

SL IB Business Management



Your notes

2.4 Motivation & Demotivation

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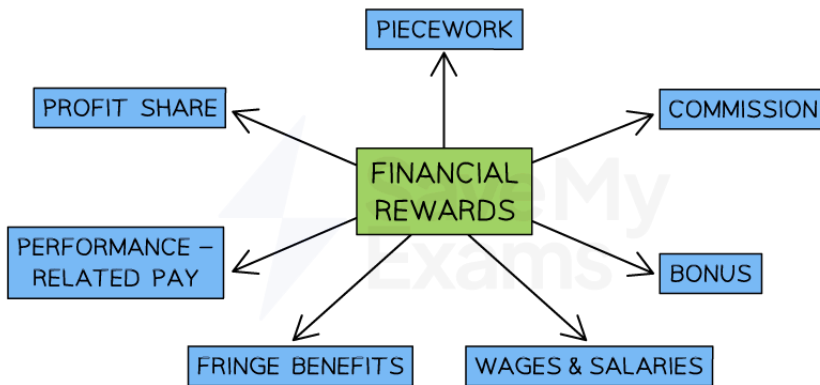


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Financial & Non-financial Rewards

Financial Incentives to Improve Performance

- Financial incentives are rewards or payments **given to employees in return for their labour** - or improved performance



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Examples of financial rewards

Types of Financial Incentives & Their Links to Motivational Theory

Incentive Type	Explanation	Link to Motivational Theories
Piecework	<ul style="list-style-type: none"> Employees are paid according to the number of units or pieces they produce Commonly used in manufacturing or assembly-line settings and encourages workers to increase their output e.g. garment factories in Bangladesh use this 	<ul style="list-style-type: none"> Taylor's Scientific management
Commission	<ul style="list-style-type: none"> A percentage of sales revenue paid to workers who sell products or services Commonly used in sales roles and motivates staff to increase their sales revenue 	<ul style="list-style-type: none"> Hygiene factor in Hertzberg's Theory Connects to Esteem Needs in Maslow's Hierarchy (salesperson of the month)



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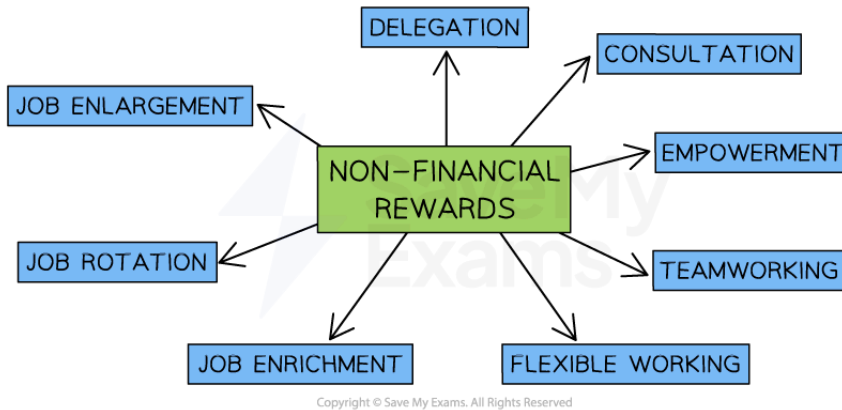
<p>Bonus</p>	<ul style="list-style-type: none"> An additional payment is given to staff as a reward for achieving specific goals, completing projects on time, or exceeding performance expectations Motivates staff to work harder and achieve better results 	<ul style="list-style-type: none"> Connects to <i>Esteem Needs</i> in Maslow's Hierarchy (achievement) Herzberg believed that bonuses as the main form of payment would negatively influence individual behaviour in the workplace (this was part of the problem in the banking industry leading up to the 2008 financial crash)
<p>Profit share</p>	<ul style="list-style-type: none"> A portion of the company's profits are distributed among staff This encourages them to think like owners, work collaboratively and focus on the company's overall goals 	<ul style="list-style-type: none"> Motivator in Herzberg's Theory as it creates buy in to increased responsibility (help the organisation succeed; be an owner)
<p>Performance-related pay</p>	<ul style="list-style-type: none"> Staff are paid based on their performance which (theoretically) motivates staff to work harder and achieve better results This form of payment has been severely criticised as discriminatory and open to abuse by managers 	<ul style="list-style-type: none"> Hygiene Factor in Herzberg's theory - and has been proven to cause significant dissatisfaction when utilised
<p>Fringe Benefits</p>	<ul style="list-style-type: none"> Financial rewards received by employees other than wages or salary such as medical insurance, a company vehicle or private pension plan 	<ul style="list-style-type: none"> Fringe benefits may link to ego needs in Maslow's hierarchy of needs especially if they are linked to employees' position in the organisational hierarchy
<p>Wages & Salaries</p>	<ul style="list-style-type: none"> Wages are usually paid to workers on the basis of hours worked (time rate) or items produced (piece rate) Salaries are expressed on an annual basis and workers are paid a proportion on a periodic basis (usually each month) 	<ul style="list-style-type: none"> Connects to safety needs in Maslow's hierarchy of needs and acts as a hygiene factor in Hertzberg's two-factor theory Equitable and sufficient pay is required to avoid staff dissatisfaction and retain workers



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Non-financial Incentives to Improve Performance

- Non-financial incentives are **rewards or motivators not directly related to money**



Examples of non-financial rewards

- These incentives are usually intangible and include **methods that lead to** recognition, praise, job satisfaction, and better work-life balance

Types of Non-financial Incentives & Their Links to Motivational Theory

Incentive Type	Explanation	Link to Motivational Theories
Empowerment	<ul style="list-style-type: none"> Involves giving staff the authority and resources to make decisions and take action without first receiving management approval Increases staff sense of ownership and responsibility, leading to improved productivity 	<ul style="list-style-type: none"> Maslow's 'Esteem' Needs as staff contribution is valued A 'motivator' in Herzberg's Two Factor Theory (increase in responsibility)
Team working	<ul style="list-style-type: none"> Involves creating opportunities for staff to work collaboratively Staff can share ideas and expertise, leading to improved productivity and innovation 	<ul style="list-style-type: none"> Maslow's <i>Love & Belonging</i>, as well as Esteem Needs
Job enrichment	<ul style="list-style-type: none"> Involves adding more challenging or meaningful tasks to a job 	<ul style="list-style-type: none"> A 'motivator' in Herzberg's Two Factor Theory



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	<ul style="list-style-type: none"> Staff feel more motivated and engaged, leading to improved productivity 	
Job rotation	<ul style="list-style-type: none"> Involves moving staff between different roles in the business Exposes staff to new challenges and experiences which can increase motivation, understanding and skill 	<ul style="list-style-type: none"> A 'motivator' in Herzberg's Two Factor Theory (the work itself)
Job enlargement	<ul style="list-style-type: none"> Involves expanding staff's job duties to include additional tasks or responsibilities Engaging with a variety of tasks can increase motivation and job satisfaction, leading to improved productivity 	<ul style="list-style-type: none"> Mayo's Human Relations Theory as it encourages the development of staff A 'motivator' in Herzberg's Two factor Theory (the work itself)

Examiner Tip

When asked to assess a compensation package on offer, consider the following before answering:

- The context of the business:** Is it a manufacturing facility or a team of creative designers?
- The industry norms:** Does the data provide any insight into what competitors are doing?
- The balance of the compensation package:** ideally it should include appropriate financial and non-financial incentives to maximise employee productivity and retention.

The case study usually provides good data which helps you to answer the above questions so refer to it as supporting evidence.



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Motivational Theories

The Importance of Employee Motivation

- Motivation refers to the **inner desire or willingness** that propels a person to take action and **achieve a specific goal or outcome**
 - Motivation can be **intrinsic**, coming from within a person (values, beliefs etc)
 - Motivation can be **extrinsic**, coming from external factors (rewards or punishments)
- Motivation plays a critical role in a business's success and can have a significant impact on productivity, reliability and loyalty of the workers, and labour turnover rates

1. The impact of motivation on productivity

- Motivated employees are **more productive and efficient** as they are more likely to be engaged in their work and take initiative to meet or exceed their goals
- They will generate higher levels of output and quality
- Increased productivity results in **higher profits** for the business

2. The impact of motivation on the reliability of workers

- Motivated employees are more likely to be **reliable and dependable**
- They take pride in their job, show up on time, meet deadlines, and take fewer sick days
- This leads to increased trust between the business and its employees and higher productivity

3. The impact of motivation on turnover rates

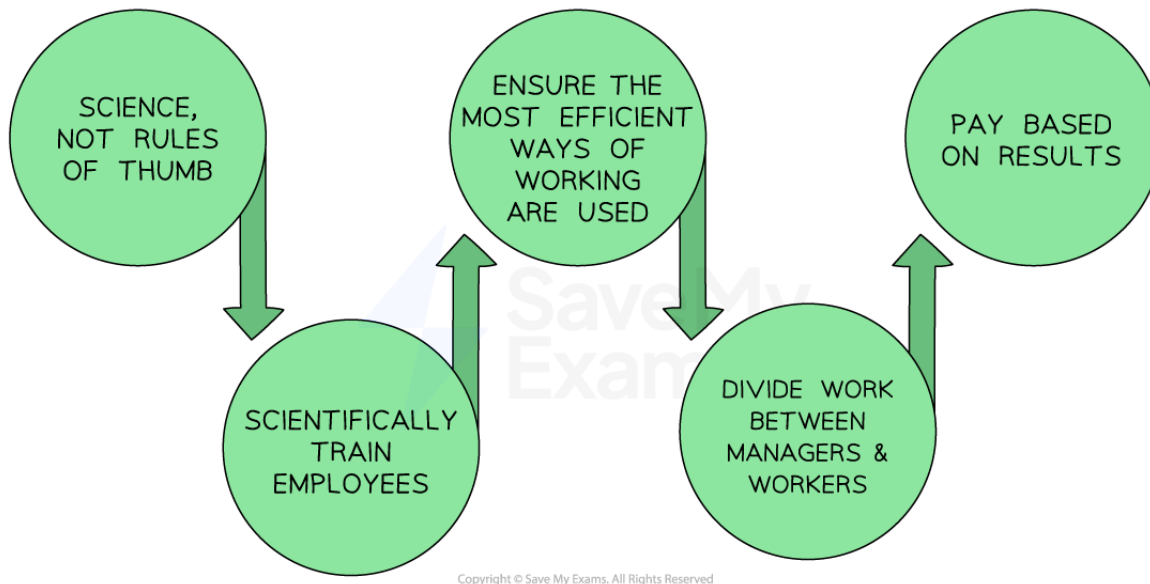
- Motivated employees are more likely to stay with the company long-term which reduces the turnover rate
- Lower turnover rates reduce the need for costly recruitment and training



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Taylor's Scientific Management

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



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

1. Study and analyse the work process

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

2. Standardise the work process

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

3. Select and train the workers

- Workers should be carefully selected based on their **skills and abilities**

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



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4. Provide incentives for performance

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

Ways in which Businesses use Taylor's Scientific Management

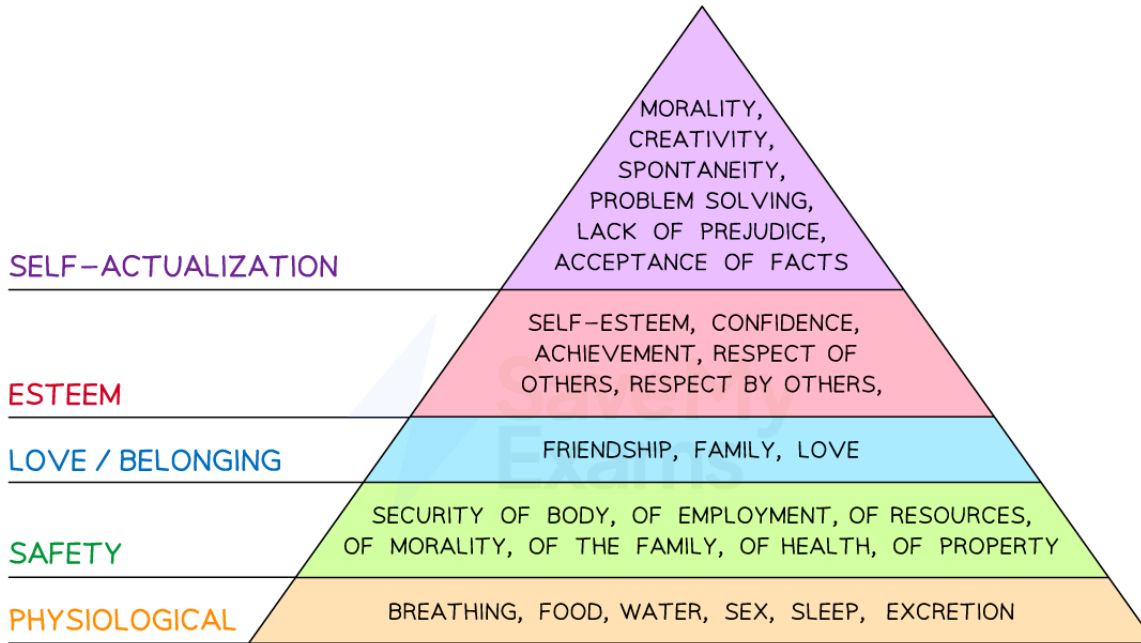
How Businesses use Taylor's Approach	Advantages	Disadvantages
<ul style="list-style-type: none"> Workers are trained to perform only one task which they become very skilled at Workers are usually only paid for the completed work (piece rate pay) e.g. \$0.16 per T-shirt completed by garment workers in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



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Maslow's Hierarchy of Needs

- Maslow's Hierarchy of Needs is a theory of human motivation that outlines **five tiers of human needs** that must be met for individuals to reach their full potential



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Maslow's Hierarchy of Needs

Maslow's Hierarchy of Needs applied to business

1. Physiological Needs

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

2. Safety Needs

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

3. Love and Belonging Needs

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

4. Esteem Needs

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



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5. Self-Actualisation Needs

Businesses can help employees achieve this need by offering opportunities for employees to **pursue their passions** and interests e.g Barclay's was known for supporting elite sportspeople by allowing them time off work in the day to continue their training (the focus was on getting the job done, not having to be in at a certain time)

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

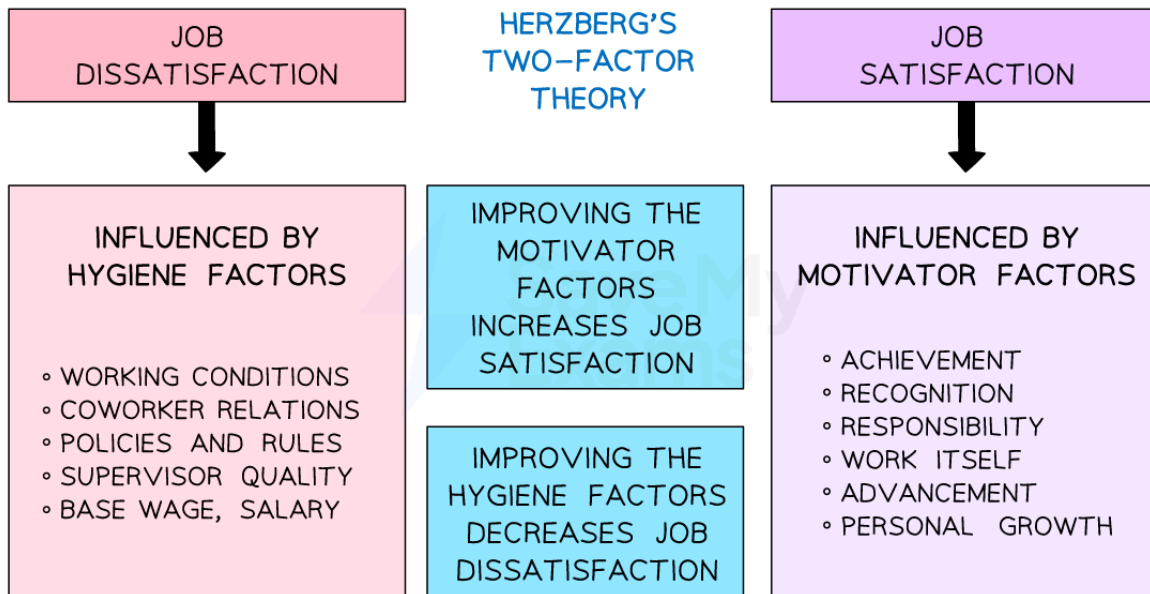
Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Higher employee satisfaction: By meeting the needs of employees, businesses can create a more satisfying work environment which can lead to increased productivity and lower turnover rates ▪ Increased motivation: Businesses can motivate their employees by offering incentives that align with their specific needs and desires ▪ Improved employee performance: Employees who feel valued and supported by their employers are more likely to perform at a higher level 	<ul style="list-style-type: none"> ▪ One size does not fit all: Businesses need to tailor their approach to meet the individual needs of their employees ▪ Expensive: Meeting many individual needs can be costly, especially when offering perks such as the use of a company car ▪ Time-consuming: Requires significant effort from management to connect individually to understand which opportunities for personal growth are desired



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Herzberg's Motivation-Hygiene Theory

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



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

How businesses can use hygiene factors to decrease dissatisfaction

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



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How businesses can use motivating factors to increase satisfaction

- **Build a recognition and rewards culture**

When employees are recognised and rewarded for their hard work, they are motivated to continue performing well e.g. Sales person of the month award

- **Offer opportunities for growth and development**

When employees are given opportunities to learn new skills and advance in their careers, they are motivated to continue working for the company e.g. set in place a 3 year growth plan which helps the worker move towards a reach job role

- **Provide challenging work which requires problem solving**

When employees are given challenging work that allows them to use their skills and abilities, they are motivated to continue performing well



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Types of Training

Reasons why Firms Train & Develop Their Employees

- Businesses need to make sure that new and existing staff are trained and developed appropriately
 - Training is the teaching of **new skills**
 - Development is the **improvement** of **existing skills**

- A well-trained workforce is important for several reasons
 - Well-trained staff are likely to be more **productive**
 - Staff may feel **valued** if a business invests in training and development
 - Staff are more likely to be **flexible** and **resilient** in the face of change



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Reasons for training and development

- Well-trained employees are likely to be **motivated** because they recognise that their **employer is spending money** on their development
- Motivation theory suggests that employees **work more enthusiastically at the things they're good at**
 - if employees are **trained in managing quality** they are more likely to think about how to improve the standard of the goods they produce
- If motivation is improved through better training **labour retention** is also likely to increase
 - If an employee feels they're becoming better at their job they are far more likely to stay with the business even if another employee is offering higher rates of pay because they want to **keep developing** in the job they have



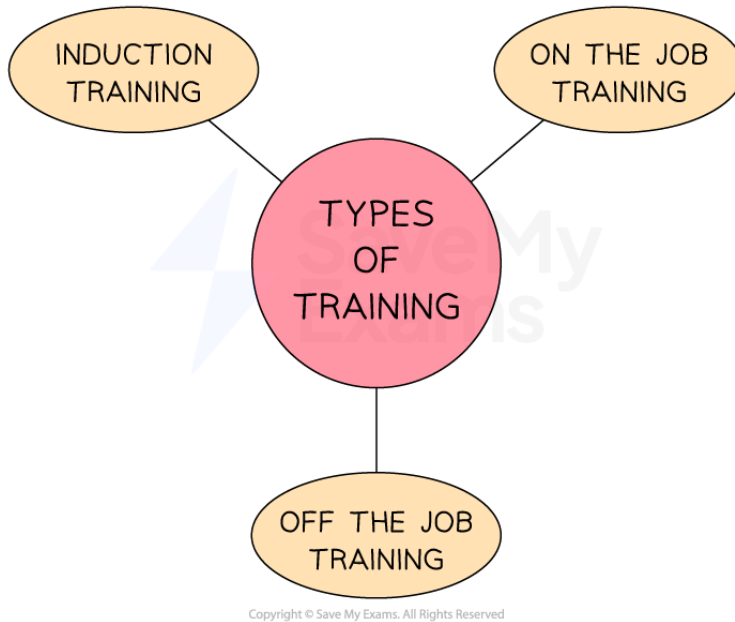
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Types of Training Provided by Businesses

- Different **types of training** have their advantages and disadvantages for the business



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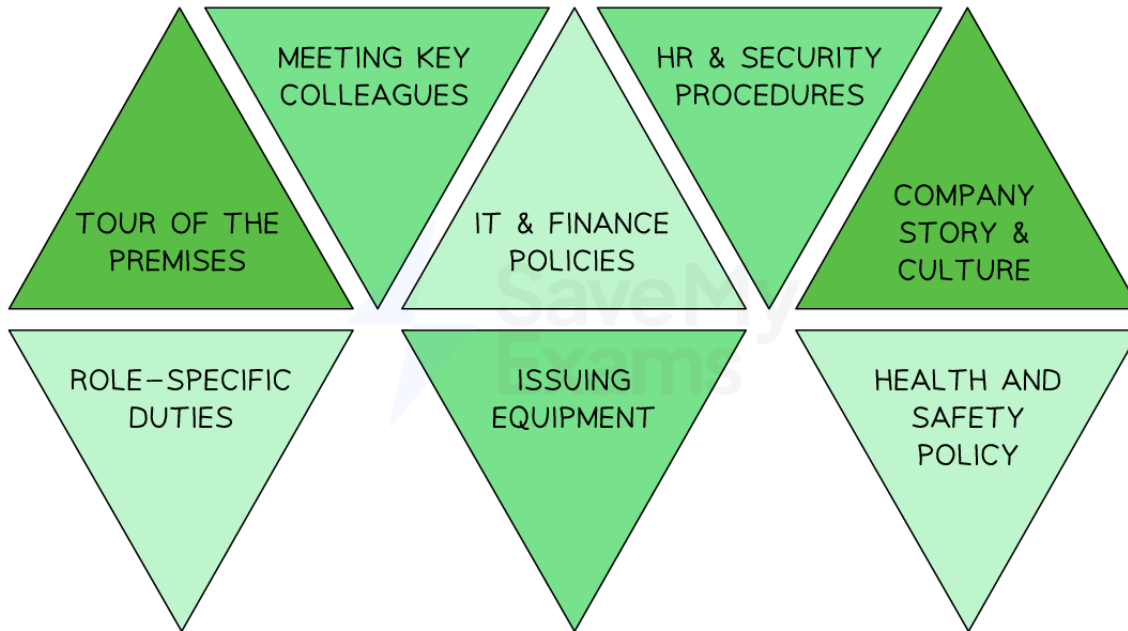
Three common types of training that businesses put their new employees through

Induction training

- Induction training is a type of training that **new employees receive** when they start working for a company



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Common elements of induction training

- It introduces them to the company, its culture, policies, procedures, and their job roles and responsibilities
 - E.g. when new employee joins Marks & Spencer they receive induction training that covers customer service, product knowledge, store policies, and safety procedures

The Advantages & Disadvantages of Induction Training

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Helps new employees to understand their job roles and responsibilities ▪ Introduces employees to the company culture, policies, and procedures ▪ Improves employee confidence and motivation 	<ul style="list-style-type: none"> ▪ Can be time-consuming and expensive to organise ▪ May not cover all aspects of the job role ▪ May not be effective in all cases, leading to employee dissatisfaction and higher turnover rates

- **Reduces the time** taken for new employees to become **productive**



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On the job training

- A type of training that takes place **while employees are working** in their job roles
- It allows employees to **learn new skills and knowledge** from colleagues while performing their job duties
 - E.g. A sous chef at The Ivy Restaurant in York may receive **on-the-job training from the Chef** to learn how to prepare new dishes, **use new equipment**, or improve their cooking techniques

The Advantages & Disadvantages of On the Job Training

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Employees learn new skills and knowledge while performing their job duties ▪ Training is tailored to the employee's specific job role and responsibilities ▪ Training is often more practical and relevant to the employee's job duties ▪ Can be cost-effective as it takes place during working hours 	<ul style="list-style-type: none"> ▪ Employees may make mistakes while learning, which can impact productivity and quality ▪ Can be disruptive to the workplace as it requires the trainer to devote time to training the employee ▪ May not be effective in all cases, leading to employee dissatisfaction and higher turnover rates

Off the job training

- A type of training that takes place **outside of the workplace**
- It can be in the form of workshops, seminars, conferences, or online courses
 - E.g. Teachers can attend exam board training days at which they learn how to better teach the syllabus and help their students to prepare for their exams

The Advantages & Disadvantages of Off-the-Job Training

Advantages	Disadvantages

- | | |
|---|--|
| <ul style="list-style-type: none">▪ Employees learn new skills and knowledge outside of the workplace, which can bring fresh ideas and perspectives to the workplace▪ Training can be tailored to the employee's specific needs and interests▪ Training can be used as a reward or incentive for high-performing employees▪ Can be cost-effective if training is provided online or through webinars | <ul style="list-style-type: none">▪ Can be expensive to organise, especially if travel and accommodation are required▪ Employees may miss work while attending training, which can impact productivity▪ The training may not be directly applicable to the employee's job role or the needs of the firm |
|---|--|



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