagram of Maslow's Hierarchy of Needs and, inside the brackets, write down which method of motivation would satisfy that need.



ACTIVITY

You are employed by an agency which has been asked for advice on the type of motivation to offer the following workers. State which method of motivation you think is most appropriate in each case, giving reasons for your decisions.

- a Catherine is a sales representative for a fashion company and needs encouragement to increase the company's sales.
- b David has been working as a swimming instructor in a leisure centre for several years. He feels that he is 'stuck in a rut' while many of his friends have become leisure centre managers.
- c Joyce is a factory supervisor and is good at her job. However she often feels de-motivated because she works hard and she thinks her bosses get all the rewards.
- d Patrick is the financial director of the Northern Ireland branch of a multi-national organisation. He agrees that he is very well paid but needs some further encouragement.
- e Elizabeth loves her work as a dentist but has a young family and cannot cope with all the demands made on her time.
- f George is bored because for years he has been doing the same work on a production line in a toy factory.



EXAMINATION QUESTION

Recommend two non-financial methods of motivation which the business might use to encourage the sales team to increase sales.

(4 marks)

(Adapted from CCEA Business Studies, GCSE, Paper 2 Higher Tier, 2001)

Tips for answering this question:

In your answer you must decide on and name **two** appropriate non-financial methods. Remember that they must be suitable for sales staff.

You are asked to 'recommend' the methods, which means you must show that they are the best methods in the circumstances. This requires an explanation of why they are the best. One mark would be given for choosing each suitable method and one mark would be given for your recommendation or explanation of each method.

REVISION

At this stage you should understand:

Motivation
Profit sharing
Job sharing
Consultation

Bonus
Piece work
Team working
Quality circles

Commission
Job rotation
Status
Fringe benefits

As revision, look each one up in the Glossary at the end of the book.