

Motivation in practice

Motivation in practice – p.164

Payment or financial reward system

- **The most common payment systems are:**
 - **hourly or time wage rate**
 - **piece rate**
 - **salary**
 - **commission**
 - **performance—related pay and bonuses**
 - **profit sharing**
 - **fringe benefits**

Hourly wage rate:

Example:

Not directly linked to the level of output or effort

Piece rate

Example:

Careful not to set too high or too low:

Advantages	Disadvantages
<ul style="list-style-type: none"> • It encourages greater effort and faster working. 	<ul style="list-style-type: none"> • It requires output to be measurable and standardised – if each product is different, then piece work is inappropriate.
<ul style="list-style-type: none"> • The labour cost for each unit is determined in advance and this helps to set a price for the product. 	<ul style="list-style-type: none"> • It may lead to falling quality and safety levels as workers rush to complete units.
	<ul style="list-style-type: none"> • Workers may settle for a certain pay level and will therefore not be motivated to produce more than a certain level.
	<ul style="list-style-type: none"> • It provides little security over pay level, for example in the event of a production breakdown.
	<ul style="list-style-type: none"> • Workers are discouraged from accepting change at work as this might result in loss of pay.

Table 9.4 Advantages and disadvantages of the piece rate pay system

Salary:

Example:

Advantages	Disadvantages
<ul style="list-style-type: none"> • It gives security of income. • It gives status compared to time-rate or piece-rate payment systems. • It aids in costing – the salaries will not vary for one year. • It is suitable for jobs where output is not measurable. • It is suitable for management positions where staff are expected to put in extra time to complete a task or assignment. 	<ul style="list-style-type: none"> • Income is not related to effort levels or productivity. • It may lead to complacency of the salary earner. • Regular appraisal may be needed to assess whether an individual should move up a salary band, although this could be an advantage if this becomes a positive form of worker appraisal.

Table 9.6 Advantages and disadvantages of a salary

Commission:

Example:

Drawbacks

Benefits

Performance-related pay

Example:

Advantages	Disadvantages
<ul style="list-style-type: none"> Staff are motivated to improve performance if they are seeking increases in financial rewards. Target setting can help to give purpose and direction to the work of an individual. Annual appraisal offers the opportunity for feedback on the performance of an individual, but as it tends to occur only once a year this is not usually sufficient to achieve a key feature of job enrichment. 	<ul style="list-style-type: none"> It can fail to motivate if staff are not driven by the need to earn additional financial rewards. Team spirit can be damaged by the rivalry generated by the competitive nature of PRP. Claims of manager favouritism can harm manager-subordinate relationships. It may lead to increased control over staff by managers because of the danger that bonuses may not be awarded if workers do not 'conform'.

Table 9.7 Advantages and disadvantages of performance-related pay

Profit sharing

Example:

Advantages	Disadvantages
<ul style="list-style-type: none"> • Potential conflict between owners and workers is reduced as everyone now has an interest in higher profits. 	<ul style="list-style-type: none"> • The reward offered is not closely related to individual effort – why should one worker put in greater effort when everyone will be benefiting?
<ul style="list-style-type: none"> • They are designed to lead to higher worker effort levels and a greater preparedness to accept cost reduction measures and changes that benefit the business. 	<ul style="list-style-type: none"> • The schemes can be costly to set up and operate, especially in large firms with many employees.
<ul style="list-style-type: none"> • The business is likely to attract better recruits drawn by the chance of sharing profits or owning shares in the firm. 	<ul style="list-style-type: none"> • Small profit shares paid at the end of the financial year are unlikely to promote motivation throughout the year.
<ul style="list-style-type: none"> • As the bonuses are paid out of profits, the scheme does not add to business costs, unlike a normal increase in pay levels. 	<ul style="list-style-type: none"> • Profit-sharing schemes will reduce profits available to be paid to owners (reducing dividends) and to be reinvested in the business (retained profits).
<ul style="list-style-type: none"> • If successful in increasing motivation, then the schemes could lead to an increase in overall business profitability. 	<ul style="list-style-type: none"> • Worker share-ownership schemes can increase the total number of shares issued and 'dilute' the value of existing shares.

Table 9.8 Advantages and disadvantages of profit sharing and worker share ownership

Fringe benefits:

Activity 9.4 (p.167)

Activity 9.5 (p.169)

Non-financial methods of motivation:

<ul style="list-style-type: none"> ✓ job rotation ✓ job enlargement ✓ job enrichment ✓ team working 	<ul style="list-style-type: none"> ✓ quality circles ✓ target circling ✓ delegation ✓ empowerment ✓ participation
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Job rotation	
Job enlargement	
Job enrichment	
Job redesign	

Quality circles:

Worker participation

Team working

Advantages	Disadvantages
<ul style="list-style-type: none"> • Workers are likely to be better motivated as social and esteem needs (see Maslow) are more likely to be met. By empowering workers within teams, job enrichment can be achieved (see Herzberg). • Better-motivated staff should increase productivity and reduce labour turnover – both will help to reduce business costs. • Team working makes fuller use of all of the talents of the workforce. Better solutions to problems will be found as those most closely connected with the work participate in suggesting answers. • Team working can reduce management costs as it is often associated with delayering of the organisation – fewer middle managers will be required. • Complete units of work can be given to teams – a key feature of job enrichment. 	<ul style="list-style-type: none"> • Not everyone is a team player – some individuals are more effective working alone. When teams are formed, this point must be considered and training may need to be offered to team members who are not used to working collaboratively in groups. Some workers may feel ‘left out’ of the team meetings unless there are good efforts to involve and encourage all team members. • Teams can develop a set of values and attitudes which may contrast or conflict with those of the organisation itself, particularly if there is a dominant personality in the group. Teams will need clear goals and assessment procedures to ensure that they are working towards the objectives of the organisation at all times. • The introduction of team working will require training costs to be incurred and there may be some disruption to production as the teams establish themselves.

Table 9.9 Advantages and disadvantages of working in teams

Concerning **financial** and **non-financial motivation**, which ones might be suitable in different business situations and why, try to give **two examples**:

Summarise and list the following:

<i>Non-financial motivation</i>	<i>Financial motivation</i>

1. Outline **three** key features of job enrichment.

2. Explain how the payment of a fixed monthly salary could help satisfy some of the needs identified by Maslow's hierarchy.

True or false (mark an **X**)

	True	False
3. Taylor's 'scientific management' is still used today in the form of analysing and using evidence to support decision making.		
4. Performance-related pay is a fixed monthly payment.		
5. Piece rate will always result in the worker producing the highest quality goods.		
6. People are motivated only by money		
7. It is always better to let the workers participate in decision making. They always know best.		

Summary of the worksheet in your own words (in English and Chinese):

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Vocabulary check:

English	Chinese