



# Cambridge (CIE) IGCSE Business



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## 2.1 Motivating Employees

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## The Benefits of Motivated Employees

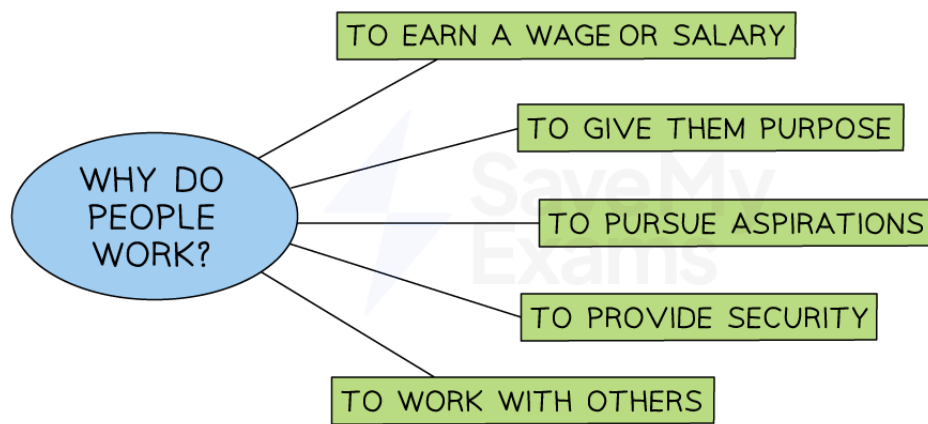
### Introduction to Motivation

- Motivation refers to the **inner desire or willingness** that drives a person to take action and **achieve a specific goal or outcome**
  - Motivation can be **intrinsic**, coming from within a person (values, beliefs etc)
  - Motivation can be **extrinsic**, coming from external factors (rewards or punishments)

### Why people work

- People work for many different reasons
  - They **need to earn money** to fund their lifestyle and ensure they have the necessities required
  - For some, **work is voluntary** or low-paid and done to give them a purpose
  - Some people work for the opportunity to **mix with other people**
  - For many, employment allows them to **fulfil their aspirations**

### Diagram: why people work



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*Individuals go to work for a variety of reasons, including earning a wage or salary and to give them a purpose*

### Benefits of a well Motivated Workforce

- Motivation plays a **critical role in business success**



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- Motivated employees are **more productive and efficient**
  - They are likely to be **engaged in their work** and **use their initiative** to meet or exceed their goals
  - They will generate higher levels of **output** and **quality**
  - Increased productivity results in **higher profits** for the business
- **Labour turnover** rates tend to be lower when a workforce is well motivated
  - Motivated employees are more **likely to stay with the company** long-term
  - Lower turnover rates reduce the need for costly recruitment and training
- **The reliability** and **loyalty** of motivated workers are likely to be high
  - Motivated employees **take pride** in their work, show up on time, meet deadlines and take fewer sick days
  - This leads to **increased trust** between the business and its employees and encourages a positive **organisational culture**



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## Motivational Theories

### An Introduction to Motivational Theories

- Motivation theories offer varied perspectives on the **role of money in motivating staff** and how non-financial factors may drive workers to improve their effort and output
- The main theories include
  - **Maslow's Hierarchy of Needs Theory** which argues that people move through levels of needs that motivate them and once a need is met it no longer serves to motivate
  - **Taylor's Scientific Management Theory** which states that workers are motivated mainly by pay and need tightly-defined tasks and close supervision
  - **Herzberg's Two Factor Theory** which believes that money is not a motivator but that the lack of money leads to dissatisfaction, whereas workers are motivated by factors such as the **opportunity to develop their skills**

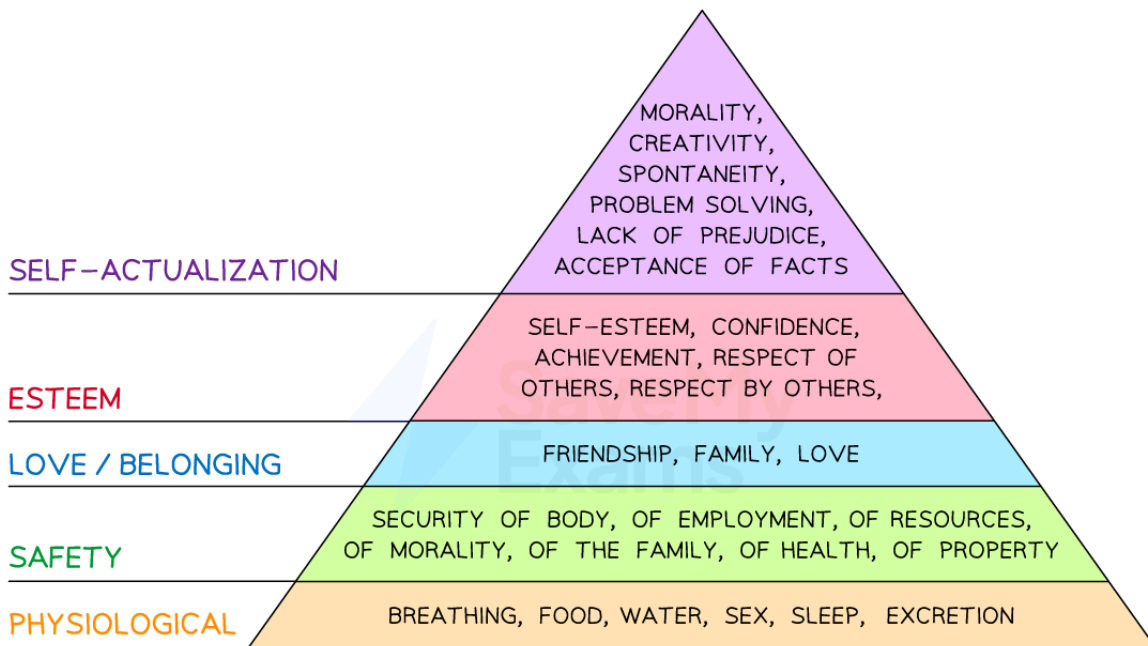
### Maslow's Hierarchy of Human Needs

- Maslow's Hierarchy of Needs outlines **five tiers of human needs** that must be met for individuals to reach their full potential
- Once a tier of needs has been met it is **unlikely to continue to motivate**
  - For example, once safety needs are met through satisfactory pay employees will **look for the next set of needs** - love & belonging needs - to be met

### Diagram: Maslow's hierarchy of needs



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**Maslow's Hierarchy of Needs explains human motivation based on the pursuit of different levels of needs being fulfilled**

## Physiological needs

- Businesses can **provide necessities** for their employees e.g **comfortable work environment**, access to clean water and food, and adequate rest breaks

## Safety needs

- Businesses can provide job security, fair pay, benefits, and **safe working conditions** for their employees

## Love and belonging needs

- Businesses can encourage teamwork and generate a **sense of community** and belonging within the workplace

## Esteem needs

- Businesses can provide recognition for employees' accomplishments, and provide a positive work culture that **values individual contributions**

## Self-actualisation needs

- Businesses can help employees achieve this need by offering opportunities for employees to **pursue their passions** and interests
- For example, Barclays Bank is known for supporting elite sportspeople by allowing them time off work in the day to continue their training (the focus was on getting the job done, not having to be present at work at a certain time)



### The Advantages & Disadvantages to Business of Applying Maslow's Hierarchy

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>▪ By meeting employees' needs a more satisfying work environment is established <ul style="list-style-type: none"> <li>▪ This can lead to <b>increased productivity</b> and <b>lower staff turnover rates</b></li> </ul> </li> <li>▪ Offering <b>incentives that align</b> with their specific needs and desires can improve staff loyalty</li> <li>▪ Employees who feel valued and supported by their employers are more likely to <b>perform at a higher level</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Businesses need to tailor their approach to meet the individual needs of their employees as <b>one size does not fit all</b></li> <li>▪ Meeting many individual needs can be <b>expensive</b> especially when offering costly perks such as the use of a company car</li> <li>▪ <b>Determining the best way to motivate</b> requires significant effort from management to connect individually with workers</li> </ul>

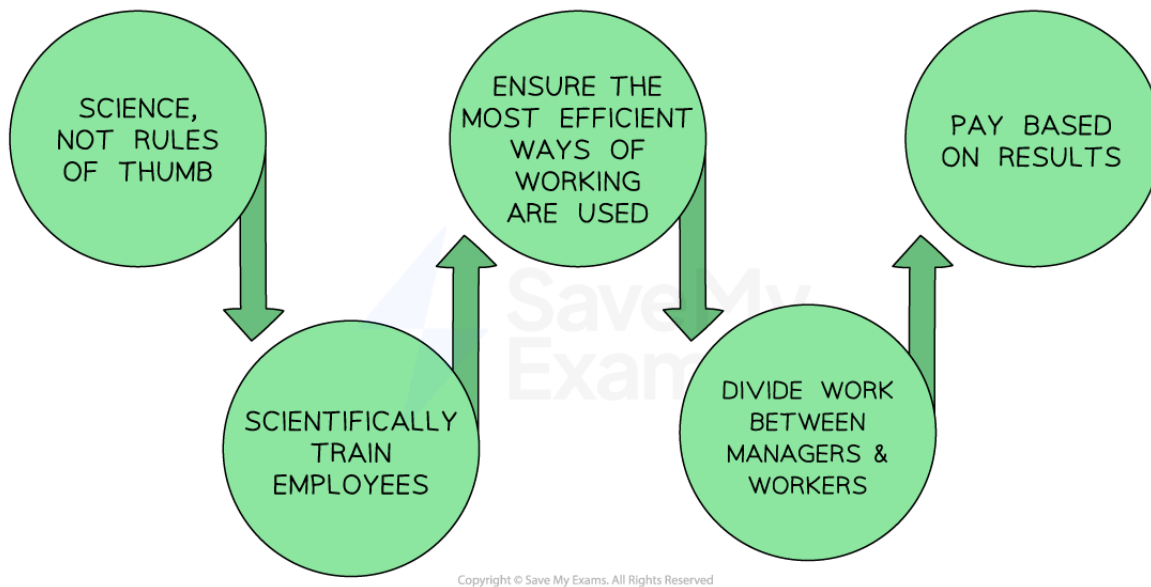
## Taylor 's Scientific Management Theory

- Developed by Frederick Taylor in the early 20th century
- It focuses on **breaking down complex tasks** into simpler ones, standardising work processes and providing workers with **clear instructions and training** to achieve maximum efficiency
- Many **manufacturing businesses** use Taylor's principles to structure their staff benefits
  - **Piece rate** pay systems link output to financial rewards
  - Production lines involving human labour are often set up based on these principles

### Diagram to show Taylor's theory of motivation



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*Taylor's method starts with a scientific analysis of what is involved in a job and then breaks it down into parts for which employees can be trained*

### 1. Study and analyse the work process

- Carefully analyse each step of the work process
- Break down **complex tasks** into simpler ones and identify the most efficient and **effective way to perform each task**

### 2. Standardise the work process

- This involves creating **detailed procedures and instructions** for each task so that workers can follow these procedures consistently

### 3. Select and train workers

- Workers should be carefully selected based on their **skills and abilities**
- Train workers to perform their tasks efficiently and effectively
  - This training includes both **technical skills** and the **proper attitudes/behaviours** required to be successful (e.g patience in a repetitive task)

### 4. Provide incentives for performance

- Scientific management emphasises the **use of incentives** to motivate workers
  - This may include **bonuses** or **piece-rate pay**

### An Evaluation of Taylor's Motivation Theory



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How Businesses use Taylor's Approach	Advantages	Disadvantages
<ul style="list-style-type: none"> <li>Workers are trained to <b>perform only one task</b>, which they become very skilled at</li> <li>Workers are usually paid for the <b>completed work (piece rate pay)</b> e.g. \$0.16 per T-shirt completed by garment workers in Bangladesh</li> </ul>	<ul style="list-style-type: none"> <li><b>Increased efficiency</b> lowers costs</li> <li><b>Standard procedures</b> that everyone follows reduce errors and inconsistencies</li> <li><b>Specialisation of labour</b> leads to greater efficiency and productivity</li> <li><b>Clear hierarchy</b> and lines of authority lead to more efficient decision-making and communication</li> <li><b>Better training</b> and development improves employee performance and job satisfaction</li> </ul>	<ul style="list-style-type: none"> <li><b>Overemphasis on efficiency</b> reduces worker satisfaction and creativity</li> <li><b>Workers may disengage</b> from work if they are reduced to working in a machine-like system</li> <li><b>Limited applicability</b> as this approach may not work for roles that require high levels of creativity, problem-solving, or interpersonal skills</li> <li><b>Potential for exploitation</b> as this approach may be used to extract more work from workers without compensating them fairly e.g. many 'sweat shop' labourers get paid using this method</li> </ul>

## Herzberg's Motivation Theory

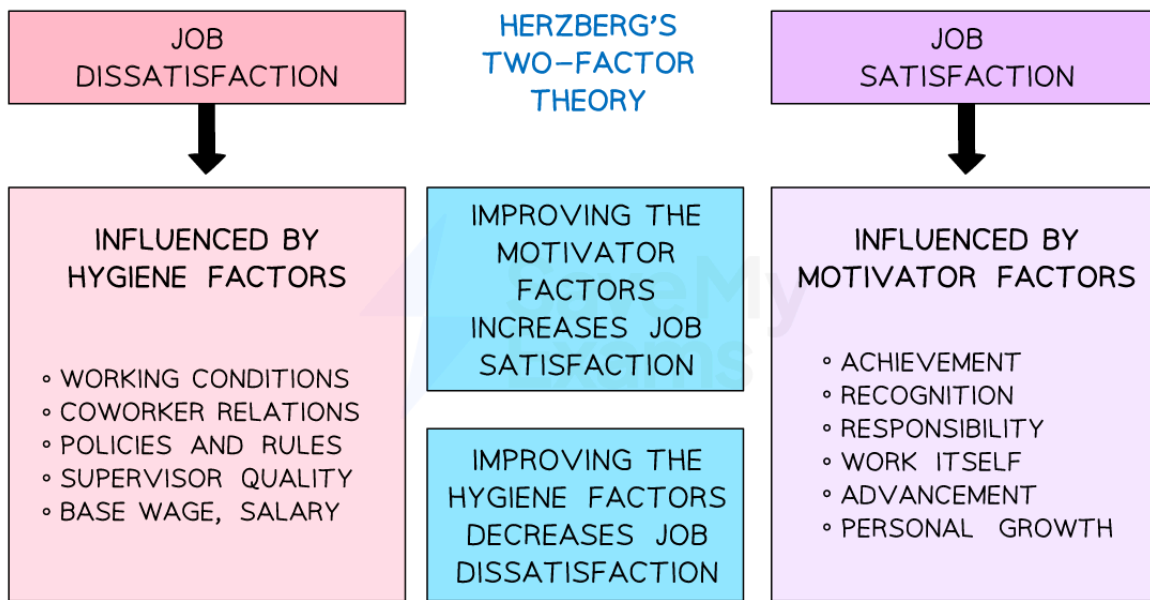
- Herzberg's theory** suggests that there are two influencers that determine employee motivation and job satisfaction - hygiene factors and motivators
  - Hygiene factors** are elements that do not necessarily lead to job satisfaction, but their absence can cause dissatisfaction which decreases motivation e.g. poor teamwork in the workplace
  - Motivators** are elements that lead to job satisfaction and motivation e.g. increased responsibility

### Diagram to show Herzberg's Two-factor Theory





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*An explanation of how the lack of hygiene factors causes dissatisfaction while addressing the motivators increases satisfaction. Increased satisfaction leads to increased productivity and profitability*

## Using hygiene factors to decrease dissatisfaction

- **Pay fair wages/salaries**
  - If an employee is not paid a fair wage for their work they may become dissatisfied and demotivated
- **Offer excellent working conditions**
  - If the workplace is dirty, unsafe or uncomfortable employees may become dissatisfied and demotivated
  - Google has a reputation for providing amazing workplaces which include gourmet restaurants, laundry services and dog care
- **Offer employment contracts which provide job security**
  - If employees feel that their job is not secure they may become anxious and demotivated and contribute less to the business goals

## Using motivating factors to increase satisfaction

- **Build a recognition and rewards culture**

- When employees are recognised and rewarded for their hard work they are motivated to continue performing well
- Examples include sales person of the month award, regular staff social events
- **Offer opportunities for growth and development**
  - When employees are given opportunities to learn new skills and advance in their careers they are motivated to continue working for the company
  - Examples may include personalised growth plans which help workers achieve professional goals or sabbaticals which allow workers to periodically pursue a valued interest
- **Provide challenging work which requires problem solving**
  - When employees are given challenging work that allows them to use their skills and abilities they are motivated to continue performing well
  - Examples may include **job rotation** or job enlargement through **delegation**



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### Examiner Tips and Tricks

Motivation is a popular exam topic and can be used to build analysis on a variety of topics. Always consider how decreased motivation can lead to increased business costs, which will reduce its profitability. Using principles gained from these three motivational theories can help wise managers to increase motivation, raise productivity and decrease business costs.



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## Financial Methods of Motivation

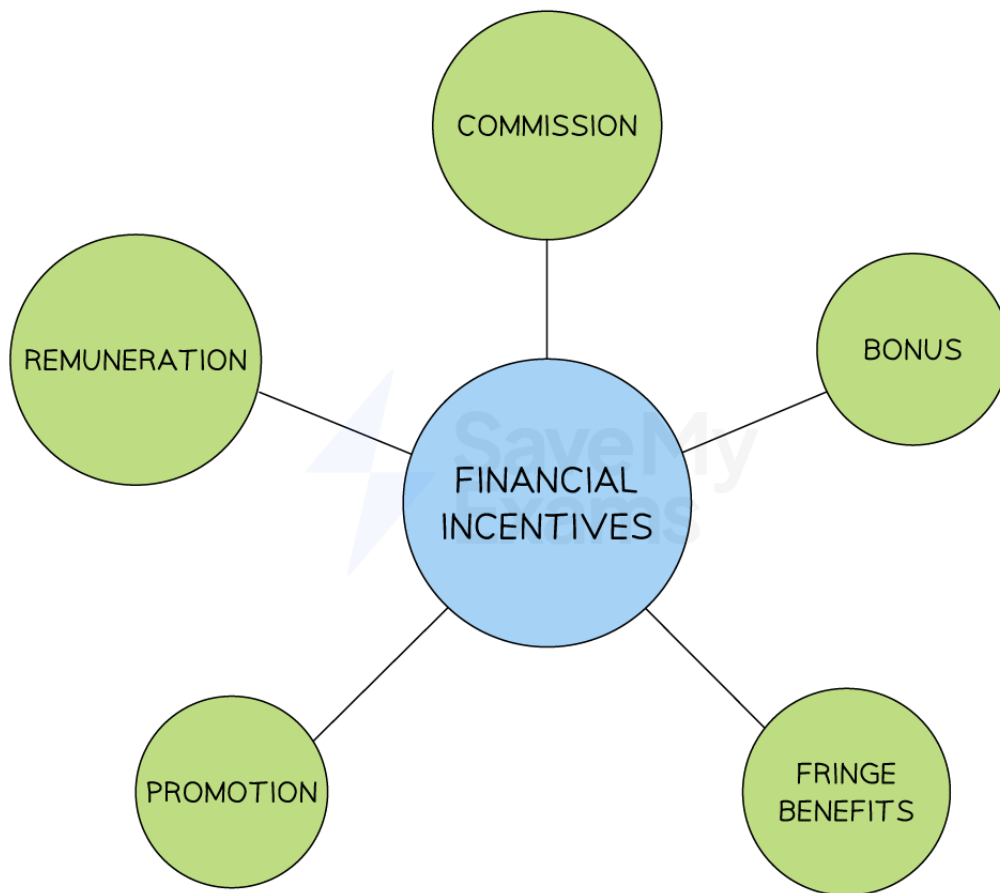
# Financial Methods of Motivation

- Financial incentives are **rewards or payments** given to employees in return for their labour - or improved performance
- The different theories of human motivation offer varying perspectives on the **role of money in motivating staff**
  - Herzberg's Two Factor Theory** says that money is not generally a motivator, but the lack of it leads to dissatisfaction
  - Maslow's Hierarchy of Needs** argues that people move through levels of needs that motivate them - their lower-order needs are closely linked to financial rewards whilst higher-order needs are rarely linked to pay
    - Physiological** and **safety** needs can be partially met by providing adequate pay
    - Love and Belonging** needs are often met by encouraging aspects such as team working

## Diagram showing financial methods of motivation



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*Financial incentives motivate some employees, depending upon the importance that they place on monetary items/money as a reward*

#### An Explanation of the Financial Incentives Available to Businesses

Incentive Type	Explanation
Remuneration	<ul style="list-style-type: none"> <li>This refers to the <b>basic wage</b> or <b>salary</b> that a worker receives for their labour</li> <li>Employees who work on an hourly rate are paid wages and accrue benefits such as annual leave according to the hours they work</li> <li>Salaries are paid to full time staff and usually accompanied by benefits such as a fixed number of days of annual leave</li> </ul>



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<b>Commission</b>	<ul style="list-style-type: none"><li>▪ A percentage of <b>sales revenue</b> is paid to workers who sell products or services</li><li>▪ Commonly used in sales roles and motivates staff to sell more and <b>upsell</b></li></ul>
<b>Bonus</b>	<ul style="list-style-type: none"><li>▪ An additional payment given to staff awarded for achieving specific goals, completing projects on time or <b>exceeding performance expectations</b></li><li>▪ The opportunity to <b>earn more money</b> may motivate staff to work harder and achieve better results</li></ul>
<b>Promotion</b>	<ul style="list-style-type: none"><li>▪ Promotion usually demands a <b>higher level of responsibility</b> from an employee in the job role<ul style="list-style-type: none"><li>▪ <b>Higher pay</b> is usually offered to reflect the increased responsibility</li></ul></li><li>▪ A clear <b>promotion pathway</b> can act as a motivator to improve productivity and staff performance</li></ul>
<b>Fringe Benefits</b>	<ul style="list-style-type: none"><li>▪ These are <b>additional benefits</b> usually offered to salaried employees<ul style="list-style-type: none"><li>▪ Fringe benefits could include the use of a company car, private healthcare or gym membership</li></ul></li><li>▪ Employees can be <b>motivated to work hard</b> in order to keep their job and the associated fringe benefits</li></ul>



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## Non-Financial Methods of Motivation

# Non – financial Methods of Motivation

- Non-financial incentives are **rewards** that are **not directly related to money**
- These incentives may be **intangible** and include **methods that lead to** recognition, praise, job satisfaction or improved work-life balance

### Types of Non-financial Incentives

Incentive Type	Explanation
<b>Autonomy</b>	<ul style="list-style-type: none"><li>▪ Involves giving staff the <b>authority and resources to make decisions</b> and take action without first receiving management approval<ul style="list-style-type: none"><li>▪ Increases staff sense of <b>ownership and responsibility</b> leading to improved productivity</li></ul></li></ul>
<b>Job enrichment</b>	<ul style="list-style-type: none"><li>▪ Involves adding more <b>challenging or meaningful tasks</b> to a job</li><li>▪ Staff feel more motivated and engaged, leading to improved productivity</li></ul>
<b>Job rotation</b>	<ul style="list-style-type: none"><li>▪ Involves moving staff between <b>broadly similar but varied roles</b> in the business</li><li>▪ Exposes staff to <b>new challenges and experiences</b> which can increase motivation, understanding and skill</li></ul>
<b>Teamworking</b>	<ul style="list-style-type: none"><li>▪ Teamwork may involve workers <b>completing tasks together</b></li><li>▪ Teamwork can increase motivation in the workplace as each member of staff has a role and a shared goal</li></ul>
<b>Training</b>	<ul style="list-style-type: none"><li>▪ Involves staff <b>improving or learning new skills</b> and abilities</li><li>▪ This can make employees feel valued, more productive and likely to remain with the business</li></ul>



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<b>Promotion Opportunities</b>	<ul style="list-style-type: none"> <li>Employees offered promotion will feel recognised, have a <b>higher status</b> and will be given more challenging tasks/responsibilities to perform</li> <li>These benefits are closely linked to the views of both Maslow and Herzberg</li> </ul>
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## Recommending a Method of Motivation

- When recommending a method of motivation for employees in a business, managers must recognise that individuals are motivated in different ways
- The following should also be considered
  - The context of the business**
    - What type of business is it? E.g. manufacturing or sales
    - The **budget available**
    - How many workers does the organisation have?
    - Does the business currently use any methods of motivation?
    - What is the nature of the work of employees on a daily basis?
  - The balance of the compensation package**
    - Ideally it should include **both financial and non-financial**
    - It should be **adaptable** and reflect the changing needs of staff

### Recommending a Method of Motivation

Business Scenario	Key Considerations	Recommendations
<ul style="list-style-type: none"> <li><b>Workers in chocolate biscuit factory</b> work long shifts on a busy assembly line. They are experiencing low morale</li> </ul>	<ul style="list-style-type: none"> <li>Work is often repetitive and boring</li> <li>Workers may feel that they are not gaining new skills in their role</li> </ul>	<ul style="list-style-type: none"> <li><b>Job rotation</b> may allow workers to experience different elements of the production line which could increase motivation and skills</li> </ul>



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<ul style="list-style-type: none"><li>Some members of <b>the sales department of a major perfume brand</b> are feeling demotivated. They discovered that they have a lower base salary than their competitors</li></ul>	<ul style="list-style-type: none"><li>This is a competitive industry for employers who <b>want to attract and retain the best marketing talent</b></li><li>The business will not want to lose the best employees to competitors</li><li>Increasing salaries may be costly</li></ul>	<ul style="list-style-type: none"><li>The business should <b>increase salaries in line with those of its competitors</b> in order to retain staff</li><li>Alternatively, workers may be motivated by a higher <b>bonus</b> for hitting their sales targets</li></ul>
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