



Overview
(/study/ap
hl/sid-
351-
cid-
762729/o

Teacher view



Table of
contents



Notebook



Glossary 2. Human resource management / 2.4 Motivation and demotivation



Reading
assistance



(https://intercom.help/kognity)



Index

- The big picture
- Motivation theories I
- Motivation theories II (HL)
- Labour turnover (HL)
- Appraisal (HL)
- Methods of recruitment (HL)
- Rewards
- Training
- Terminology exercise
- Checklist
- Reflection

The big picture

Japan's business culture is known to be very demanding; employees are expected to work extremely long hours and often face excessive pressure. Workers in Japan are often employed for life-time careers, and loyalty to the business is expected in return. Though employees are entitled by law to 20 days of holiday, many take no more than three or four. Late nights and weekend work is common. The situation is particularly difficult for female employees who are often not able to maintain the long hours because of the additional care-giving burdens placed upon them. There is even a word in Japan, 'karoshi', which means death from overwork. Things are, however, changing.



Figure 1. Japanese work culture can be intense, and workers can often feel exhausted.

Credit: RUNSTUDIO, Getty Images

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Overview

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351-
cid-

762729/o

In 2021, the Japanese government recommended that businesses allow workers to opt for a 4-day working week. This was the latest in a series of steps by the Japanese government to change workplace practices in order to improve worker wellbeing. This particular recommendation was made after an increasing number of research studies showed that moving to a 4-day week can increase productivity of workers significantly. The shortened week also makes more room for leisure and family. Panasonic, a major electronics conglomerate in Japan, announced in 2022 that it would give workers the option of a 4-day week. More businesses are sure to follow.

Businesses around the world are increasingly considering the wellbeing of a wider range of stakeholders in their activities. The wellbeing of workers is a major concern, and worker motivation is a key part of wellbeing. Motivated workers are happier, healthier, more productive and more collaborative. Finding the key to motivation is a win-win for both employers and employees.



Figure 2. Changing workplace practices can result in more motivated workers.

Credit: Yoshiyoshi Hirokawa, Getty Images



Concept

Sustainability (social)

Workers are a key stakeholder for any business. Positive human resource management (HRM) practices support employee creativity and resilience. Worker wellbeing, which is closely tied to motivation, helps improve a business's social sustainability by



Student
view

Home
Overview
(/study/app/business-hl/sid-351-cid-762729/book/the-doughnut-economics-model-id-36500/)).
hl/sid-
351-
cid-
762729/o

supporting the social foundation of the Doughnut Economics Model ([Section 1.1.2 \(/study/app/business-hl/sid-351-cid-762729/book/the-doughnut-economics-model-id-36500/\)\)](#)).

Learning objectives from the IBDP Business Management guide with assessment objective level:

- **Discuss** motivation theories, including those from Taylor, Maslow and Herzberg (AO3)
- **Discuss** motivation theories, including McClelland's acquired needs theory, Deci and Ryan's self-determination theory, and equity and expectancy theory (HL) (AO3)
- **Explain** and **calculate** labour turnover (HL) (AO2, AO4)
- **Distinguish** between formative and summative appraisal, 360-degree feedback, and self-appraisal (HL) (AO2)
- **Explain** methods of recruitment (HL) (AO2)
- **Evaluate** internal and external recruitment for a business (HL) (AO3)
- **Analyse** various types of financial and non-financial rewards (AO2)
- **Distinguish** between induction, on-the-job training and off-the-job training (AO2)

2. Human resource management / 2.4 Motivation and demotivation

Motivation theories I

Motivation theories Motivation theories

Motivation refers to the reasons why human beings do something. Understanding motivation is very important for businesses. In [Unit 4, Marketing \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-37435/\)](#) you will learn about market research, which is in part about understanding human needs and motivations. Inside the business, however, employee motivation is very important to both the business and the employee.

For the employee, motivation at work can be extremely important for human happiness. Many people spend a good proportion of their waking hours at work. Positive feelings of motivation around work can mean that they are generally happy to engage in their work. This can translate into overall feelings of life satisfaction, with associated improvements in health and personal relationships.

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Employee motivation is very important for the business too. Motivated employees are more

Overview
(/study/app/business-hl/sid-351-cid-762729)

productive, better problem-solvers, and have better relationships with colleagues and customers. This can lead to increased sales revenues and profits.

Psychologists usually classify motivation into two categories: intrinsic motivation and extrinsic motivation. Intrinsic motivation refers to when a person engages in an activity because there is a reward or pleasure in taking part in or completing the activity itself. This is different from extrinsic motivation, where a person engages in an activity because of a reward, such as being paid or receiving an award, which is outside the activity.

Human motivation is a complex topic and there are many theories about what drives human beings to work hard and perform their best. This section will explore three of these theories:

- Taylor's scientific management theory
- Maslow's hierarchy of needs theory
- Herzberg's two-factor theory



Taylor's scientific management theory

In 1911, Frederick Winslow Taylor published the book *Principles of Scientific Management*. In the book, Taylor focused on the efficiency of workers. He believed that work could be studied scientifically by breaking down a task into different steps. When the most efficient method for

executing the steps was found, a worker could be trained appropriately. He also claimed that workers should be monitored closely and given incentives if productivity improved.

Overview
(/study/ap)

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351-cid-

762729/o It is important to understand the time and context of Taylor's research. He studied manual labour – specifically workers moving pig iron at an American steel company. So his theories were developed in the context of hard physical and repetitive work.

Taylor claimed that workers would respond positively to one factor – more money for their work. Getting the greatest efficiency also involved finding the right person for the job (matching skill sets to the task), monitoring performance and giving feedback, and working closely with workers in the planning and execution of their tasks. These were bold ideas at the time. Before this, managers rarely interacted with their employees. Taylor felt, however, that managers and workers cooperating together would increase productivity.

These theories are still in practice today. In manufacturing, in particular, it is common to break down a complex production task into smaller steps that are executed by workers trained to carry out that task. In some cases, workers are still paid by the number of products they produce. This is known as a piece-rate wage.

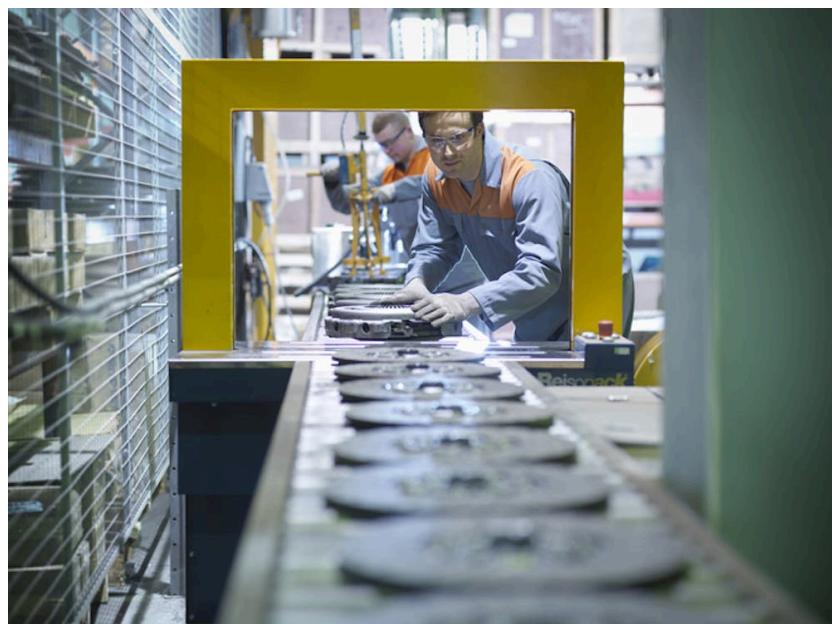


Figure 2. Taylor's scientific management theory still has validity in contexts where work is repetitive and requires less creativity.

Credit: Monty Rakusen, Getty Images



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Overview
 (/study/app/hl/sid-351-cid-762729) —

While Taylor's theories may have some validity in an assembly-line environment, many question the usefulness of the theories in the modern workplace ↗ (<https://behavioralscientist.org/misunderstanding-why-we-work-warps-our-organizations-and-our-view-of-human-nature/>). Work is becoming more complex. These days, many employees need to use creativity, problem-solving and collaboration skills, particularly in the tertiary and quaternary sectors. Research has shown that, in these cases, offering financial rewards has limited effectiveness on, and can even be detrimental to, productivity and motivation.

This is not to say, however, that money is not important to employees, as you will see as you learn about in the next two theories.

Maslow's hierarchy of needs theory

Abraham Maslow developed his most famous theory of psychological health in 1943. He claimed that people have different needs, and that some needs have to be satisfied before others can be met. His theory is called a 'hierarchy of needs' and is illustrated in **Figure 3**.

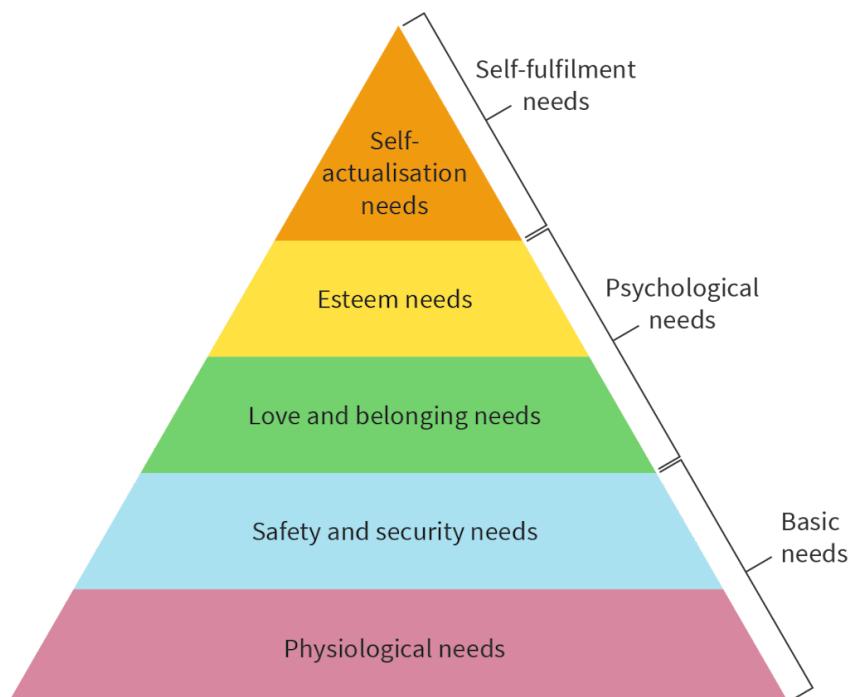


Figure 3. Maslow's hierarchy of needs.

↗ More information for figure 3

The image is a diagram of Maslow's hierarchy of needs, represented as a pyramid with five hierarchical levels. From bottom to top:

1. **Physiological needs** (pink) - This base level represents the basic human necessities for survival, such as food, water, and shelter.
2. **Safety and security needs** (light blue) - The next level, representing the need for safety, security, and protection.

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 Student view



Overview
(/study/ap
hl/sid-
351-
cid-
762729/o

3. **Love and belonging needs (green)** - This level encompasses the need for interpersonal relationships, affection, and being part of a group.
4. **Esteem needs (yellow)** - The second highest level, focusing on the need for self-respect, independence, and achievement.
5. **Self-actualisation needs (orange)** - The top level, representing the need for personal growth, creativity, and realizing one's potential.

The pyramid is divided into three broader categories on the right: Basic needs (Physiological and Safety), Psychological needs (Belonging and Esteem), and Self-fulfilment needs (Self-actualisation). The sections are labeled with corresponding text along the side of the pyramid, defining each category.

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Starting from the bottom of the hierarchy in **Figure 3**, human beings have basic needs for survival, such as the physiological need for food, water and shelter. They also have basic needs for safety and security. Above that are psychological needs, which include love and belonging needs – being part of a group, being trusted, loving and being loved – and esteem needs – being independent, achieving success in a particular field and mastering skills. Finally, at the top of the hierarchy, there are self-fulfilment (self-actualisation) needs. These involve realising one's potential and reaching creative and moral self-fulfilment.

The reason Maslow suggested the hierarchical structure for these needs is that he believed people must satisfy basic needs before psychological needs, and they must satisfy psychological needs before self-fulfilment needs. He also believed that the higher-level needs are more difficult to meet than lower-level needs.

If the theory is correct, understanding the hierarchical needs of an employee would be very beneficial for business. Businesses can ensure that employees have their basic needs met, which will make it more likely that employees can meet psychological and self-fulfilment needs. This can motivate employees, making them happier and more productive. Employees can move towards a more self-actualised state, where they feel comfortable taking risks and finding achievement on different levels.

Video 1 explains Maslow's hierarchy of needs. You may want to watch it more than once and use the subtitles to make sure you understand it.



Student
view

Home
Overview
(/study/ap-
hl/sid-
351-
cid-
762729/o

Maslow's Hierarchy of Needs



Video 1. Maslow's hierarchy of needs.

Further research carried out since Maslow's time supports some aspects of his theories. For example, research has shown that people living in poverty, where their basic needs may not be met, have difficulty focusing on anything but meeting those needs. This is called the cognitive burden of poverty ↗ (<https://behavioralscientist.org/the-cognitive-burden-of-poverty/>) and is one reason why adequate compensation, payment or reward in some form for work is so important. Compensation may not be a key motivator in itself, but adequate to generous compensation can relieve the stress involved with meeting basic needs, allowing people to pursue other psychological or self-fulfilment needs.

However, there are other studies that show that the needs identified by Maslow are not fixed in a particular hierarchy. For example, it is possible for people to feel love and belonging when they do not have all their basic needs met. So it seems the most important insight to be gained from Maslow's hierarchy of needs is that human beings have different kinds of needs. Some needs may require to be fulfilled before others can be met, but the relationship between different kinds of needs may differ depending on context.

↳ Theory of Knowledge

Abraham Maslow's hierarchy of needs is usually shown in a pyramid as in **Figure 3**. However, when he published his theory, Maslow did not use a pyramid structure in the discussion. The pyramid structure was added later by other theorists.

The shape chosen for the theory has an impact on how one thinks about it. Examine **Figure 4**, comparing Maslow's hierarchy placed in two different shapes.



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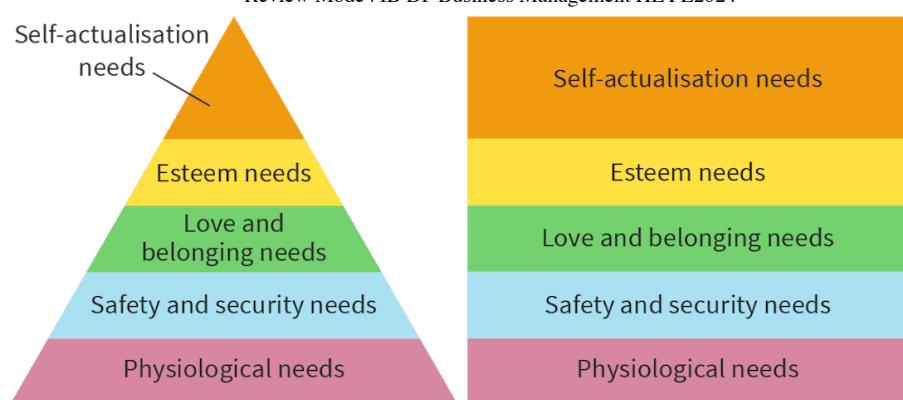


Figure 4. Maslow's hierarchy of needs as a pyramid and as a stack.

More information for figure 4

The image presents Maslow's hierarchy of needs in two distinct shapes: a pyramid on the left and a stack on the right. The pyramid is divided into five tiers, from bottom to top: physiological needs, safety and security needs, love and belonging needs, esteem needs, and self-actualization needs. These tiers are color-coded from pink at the base to orange at the top. Each section is labeled according to the type of need it represents.

Beside it, the stack has the same sequential organization horizontally, also in five colored segments with the same labels as the pyramid: physiological needs at the bottom, followed by safety and security needs, love and belonging needs, esteem needs, and self-actualization needs at the top. It visually demonstrates that the hierarchy can be represented in different shapes while maintaining the same sequence and division of needs.

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- How does seeing Maslow's hierarchy of needs in a stack with vertical sides change the possible interpretation of the model?

Now imagine how you might put the same five categories of needs into the shapes as in **Figure 5**.

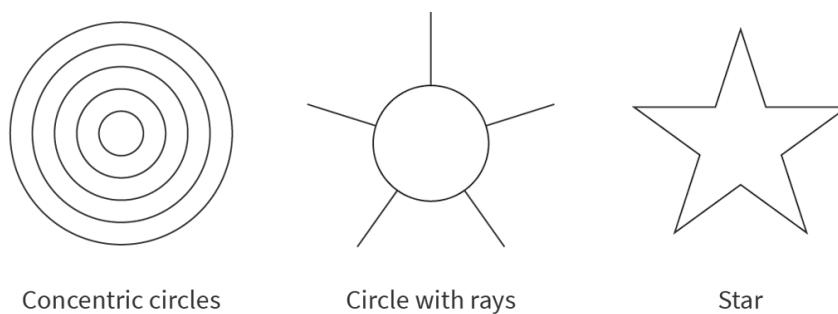


Figure 5. The way a model is presented can affect its meaning.

- How would using each of these shapes change the meaning of the model?

How do visual representations of models affect the way in which we acquire knowledge?



Overview
(/study/app/hl/sid-351-cid-762729)

Herzberg's two-factor theory

762729/o Frederick Herzberg published *The Motivation to Work* in 1959. Herzberg interviewed approximately 200 accountants and engineers who were satisfied with their work. From this information, Herzberg then formulated his two-factor theory (also known as hygiene-motivation theory).

The theory suggests that there are factors that cause job dissatisfaction, which Herzberg called hygiene factors. It also suggests that there is a different set of factors that cause job satisfaction, which Herzberg called motivators. Herzberg's key finding was that there are entirely different reasons for job dissatisfaction and job satisfaction. Thus, simply eliminating factors for job dissatisfaction would not cause job satisfaction.

Herzberg's work is similar to Maslow's in that he identifies 'basic' needs, which Herzberg called hygiene needs, that need to be present in the workplace. Higher order needs, such as psychological and self-fulfilment needs, are motivators. Examples of hygiene needs and motivators can be seen in **Figure 6**.

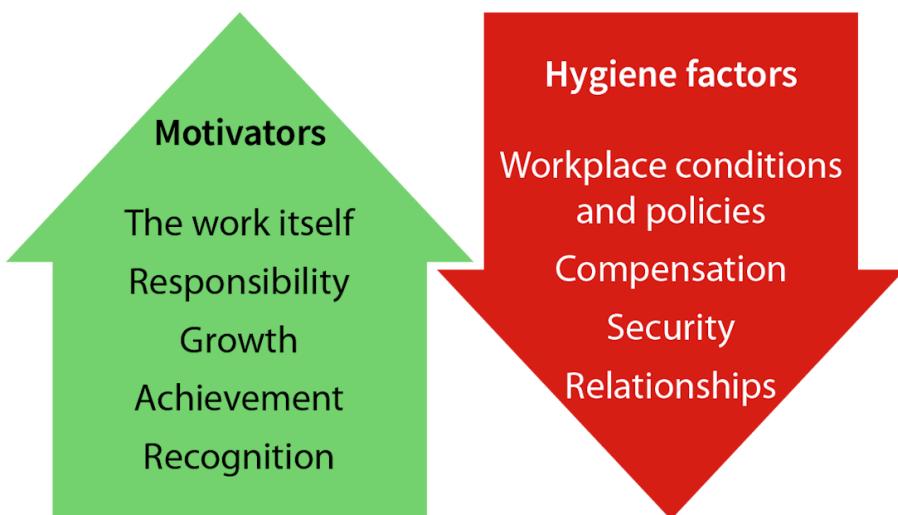


Figure 6. Herzberg's theory claims that the factors that demotivate employees are different from the factors that motivate employees.

More information for figure 6

The image is a diagram illustrating Herzberg's theory of motivators and hygiene factors in the workplace. It consists of two large arrows. The green upward-pointing arrow is labeled 'Motivators' and lists the following items: 'The work itself', 'Responsibility', 'Growth', 'Achievement', and 'Recognition'. These represent factors that can increase job satisfaction and motivation.



Overview
(/study/app/business-hl/sid-351-cid-762729/o)

The red downward-pointing arrow is labeled 'Hygiene factors' and includes: 'Workplace conditions and policies', 'Compensation', 'Security', and 'Relationships'. These factors are essential for preventing job dissatisfaction but do not inherently increase job satisfaction like motivators do. The diagram visually separates and contrasts the two types of factors, using color and direction to emphasize their distinct roles.

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Making employees feel secure and taken care of (hygiene needs) is a concern of managers. It is easier to meet hygiene needs than it is to provide effective motivators. Motivating employees may require changing the nature of the work or the employees' control over how work is done. It may require providing more challenging tasks, varying employees' responsibilities, or finding other ways of supporting professional growth. You will learn more about these kinds of non-financial motivators in [Section 2.4.6 \(/study/app/business-hl/sid-351-cid-762729/book/rewards-id-39419/\)](#).

Herzberg's theory seems to work well with a democratic leadership style, where an employee is involved in the business's decision-making and allowed opportunities for empowerment ([Section 2.3.2 \(/study/app/business-hl/sid-351-cid-762729/book/leadership-styles-id-39394/\)](#)). The theory also helps to explain why compensation is important, even though it may not be the best motivator. If employees are not compensated adequately, it may lead to job dissatisfaction even if motivators are present in the workplace. A certain level of compensation is not only important for ethical reasons, but also to ensure that workers are not dissatisfied.

Activity

Learner profile: Knowledgeable

Approaches to learning: Thinking skills (transfer)

Anant is working at an IT company in Bengaluru, India as a computer programmer. He enjoys his work. It is challenging and he has some degree of independence in terms of the types of work he does and how he does it. He gets along well with his colleagues and has also formed personal friendships with many of them outside of work. He looks forward to seeing them every day.

However, his supervisor consistently makes poor decisions in their department. The employees feel that they cannot speak out about things that are not going well. Anant's pay cheque has also been late several times.

Anant's friend Aanya is thinking about applying for a job at the same company and wants to know whether Anant is happy there. Anant is unsure what to say to her.



Student view



Overview
(/study/ap
hl/sid-
351-
cid-
762729/o

- Use Herzberg's two-factor theory to explain why Anant may have difficulty recommending his workplace to Aanya.
- Herzberg placed relationships in the category of hygiene factors. Is there an argument that relationships in the workplace could also be a motivator? Explain.

3 section questions ^

Question 1

Which of the following would increase motivation, according to Taylor's scientific management theory?

- 1 Higher pay, especially piece-rate wages ✓
- 2 Greater recognition from colleagues
- 3 Good working conditions
- 4 More independence

Explanation

Taylor claimed that workers would respond positively to one factor — more money for their work. Achieving the greatest efficiency also involves finding the right person for the job (matching skill sets to the task), monitoring performance and giving feedback, and working closely with workers in the planning and execution of their tasks.

Question 2

In Herzberg's two-factor theory, there are different factors that cause employee dissatisfaction and employee satisfaction or motivation. Those that can cause dissatisfaction are called

- 1 hygiene ✓ factors.

Accepted answers and explanation

#1 hygiene



Question 3

Student
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Overview

(/study/ap

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351-

cid-

762729/o

Which motivation theory stipulates that basic needs must be met before higher order needs can be satisfied?

1 Maslow's hierarchy of needs theory



2 Taylor's scientific management theory

3 Herzberg's two-factor theory

4 Deci and Ryan's self-determination theory

Explanation

Maslow outlined a hierarchy of basic, psychological and self-fulfilment needs. To reach the psychological and self-fulfilment needs, basic needs should be met. Taylor's work was concerned with improving efficiency in workers through scientific analysis and extrinsic rewards. Herzberg's work outlined the different reasons for work satisfaction and dissatisfaction. Deci and Ryan's theories (HL) are related to intrinsic motivation and extrinsic motivation.

2. Human resource management / 2.4 Motivation and demotivation

Motivation theories II (HL)

Complex motivation theories (HL)

There are many motivation theories in business management. In addition to Taylor's scientific management theory, Maslow's hierarchy of needs theory and Herzberg's two-factor theory, HL students should be familiar with the following four motivation theories:

- McClelland's acquired needs theory
- Deci and Ryan's self-determination theory
- equity theory
- expectancy theory

McClelland's acquired needs theory

David McClelland was an expert in human motivation. In 1961, McClelland published *The Achieving Society*, in which he outlined his model of human motivation. His acquired needs theory claims that human beings have three dominant needs that drive



Student
view

motivation: achievement, power and affiliation. However, each person weighs up these factors differently and their relative importance is also impacted by culture.

Overview
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hl/sid-

351-
cid-

762729/o Understanding how individuals weigh up these needs is important in providing the appropriate motivators for them to succeed. Managers can change the job to suit the employee so the job better matches what motivates them. **Table 1** provides more information on the motivators of acquired needs theory.

Table 1. The three acquired needs that drive motivation, according to McClelland.

Acquired need	Description
Achievement  <p>Credit: Maskot, Getty Images</p>	Employees who tend to be motivated more by achievement will want appropriate levels of challenge in their work. They will be motivated by mastering a skill and will appreciate receiving feedback. However, these employees may become bored easily if their tasks are not leading to their development. They are willing to take risks.
Power  <p>Credit: John Fedele, Getty Images</p>	Employees who tend to be motivated more by power will want opportunities to exercise influence. This could be positive, as when employees teach or mentor others. However, it could also result in negative behaviour if the employee uses power at the expense of others.



Student
view

Acquired need	Description
Affiliation  <p>Credit: Trevor Williams, Getty Images</p>	Employees who tend to be motivated by affiliation will want to create and maintain strong social relationships with colleagues. They are supportive colleagues and work well in a team. However, these employees may not do well in a management position where they may have to evaluate others and have difficult conversations about performance. They are also more risk averse.

Implication of McClelland's theories for managers

If managers believe that their workers are motivated mainly by one of these acquired needs, they can adopt different strategies for different employees, depending on what drives them:

- **Motivated by achievement.** Managers should stretch these employees, challenging them with new tasks and demanding new skills. These may be just outside the employee's comfort zone, helping the employee to develop. Providing constructive feedback will encourage the employee to take more risks.
- **Motivated by power.** Managers should channel the drive for power in positive directions, for example by providing those employees who have a need for power with mentoring opportunities. Managers will also need to monitor these employees carefully to ensure that other employees are not harmed or demotivated by the actions of power-driven colleagues.
- **Motivated by affiliation.** Managers should provide opportunities for affiliation-driven employees to strengthen relationships with colleagues, for example through teamwork. These employees may not perform well in managerial positions, however, because they may have to jeopardise relationships to evaluate colleagues. Thus, rising up through the hierarchy through promotion may not be the best reward for good performance. More innovative rewards may need to be considered.

Activity



McClelland's acquired needs theory is built on Maslow's theories.

- Identify two similarities and two differences between McClelland's acquired needs theory and Maslow's hierarchy of needs.
- Discuss with a partner how your approach to motivating employees might be different if you used Maslow's hierarchy of needs theory or McClelland's acquired needs theory.

Deci and Ryan's self-determination theory

Edward Deci and Richard Ryan developed their self-determination theory of motivation after researching how people responded to intrinsic and extrinsic motivators. In 1985, they published *Intrinsic Motivation and Self-determination in Human Behaviour*. In that work, the scientists set out to explain the factors that resulted in very high-quality motivation.

Deci and Ryan's theory of self-determination focuses on the power of intrinsic motivation. Intrinsic motivation is when a person engages in an activity because there is a reward or pleasure in the activity itself. This is different from extrinsic motivation, where a person engages in an activity because of a reward outside the activity, such as payment or an award.

Deci and Ryan described three factors that drive intrinsic motivation: autonomy, competence and relatedness (see **Figure 4**).

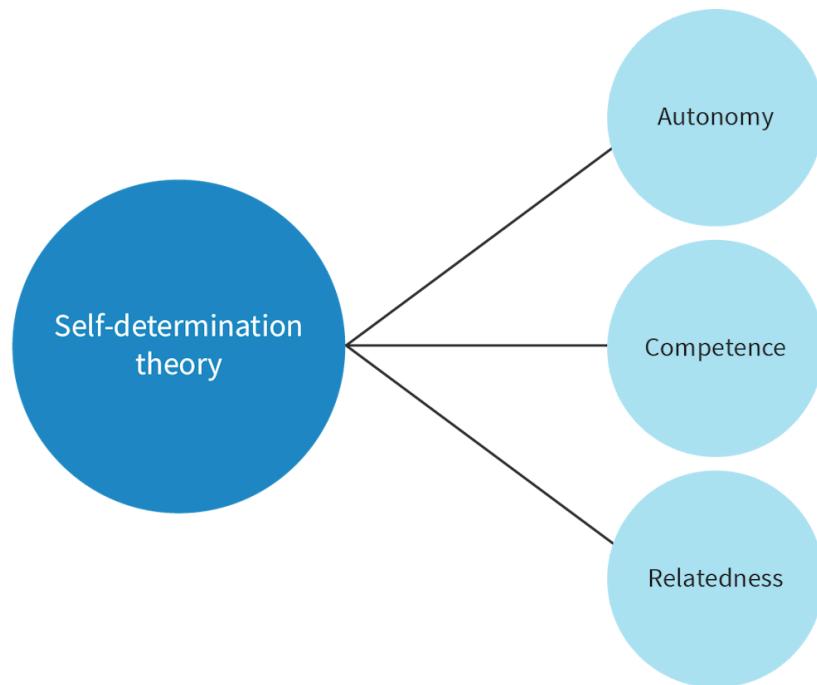


Figure 1. According to Deci and Ryan, extrinsic motivators, such as financial bonuses, can actually undermine more powerful intrinsic motivation.





Overview
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351-
cid-
762729/o

The image is a diagram showing the Self-determination theory. It consists of one large blue circle labeled "Self-determination theory" on the left, which is connected to three smaller blue circles on the right. The smaller circles are labeled "Autonomy," "Competence," and "Relatedness." Each of these smaller circles is connected to the main circle by a line, illustrating that autonomy, competence, and relatedness are components of the Self-determination theory.

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Autonomy

Autonomy refers to the ability of a person to make decisions; to be independent. In the workplace, an employee would have autonomy if they could have some control over their work – what work they do, when and how they do the work and with whom they work.

The implication for managers is that, wherever possible, they should provide autonomy for their individual workers and teams. This could come in the form of increased opportunities for remote work, as Airbnb has done. It could also involve reducing detailed oversight of projects by upper-level managers. A manager could outline an objective and enable a team to decide how to get there. In the process, this could lead to innovative ideas and processes. Businesses that provide their employees with more autonomy over their work should benefit from greater levels of productivity as well as motivation.

Competence

Competence refers to a feeling of capability to do things in the world. It involves a sense of achievement and mastery of skills. In the workplace, an employee feeling a sense of competence would be challenged but have the right skills to succeed. This would lead to consistent professional growth.

The implication for managers is that they should challenge employees with new tasks and stretch their skills. For example, a teacher in a school could be given a new course to teach that they have not taught before. These strategies are basically the same ones demanded of managers trying to motivate achievement-oriented employees in McClelland's acquired needs theory. As in those cases, providing constructive feedback will help the employee be willing to take more risks, increase motivation and develop new skills that improve productivity.



Student
view



Relatedness

Overview

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hl/sid-
351-
cid-
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Relatedness refers to a feeling of connection with other people; a sense of belonging to a group. In the workplace, employees feeling a sense of relatedness would have strong collaborative and positive relationships with colleagues. They would support one another professionally and perhaps even personally in times of need.

The implications for managers are similar to those in McClelland's acquired needs theory for motivating employees with affiliation needs. Businesses that provide opportunities for teamwork and collaboration, build mentorship and coaching systems and provide opportunities for employees to socialise should benefit from increases in motivation and productivity.

Deci and Ryan recognised that extrinsic motivators, such as pay, grades or seeking awards, could result in some motivation. But a key finding in their research was that extrinsic rewards could have a negative impact on intrinsic motivation; the intrinsic motivation to do something could actually be destroyed by the use of extrinsic rewards. So, it is important that businesses think carefully about the use of bonuses or other extrinsic motivators because these may be counterproductive.



Figure 2. Extrinsic motivators, such as financial bonuses, can actually undermine more powerful intrinsic motivation.

Credit: Maks_Lab, Getty Images



Activity

Student
view



Overview
(/study/ap
hl/sid-
351-
cid-
762729/o

Learner profile: Reflective**Approaches to learning: Self-management skills (reflection)**

Consider how education is conducted in school and your own levels of motivation.

- How much of your motivation in school comes intrinsically?
- How much of your motivation comes extrinsically?
- If it wanted to use Deci and Ryan's self-determination theory to increase motivation, how would your school need to change its own approaches to learning?

Equity theory and expectancy theory

Several of the motivation theories covered so far focus on human needs. The next two theories, equity theory and expectancy theory, are focused on processes. These theories start from the idea that human behaviour is influenced by processes in the external environment. Human beings engage with their environment and react in certain predictable ways in response to the conditions around them.

Equity theory

John Stacey Adams was a behavioural psychologist who studied the workplace. In 1963 he published his equity theory. Equity theory claims that people's satisfaction and motivation in the workplace is determined by understanding of fairness.

Adams explained that understanding of fairness was related to the ratio of inputs and outcomes. Inputs refer to the employee's contribution to the business. This could be in terms of time, effort, expertise, loyalty and commitment. Outcomes refer to what the employee receives from the employer in return and include compensation, recognition or sense of achievement.



Student
view

Overview
(/study/app/hl/sid-351-cid-762729)
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Figure 3. Equity theory claims that employees value fairness. An imbalance between inputs, such as time, and outputs, such as compensation, can lead to dissatisfaction at work.

Credit: nurulanga, Getty Images

If there is an imbalance in inputs and outcomes, then the employee may become dissatisfied and unmotivated. For example, if an employee feels that they are putting a lot of time and effort into their work but the salary is not high enough, there may be an imbalance of inputs and outcomes leading to dissatisfaction.

Such an imbalance can also occur between employees if there is a perception of unfair outcomes between them. If an employee feels that others receive greater compensation for an equal or lower amount of input, then the employee may feel dissatisfied and unmotivated.

Implications of equity theory for managers

People have different perceptions of fairness. Therefore, it is not always clear exactly what a business needs to do to ensure that employees perceive their workplace as fair. Likewise, perceptions of fairness can change over time, even when conditions do not. This can happen, for example, when employees learn new information about the pay or benefits of colleagues.

However, equity theory implies that businesses need to take actions to improve workplace equity. This is especially true where inequity is clearly present, such as where there are gender pay discrepancies. It also implies that businesses should examine executive pay more carefully. Excessive compensation packages for top managers, which have become more common over time in large companies, can undermine employee satisfaction with the business.

Expectancy theory

Expectancy theory is another process-based motivation theory. Put forward by Victor Vroom in 1964, expectancy theory claims that human behaviour is motivated by anticipated results or consequences. People will be motivated to perform if they think that their performance will be recognised and appropriately rewarded.

There are three parts to expectancy theory:

- **Expectancy.** This is an employee's belief that increased efforts will result in better performance.
- **Instrumentality.** This is an employee's belief that improved performance will result in a positive outcome for the employee; a belief that there is a clear relationship between



performance and outcomes.

- **Valence.** This is the value that the employee places on the outcome they expect.

Overview
(/study/app/hl/sid-351-cid-762729/o)

Implications of expectancy theory for managers

Understanding expectancy theory can help managers identify the outcomes (rewards) that employees expect to receive for their performance. Managers can clearly and closely align performance targets with those outcomes (rewards). Managers can also offer training directly tied to performance measures that link to expected and desired outcomes for the employee.

It is very important that managers understand the value that an employee places on the expected outcome. Clear links between performance measures and outcomes will not work to improve motivation and performance if the employee does not value the outcome or reward that is offered. So, managers need to take culture and individual values into consideration when developing appraisal and rewards systems. Different people will value different rewards, and managers may need to be flexible in what is offered.



Figure 4. Expectancy theory states that businesses need to closely align performance and expected outcomes (rewards) to motivate employees.

Credit: John D. Buffington, Getty Images

Activity

Learner profile: Reflective

Approaches to learning: Self-management skills (organisation)



Student view

Practise organising information visually, and strengthen your long-term memory by creating a mind map of all the motivation theories you have learned about in [Sections 2.4.1](#) ([/study/app/business-hl/sid-351-cid-762729/book/1-id-39413/](#)) and 2.4.2.

Make sure to include keywords about the main claims for each theory, as well as the implications for businesses that wish to apply the theories in their human resource management. You may also wish to include graphics or symbols to help you put the information in your long-term memory.

3 section questions ^

Question 1

Which type of motivation — intrinsic or extrinsic — did Deci and Ryan claim is more powerful for employee performance?

 intrinsic



Accepted answers

intrinsic, Intrinsic motivation

Also accepted

intrínseco, Intrínseco, intrínseca, Intrínsecamente, intrinsic Intrinsic motivation

Explanation

Intrinsic motivation is when a person engages in an activity because there is a reward or pleasure in the activity itself. This is different from extrinsic motivation, where a person engages in an activity because of a reward outside the activity itself, like pay or an award. Deci and Ryan described three factors that drive intrinsic motivation: autonomy, competence, and relatedness.

Question 2

- 1 Equity theory claims that employees' satisfaction and motivation in the workplace is determined by understanding of fairness.

Accepted answers and explanation

#1 Equity

Question 3

Home
Overview
(/study/app/business-hl/sid-351-cid-762729/o)

According to McClelland, human beings have three main needs that drive motivation. Which of the following is **not** one of the three needs that McClelland identified?

- 1 Autonomy ✓
- 2 Power
- 3 Achievement
- 4 Affiliation

Explanation

McClelland claimed that human beings have three dominant needs that drive motivation: achievement, power and affiliation. Each person weighs up these factors differently and their relative importance is also impacted by culture. Understanding how individuals weigh up these needs is important to provide the appropriate motivators for them to succeed.

2. Human resource management / 2.4 Motivation and demotivation

Labour turnover (HL)

Labour turnover (HL)

In times of recession or hardship for a particular business, it may be necessary to let some workers go. But more often, businesses need to be concerned about keeping their skilled and talented employees. The costs associated with replacing employees who leave can be huge. Time and money spent on recruitment, induction and mentoring can really add up. It may take a new employee a very long time to perform the job as well as an experienced employee who leaves. Paying attention to labour turnover is important for a business to sustain its operations at a high level.



Student view



Overview
(/study/app/hl/sid-351-cid-762729/o)



Figure 1. One reason that employees leave is retirement.

Credit: skynesh, Getty Images

Calculating labour turnover

Labour turnover is the percentage of employees leaving the business within a period of time. The labour turnover rate of an organisation is calculated by:

$$\text{labour turnover rate} = \frac{\text{number of employees leaving}}{\text{number of employees in the business}} \times 100$$

For example, an IT company, has 60 employees and 10 of its employees left the business during the year. The labour turnover rate for the company is:

$$\text{labour turnover rate} = \frac{10}{60} \times 100$$

$$= 16.66\%$$

This is a quite high rate of labour turnover and could affect the performance of the business. Different industries will have different average rates of labour turnover. Generally speaking, most businesses will try to keep labour turnover relatively low to retain their expertise. On the other hand, some labour turnover can be positive, as fresh ideas are brought into the business.



Student view



Causes of labour turnover

Overview

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There are a number of causes of labour turnover. Businesses can take measures to prevent some labour turnover, especially where internal factors are involved. However, when external factors are involved, especially personal factors, the business has less control over labour turnover.

Avoidable causes of employees leaving

There are several avoidable causes of employees leaving.

- **Dissatisfaction with compensation.** Sometimes employees feel they are underpaid and they leave when another organisation offers them a better reward for their effort.
- **Poor physical working environment.** If the working environment (which includes things like lighting, ventilation and sanitation facilities) is poor, employees may feel dissatisfied and look for more agreeable opportunities elsewhere. Distance from public transportation may also be an issue for some workers.
- **Toxic work culture.** Some businesses have a work culture that is degrading, inhospitable to certain groups (women or minorities) or is corrupt. Employees may leave to find more supportive work environments.
- **Job dissatisfaction.** An employee may be doing a job that does not correspond exactly to their abilities and qualifications. They may also be dissatisfied with the amount of time they need to devote to the job. They may leave if they have the opportunity of a job that better suits their qualifications and work-life balance.
- **Human resources policies.** Some organisations have autocratic policies that require strict adherence to rules for sick leave or other leave, for example, and have little scope for promotion or delegated decision-making. Over time, employees may feel dissatisfied and will look for an organisation that is more flexible and offers better opportunities for professional growth.

Student
view

Home
Overview
(/study/app/business-hl/sid-351-cid-762729/o)



Figure 2. During the COVID-19 pandemic, the conditions for many hospital workers worsened, resulting in higher labour turnover.

Credit: Kong Ding Chek, Getty Images

Unavoidable causes of employees leaving

While the business can take steps to prevent employees leaving for the above reasons, there are other causes that it cannot influence.

- **Family circumstances.** Employees may leave their job because of family circumstances such as marriage, birth of children or moving to an area where there is better schooling for their children.
- **Physical reasons.** Employees may find that their physical condition no longer allows them to do the work, for example if they have had an illness that prevents it.
- **Retirement.** Employees may retire from work when they reach a certain age.
- **Dismissal.** Employees may be dismissed from a job for a variety of reasons related to their ability to do the job or to their conduct.
- **Redundancy.** The organisation may need to cut jobs as a result of reorganisation or a downturn in sales revenue.



Student view



Figure 3. Parents often need to leave the organisation temporarily when they have a child.

Credit: Marko Geber, Getty Images

Activity

Learner profile: Thinkers

Approaches to learning: Thinking skills (transfer)

Consider the **avoidable** causes of labour turnover outlined in this section.

- Strengthen your understanding of SWOT analysis ([Section 1.1.5 \(/study/app/business-hl/sid-351-cid-762729/book/tool-swotsteeple-analysis-id-36504/\)](#)) by making a connection between each avoidable cause and a ‘weakness’ in one of the four main business functions (human resource management, finance/accounts, marketing, and operations).

Now consider the **unavoidable** causes of labour turnover outlined in this section.

- Is there anything a business can do to avoid losing employees in each of the circumstances identified?

Activity

Learner profile: Inquirers

Approaches to learning: Research skills (information literacy)

As the COVID-19 pandemic developed, businesses started to see more and more people quitting their jobs. This was quite unexpected, as many assumed that in times of uncertainty people would want to hold onto their jobs. The trend became known as the ‘Great Resignation’. This trend was found in research across many countries.



- Carry out a brief internet search to find out whether this trend also occurred in your country. What search terms could you use?
- If you find information about this job-quitting trend, read one or several sources to find out what the main reasons were for employees leaving their jobs at this time. Were people quitting more often because of 'avoidable' reasons or because of 'unavoidable' reasons?

3 section questions ^

Question 1

An IT business has a problem with its labour turnover. In the first six months of the year, 50 of its 500 employees left the company. What is the labour turnover for the business? (Remember to use the % sign after the number you calculate.)

10%



Accepted answers

10%, Answer variations (optional) 10 %, 10 percent, 10 per cent

Explanation

$$\text{Labour turnover rate} = \frac{(\text{Number of employees leaving})}{(\text{Number of employees in the business})} \times 100$$

$$\frac{(50)}{500} \times 100 = 10\%$$

Question 2

1 Redundancy is when an organisation needs to cut jobs as a result of reorganisation or a downturn in sales revenue.

Accepted answers and explanation

#1 Redundancy

Redundant

Question 3

Over which of the following reasons for labour turnover is a business likely to have **least** control?



Overview
(/study/app/hl/sid-351-cid-762729/o)

- 1 Family reasons
- 2 Compensation
- 3 Work environment
- 4 Human resource policies

Explanation

Employees leave their jobs for many reasons, some of which are within the control of the business and others of which are not. Generally, the business will have a fair amount of control over compensation, the general work environment and human resource policies. However, it will not be able to control changes in an employee's family life that may lead to the employee leaving.

However, it could be possible for the business to change the terms of employment to better enable the employee to balance work and changes in their family life.

2. Human resource management / 2.4 Motivation and demotivation

Appraisal (HL)

Types of appraisal (HL)

An employee's performance appraisal is also referred to as a performance review or performance evaluation. The employee and the manager meet to discuss the employee's performance, identifying any areas for improvement and any professional development or training needs.



Student view

Overview
(/study/app/business-hl/sid-351-cid-762729/o)

Figure 1. Performance appraisals are an important process for ensuring that employees are furthering the business's objectives and developing their own skills.

Credit: teekid, Getty Images

How does the performance review process work at Google? Google management has adopted an innovative grading system known as 'objectives and key results' (OKRs) for employees' performance reviews. Employees set their own goals and outline a series of quantifiable results that will be used to measure their achievement of that objective. Employees are then rated by their managers on a five-point scale from 'needs improvement' to 'superb'. Google employees also select a group of peer reviewers, including junior employees, who evaluate their performance. In order to reduce manager bias, groups of managers meet to review their employees' ratings together and to explain their decisions to each other.

Role of appraisal

Performance appraisal is carried out in order to:

- help improve the employee's performance
- provide feedback on performance
- identify training needs
- improve motivation and job satisfaction
- identify potential for promotion
- decide on any salary increase

The role of the appraiser is to lead or facilitate the process of deciding how well an employee is performing. A problem with appraisal is that the employee may hesitate to discuss any problems because it may jeopardise their pay rise or promotion.

In the past, performance appraisal was often done in an unstructured way where the employee's supervisor used their subjective opinion for the appraisal. However, unstructured reviews are highly unreliable. Modern appraisal systems use preset criteria or gather data from employees and their results to gain a deeper understanding of the employee's performance.

Appraisal methods

Table 1 outlines different appraisal methods. It is likely that in your time as an IB student you have experienced some or all of these types of appraisal in your school. The IB learner profile attribute of being 'reflective' is relevant in appraisal processes.

**Table 1.** Types of appraisal methods.

Type of appraisal	Explanation	Example
Formative appraisal	The employee receives this type of appraisal on an ongoing basis, even while training. The supervisor provides feedback to the employee on their skills and progress and proposes modifications on the work.	A teacher mentor watches a new student teacher conduct a lesson and gives some tips on classroom management.
Summative appraisal	This type of appraisal usually occurs at the end of a period or project. It consists of evaluating the overall performance of the employee to deliver a final verdict for a period of time. A summative appraisal is usually needed to determine certain types of financial rewards.	A junior architect meets with their supervisor at the end of a building project to discuss project performance against established metrics, such as on-time delivery and cost.
360-degree feedback	This method of appraisal uses surveys to gather information about an employee's performance from different people involved in their work. The employee is rated by supervisors, subordinates and peers. Customer ratings and self-ratings can also be used.	A communications consultant gets feedback from colleagues with whom they work closely, from clients who the consultant has advised and from the head partner in the company who manages the consultant. All of the feedback is used in the formative and/or summative appraisal.
Self-appraisal	The employee uses preset criteria to assess their own performance. This helps the employee prepare for the performance appraisal discussion and identify their own needs for training. However, the self-appraisal method does not usually replace appraisal by the supervisor.	An administrative assistant uses the summative appraisal criteria to self-assess their own performance before a formal appraisal meeting. This way the assistant has time to consider the criteria to engage in a productive discussion about strengths and areas for improvement.



Overview
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Figure 2. Time for self-appraisal is an important part of a performance review process.

Credit: MoMo Productions, Getty Images

International Mindedness

Different countries and organisations within those countries will have different cultures. In different cultures, the formality or informality of relationships between managers and employees may have an impact on what kinds of appraisal systems are used.

Activity

Learner profile: Inquirers

Approaches to learning: Thinking skills (transfer, critical thinking)

Ask a working adult you know how they are appraised in their work.

- Which method(s) are used in their workplace?
- Do they find appraisal useful for their own and the business's development? Why or why not?

3 section questions ^

Question 1

Which type of appraisal refers to a process whereby the employee is appraised on an ongoing basis, even while training?



Student view

Formative appraisal





Overview
(/study/ap...
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351-
cid-
762729/o

Accepted answers

Formative appraisal, Formative

Explanation

Formative appraisal is ongoing and is usually meant to help the employee develop over time, rather than to deliver a final assessment on whether objectives have been met. Formative appraisal can occur even when an employee is in training.

Question 2

- 1 Self ✓ -appraisal is a process where the employee assesses their own performance, usually against a set of predetermined criteria.

Accepted answers and explanation

#1 Self

Question 3

Which type of appraisal involves an employee getting feedback from various people with whom they work, including supervisors, colleagues and subordinates?

- 1 360-degree appraisal ✓
- 2 Formative appraisal
- 3 Summative appraisal
- 4 Self-appraisal

Explanation

360-degree appraisal, indicating that feedback comes from all around the employee, consists of gathering information from a range of people that are in contact with the employee. This would include people above, below and on the same level as the employee in the company hierarchy.



2. Human resource management / 2.4 Motivation and demotivation

Student
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Methods of recruitment (HL)



Methods of recruitment (HL) Internal and external recruitment (HL)

Overview
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762729/

Recruitment involves seeking, finding and hiring people for a position in an organisation.

Recruitment is a very important process for a business. Without the right people, the business is unlikely to be a success.



Figure 1. Recruitment is an important part of business success.

Credit: Stefania Pelfini, La Waziya Photography, Getty Images

Recruitment process

It is very important that a business recruits the right employees. If employees are unable to cope with the work or dislike the environment, they will become dissatisfied and may leave shortly after joining. This increases costs for the business for further recruitment and training. Employing suitable people will make the business more competitive.

The common steps of the recruitment process are:

1. Job analysis
2. Job description
3. Person specification
4. Job evaluation
5. Job advertisement
6. Selection



Student view

These six steps of recruitment are outlined in **Table 1**.

**Table 1.** The steps of recruitment.

Step	Explanation
Job analysis	<p>This is the study of what the job entails. It provides details of the skills, training and tasks needed to carry out the job. In order to find out what the job entails, the human resource (HR) department gathers data about the job from people associated with the job. This might include the employee who currently holds the post, their supervisor, their subordinates and anyone else who interacts with the role.</p> <p>HR will then analyse the tasks, activities, skills and behaviours needed to carry out the job.</p>
Job description	<p>HR will then write a description of the job. From this, potential candidates will know what is expected of them. A job description may include: the job title, the context of the job within the business, the main tasks and other duties (for example, whether the job involves being part of a team), information about the working environment (such as the physical environment, the social environment and the length of the working day), and performance information (for example, criteria for measuring performance).</p>
Person specification	<p>This step defines the qualities of the individual needed to fill the vacancy, such as qualifications, experience, personality and skills. It can be helpful to divide the information by specifying whether a particular quality or skill is 'essential' or 'desirable'. It is important that the person specification fits the 'culture' of the organisation, otherwise the employee who is recruited may be unsuitable.</p>
Job evaluation	<p>This is an assessment of the value of the job in relation to other jobs, so that the rewards and remuneration can reflect its value.</p>
Job advertisement	<p>This refers to the method or methods used to let people know about a job opening. A job can be advertised internally to current employees, and/or it can be advertised externally to new recruits. External advertising can be done through a number of channels: social media, newspapers, employment agencies, word of mouth and the business's own website are some of the most popular.</p>
Selection	<p>This is the decision about who will be offered the position. The process of selecting a candidate will usually be longer and more formal for a senior management position. The process will also depend on the size of the organisation and resources available to carry out the process. In most countries, there are strict laws about discrimination in the selection process, so it is important that those making the decision are aware of the laws.</p>



The selection process can vary significantly depending on the organisation, but typically it involves the following:

Application

[Overview](#)

(/study/app/hl/sid-351-cid-762729/)

The candidates submit information about themselves in response to a job advertisement. This often consists of a letter of application, a curriculum vitae (CV) or resume outlining experience and qualifications, and references. The HR department will review the applications and make a shortlist of promising candidates.

[Subtopic of Subtopic 4.0](#)

[Feedback](#)

[Print](#) (/study/app/business-hl/sid-351-cid-762729/book/appraisal-hl-id-39417/print/)

[Assign](#)

Interview

This is an opportunity for one or more people in the business to talk directly to those who have been short-listed for the position. There may be one interview, or several, depending on the organisation. Structured interviews with common questions make the process more uniform for the candidates and contribute to equity. However, it is always the case that personal preference and personality will play a large role in the interview process.

⌚ Making connections

While many employers will look for job candidates that fit into the existing organisational culture, research shows that they may want to consider adding new employees who can add to or challenge elements of the business culture. HL students will learn more about organisational culture in [Subtopic 2.5 \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39398/\)](#).



Figure 2. An interview is a chance for the candidate to make a connection with potential colleagues.

Credit: Jakob Helbig, Getty Images



Student view

TestingModule

Overview

(/study/app/hl/sid-351-cid-762729/o) Some positions require certain knowledge, skills or attitudes that can be tested in the selection process. Potential employees may be asked to take tests to move further in the recruitment process.

Job offer

The successful candidate is offered an employment contract. The employment contract terms and conditions usually include: job title, start date, job role and description, working hours, payment, holiday and sick pay entitlement, pension entitlement, disciplinary procedures, grievance procedures, notice requirements for termination for both employer and employee, and the signature of both parties.

As you can see, the recruitment process is time-consuming and costly for a business. So choosing the right employees and working to keep them is important for the business.

Activity

Learner profile: Reflective

Approaches to learning: Self-management skills (reflection)

1. As you approach your final years in secondary school, you will need to consider your next steps. You may find it useful to do some reflection about your own strengths of character and values. This can be very helpful if you need to do a job or university interview or write a motivation statement.

Consider taking a survey to help you identify your core values. The VIA Institute for Character provides a free survey of character strengths and values [↗](https://www.viacharacter.org) (<https://www.viacharacter.org>). The survey is free and takes only 15-minutes.

2. The professional networking site LinkedIn helps people to connect with others around the world who share the same professional interests. It can be a great way to learn what is going on with businesses you care about. By setting up a LinkedIn profile, you can start to build a network that could be very useful when you start looking for internships or your first job.

Consider setting up a LinkedIn profile [↗](http://www.linkedin.com/) (<http://www.linkedin.com/>). You will need to reflect on your interests and outline your experiences. This can also help prepare you for motivation letters for university if that is your post-secondary plan.





Internal and external recruitment

Overview

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As you learned in the recruitment steps, businesses can advertise job openings both internally and externally. Very often, a business will do both to ensure that they have the best candidate pool. But there may be circumstances when the business would only want to advertise either internally or externally.

Internal recruitment

Internal recruitment means that a job vacancy is filled from within the business by promoting and retraining an existing employee rather than hiring a person from outside the business.

Table 2 outlines a number of advantages and disadvantages of internal recruitment.

Table 2. Advantages and disadvantages of internal recruitment.

Advantages of internal recruitment	Disadvantages of internal recruitment
Shorter induction. The existing employee is already familiar with the organisation.	Limited candidates. The number of potential recruits is limited to employees in the business.
No surprises. The business is already familiar with the employee.	Another vacancy. If a current employee is selected, then their position also has to be filled.
Lower cost. The recruitment process can be shortened, lowering the recruitment costs.	Less innovation. A current employee may not bring new ideas into the business.
Motivation. Internal recruitment sends the message to other employees that they can rise in the organisation.	Discontent. Other employees not selected for the position may be dissatisfied.

External recruitment

External recruitment is when a business fills a job vacancy by recruiting an employee from outside the organisation, usually because the company needs certain skills that it lacks in its current employees. **Table 3** outlines the advantages and disadvantages of external recruitment.

Table 3. Advantages and disadvantages of external recruitment.

Advantages of external recruitment	Disadvantages of external recruitment
------------------------------------	---------------------------------------



Student view

Advantages of external recruitment	Disadvantages of external recruitment
More candidates. The number of potential recruits is greater than for internal recruitment.	Longer induction. Candidates from outside the organisation will take longer to get to know the processes and culture.
No additional vacancy to fill. if the business hires from outside the organisation, it does not need to fill another vacancy that would have been created with internal recruitment.	Surprises. It is difficult to truly know how a new employee from outside the organisation will perform.
More innovation. Hiring an employee from outside the organisation may bring new ideas to the business.	Higher cost. The recruitment process will be longer than with internal recruitment, with higher costs.
Less conflict. Hiring from outside the organisation may avoid internal disputes over hiring from within.	Discontent. Existing staff may become demotivated if they believe there is no chance for advancement inside the organisation.

Exam tip

Questions on the topic of recruitment are likely to require you to outline the process of recruitment, demonstrate knowledge of the advantages and disadvantages of internal and external recruitment, and to explain the reasons behind certain recruitment decisions.

Activity

Learner profile: Thinkers

Approaches to learning: Thinking skills (transfer and critical thinking)

There are several interesting activities you could undertake to apply your learning about the recruitment process related to your school.

1. Invite the person in charge of human resources in your school to visit the class and explain the recruitment process.
2. Imagine that your business management teacher has decided to leave your school for another opportunity.
 - Outline the process that the school would need to go through to hire a replacement.
 - What would you include in the job description and person specification?
3. Explain **two** reasons why your school may prefer to use internal recruitment to fill teaching vacancies. Explain **two** reasons why your school may prefer to use

Home
Overview
(/study/app/
hl/sid-
351-
cid-
762729/o

external recruitment to fill teaching vacancies. Make sure that your explanations are contextual, applying the theory to the particular circumstances in your school.

3 section questions ^

Question 1

Which step of the recruitment process defines the qualities of the individual needed to fill the vacancy, for example qualifications, experience, personality and skills.

Person specification



Accepted answers

Person specification

Explanation

A business will use the person specification to determine the characteristics of the ideal person needed to fill a position. This would include the skills, background, personality and work experience that the business is seeking.

Question 2

- 1 Internal recruitment involves identifying job candidates from the existing pool of employees in a business.

Accepted answers and explanation

#1 Internal

Question 3

Which step of the recruitment process involves letting people know that the business has a job vacancy?

1 Job advertisement



2 Person specification

Student
view

3 Job description



4 Job analysis

Overview
(/study/app/hl/sid-351-cid-762729/o)

Explanation

Once a job opening has been analysed, described and evaluated and a person specification has been completed, the business needs to notify people that the position is open. This is done through a job advertisement.

2. Human resource management / 2.4 Motivation and demotivation

Rewards

Financial rewards Financial rewards Non-financial rewards Non-financial rewards

Some motivation theories focus on the rewards that employees may receive for good performance. These are typically classified into financial rewards and non-financial rewards. Modern motivation theory tends to emphasise the importance of non-financial rewards for employee performance. However, employees everywhere need a certain level of financial reward in order to meet their human needs.

International Mindedness

Countries, or even regions of countries, may have different laws that govern the minimum hourly wage for employees. These laws are aimed at preventing exploitation of vulnerable workers by ensuring a living wage. In many cases, however, the minimum wages are not high enough to provide for adequate living standards by the norms of the country.

Does your country have a minimum wage?

Financial rewards

Financial rewards involve monetary compensation for work. There are several types of financial rewards that a business may offer employees, as shown in **Figure 1** and explained in **Table 1**.



Student view

Overview
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762729/o



Figure 1. There are a variety of financial rewards that a business can offer employees.

More information for figure 1

The diagram is centered around a main circle labeled 'Financial rewards'. Connected to this central circle are eight smaller circles, each representing a different type of financial compensation. The smaller circles are labeled as follows:

1. Salary
2. Wages: - time - piece rate
3. Commission
4. Performance-related pay
5. Profit-related pay
6. Employee share ownership
7. Fringe payments

Each circle is linked to the central 'Financial rewards' circle by a line, suggesting that all these forms of compensation are part of the broader category of financial rewards that a business can offer its employees.

[Generated by AI]

Student view

**Table 1.** Types of financial reward.

Financial reward	Explanation
Salary	<p>A monetary payment for work over a period of time, usually one year, paid in equal instalments. The employee is paid a set amount of money, regardless of the time it takes to do the job. However, the employment contract will usually outline the expectations for the number of hours worked in a week, and the number of weeks worked in a year. Overtime work may be paid extra if stated in the contract. This type of financial reward is generally appropriate when it is difficult to quantify the output of a worker, as in the tertiary and quaternary sectors.</p>
Wage	<p>By time. Employees are paid a weekly sum based on the number of hours they work. If they work more hours, then they usually receive extra pay. This financial reward can be appropriate when the business needs an employee to provide a service during a particular time period, such as making coffee in a cafe.</p> <p>Piece work. A worker's pay is based on the number of units or 'pieces' they make or complete. This is the system that Taylor was referring to in his motivational theory. This type of financial reward can work well when the quantity of a good that is produced is particularly important to the business, as in a factory.</p>
Commission	<p>Salespeople are paid a percentage of the total they sell. This can motivate the employee to sell more products.</p>
Performance-related pay	<p>Employees receive a bonus in addition to their usual pay. This can be based on individual or team performance. Bonuses usually involve some sort of predetermined goal or target, for example increasing sales by 10%. This financial reward can be appropriate when it is possible to quantify the employee's extra efforts.</p>
Profit-related pay	<p>In addition to their usual pay, employees receive a percentage of the profits that the company makes. This type of financial reward is usually paid once per year, and can be useful to strengthen employees' commitment and loyalty to the business.</p>
Employee share ownership	<p>Employees are given shares in the company as a reward, or they are given the opportunity to buy shares at discounted prices. The employee becomes a shareholder in the business and has a direct stake in the business turning a profit. This financial reward is often used by startups that may not have the financial resources to pay employees high salaries, but where the hard work of employees at the start of the business can earn high rewards later if the business is successful.</p>

Financial reward	Explanation
Fringe payments	These rewards are given to the employee in addition to their pay, and may include benefits such as a company car, housing or school allowance, free meals, gym membership and other rewards. The level of benefits may depend on the employee's position, with higher positions earning more fringe payments.

① Exam tip

When you discuss wages, it can be helpful to consider whether the wages are time-based or based on piece work. The appropriate form of wages can depend on the goals of the business and the type of work involved.

□ Case study

Gravity Payments

Gravity Payments is a company that processes credit card payments. After hearing some employees complaining about their low salaries, Dan Price the CEO decided to raise employee salaries to a minimum of \$70 000 per year. This meant that some employees saw their salaries doubled. Dan Price reduced his own \$1.1 million salary to \$70 000 to contribute to the pay increases for employees.

After the pay increases, labour turnover declined significantly, employees purchased homes and there was a baby-boom among employees. Years later, during the COVID-19 pandemic, Gravity Payments' revenues declined by half and the company risked insolvency. The employees volunteered to take significant pay cuts to help the business recover. Since then, Gravity Payments finances are back on track and the company has paid back all employees who took the pay cuts.

You can find a 5-minute video about this story here ↗

(<https://www.cbsnews.com/news/dan-price-gravity-payments-ceo-70000-employee-minimum-wage>).

Questions

- Define salary. [2 marks]
- Using Herzberg's two-factor theory, explain why raising salaries to a minimum \$70 000 reduced labour turnover at Gravity Payments. [4 marks]
- Explain one way that salary increases, like those at Gravity Payments, could improve a business's ability to respond to change, and explain one way that salary increases like this could reduce a business's ability to respond to change. [4 marks]





Overview
(/study/ap
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351-
cid-
762729/o

Question 1

A salary is a monetary payment for work over a period of time, usually one year, paid in equal instalments. The employee is paid a set amount of money regardless of the time it takes to do the job.

Define is an AO1 level command term, requiring a precise meaning of a word.

- One mark is given for a vague definition.
- Two marks are given for a complete definition.
- Definitions do not require application to the stimulus material.

Question 2

Herzberg's two-factor theory states that the factors that cause dissatisfaction, called hygiene factors, are different from the factors that cause motivation, called motivators. Hygiene factors include basic conditions in the workplace that form the background of an employee's work: physical conditions, relationships, compensation, and safety/security, for example. Motivators include higher needs such as pleasure in the work itself, achievement, recognition and responsibility.

Gravity Payments increased salaries to a minimum of \$70 000. This action improved a hygiene factor; employees had been 'complaining about their low salaries'. Before the salary increase, many employees may have left Gravity Payments to find higher salaries elsewhere as they were dissatisfied with hygiene conditions. After the salary increase, 'labour turnover declined significantly'. The salary increase was not necessarily a motivator, but it did remove dissatisfaction in the workplace.

Explain is an AO2 level command term, requiring a detailed account including reasons or causes. Explain *why*, explain *how*.

- You should aim for two chunks of writing oriented on the question for 4 marks. In this case, you are asked about Herzberg's theory, so one chunk of writing could be oriented to that. The second chunk of writing is where the application to the case study should be explained.
- To achieve full marks, you must always include theory and application to the case study in your responses to the explain command term.

Question 3

Change refers to an act or process through which something becomes different. Businesses operate in a dynamic world with constant change. Salary increases at a business can help the business to respond to changes in the external environment. By improving a hygiene factor, the business could reduce dissatisfaction and lower labour turnover. The text points out that after salaries were increased, workers became more loyal to Gravity Payments. When the pandemic hit, and company's revenues declined, the employees agreed to a



Student
view

Home
Overview
(/study/app/hl/sid-351-cid-762729/o)

Section

Temporary pay cut in order to help the business manage costs and survive the downturn. Thus, the strengthened relationship between employees and Gravity Payments made the business more resilient.

However, it could be argued that higher salaries may hinder the ability of a business to respond to change. Higher salaries mean that costs are higher. Any downturn in revenues will become losses more quickly when costs are higher. The text says that during the COVID-19 pandemic, Gravity Payments' revenues declined by half and the company risked insolvency. If employees had resisted salary cuts, the company could have gone out of business. This did not happen to Gravity payments, but other businesses with different conditions and relationships may not have survived.

Explain is an AO2 level command term, requiring a detailed account including reasons or causes. Explain *why*, explain *how*.

- You only need to explain one way that salary increases could improve the business's ability to respond to change and one way that the salary increases could decrease the business's ability to respond to change.
- To achieve full marks, you must always include theory and application to the case study in your responses to the explain command term.

Non-financial rewards

Non-financial rewards are methods of recognising employee efforts and improving motivation through improved job design. This might involve increasing variety and autonomy in the employee's work, creating more meaning around the work, or strengthening collaboration and relationships in the work. These methods are shown in **Figure 2** and explained in **Table 2**.



Student view

Home
Overview
(/study/app/hl/sid-351-cid-762729/o)



Figure 2. There are a variety of non-financial rewards that a business can offer employees.

[More information for figure 2](#)

The image is a diagram illustrating the concept of non-financial rewards in a workplace setting. At the center of the diagram is a large light blue circle labeled "Non-financial rewards." Surrounding this central circle are six smaller colored circles connected by lines, representing different strategies or approaches within this concept.

1. **Top Left:** A pink circle labeled "Job enrichment."
2. **Top:** A yellow circle labeled "Job rotation."
3. **Top Right:** An orange circle labeled "Job enlargement."
4. **Bottom Right:** A purple circle labeled "Empowerment."
5. **Bottom:** A peach-colored circle labeled "Purpose."
6. **Bottom Left:** A green circle labeled "Teamwork."

Each circle is equally spaced around the central concept, indicating how each approach contributes to the overall idea of non-financial rewards. The lines connecting each strategy to the central circle suggest their integration into a comprehensive approach to enhancing employee motivation and satisfaction.

[Generated by AI]

Student view

**Table 2.** Types of non-financial reward.

Non-financial reward	Explanation
Job enrichment	<p>This is when employees' jobs are redesigned to be more complex. Often the employee will need to improve skills and may need training. Job enrichment is considered a reward and motivating because the employee gets to improve skills and increase the challenge associated with the job.</p>
Job rotation	<p>This is when employees change jobs for a period of time in order to learn a new task within a work process, or within the broader business. Job rotation adds variety to an employee's job and increases their skills, which can be motivating. Job rotation also helps to make the business more resilient as employees become more flexible.</p>
Job enlargement	<p>This is when additional tasks are added to an employee's job description. These additional tasks are usually on the same level as the employee's current skill set. Job enlargement involves added responsibilities, but not necessarily more complex responsibilities. Job enlargement can be motivating because it increases the variety in the employee's work.</p>
Empowerment	<p>This involves giving employees greater responsibility in choosing how to perform their job and making decisions in the workplace. Empowerment creates a sense of trust from management and a sense of accomplishment and pride in the employee. Employees can see that they are an integral part of the business and its success. Research has found that empowerment and autonomy are powerful motivators.</p>
Purpose	<p>This is when the employee seeks to make a positive contribution with their work for the greater good. Seeing meaning in their work can improve the intrinsic motivation of employees, making them more productive and happier. Businesses that work to support the social foundation and respect planetary boundaries at the local and global scale (Section 1.3.4 (/study/app/business-hl/sid-351-cid-762729/book/ethical-objectives-and-corp-social-resp-csr-id-36520/)) will have more motivated workers. These workers will likely see the work itself as rewarding, as Herzberg's two-factor theory (Section 2.4.1 (/study/app/business-hl/sid-351-cid-762729/book/l-id-39413/)) claimed. Apart from the ethical reasons for doing good in the world, employee motivation and engagement is a powerful reason for businesses to examine their mission, vision and operations.</p>



Non-financial reward	Explanation
Teamwork	Relationships are important to human beings. Research shows that people with strong ties to others are happier and healthier than those without strong ties. This holds true at work as well. Collaborating in a team to solve genuine problems is one of the best ways to motivate workers, cultivate community, and increase productivity in the workplace.

Activity

Learner profile: Reflective

Approaches to learning: Self-management skills (reflection)

Read [this article in Forbes magazine](#)

(<https://www.forbes.com/sites/forbeshumanresourcescouncil/2021/11/10/how-to-meet-gen-zs-workplace-expectations/?sh=78df2cec74ff>), which discusses the workplace expectations of Generation Z (Gen Z) employees. Gen Z consists of people who were born from the mid-1990s to early 2010s. That includes you!

- According to the article, which kinds of rewards discussed in this section might be most effective with Gen Z workers?
- Do you agree with the article's description of workplace expectations of your generation? Why or why not?

Activity

Learner profile: Thinkers

Approaches to learning: Thinking skills (transfer, critical thinking)

1. Imagine that you are a barista at a cafe. Your main task every day is to make the coffee for customers. Your tasks are limited to making the coffee using the espresso machine or filters and to making sure the machine and your work area stays clean during the day. You are paid an hourly wage that is just a little above the minimum wage in your country.

- Using the list of financial and non-financial rewards from this section, discuss with a partner how each reward might be used to improve your performance. Make sure to put the reward in the context of a barista in a cafe.

2. **(Extension activity)** This section on non-financial rewards focuses on how an employer can use non-financial rewards to improve the motivation of employees. However, employees often have more power over designing their jobs than they think. Listen to the following two podcasts, which explain how.

- [Finding Meaning At Work: How We Shape And Think About Our Jobs](#)



Overview
(/study/app/hl/sid-351-cid-762729/o)

[we-shape-and-think-about-our-jobs?t=164974514532](#) (50 minutes)

- [Find Joy in Any Job: Why Am I Unhappy at Work?](#) ↗
(<https://hbr.org/podcast/2022/04/find-joy-in-any-job-why-am-i-unhappy-at-work>) (24 minutes)

Concept

Creativity

There are numerous connections between work rewards and people's key concepts. Financial rewards in the workplace can have a positive or negative impact on creativity, depending on how they are used. Research shows that additional financial rewards, such as bonuses, may be effective at increasing productivity when the work involved is routine and does not require creative thinking or problem solving. However, if creativity and problem solving are needed, financial rewards can make human performance worse. Financial incentives can also undermine the intrinsic motivation to complete a task.

On the other hand, non-financial rewards seem to increase creativity. When these rewards involve new challenges for employees — such as job enrichment, job enlargement or empowerment — employees improve their skills and may become more creative and better problem solvers. Improving the sense of purpose at work and providing more opportunities for teamwork stimulates intrinsic motivation, which improves creativity.

Concept

Sustainability (economic)

Financial rewards need to be used carefully for the economic sustainability of the business too. If businesses offer financial rewards connected with targets, such as increased revenues or profits, they need to be careful that this incentive does not undermine the business. It may happen that employees reach short-term revenue or profit targets through behaviour that undermines the long-term health of the business. This occurred in the banking industry during the financial crisis of 2008–2009. Employees engaged in very risky investment behaviour, which boosted profits in the short-term, but undermined the overall financial stability of banks. Thus, financial incentives need to be designed very carefully to promote the long-term economic sustainability of the business.



Student view



Overview
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As with creativity, non-financial rewards seem to do a better job at fostering sustainability. Job challenge, purpose and teamwork motivate employees and strengthen their connection to their work and employer. But these rewards also improve the resilience of the business, enabling it to respond to changes in the external environment more effectively.

4 section questions ^

Question 1

1 Team work ✓ is the collaborative effort of a group of employees working together to achieve completion of a task or goal.

Accepted answers and explanation

#1 Team work

Question 2

In which type of financial reward does the employee receive a percentage of the profits that the company makes that year?

- 1 Profit-related pay ✓
- 2 Wages
- 3 Commission
- 4 Salary

Explanation

Profit-related pay is the only type of reward in the choices listed where an employee can receive additional payments based on the profitability of the company. The other choices are based on different metrics.

Question 3

Student view

What is the name of the reward whereby an employee receives benefits such as a company car, housing allowance or free meals in addition to their salary?



1 Fringe payments



Overview
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351-
cid-
762729/o

2 Wages (piece work)

3 Employee share ownership scheme

4 Commission

Explanation

Fringe payments (benefits) are 'perks' and these are extras that an employee receives as a condition of their work. The other choices do not offer these extra benefits.

Question 4

In this non-financial reward scheme, the employee is given additional tasks in their job that do not require additional training but may provide variation.

1 Job enlargement



2 Job rotation

3 Job enrichment

4 Empowerment

Explanation

Job enlargement refers to giving an employee more tasks to do at the same skill level. Varied tasks make the job more interesting, but without an increase in pay this may act as a demotivating factor.

Job rotation is where an employee learns new jobs in a work process that do not require additional training.

Job enrichment tries to make a job more meaningful by giving the employee additional tasks that extend their skills and may require more training.

Empowerment involves giving workers greater choice in how they accomplish their work.

2. Human resource management / 2.4 Motivation and demotivation



Student
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Training



Types of training

Types of training

Overview

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cid-

762729/o

In the IB you are encouraged to be a life-long learner. When you leave school and start your first job, the learning should continue. Given the fast pace of change in the world, it is important that you continue to develop your knowledge and skills. Motivation increases with opportunities to master new skills, and the best businesses offer their employees the chance to develop consistently.

Training involves teaching employees new skills or improving the skills they already have. Training is important for business organisations. It brings many benefits but is sometimes avoided because of its cost and the down time for workers when they participate.



Figure 1. Training improves motivation; people like to learn.

Credit: Nitat Termmee, Getty Images

The importance of training for the business and employee

Training is important for businesses for several reasons:

- Trained employees are more productive and can contribute more to achieving business goals.
- Trained employees can more easily replace each other when a business reorganisation occurs, making the business more resilient.
- Trained employees will be able to use new technologies.
- Trained employees will experience fewer accidents; this reduces costs.





- Trained employees are better able to meet customer needs, which can increase sales revenues.
- Job-seekers are more likely to want to work for a business that provides training, making recruiting easier.

— Training is also important for the employees because:

- Trained employees feel valued and invested in, increasing motivation and job satisfaction.
- Trained employees increase their chances of being promoted or moving in other ways in the organisation.
- Trained employees increase their own resilience, making it easier to find new employment if needed or desired.

Training can be costly for businesses, and some companies may avoid it for that reason.

Off-the-job training may involve tuition fees, accommodation, travel and food allowances, all of which add to the costs. There is also the disruption to consider. When employees take time off for training, others may need to cover their responsibilities. So it is important for the business to ensure that the training provided meets both its and the employee's needs. Training can also be a risk for the business because there is always a chance that the employee takes the new skills to another employer. This is a further reason for the business to pay close attention to the other important motivators discussed in this subtopic, so their highly trained employees will want to stay.

Types of training

Training can take many forms. It can involve taking a course to improve knowledge or skills, practising a precise technique that needs to be carried out, receiving feedback and advice from a mentor or coach, attending a conference, conducting a role play or, as is done in this course, examining case studies. The most general classification of training, however, is whether it is on-the-job training or off-the-job training.

On-the-job training

On-the-job training is conducted while the employee continues to work, without leaving the workplace. **Table 1** lists the different types of on-the-job training.





Overview
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Figure 2. Online courses are an increasingly popular option for on-the-job training.

Credit: Edwin Tan, Getty Images

Table 1. Types of on-the-job training.

Type of on-the-job training	Explanation
Induction	This is training given to new employees when they first start working in the organisation. It introduces the business, the job role, policies, facilities, health and safety regulations and so on. Induction training makes it easier for a new employee to adapt to their work environment. New employees can get their questions answered and become familiar with work processes, the people in the organisation and its culture.
Coaching	This involves a supervisor guiding the employee through the use of equipment, or through a process. The trainee will perform the process and receive feedback from the supervisor.
Mentoring	The employee is paired with a more experienced worker. The trainee carries out the job but discusses problems and how to solve them with the mentor.
Job rotation	The employee works at different positions in the company for short periods. This kind of training gives the employee a range of experiences in different parts of the organisation, which helps the employee see the big picture of the organisation. Job rotation may make it possible for employees to replace each other if an employee falls sick. For the employee, job rotation can prevent boredom and improve motivation. It also makes the business more resilient when the workers are trained flexibly.



Student
view

Type of on-the-job training	Explanation
Apprenticeship	An apprentice works under the supervision of an expert for a long period and may also attend regular outside education. This type of training is common in industries where it takes a long time to acquire the skills to perform the work.
In-house courses	A business may organise its own training courses staffed by its own workers. It could also use external trainers who either deliver training in person or over digital platforms. Online education is becoming an increasingly popular way to deliver on-the-job training to employees, who can work at their own pace as dictated by their job.

Off-the-job training

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Assign

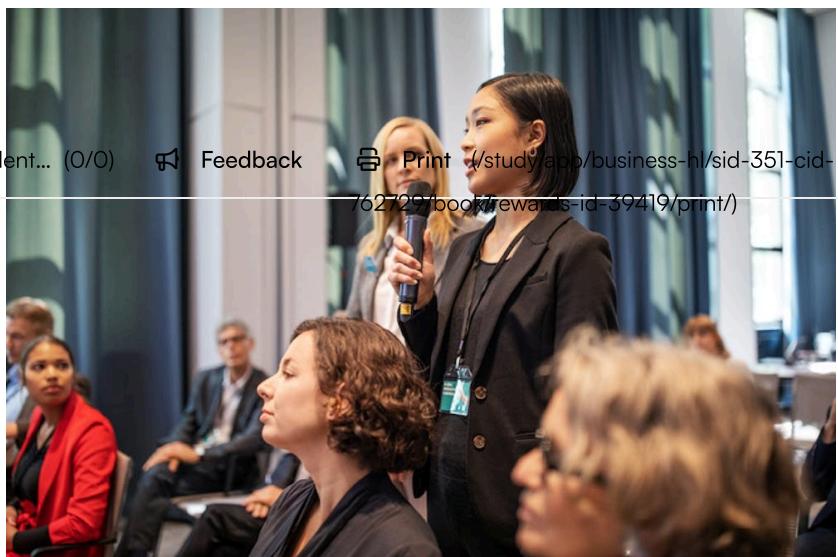


Figure 3. Attending conferences away from the job can provide diverse training opportunities for employees.

Credit: Luis Alvarez, Getty Images

Off-the-job training is conducted away from the employee's normal workplace. The location is often specifically designed for training. It could be a conference facility, or a training centre. The main advantage of off-the-job training is that it minimises distraction and allows employees to focus on what they are learning. The main disadvantage is that it may not provide employees with skills that are as closely related to their job as would be provided by on-the-job training. **Table 2** explains several types of off-the-job training.

Type of off-the-job training	Explanation
Lectures and conferences	These involve verbal and visual presentations for large audiences and this approach is often used in colleges and universities. A lecture or conference must be interesting enough to motivate the audience, and the speaker must be an expert in the subject. Often there are opportunities for smaller break-out sessions on specific topics.
Vestibule training	Employees are trained in a prototype environment near the workplace. This could be a specific part of a factory dedicated to training, which replicates working conditions as closely as possible. This method was commonly used in the past when large numbers of workers had to be trained in the skills needed for factory work.
Simulators	This involves specialised equipment that simulates the working environment as closely as possible. The trainee is asked to make decisions, after which feedback is provided. Simulators are widely used to train pilots in the aviation industry.

 **Activity**

Learner profile: Inquirers

Approaches to learning: Research skills (information literacy)

1. Ask your teacher to explain the types of training available for educators in your school. You may wish to ask the questions in the list below.
 - Is the focus more on off-the-job or on-the-job training?
 - How has teacher training in the school changed since the COVID-19 pandemic?
 - How much choice do teachers have in their training opportunities?
 - Does the school work with outside education institutions to help train teachers who are still working towards their degrees?
2. Which of the questions above are closed questions and which are open questions?
3. What other open-ended questions can you think to ask, based on the information that has been provided in this section on training?

3 section questions ^



**Question 1**

Overview
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351-
cid-
762729/o

- 1 Induction ✓ training involves providing information to new employees about the business, the role and the policies of the business.

Accepted answers and explanation**#1 Induction****Question 2**

- 1 Off the job ✓ training is appropriate when the business wants the employee to focus on the training, without the distractions of day-to-day job responsibilities.

Accepted answers and explanation**#1 Off the job****Question 3**

Which type of training involves the employee working at different positions in the company for short periods?

- 1 Job rotation
- 2 Coaching
- 3 Using a simulator
- 4 Apprenticeship

**Explanation**

Job rotation is where an employee works at different positions in the company for short periods. This kind of training gives the employee a range of experiences in different parts of the organisation. This helps the employee see the big picture of the organisation.



Student
view



Overview
(/study/app/hl/sid-351-cid-762729/o)

2. Human resource management / 2.4 Motivation and demotivation

Terminology exercise

Section

Student... (0/0)

Feedback



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(/study/app/business-hl/sid-351-cid-762729/book/terminology-exercise-id-39421/print/)

Assign

Check that you understand the terminology used in this subtopic by dragging the correct word into each space.

The reason a human being carries out a task or behaves in a certain way is because they are to do so. Motivation is important for businesses because engaged employees are more productive and better colleagues. Motivation is important for employees because it is closely linked to happiness and wellbeing.

Motivation is usually classified into two categories. When a person engages in an activity because there is a reward or pleasure in the activity itself, this is known as motivation. On the other hand, when a person engages in an activity because of a reward outside the activity, such as pay or an award, this is known as motivation.

Taylor's scientific management theory focuses on the use of extrinsic rewards to improve worker productivity. Herzberg's claims that different factors cause employee dissatisfaction and employee motivation. Herzberg believed that satisfying like the need for appropriate pay, can reduce dissatisfaction but does not cause motivation. Businesses may find that rewards, such as job enrichment, purpose and teamwork result in more motivation than rewards such as bonuses and fringe payments.

two-factor theory

non-financial

motivated

intrinsic

extrinsic

financial

hygiene needs

Check



Question: 1 of 2 questions

Interactive 1. Key Concepts in Motivation and Demotivation.



Student view

2. Human resource management / 2.4 Motivation and demotivation



Checklist

Overview

(/study/app/business-hl/sid-351-cid-762729)

hl/sid-
351-
cid-**Section**

Student... (0/0)

Feedback



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Assign

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What you should know

By the end of this subtopic, you should be able to:

- define the following terms: (AO1)
 - labour turnover
 - formative appraisal
 - summative appraisal
 - 360-degree feedback
 - self-appraisal
 - recruitment
 - internal recruitment
 - external recruitment
 - financial rewards
 - salary
 - wages (time)
 - wages (piece work)
 - performance-related pay
 - profit-related pay
 - employee share-ownership schemes
 - fringe payments
 - non-financial rewards
 - job enrichment
 - job rotation
 - job enlargement
 - empowerment
 - purpose
 - teamwork
 - training
 - on-the-job training
 - off-the-job training
- discuss motivation theories, including those from Taylor, Maslow and Herzberg (AO3)

Student
view

- discuss motivation theories, including McClelland's acquired needs theory, Deci and Ryan's self-determination theory, and equity and expectancy theory (HL) (AO3)
- explain and calculate labour turnover (HL) (AO2, AO4)
- distinguish between formative and summative appraisal, 360-degree feedback, and self-appraisal (HL) (AO2)
- explain methods of recruitment (HL) (AO2)
- evaluate internal and external recruitment for a business (HL) (AO3)
- analyse various types of financial and non-financial rewards (AO2)
- distinguish between induction, on-the-job training and off-the job-training (AO2)

2. Human resource management / 2.4 Motivation and demotivation

Reflection

Section	Student... (0/0)	Feedback	Print (/study/app/business-hl/sid-351-cid-762729/book/reflection-id-48315/print/)	Assign
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ⓘ Teacher instructions

The goal of this section is to encourage students to pause at the end of the subtopic and to reflect on their learning. Students can use the questions provided below to guide their reflection. The questions encourage students to look at the bigger picture and to consider how the subtopic's contents might have impacted the way they view the subject.

The following table shows you how each prompt aligns to the *DP Business management guide*:

Prompt #	Student... (0/0)	Syllabus alignment	Print (/study/app/business-hl/sid-351-cid-762729/book/training-id-39420/print/)	Assign
1		Learner profile: Thinkers		
2		Concept: Ethics		
3		Learner profile: Reflective (HL only)		
4		Learner profile: Communicators		
5		Learner profile: Reflective		



Overview
(/study/app/business-hl/sid-351-cid-762729/o)

Students can submit their reflections to you by clicking on 'Submit'. You will then see their answers in the 'Insights' part of the Kognity platform.



Reflection

In this subtopic you learned about different ways in which employees are motivated to work. You also learned about different motivational theories.

Take a moment to reflect on your learning so far. You can use the following questions to guide your reflection. If you click 'Submit', your answers will be shared with your teacher.

1. Taylor developed his theory in the early 20th century. Do you find that Taylor's scientific management theory (see [Section 2.4.1 \(/study/app/business-hl/sid-351-cid-762729/book/l-id-39413/\)](#)) still applies in a modern workplace? What about other theories? Do you think they would work to motivate your generation of workers?
2. Is it ethical to study motivation and try to influence the behaviour of workers in a business?
3. Which one of McClelland's acquired needs (achievement, power, affiliation; see [Section 2.4.2 \(/study/app/business-hl/sid-351-cid-762729/book/motivation-theories-2-hl-id-39415/\)](#)) is stronger in your academic life currently? (HL)
4. Which of the financial or non-financial rewards do you think is the most motivating to employees? Which non-financial rewards are you personally motivated by in your studies?
5. What is more important in your opinion, on-the-job or off-the-job training? Are there professions where on-the-job training is not possible? What about off-the-job training?

Once you submit your response, you won't be able to edit it.

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Submit



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Overview
(/study/app/
hl/sid-
351-
cid-
762729/o

Rate subtopic 2.4 Motivation and demotivation

Help us improve the content and user experience.



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