CHAPTER 3
Human resource management — motivating employees

3.1 Overview
3.1.1 Why it is important

It is often said that employees are a business’s most important resource. However, employees are more than just resources for a business. They are, first and foremost, people — people with their own hopes, ambitions, likes and dislikes, and ultimately their own individual reasons for working. Motivation is the force that drives people to exert individual effort over a sustained period of time. When that effort is exerted in the workplace it is likely to lead to improved productivity and greater success at achieving business objectives.

Finding ways to motivate employees can be the key to getting the best out of them. This will not only benefit the business, but can provide a means of rewarding employees with interesting and challenging career paths, promotion, improvements in pay, and a sense of achievement and personal satisfaction.

FEDEX CARES
FedEx Express is a well-known transportation company, delivering packages all over the world. FedEx Express employs more than 300,000 people — that is a lot of employees to keep satisfied. Nevertheless, FedEx has gained a reputation as a great place to work.

According to Kim Garner, FedEx Express Australia’s managing director, employees are encouraged to excel and contribute to the company. FedEx has a strong people culture; this means that employees are valued and management works towards creating a supportive workplace culture that develops talent.

“At FedEx, our people are the heart and soul of our business. This is why our founding People-Service-Profit (PSP) philosophy is based on the premise that if we take care of our people, they will take care of our customers, and that will take care of our profit”, says Garner. “Our focus has been on our people since we began our operations and our ongoing commitment to building a positive working environment at FedEx through...
3.1.2 What you will learn

**Key knowledge**

Use each of the points below from the VCE Business Management Study Design as a heading in your summary notes.

- The relationship between managing employees and business objectives
- Key principles of the following theories of motivation: Hierarchy of Needs (Maslow), Goal Setting Theory (Locke & Latham), and the Four Drive Theory (Lawrence & Nohria)
- The advantages and disadvantages of motivation strategies and their effect on short- and long-term employee motivation
- Motivation strategies including performance-related pay, career advancement, investment in training, support and sanction

**Key skills**

These are the skills you need to demonstrate. Can you demonstrate these skills?

- Define, describe and apply relevant business management concepts and terms
- Research and analyse case studies and contemporary examples of management related to managing staff in a business
- Interpret, discuss and evaluate business information and ideas
- Apply knowledge about managing employees to practical and/or simulated business situations
- Examine and apply the key principles of the theories of motivation
- Compare and evaluate strategies used for motivation and training when managing a business
- Propose and justify strategies to manage employees effectively


**Resources**

- Digital doc: Key terms glossary (doc-29440)
3.2 The relationship between managing employees and business objectives

**KEY CONCEPT** Effective management of people (human resource management) is likely to result in a business achieving success and fulfilling its objectives.

3.2.1 Human resource management
Iluka Resources Limited is a great place to work. Staff at the Australian mining company (that explores and processes titanium-based products and zircon) are treated fairly and honestly. Positive work relationships between management and staff are considered vital to the company’s success. Iluka provides a fitness-for-work program for employees, supports flexible work arrangements, including part time, working from home and modified start and finish times, and invests in the development of employees.

Responsibility for maintaining the relationship between employees and the business is known as human resource management. In small and medium businesses, human resource management is one of the many responsibilities of the business owner; however, in larger businesses, this task is the responsibility of a specialised human resource manager. Such a person will work as part of a team to ensure that the business has the appropriate employees, with the appropriate skills, available to carry out the various duties needed in the locations and at the times they are required.

Human resource managers will also take responsibility for ensuring that the business is able to get the best out of its employees, and that the employees are able to contribute to the achievement of business objectives. Motivated employees are more likely to work hard to achieve those objectives, so employee motivation is central to human resource management.

3.2.2 Relationship to business objectives
Businesses such as Iluka are successful in achieving their objectives by balancing the need for profitability (and satisfying shareholders) with a regard for the wellbeing of employees. Human resource management’s focus on positive work and employment relationships should lead to a motivated staff, increased productivity and, consequently, the achievement of business objectives.

A large-scale business will usually establish a human resources function or department (sometimes simply referred to as HR) to be responsible for all aspects of staffing (see the organisational structure diagram on the next page). The human resources manager will be involved in determining business objectives, along with the other senior managers. The human resources manager will also need to ensure that the strategies used by the HR department align with the objectives and strategies of the entire business.
The HR department will work closely with the other departments in the business. The HR department may, for example, work closely with the operations management department to recruit and select new staff. Human resources strategies can be used to achieve business objectives by supporting strategies in other areas of the business. The table below provides more examples of how HR strategies can be used to help the business achieve its objectives.

<table>
<thead>
<tr>
<th>Business objectives</th>
<th>HR objectives</th>
<th>HR strategies</th>
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<tbody>
<tr>
<td>Expand market share</td>
<td>Increase worker productivity</td>
<td>Introduce motivation strategies</td>
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<tr>
<td>Increase in sales</td>
<td>Develop sales skills</td>
<td>Performance related pay</td>
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<tr>
<td>Increase in profits</td>
<td>Improve product knowledge</td>
<td>Ongoing training</td>
</tr>
<tr>
<td>Provide safe workplace</td>
<td>Reduce number of accidents</td>
<td>Establishment of work teams, introduction of flexible work practices</td>
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Ultimately, it is the employees’ job to achieve the objectives of the business. Because the HR area of management responsibility is responsible for managing the relationship between employees and the business, as well as the motivation of employees, there is a direct relationship between the management of employees and business objectives.

The human resources management will need to have strategies that ensure that decisions that affect employees are decisions that enhance the objectives of the business. If an objective is to increase sales, human resources will need to ensure it has staff with good knowledge of the goods or services sold by the business, either by recruiting appropriately skilled employees, or by training existing staff. The objective of increasing profits can be enhanced by ensuring staff are sufficiently motivated and contribute...
to improving business productivity. Ultimately, no business objective can be achieved unless employees are able to make a positive contribution.

TOP EMPLOYERS INSTITUTE

The Top Employers Institute provides certification for businesses that create outstanding conditions of employment for their employees. Businesses wishing to gain certification are required to participate in the HR Best Practices Survey, which is a comprehensive analysis of the business’s HR environment. This survey explores learning development processes, performance management, leadership development, career planning and development, as well as the remuneration and benefits offered to employees. Results of the survey are validated and audited to ensure accuracy, and only those that pass the strict evaluation criteria are granted certification. Gaining Top Employer certification is a clear indication that the business is an ‘employer of choice’. This is a huge positive for any business as it will attract quality employees, whose skills and talents will make business objectives more achievable.

GOOGLE’S HUMAN RESOURCES DRIVING BUSINESS GROWTH AND DEVELOPMENT

At Google, human resources is central to driving business growth and development. According to Google, it is people that:

... keep Google going and growing. Our People Operations [POps] team (known elsewhere as HR) and administrative staff are the curious and creative colleagues that anchor us to our foundations and help us shoot for the moon. The POps team lives by the mantra ‘find them, grow them, keep them’, and is dedicated to staffing, development, and a distinct and inclusive culture. Not just co-workers, we’re proud Google colleagues who help our company thrive.

Google’s people reflect the type of culture it has built from the outset and continues to develop. Its workplace promotes strong staff involvement and high levels of engagement through a common purpose that embraces the company’s vision and goals. The workplace is designed to encourage interaction between staff that often manifests in new ideas for products. Its people-first culture has enabled Google to rank in the top 50 of the world’s global companies and be recognised as one of the best employers.

As Google demonstrates, it is the link between human resources and the other functional areas of the business that need to be managed to ensure a synergy and ultimately business success.

Source: Extracts from https://careers.google.com/fields-of-work/people

study on

Unit 3   AOS 2   Topic 1   Concept 1

Human resources Summary screen and practice questions

Unit 3   AOS 2   Topic 1   Concept 2

Human resources objectives and strategy Summary screen and practice questions
3.2 Activities

TEST your understanding
1. What are human resources?
2. Define what you understand by ‘human resource management’.
3. Why are human resources the most important resource used by businesses?
4. What is the relationship between HR and business objectives?
5. Why is employee motivation central to HR management?

APPLY your understanding
6. An accident in the workplace has closed a factory for two days. How do you think a human resources manager could attempt to avoid a similar situation in the future?
7. A company has an objective of ‘increasing exports to Asian markets’. What HR strategies would need to be put in place to achieve that objective?
8. Why might a business want to gain certification from the Top Employers Institute?

EXAM practice
9. Explain the relationship between managing employees and business objectives. (4 marks)
10. Jess has purchased new software to improve the management of her clothing store. She has four employees who will need to use the software to carry out their duties.
   (a) Explain one business objective that Jess might be attempting to achieve through this purchase. (2 marks)
   (b) Describe a human resources strategy she will need to implement to achieve this business objective. (2 marks)

3.3 An introduction to motivation and Maslow’s Hierarchy of Needs

KEY CONCEPT The force that drives a person to exert individual effort over a sustainable period of time is called motivation. Psychologist Abraham Maslow believed that our needs are the forces that motivate individuals.

3.3.1 Introduction to motivation
Motivating employees is one of the most important management functions, because high levels of motivation result in increasing rates of productivity. Motivation is what drives a person to apply individual effort over a sustainable period of time.

To put it in another way, motivation is what drives a person to behave in a certain way, or to achieve a certain goal; for example, what motivated you to:
- return to Year 11 after completing year 10
- complete the latest Business Management homework exercises
- look for a part-time job?

In a work setting, motivation makes people want to work, but what is it that motivates people? For many years, managers have relied on the use of either rewards or punishments to motivate employees. An analogy is often used to try to explain what motivates people: what is most likely to motivate a donkey to move forward (that is, change its behaviour)? Either a carrot can be dangled in front of the donkey (a reward) or the donkey can be hit with a stick (a punishment). Either method may motivate the donkey. In the work environment, ‘rewards’ refer to increased pay and improved conditions, ‘punishment’ refers to fear of a reprimand, demotion or dismissal.
However, research over the past 70 years has revealed that motivation is much more complicated than just these two variables. Different theories have been formulated that conclude that individual employees respond differently to various motivational techniques.

**Motivation — carrot or stick approach**

3.3.2 Maslow’s Hierarchy of Needs

Abraham Maslow (1908–1970), a psychologist, believed that all people have needs to be satisfied, and that they will work towards satisfying those needs. A **need** is what a person requires. Maslow proposed that needs could be arranged according to their importance in a series of steps known as Maslow’s **Hierarchy of Needs** (see the figure on the next page).

Maslow theorised that people work to satisfy their physiological needs first, such as food and water. The wage that a business pays to an employee helps satisfy these needs. People then attempt to satisfy their safety needs, such as shelter and clothing. Businesses help to satisfy this need by providing safe working conditions and job security. Once these first two needs have been satisfied, employees seek to satisfy their social needs. People need to be loved and love someone in return, to be a friend and have friends, for example. Work provides an opportunity for people to meet and form working relations that provide a sense of belonging. Esteem needs are satisfied when an employee’s work is appreciated and he or she is given recognition, promotion or added status in the business. Finally, self-actualisation needs refer to an employee’s desire to reach his or her full potential. To satisfy these needs, businesses must provide a workplace that encourages personal growth and development, interesting and creative jobs, and opportunities for advancement.

Maslow’s theory was important because it suggested that businesses have to create workplaces that attempt to satisfy all the needs of an employee. Businesses that attempt to motivate workers through pay rises or job security would only be satisfying lower order needs. Employees would not be fully motivated; they would become despondent, waiting for the day to finish, hating their jobs and only doing them for the money. Occasionally, these employees become so dissatisfied and unmotivated that they become unproductive and/or leave the business, creating costs for the business in reduced efficiencies.
Maslow’s Hierarchy of Needs

EXAM TIP
The key skills for Unit 3, Area of Study 2 state that you need to ‘examine the key principles of the theories of motivation’ as well as ‘apply the key principles of the theories of motivation’. The task word ‘examine’ generally requires you to make the details or meaning of something clear (possibly exploring both sides or cause and effect). This suggests that you should know the strengths and weaknesses/limitations of Maslow’s theory of motivation. The task word ‘apply’ generally requires you to use the information provided or knowledge relevant to a particular situation and make links and connections. This indicates that you need to know the Hierarchy of Needs well enough to be able to relate it to a practical example or a case study or to link it to an example or case study.

An advantage or strength of Maslow’s theory is that it allows management to develop an understanding of individual needs. All individual employees are different and they all have specific needs. Maslow’s theory also allows management to be aware that employees will be at different stages of development and that they will need to be motivated using a variety of methods. However, Maslow’s theory is not perfect and it does have limitations or weaknesses. A weakness of Maslow’s Hierarchy of Needs is that it is only a theory. It is not supported by empirical evidence and the stages in the hierarchy do not apply to all individuals. Furthermore, a manager making use of the theory may struggle to identify the stage at which each individual employee is. This may make it difficult to determine an appropriate strategy to motivate each employee.

DID YOU KNOW?
Naomi Fraser, a well-respected management consultant, has concluded that ‘What motivates people is similar to how Winston Churchill viewed Russia... an enigma, inside a puzzle wrapped up in a mystery’.
3.3 Activities

TEST your understanding

1. Which of the following is correct? Motivation is:
   (a) the drive that makes a person do something well once
   (b) the drive that makes someone exert effort over a sustained period of time
   (c) the wish to succeed
   (d) what makes us go to work each day.

2. When talking about motivation, the carrot or stick approach is sometimes mentioned. Explain why giving someone a reward or a punishment might motivate them to act.

3. Arrange these needs in order according to Maslow’s theory:
   (a) esteem needs
   (b) physiological needs
   (c) safety needs
   (d) self-actualisation needs
   (e) social needs.

4. Why is Maslow’s theory important?

APPLY your understanding

5. Explain how managers could use Maslow’s theory to motivate staff.

6. How could a business help a person meet their self-actualisation needs?

EXAM practice

7. Apply the key principles of Maslow’s Hierarchy of Needs to a contemporary business case study. (4 marks)

8. MetFab metal fabrication business employs over 100 staff, many of them highly skilled tradespeople. The employees are all paid well above the industry average, the business has won a number of safety awards, and has an active social club for its employees. Despite these positives, management is concerned that many of its employees are content to coast along and not put much effort into their work.

   Examine how MetFab could make use of Maslow’s theory to improve the motivation of its employees. (6 marks)
3.4 Motivational theories: Goal Setting Theory (Locke and Latham)

3.4.1 Goal Setting Theory (Locke and Latham)

Dr Edwin Locke researched goal setting and motivation during the 1960s. He concluded that employees were motivated by clear goals and appropriate feedback regarding their achievement. Locke maintained that working towards a goal provided the motivation to reach that goal and this, therefore, improved performance. He found that specific and challenging goals led to better performance than vague goals or goals that were too easy to achieve.

That is, Locke found that in order to motivate employees, goals must be clear, specific and provide a challenge. The employee must also be committed to meeting the challenge, and it helps if each employee receives regular feedback that provides clarification and adjustment of the goals and recognition for the efforts being made. The goal or task should not become so overwhelming that a person loses motivation.

Dr Gary Latham is a Canadian researcher who experimented with and tested Locke’s theories, producing research results that endorsed the strong connection between goal setting and workplace performance. In 1990, Locke and Latham published *A Theory of Goal Setting and Task Performance*, which further developed Locke’s original proposals.

According to Locke’s theory, employees are motivated to achieve goals they have helped to set. The goals should be clear and specific, challenging but not so overwhelming that they are impossible to achieve. Constant feedback on progress and recognition for the effort being made is vital.

Locke’s theory has been applied in many circumstances over a number of years.

- **Goal**: Clear, Specific, Challenging, Not overwhelming
- **Motivation**: Increased by feedback on: goal achievement, recognition for effort
- **Performance**: Improved as a result
The five goal-setting principles

Locke and Latham identified five principles that should be applied when setting goals for employees. They can be summarised as shown in the following diagram and outlined below.

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**Clarity**

Simply telling someone to ‘do your best’ or ‘improve your performance’ is not as effective as setting clear achievable and specific measures, such as ‘improve sales by 10 per cent’ or ‘increase production output by 5 per cent’. Giving goals clarity means making them unambiguous and measurable. Goals should be simple, clear and as specific as possible. It is important that everyone understands what is expected, and the result that will be rewarded. A vague goal such as ‘provide leadership to your work colleagues’ has very little value as a means of motivation, because it does not include any specific actions that could be taken to achieve this. In addition, goals should be developed within a time frame, so there is a clear end date for the goal to be achieved. This will vary according to the nature of the goal.

**Challenge**

People are often motivated by achieving something they have not successfully completed before. The opportunity to complete a task that is highly valued by the owner or management of a business can provide a level of challenge that can motivate an employee. The goal should extend the employee, but should still be achievable. There is no point in setting a goal that is beyond the capabilities of the employee, or that sets him or her up for failure. At the same time, a goal that is too easy, or does not seem to have much importance in the operations of the business, will not provide much in the way of motivation. The significance of the challenge should also govern the rewards available to the employee for successfully achieving the goal. Goals must also be related in some way to the objectives of a business, in that they help to realise the overall business objectives.

**Commitment**

In order to ensure the employee will actively pursue the achievement of a goal, there must be a commitment on the part of the employee. While it is possible for the goal to be provided entirely by the employer or management, a goal into which the employee has had some input is more likely to serve as motivation. It is here that management styles can play an important role. A manager who adopts a participatory style will seek to give employees maximum input into the determination of appropriate goals. This does not mean that the employee decides the goal, but that it is negotiated between manager and employee, to achieve a balance between the objectives of the business and the particular strengths and skills of the employee. It is generally recognised that the greater the input from the employee, the more likely it is that the employees will commit to it, which means that a more challenging goal can be set, leading to greater rewards in the end. Increased rewards for achieving a goal will provide greater motivation for the employer to attempt the next goal.

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The importance of employee commitment to a goal

Employee input into the goal

Increased commitment from employee

Increased rewards and motivation

Goal can be made more challenging

Feedback

An effective goal program must also include opportunities for feedback to the employee. Frequency of feedback can depend on the timeframe of the goal. Feedback provides opportunities to offer recognition for progress achieved, to make adjustments to the goal if necessary, and to ensure expectations are clear. Sometimes a goal can be broken down into smaller milestones to allow for progress to be measured along the way and achievements to be recognised. Feedback can be informal and may consist of little more than a catch-up over coffee. For longer term and more complex goals, formal feedback sessions may be required to ensure necessary detail is communicated.

Task complexity

While goals should be challenging enough to motivate employees, it is important the level of complexity should not overwhelm them. It is important that any additional training that is required to assist the employee to complete the task is provided in a way that allows for genuine skill development over time. It is also important that deadlines and completion dates are appropriate for the task and the skill level of the employee. The aim of the exercise is to motivate the employee to contribute to the objectives of the business, and so every effort should be made to ensure that the process provides success for both the employee and the business.

EXAM TIPS

• Goal setting is often associated with the concept of setting SMART goals. Be aware that SMART goals are not a part of Locke and Latham’s Goal Setting Theory and should not be used to cover the key elements of the theory in your VCAA exam.

• The key skills for Unit 3, Area of Study 2 state that you need to ‘examine the key principles of the theories of motivation’ as well as ‘apply the key principles of the theories of motivation’. The task word ‘examine’ generally requires you to make the details or meaning of something clear (possibly exploring both sides or cause and effect). This suggests that you should know the strengths and weaknesses/limitations of Locke and Latham’s theory of motivation. The task word ‘apply’ generally requires you to use the information
provided or knowledge relevant to a particular situation and make links and connections. This indicates that you need to know Goal Setting Theory well enough to be able to relate it to a practical example or a case study or to link it to an example or case study.

### Strengths and weaknesses of Locke and Latham’s Goal Setting Theory

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<th>Weaknesses</th>
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<tbody>
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<td>Setting goals that are clear and specific, challenging but not overwhelming will motivate employees and improve their performance, thereby contributing to business objectives.</td>
<td>Setting goals that are too vague can lead to poor performance — goals that are not challenging (or that are overwhelming) can become demotivating.</td>
</tr>
<tr>
<td>Many studies support the theory — that challenging and specific goals, together with commitment and feedback will motivate employees.</td>
<td>Individual employee goals may clash with each other or with business objectives, or may not support the attainment of business objectives.</td>
</tr>
<tr>
<td>Staff will perform at a higher standard due to their clear and specific goals, leading to a higher rate of productivity.</td>
<td>Employees may focus so intently on their goals that they ignore other aspects of their job.</td>
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### 3.4 Activities

**TEST your understanding**

1. Explain how goal setting affects a person’s motivation.
2. Explain what is meant by ‘clarity’ when it comes to setting goals for employees.
3. Why do you think that setting goals that are easy to achieve might lower motivation?
4. Why is ‘task complexity’ an issue in the process of goal setting?
5. Outline the strengths and weaknesses/limitations of Locke and Latham’s Goal Setting Theory.

**APPLY your understanding**

6. Have you set goals for yourself recently? If you did, how did this affect your motivation?
7. What goals might a football club establish at the start of a new season? Why do clubs set such goals?
8. Dean is a sales manager in charge of 15 sales representatives. He wishes to provide motivation for each of these representatives to improve their sales figures during the coming six-month period, and believes that Locke and Latham’s Goal Setting Theory may provide him with the means of doing this.
(a) Outline how Dean could make use of Goal Setting Theory with each of the sales representatives.
(b) Explain how he might monitor the process during its operation.
(c) What would you expect to occur at the completion of the six-month period?

EXAM practice
9. Describe two differences between Maslow’s and Locke and Latham’s theories of motivation. (4 marks)
10. MetFab metal fabrication business employs over 100 staff, many of them highly skilled tradespeople. The employees are all paid well above the industry average, the business has won a number of safety awards, and has an active social club for its employees. Despite these positives, management is concerned that many of its employees are content to coast along and not put much effort into their work.
Examine how MetFab could make use of Locke and Latham’s Goal Setting Theory to improve the motivation of its employees. (6 marks)

3.5 Motivation theories: Four Drive Theory (Lawrence and Nohria)

KEY CONCEPT The Four Drive Theory attempts to identify the basic human drives that determine all human behaviour and apply these as a means of motivating employees in the workplace.

3.5.1 Four Drive Theory (Lawrence and Nohria)
The Four Drive Theory was developed by Dr Paul Lawrence and Dr Nitin Nohria, from the Harvard Business School, and outlined in their book Driven: How Human Nature Shapes Our Choices, published in 2002. They identified what they believe are the four main drives that shape the way in which all human beings think and behave. In doing so, they were attempting to explore the very core of human nature and the key determinants of all human behaviour. By applying what they saw as the four basic human drives to the business world, they hoped to be able to identify what motivates a range of stakeholders, including employees, customers, competitors and others.

The four drives
Lawrence and Nohria identified the following as fundamental to all human behaviour:
- the drive to acquire — includes the desire to own material goods, and encompasses the desire for status, power and influence
- the drive to bond — includes the strong need to form relationships with other individuals and groups
- the drive to learn — includes our desire to satisfy our curiosity, to learn new skills and to explore the world around us
- the drive to defend — the desire to remove threats to our safety and security and to protect what we regard as ‘ours’.

The Four Drive Theory provides an interpretation of human behaviour that covers all of our emotions and motivations, and is firmly planted in our evolutionary past. The drives to acquire, bond and learn are active drives, while the drive to defend is a latent drive that becomes active only in the face of a threat.

Resources
- eLesson: Theories of motivation: Four Drive Theory (Lawrence and Nohria) (eles-2927)
3.5.2 The four drives and employee motivation

An employer or manager can harness the four drives in the development of a work environment that will motivate employees and encourage them to work productively towards achieving business objectives.

Drive to acquire

The drive to acquire can be expanded to include achievement as a means of identifying and including the desire for non-material things, such as status and influence. Employers and managers can apply this in the workplace by:

- ensuring levels of remuneration are comparable with those of competing businesses, to ensure that valued staff are satisfied and not easily lured away
- tying monetary rewards to improvements in performance
- recognising good performance from employees with appropriate financial incentives
- providing opportunities for employees to feel proud of the work they do, and to feel that they can distinguish themselves through their work
- clearly expressing the expectations of the business, particularly in relation to the ways in which work performance will be evaluated
- establishing high levels of performance as the norm, and the standard by which all employees are judged and rewarded.

Drive to bond

Harnessing the drive to bond allows collective achievements to be highly valued by employees.

In the context of motivating employees within a business, the drive to bond is most commonly expressed through a sense of belonging. Businesses wishing to harness this drive as a means of motivating employees will encourage this in the following ways:

- Managers and leaders will be people oriented, and will seek to interact with all employees in a positive and encouraging manner.
- Management will seek ways to develop corporate culture and improve relationships between management and employees, by recognising achievements outside of the workplace and milestones such as birthdays, or years of service.
- Teamwork and collaboration will be encouraged and recognised, and collective achievements highly valued.
- Sharing of best management practice among employees will be rewarded and staff will be encouraged to support the team culture.
- Employees will be encouraged to trust and support each other.
- Personal friendships between employees will be fostered and supported.
Drive to learn

The drive to learn encompasses the need to understand the world around us, to be challenged mentally and be faced with interesting and varied experiences. This drive can be used to provide motivation in the following ways:

- Opportunities to learn new skills are provided on a regular and ongoing basis.
- Tasks are made as interesting as possible.
- Each person’s duties include a variety of different tasks to provide stimulation and avoid the boredom that can come from constant repetition.
- Challenges are built into all work assignments to increase satisfaction when a difficult task has been completed.
- Employees feel that they are gaining additional skills and valuable experience as they go about their daily work.
- Management actively supports employees in gaining new skills and qualifications, including formal qualifications from external institutions such as universities and TAFE colleges.
- Each job or set of duties within the business is valued as making a significant and meaningful contribution to the achievement of the business’s objectives.

Drive to defend

As the latent drive, defending comes into play in ensuring that the work environment is safe and non-threatening, with high levels of trust between employees and management. Motivation comes from removing fears and insecurities from the workplace.

- The workplace is welcoming and supportive, and intimidation is not used as a management technique.
- Managers treat all employees fairly and are seen to do so consistently.
- Systems and processes for determining rewards and recognition within the business are fair and transparent, so that no one feels that any other employee is the subject of favouritism, or that they have been discriminated against.
- Managers and leaders foster an atmosphere of trust, by ensuring they are consistent and honest in all dealings with employees.
- Employees are encouraged to speak up, to air their concerns and offer suggestions, with full support of management, and without any fear of reprisals.

**EXAM TIP**

The key skills for **Unit 3, Area of Study 2** state that you need to ‘examine the key principles of the theories of motivation’ as well as ‘apply the key principles of the theories of motivation’. The task word ‘examine’ generally requires you to make the details or meaning of something clear (possibly exploring both sides or cause and effect). This suggests that you should know the strengths and weaknesses/limitations of Lawrence and Nohria’s theory of motivation. The task word ‘apply’ generally requires you to use the information provided or knowledge relevant to a particular situation and make links and connections. This indicates that you need to know the Four Drive Theory well enough to be able to relate it to a practical example or a case study or to link it to an example or case study.
Strengths and weaknesses of Lawrence and Nohria’s Four Drive Theory

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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</thead>
<tbody>
<tr>
<td>The drives work independently, allowing management and employees to be</td>
<td>Other drives besides the four outlined by Lawrence and Nohria may exist — these don’t necessarily explain all the individual characteristics that may motive a person.</td>
</tr>
<tr>
<td>flexible in the behaviours or strategies selected or implemented.</td>
<td></td>
</tr>
<tr>
<td>Four Drive Theory is very adaptable to complicated or intricate</td>
<td>Some of the workplace applications involve competition between employees, which can have detrimental effects; for example, a workplace may suffer from a lack of cooperation or a lack of information sharing.</td>
</tr>
<tr>
<td>environments or situations.</td>
<td></td>
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<tr>
<td>The four drives will convert into effort that is directed at improving</td>
<td></td>
</tr>
<tr>
<td>behaviour, thereby improving business performance and achieving objectives.</td>
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</tbody>
</table>

3.5 Activities

TEST your understanding
1. What are the ‘four drives’ identified by Lawrence and Nohria, which they believe provide motivation for all human behaviour?
2. Explain two ways in which the drive to acquire can be harnessed to motivate employees in a workplace.
3. How can the drive to bond be used to motivate employees?
4. In what ways does the drive to learn usually show itself in human behaviour? How can employers make use of this drive to improve work performance?
5. Outline two ways in which an employer can provide a workplace that satisfies the drive to defend.

APPLY your understanding
6. Create two checklists, one under the heading ‘Things to do’, and one under the heading ‘Things NOT to do’.
   (a) Under the first heading, provide a list of at least eight actions that a manager could take to ensure he or she is making use of the Four Drive Theory to improve employee motivation.
   (b) Under the second heading, develop a list of at least eight actions that a manager should NOT do if he or she wishes to maximise employee motivation using the Four Drive Theory.

EXAM practice
7. Describe two differences between Locke and Latham’s and Lawrence and Nohria’s theories of motivation. *(4 marks)*
8. TechSol is an IT consultancy business that is expanding rapidly. It hired four new computer science graduates at the beginning of the year, but now all of them have indicated that they wish to leave because of low job satisfaction. Examine how TechSol could make use of Lawrence and Nohria’s Four Drive Theory to improve the motivation of its employees. *(6 marks)*
9. Outline the strengths and weaknesses/limitations of Lawrence and Nohria’s Four Drive Theory. *(4 marks)*
3.6 EXTEND YOUR KNOWLEDGE Comparing theories of motivation

**O KEY CONCEPT** The motivational theories of Maslow, Locke and Latham, and Lawrence and Nohria are not mutually exclusive. There are a number of similarities and some overlap between the different theories.

Motivated employees are very important to a business owner or human resource manager, but whose approach to choose: Maslow, Locke and Latham, or Lawrence and Nohria? It is useful to look at the similarities and differences between these theories of motivation, and even the ways in which they can be used together. For example, it is possible to set goals (Locke and Latham) which satisfy higher level needs such as self-actualisation in an employee (Maslow). To fully appreciate the similarities and differences between the theories studied so far, it is useful to understand the difference between extrinsic rewards and intrinsic rewards.

3.6.1 Extrinsic and intrinsic rewards

An *extrinsic reward* is a tangible or physical reward given to someone for achieving something. It can be a financial reward, a certificate or trophy, or some other form of recognition coming from another person or organisation. It is a tangible recognition of performance, so it comes from outside the person. An *intrinsic reward* is an intangible reward that comes from within the person achieving success or performing well. It is the sense of satisfaction or fulfilment that the person feels at having accomplished something, or successfully met a challenge.

An easy way to understand the difference is to think of your own aims as a VCE student. If you gain good marks at the end of the year, you may gain the extrinsic reward of a place in your preferred course at your tertiary institution of choice. You may also gain the intrinsic reward of pride in your achievement, in having not only survived Year 12, but having met or exceeded your own expectations. The extrinsic reward is something someone else provides; the intrinsic reward is the good feelings that come from within.

It is possible to compare and contrast the three motivational theories by looking at how they relate to intrinsic and extrinsic rewards. It is generally recognised that intrinsic rewards can be stronger than extrinsic rewards in providing high levels of motivation in the workplace.

**Maslow’s Hierarchy of Needs**

Maslow’s theory assumes a series of steps, each taking the person to a position where their higher order needs can be satisfied. When applied to the workplace, the employee progresses up the hierarchy of needs, moving from a position of receiving extrinsic rewards, to a greater emphasis on intrinsic rewards. At the lowest level, physiological needs are satisfied by the employee receiving a satisfactory level of pay to provide food, clothing and shelter. At the next level, safety and security needs are met by the employer providing safe working conditions and a degree of job security. At the lower two levels on the hierarchy, extrinsic incentives are provided to help satisfy these basic needs.
At the third level, social needs, the rewards are both extrinsic and intrinsic. The employer provides a supportive management, and opportunities for teamwork and involvement in decision-making (extrinsic), and the employee gains a sense of belonging and loyalty to the business (intrinsic). At the two highest levels, where esteem needs and self-actualisation needs are satisfied, the employer provides the environment, but the emphasis is on the intrinsic rewards gained by the employee. It is the intrinsic rewards that motivate the employee — the sense of accomplishment and fulfilment, and the personal growth and development that comes from achievement.

**Locke and Latham’s Goal Setting Theory**

Goal Setting Theory assumes that employees will be rewarded as they achieve goals in the workplace. In many cases such rewards will be extrinsic — a pay rise or some other financial reward, or a promotion to a more responsible position, but rewards can also be intrinsic. If the five principles of goal setting are applied, the employee may also receive intrinsic rewards that improve overall motivation.

- **Clarity of goals** provides certainty and predictability, leading to the employee feeling more comfortable in their endeavours.
- **Challenging goals** can lead to a greater level of satisfaction when they have been successfully achieved.
- **Commitment to a goal** will come from the employee having had some input into the setting of that goal, leading to a greater level of satisfaction once the goal is achieved.
- **Positive and regular feedback** assists in keeping the employee focused and can contribute to the sense of achievement once the goal has been attained.
- **A task that is sufficiently complex to challenge, but not to overwhelm the employee**, can increase the level of satisfaction and sense of achievement felt by that employee.

Just as it is hoped that intrinsic rewards that come from the esteem and self-actualisation stages in Maslow’s hierarchy can lead to greater levels of employee motivation, the intrinsic rewards that come from the application of goal setting can have a similar impact.

**Lawrence and Nohria’s Four Drive Theory**

The Four Drive Theory assumes a set of factors that influence the way humans behave. The theory assumes these drives are intrinsic to all humans, but in an employment situation, satisfying these drives can come from both extrinsic and intrinsic rewards.

- **The drive to acquire** is most readily satisfied by the provision of extrinsic rewards, such as the acquisition of material goods, but can also be satisfied by the intrinsic rewards that come from the satisfaction of having achieved status and influence.
- **The drive to bond** is likely to be satisfied primarily by intrinsic rewards. It is supported by the way in which management encourages teamwork, sharing of best practice, the fostering of personal friendships within the workplace and a level of trust between management and employees. Interpersonal relationships within the workplace provide intrinsic rewards through a sense of belonging on the part of the employee.
- **The drive to learn** is also satisfied primarily through intrinsic rewards. Employees can gain pride in their work through the acquisition of new skills and qualifications. Work tasks are as interesting and challenging as possible, providing a sense of satisfaction and achievement for the employee.
- **The drive to defend** can also be satisfied through intrinsic rewards. Fairness and consistency in management style fosters a sense of trust, and employees do not feel threatened or intimidated in the workplace. The removal of fears and insecurities from the workplace can improve employee motivation.
Comparing the different theories of motivation

### Maslow compared with Lock and Latham

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The successful achievement of a goal in Locke and Latham’s Goal Setting Theory is similar to meeting esteem and self-actualisation needs in Maslow’s theory.</td>
<td>• Maslow’s theory is an ongoing, long-term process through a series of steps, whereas Locke and Latham’s theory is more short term, in that the achievement of a goal ends the process, and a new process with new goals may be implemented.</td>
</tr>
<tr>
<td>• Recognition and feedback are significant in both theories. In Maslow’s theory this comes through the satisfaction of esteem needs, while for Locke and Latham’s theory this occurs with the relationship between the employee and manager in the setting of goals and the provision of feedback.</td>
<td>• Locke and Latham’s theory concentrates on the achievement of a variety of different goals, each relevant to an individual employee, while the implementation of Maslow’s theory can lead to processes and procedures within the business that encourage all employees to progress through each stage of the hierarchy.</td>
</tr>
<tr>
<td>• Both theories highlight the importance of achieving job satisfaction as a key motivator.</td>
<td>• Maslow concentrates on internal needs of employees, while Locke and Latham concentrate on the setting of goals that are external to the employee and designed to contribute to the goals of the business.</td>
</tr>
<tr>
<td>• Both theories focus on achieving one thing at a time — Locke and Latham is one goal at a time, Maslow is one step in the hierarchy at a time.</td>
<td>• Individual employees can be very significant in the goal-setting process, while managers are more significant in setting a tone that allows for the satisfaction of the different levels in Maslow’s Hierarchy of Needs.</td>
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### Maslow compared with Lawrence and Nohria

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
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<tbody>
<tr>
<td>• Both theories were originally devised as a means of explaining human behaviour in general and have been adapted for application as theories of workplace motivation.</td>
<td>• Maslow’s theory has five different levels of needs in a hierarchical structure, while Lawrence and Nohria’s four drives are all considered to be of equal significance.</td>
</tr>
<tr>
<td>• Both theories place a great deal of importance on the achievement of employee satisfaction. With Maslow’s theory it is satisfying the higher order esteem and self-actualisation needs, while with Lawrence and Nohria’s theory it is satisfying the four human drives.</td>
<td>• Maslow’s theory assumes a sequential set of steps. A person will satisfy one level in the hierarchy before moving to the next one. In contrast, satisfying the four drives can occur simultaneously.</td>
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<tr>
<td>• The drive to acquire can be compared to Maslow’s physiological needs.</td>
<td>• Satisfying the drive to defend is effectively minimising a potential negative, and so is different from the progression through the stages in Maslow’s hierarchy, which concentrates on positive motivators.</td>
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<tr>
<td>• The drive to bond aligns closely with social needs on Maslow’s hierarchy.</td>
<td>• Satisfying the drive to learn can be compared with having self-actualisation needs satisfied.</td>
</tr>
<tr>
<td>• Satisfying the drive to learn can be compared with having self-actualisation needs satisfied.</td>
<td>• Satisfying the drive to defend is effectively minimising a potential negative, and so is different from the progression through the stages in Maslow’s hierarchy, which concentrates on positive motivators.</td>
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</tbody>
</table>
Locke and Latham compared with Lawrence and Nohria

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The rewards that come from the achievement of a goal in Locke and Latham’s theory can be linked to Lawrence and Nohria’s drive to acquire.</td>
<td>• The fundamental basis for the two comes from different sets of ideas. In Lawrence and Nohria’s theory, an individual is motivated to satisfy four drives, which come from within the person. In Locke and Latham’s theory, the individual is motivated to achieve a goal, which is external to the person.</td>
</tr>
<tr>
<td>• In both theories it is important that the manager understands the needs of their employees. In one case this understanding will assist in the setting of goals. In the other, it can enable the manager to implement appropriate strategies that will satisfy the four drives in each employee.</td>
<td>• In Locke and Latham’s theory, a person is usually pursuing one specific goal at any given time, while Lawrence and Nohria’s theory assumes that a person needs to satisfy all four drives simultaneously.</td>
</tr>
<tr>
<td>• Both theories are primarily focused on employees. In Locke and Latham’s theory, employees have a significant role in setting goals and in Lawrence and Nohria’s theory, what drives the employees is at the centre of achieving required levels of motivation.</td>
<td>• Goal Setting Theory can be closely aligned to the objectives of the business while the Four Drive Theory concentrates more on the internal motivating forces within each employee.</td>
</tr>
<tr>
<td>• In both theories, cooperation between manager and employee is essential. With Locke and Latham this comes with the setting of goals, and feedback during the process. With Lawrence and Nohria it comes from the manager having to understand how each of the four drives will affect the motivation of each employee.</td>
<td>• In Locke and Latham’s theory, a person is usually pursuing one specific goal at any given time, while Lawrence and Nohria’s theory assumes that a person needs to satisfy all four drives simultaneously.</td>
</tr>
</tbody>
</table>

3.6 Activities

TEST your understanding
1. Explain the difference between extrinsic rewards and intrinsic rewards and provide an example of each.
2. Using examples from each theory to illustrate your response, outline the similarities and differences between Maslow’s Hierarchy of Needs, Locke and Latham’s Goal Setting Theory and Lawrence and Nohria’s Four Drive Theory.

EXTEND your understanding
3. Outline how each of the following theories makes use of both extrinsic rewards and intrinsic rewards as a means of motivating employees.
   (a) Maslow’s Hierarchy of Needs
   (b) Locke and Latham’s Goal Setting Theory
   (c) Lawrence and Nohria’s Four Drive Theory
4. Imagine you are the HR manager in a business employing 40 employees of varying ages and experience. The CEO has identified low levels of motivation in the workforce as a contributing factor to the business not achieving many of its objectives and has asked you to prepare a report on how employee motivation might be improved. Your report should include:
   (a) a comparison of the three theories of motivation you have studied, their similarities and differences
   (b) a recommendation as to which theory you would adopt for the business
   (c) the reasons why you believe this theory would be the most appropriate.
3.7 APPLY YOUR SKILLS Motivation theories — do they work?

PRACTISE YOUR SKILLS

- Define, describe and apply relevant business management concepts and terms
- Research and analyse case studies and contemporary examples of management related to managing staff in a business
- Interpret, discuss and evaluate business information and ideas
- Apply knowledge about managing employees to practical and/or simulated business situations
- Examine and apply the key principles of the theories of motivation

In order to increase productivity, it is very important that managers understand the factors that motivate their staff to want to work. The theories of Maslow, Locke and Latham, and Lawrence and Nohria provide us with some guidance as to what motivates staff, but do they work in the real world? Through the following case studies, let us have a look at whether they are just theories, or if they can be put into practice.

A BIKE AND SOME LIGHTS: A STUDY IN MOTIVATION

The Lantern Group is a motivational consulting firm that specialises in working closely with their clients to increase the engagement and motivation of their workforce. In July 2016, the group set up an experiment at the World at Work Total Rewards Conference in San Diego, California, USA. It involved hooking up a stationary bike to a bank of six LED lights on a vertical pole, so that the longer and harder someone pedalled the bike, the more lights lit up. The group offered free promotional T-shirts to anyone who could light up only one of the lights, so there was no requirement for anyone to light up more than one light to receive a reward. In addition, a leader board was set up to record the names of the five fastest participants to light up the whole board. This was a simple whiteboard that recorded the five fastest participants and their times, and could be changed whenever a new person beat the record of one of the previous participants. A total of 103 people rode the bike over the two days of the conference, and only one of them stopped at the first light. While the offer of a free T-shirt was the key motivator for getting people on the bike, once they were on it, they kept on pedalling to see what they could achieve.

This experiment can tell us a lot about motivation. For most people the offer of a free T-shirt was a motivating factor in encouraging them to get on the bike. It only required a simple extrinsic reward to encourage them to participate. Of greater interest was the fact that only one person stopped at one light, while all the others kept going to see how many lights they could illuminate. The intrinsic reward of achieving something more than the basic level became a motivator. Because they could get instant feedback by seeing how lights were lit up, they were motivated by the activity, rather than the extrinsic reward of a T-shirt.

When applying theories of motivation, we can see the importance of intrinsic rewards. Within the context of Maslow’s Hierarchy of Needs, the self-esteem need motivated 102 riders to prove how much they could achieve.
As an example of Goal Setting Theory, there was a clear clarity of task (lighting as many LEDs as possible), as well as a challenge, and a need to make a commitment to meet that challenge. In terms of the Four Drive Theory, the drive to acquire was a motivating factor both for the extrinsic reward offered by the T-shirt, but also by the intrinsic reward of having the status of seeing one’s name on the leader board. The drive to learn was also activated, with riders wanting to challenge themselves to find out what level they could achieve.

All three theories rely on recognition, and the leader board provided this as it was changed whenever a new record was set. Some riders returned to have second, third or even fourth attempts when their names had been replaced on the leader board. They did not receive a second T-shirt for doing so but were simply motivated by the challenge of improving on their previous attempt, and perhaps returning to the leader board. In doing so, they could see the times achieved by previous riders, and now had a specific goal to aim for. This goal clarity and the fact that they could get instant feedback provided an immediate motivation to do better.

The experiment showed that while an extrinsic reward might be necessary to encourage initial participation in an activity such as this, the intrinsic rewards of meeting a challenge, gaining self-esteem and recognition for meeting a goal, were far more influential in motivating participants to try and achieve their best.

PUTTING THE FOUR DRIVE THEORY INTO PRACTICE

In addition to its experimental work in relation to employee motivation, the Lantern Group regularly publishes informative articles on its website. The following article appeared in one of their online blogs.

What great leaders need to do

Rightfully or not, many employees look to the company to provide them with their motivation for work. While many of these motivations are inherent in a company, good leaders know that they have to work at it constantly to ensure that they are satisfying all four drives.

1. Focus on all 4 Drives

It is important to understand that all the good work that a company or leader does in these four areas can be ruined if one of the four drives is lacking. Research shows that weakness or fulfilling one of the 4-Drives ‘casts a negative halo’ effect on how the company or leader performs on all the other 3 drives. It is important then for a leader to ensure that they are identifying and addressing any issues that they see in any of the four drive areas.

2. Individualise motivation

It is also important to know that individual employees each have a unique 4-Drive Motivational profile. In other words, some employees will respond or require greater satisfaction of the A drive, while others will focus more on the C drive (or B or D). Each employee will perceive how the company or leader is performing on each of these drives differently. Good leaders are those who understand these differences and can focus specific employees on satisfying the drives of their specific needs.

3. Communicate effectively

Leaders need to effectively communicate how their systems, policies and structure align with the four drives. In other words, they need to be able to explain, or to map out the connections between what the company is doing or providing and how this would satisfy one or more of the drives. For instance, a leader could identify the reasons that they are sponsoring a community service event is not only to help the community (drive D) but also to provide an opportunity for employees to get to know each other and their families (drive B) and to give them a chance to learn a new skill (drive C).

4. Experiment

Good leaders constantly look for ways of enhancing each of the four drives, by being committed to looking for different ways and different opportunities for employees to satisfy their needs. One such way could be to implement new structures and processes and see how they work.

3.7 Activities

TEST your skills
1. What can the experiment with the exercise bike and lights tell us about the relative importance of intrinsic rewards when compared with extrinsic rewards?
2. Why is it important that a leader focuses on all four drives when managing employees?
3. Explain what is meant by ‘individualising motivation’.
4. Outline the importance of communication and experimentation in enhancing the use of the Four Drive Theory with employees.

APPLY your skills
5. Outline the ways in which the bike experiment demonstrates the effectiveness of each of the three theories of motivation you have studied in this subtopic.
6. ‘Goal setting provides a sense of direction and purpose for employees.’ Discuss whether or not you agree with this statement.
7. The task word ‘examine’ generally requires you to make the details or meaning of something clear (possibly exploring both sides or cause and effect). The task word ‘apply’ generally requires you to use the information provided or knowledge relevant to a particular situation and make links and connections.
   (a) Examine the use of Maslow’s Hierarchy of Needs at Lantern Group.
   (b) Apply the key principles of Lawrence and Nohria’s Four Drive Theory to the bike experiment at Lantern Group.
   (c) Explain Locke and Latham’s Goal Setting Theory and apply it to Lantern Group.
8. In groups of three, prepare a short role play, demonstrating your understanding of one of the motivational theories. Your play should illustrate situations before and after a motivational theory is applied. For example, if you choose to present the five needs highlighted in Maslow’s theory, you might dramatise a scenario where a young, inexperienced employee in a bakery, employed for the Christmas period, is unsure of their long-term job prospects. For example, you could outline whether or not their physiological needs are met, and whether or not their safety and security needs are met. Finish your play by showing how these needs could be resolved.

3.8 Motivation strategies: financial

**KEY CONCEPT** A business may use financial or non-financial strategies to motivate employees. Financial strategies usually involve the provision of additional wages or salaries, or other financial benefits as a means of motivating employees.

We all go to work to earn money, in order to purchase the goods and services we need. The opportunity to earn additional wages or salary by increasing or improving work performance can be a powerful form of motivation for employees. An employer has a number of ways of using financial incentives to motivate employees, including performance-related pay, as well as access to a share in the profits of the business.

3.8.1 Performance-related pay

Performance-related pay is a means of rewarding employees when they perform their duties in a manner that equals or exceeds a set of pre-determined goals or criteria. It is usually designed as a means of motivating employees. An employer can provide motivation with direct payments to employees, such as pay increases, bonuses and commissions.
Pay increases
When an employee begins work at a particular business the level of pay will be set by either an Award or an amount agreed to in an employment contract. This will probably be a standard amount paid to any new employee carrying out the same duties in that business. It is then open to the employer to offer pay rises to any employees who work hard, or who make a significant contribution to the achievement of business objectives. Such a pay rise would usually involve an increase in the hourly or daily rate of pay, and can serve as a strong incentive for employees to make that extra effort.

Bonuses
A bonus is a one-off payment given to a particular employee or group of employees as a reward for meeting particular targets, or some other special effort. It does not involve any ongoing pay rise. Different employees within the business may receive bonuses of differing amounts, depending on their contribution to the business as perceived by the employer.

Commissions
A commission is an amount paid for accomplishing a sale. It is usually a fixed percentage of the sale price, and is paid to the salesperson who accomplished the sale of the service or product. The real estate industry is one in which salespeople earn most of their income from commissions. The finance industry also uses commissions for salespeople selling products such as insurance policies. Often the salesperson will be paid a relatively low base salary, which is topped up by commissions. The more sales the person makes, the greater their pay, so they have a strong incentive to make as many sales as possible.

3.8.2 Other financial incentives
One of the objectives of a business is to increase profits, so providing employees with access to a share of those profits can be a powerful form of motivation.

Share plans
A registered company can offer shares in the ownership of the business to its employees. If the business is successful, the profit is paid as a dividend to its shareholders, so the employees will gain additional income from contributing to increased profits. If the business is a public company with its shares listed on the Australian Securities Exchange (ASX), good levels of profit can lead to an increase in the share price over time, so the value of the employees’ shareholdings can increase, providing them with a valuable asset.

Profit sharing
Instead of providing employees with shares, a company can offer a percentage of the profits to its employees as an incentive to work hard and raise the level of those profits. Usually the employees will be offered a fixed percentage of the profits, so the amount will vary from year to year.

Gainsharing
A particular type of profit sharing is a system known as gainsharing. In a gainsharing program, employees are encouraged to offer suggestions to improve productivity, or to reduce production costs. The savings to
the business from those improvements are then distributed to the employees. Because it relies on ideas and suggestions from employees, it can provide a useful tool to engage employees in improving the operational systems of the business.

3.8.3 Effects on short- and long-term employee motivation

In general, performance-related pay is considered to have a short-term effect on employee motivation. Financial benefits such as pay increases, bonuses and commissions can influence short-term employee motivation in that they provide an immediate and tangible reward for effort and/or commitment to the business. Commissions are usually paid when earned, and bonuses and pay increases can often occur on an annual basis. When these types of rewards become an ongoing strategy, they can provide longer term employee motivation, as the employees recognise that they will be regularly rewarded for their efforts.

Share plans, profit sharing and gainsharing tend to provide longer term motivation, as the rewards may take a number of years to be achieved. Shares can rise and fall in value in the short term, but generally trend upwards in value over a longer period. Profits are not guaranteed every year, and so require the employee to take a longer term view of the success of the business. Productivity improvements from employee suggestions may also take time, and so gainsharing is also more likely to have an effect on long-term employee motivation.

EXAM TIP

The outcome for Unit 3, Area of Study 2 states that you need to ‘analyse and evaluate strategies related to the management of employees’. This suggests that you should know the advantages/strengths and disadvantages/limitations of each motivation strategy (performance-related pay, career advancement, investment in training, support and sanction). The task word ‘analyse’ will require you to identify the main features of each motivation strategy and then most likely how they relate to a situation in a business. The task word ‘evaluate’ generally requires you to consider both sides of something, and then provide an overall conclusion or judgement related to which argument is the more persuasive and why.

3.8.4 Advantages and disadvantages of financial motivation strategies

The advantages and disadvantages of different financial motivation strategies can be summarised as follows.

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<thead>
<tr>
<th>Strategy</th>
<th>Advantages</th>
<th>Disadvantages</th>
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</table>
| Pay increases | • The pay rise can be tied to levels in an Award, and so can be predictable and easily calculated.  
• When more experienced employees are on the higher level of pay, it provides the newer employee with a clear target to aim for in a pay rise. | • Once the employee is receiving the higher level of pay it is difficult to cut pay if the employee’s performance declines.  
• Other employees doing the same work may expect a similar level of pay, even if their performance is not as good, leading to jealousies and lower morale. |
| Bonuses     | • Can be varied from employee to employee, depending on level of performance, as each employee’s bonus is confidential  
• Only have to be paid when there is actual performance improvement | • If confidentiality is not maintained, different levels of bonus can lead to conflict between employees.  
• If the value of the bonus is not maintained or increased each year, it may lead to employee dissatisfaction. |

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<thead>
<tr>
<th>Strategy</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissions</td>
<td>• Only apply when sales take place, so a relatively low cost for the employer</td>
<td>• If base pay is too low, some employees may not earn enough, so may leave, resulting in high staff turnover.</td>
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<tr>
<td></td>
<td>• Can motivate sales staff to work harder to close a deal, so genuinely rewards effort</td>
<td>• Can lead to large differences in staff pay, with possible morale issues</td>
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<tr>
<td>Share plans</td>
<td>• All employees have an interest in increasing profits and improving the share price</td>
<td>• Share prices can go up and down independently of the performance of the business because of the vagaries of the market, so may not be a secure investment for the employees.</td>
</tr>
<tr>
<td></td>
<td>• Employees feel a sense of ownership and belonging in the business as they are shareholders.</td>
<td>• Employees are usually not permitted to sell their shares until they leave the company.</td>
</tr>
<tr>
<td>Profit sharing</td>
<td>• Tied to levels of profit, so genuinely rewards improvements in that measure</td>
<td>• Usually does not vary between employees so does not always identify individual effort or performance</td>
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<tr>
<td></td>
<td>• Is relatively easily calculated, and the percentage can be determined in advance, so is very transparent</td>
<td>• If profit drops because of external factors, employees may feel unfairly treated when their share declines.</td>
</tr>
<tr>
<td>Gainsharing</td>
<td>• Involves employees in improving productivity, so improves level of engagement and commitment</td>
<td>• Employees who have made suggestions for improvement may have to share the benefits with those who have not made such a contribution.</td>
</tr>
<tr>
<td></td>
<td>• Paid according to measurable improvements, so has a readily calculated value</td>
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</tbody>
</table>

**EXAM TIP**

The key skills for **Unit 3, Area of Study 2** state that you need to ‘compare and evaluate strategies used for motivation... when managing a business’. This suggests that as well as knowing the advantages/strengths and disadvantages/limitations of each motivation strategy (and being able to then provide an overall conclusion or judgement related to which argument is the more persuasive and why), you should also be able to comment on the similarities and differences between each motivation strategy.
3.8 Activities

TEST your understanding
1. Explain how an employer can use performance-related pay to motivate employees.
2. What is the difference between bonuses and commissions?
3. Outline the possible advantages and disadvantages of financial motivation strategies, including performance-related pay.
4. How can schemes such as profit sharing and gainsharing reward employees for their contribution to achieving business objectives?

APPLY your understanding
5. If you were managing a business and had the choice of offering permanent pay rises to employees over time, or bonuses once a year for good performance, which would you choose? Provide reasons for your choice.
6. If you were offered a sales job that included a low base pay, but had access to commissions based on the number of sales you achieved, would you be happy to accept those conditions of employment? Give reasons for your answer. What additional information would you want before accepting the position?
7. A small manufacturing business decides to set up a gainsharing program for its employees, while at the same time following Locke and Latham’s Goal Setting Theory. Explain how these two approaches could work together to improve motivation and help achieve business objectives.

EXAM practice
8. Describe how performance-related pay could be used to improve the performance of employees. (2 marks)
9. Peter runs a courier business, where productivity is measured by the number of deliveries carried out by each driver per day.
   (a) Explain how Peter could use performance-related pay to provide short- and long-term motivation to his employees to increase the number of daily deliveries they perform. (4 marks)
   (b) Explain the advantages and disadvantages of performance-related pay. (4 marks)

3.9 Motivation strategies: non-financial

KEY CONCEPT In addition to providing financial rewards, employees can use a number of other strategies to motivate employees. These usually relate to the ways in which managers and leaders respond to the personal needs and ambitions of employees.

As we have seen with the motivation theories of Maslow, Locke and Latham, and Lawrence and Nohria, people’s motivations are often closely related to their personal and emotional needs. Effective managers and business leaders recognise the importance of going beyond purely financial incentives to provide motivation that reflects the individual needs and ambitions of their employees.

3.9.1 Career advancement
Career advancement occurs when a person takes on a job that carries greater responsibilities or increased opportunities to provide leadership.

For most people in the workplace, the opportunity to advance to a better job is an important objective in their career plans. This can occur within a workplace, or by moving to a new workplace. Many employees today are willing to change employers every few years in order to move up to a better paid or more challenging or interesting job. In this context, it is important for employers to provide career advancement within the workplace if they wish to retain valued employees.
The opportunity to move into a more challenging or stimulating position, with some supervisory or managerial responsibilities can provide valuable short- and long-term motivation for employees. In the short-term it usually brings a pay rise and greater job security, which satisfy the low order needs on Maslow’s hierarchy. In the longer term it provides a means by which some of the higher level needs in Maslow’s hierarchy can be satisfied. An opportunity to be involved in decision-making in a leadership position can satisfy the social needs; gaining responsibility through promotion can satisfy esteem needs; and providing creative and interesting work can satisfy self-actualisation needs. In the same way, career advancement also satisfies some of the four drives as outlined by Lawrence and Nohria. The drive to achieve and acquire status and influence, the drive to bond and belong, and the drive to learn and comprehend can all be satisfied by promotion and career advancement. In the short term, satisfying these drives provides employees with a level of motivation to do their job well each day. Satisfying these drives can affect long-term motivation by encouraging the employee to remain with the organisation, and not seek opportunities elsewhere.

**EXAM TIP**

The key skills for **Unit 3, Area of Study 2** state that you need to ‘propose and justify strategies to manage employees effectively’. The task word ‘propose’ suggests that you should put forward a motivation strategy (performance-related pay, career advancement, investment in training, support or sanction) for consideration or action when asked. This involves writing a little more than simply just identifying or suggesting the strategy. You should be able to define the motivation strategy as well as explain a little about it. The task word ‘justify’ requires you to show how the motivation strategy you have selected is the best choice or to provide evidence to support your argument.

**3.9.2 Investment in training**

**Investment in training** refers to the direction of finances into the teaching of skills to employees. Improving the skills of employees has benefits for both the business and the workforce. A skilled workforce can improve productivity, and help achieve core business objectives. Providing employees with additional skills can increase job satisfaction, and promote higher levels of both short- and long-term motivation. A more highly skilled job will usually pay more, so naturally employees will take the opportunity to take on additional training in the short term to give them access to those types of jobs. A business that invests in training can gain a number of advantages.

Investment in training can also effect long-term motivation of employees. In terms of Maslow’s hierarchy, successful completion of additional training supports the esteem need by providing the employee with a sense of accomplishment. The personal growth that comes from gaining new skills can also help satisfy the self-actualisation need. In terms of Locke and Latham’s Goal Setting Theory, skill development goals can be established for employees to improve their own abilities, as well as to contribute to the business in a concrete way. Completing a particular training course is a clear and unambiguous goal; it can provide a suitable challenge; it requires commitment on the part of the employee; it provides many opportunities for positive feedback; and it can be set at an appropriate level of task complexity. Staff training also satisfies a number of the drives identified by Lawrence and Nohria. A sense of achievement through the acquisition of new skills; an opportunity to bond and belong by demonstrating a higher level of skills to contribute to business objectives; and the learning and improved comprehension that comes from training can all satisfy these basic drives.
3.9.3 Support

Support is the assistance or services (such as counselling and mentoring) provided by the business to help employees cope with difficulties that may impede their work performance. Most employees want to work in a supportive environment. They want to feel that the employer values their contribution to the workplace, and that they will be treated fairly and with sympathy towards their personal needs. A supportive management style can be an important factor in developing and sustaining such an environment.

Providing support and encouragement for employees can motivate them to do better, and should always apply when an employee has done a particularly good job, or achieved a pre-arranged goal or target. Support can also be relevant when an employee has made a mistake, particularly if the employee is relatively new or inexperienced. Most people learn from their mistakes, and provided the mistake has not endangered other workers, or seriously jeopardised the relationship with a valued customer or supplier, the employee may benefit from the experience. A supportive workplace can have a positive effect on the employee’s long-term motivation, as it encourages a sense of loyalty, and willingness to remain in that work environment.

3.9.4 Sanction

A sanction is a penalty or form of discipline imposed on an individual. It may become necessary when an employee does the wrong thing in the workplace. This is particularly relevant if the error is deliberate or reckless, and may be potentially harmful to other staff or customers. Fear of sanctions can be a motivating factor for some employees, but will generally only influence lower order needs on the Maslow hierarchy, such as physiological, or safety and security needs. It can also influence the defence drive as identified by Lawrence and Nohria. A desire to avoid unpleasant consequences has very limited value. It is only likely to impact on short-term motivation, as it does not encourage the employee to make a long-term commitment to the business.

3.9.5 Advantages and disadvantages of non-financial motivation strategies

The advantages and disadvantages of different non-financial motivation strategies can be summarised as follows.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| Career advancement | • Can provide a means of retaining valuable employees  
|                  | • Can be used to reward past performance and provides the opportunity to increase the contribution of employees to the business in the future  
|                  | • Satisfies three of the higher level needs of Maslow's hierarchy  
|                  | • Can satisfy some of the four drives (Lawrence and Nohria)  | • Promotion positions cannot just be created — they have to have some purpose.  
|                  |                                                                          | • Employees may have to compete for a limited number of promotion positions, creating some rivalries and conflict.  
|                  |                                                                          | • Employees may be promoted beyond their capacity.                              |

(Continued)
### Strategy: Investment in training

**Advantages**
- Indicates to employees that the business values their contribution, and that the business will support them in advancing their careers.
- Benefits the business by improving the skills of employees.
- Improving skills can satisfy higher level needs in Maslow’s hierarchy, as well as providing goals for goal-setting theory, and satisfying some of the four drives.
- May improve employee retention as staff loyalty and motivation are improved.

**Disadvantages**
- Unless there are sufficient jobs within the business requiring higher level skills, training may be wasted.
- The business may pay the cost of training only to have the employee leave for a position in another business.
- If a business has poor systems, poor facilities or equipment, or if employees are performing the wrong tasks or in the wrong job, training will not motivate them.

### Strategy: Support

**Advantages**
- Support and encouragement can influence employee attitudes, improving motivation.
- Can act as a long-term motivator.

**Disadvantages**
- It may be difficult to find reasons to support and encourage some employees.
- Requires a business to have a positive corporate culture.

### Strategy: Sanction

**Advantages**
- Sanctions for poor behaviour in the workplace can motivate some workers to improve their work performance.

**Disadvantages**
- Excessive emphasis on sanctions can reduce employee sense of belonging, and therefore have a negative impact on motivation.
- Tends to act as only a short-term motivator.

### 3.9 Activities

**TEST your understanding**

1. Why is it important for employers to provide career advancement opportunities?
2. Explain why investment in training is able to provide benefits for both employers and employees.
3. Under which circumstances might it be appropriate to use a sanction with an employee?
4. Why is it usually better to use support rather than sanction?

**APPLY your understanding**

5. Jane is Human Resource Manager at a pharmaceuticals company. She is a strong believer in using Maslow’s Hierarchy of Needs as a means of motivating employees within the company. How can each of the following strategies help her to meet the motivational needs of employees?
   - Providing career advancement opportunities
   - Investing in the training of employees

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*Jacaranda Key Concepts in VCE Business Management Units 3 & 4 Fifth Edition*
6. Identify and explain three of the difficulties Jane may face in implementing these strategies.
7. Heather’s mother is suffering from cancer and is in hospital being treated. Heather needs to see her mother frequently, and pretends to be ill so she can take time off work to visit the hospital. She is entitled to paid sick leave but is afraid that visiting her mother does not qualify as a reason for paid leave. If the employer found out about her deception, what would be the possible advantages and disadvantages of each of the following strategies?
   (a) Imposing a sanction on Heather, such as cutting her pay for the time missed from work
   (b) Supporting Heather by giving her paid time off work during her mother’s illness

EXAM practice
8. Explain the term ‘career advancement’ and analyse how it might satisfy any two of the four drives identified by Lawrence and Nohria in their motivational theory. (6 marks)
9. Charlie is the owner of a publishing business called Monster Publishing. A survey has revealed that some employees are lacking in motivation.
   (a) Explain how Charlie could use investment in training to provide short- and long-term motivation to his employees. (4 marks)
   (b) Explain the advantages and disadvantages of support. (4 marks)

3.10 EXTEND YOUR KNOWLEDGE Financial and non-financial motivation

KEY CONCEPT It is desirable for an employer to make use of a combination of financial and non-financial motivation to encourage employees to make the maximum contribution to the achievement of business objectives.

Motivated employees will always perform better in the workplace than those who simply turn up, do the bare minimum and collect their pay. Everyone recognises the importance of money as a motivating force, and employees who contribute to business success deserve to be rewarded with appropriate levels of pay. In addition, the use of non-financial motivation strategies can help get the best out of employees, adding to business performance and greatly assisting in achieving business objectives.

MOTIVATING MEANS MORE THAN MONEY

Managers often instinctively resort to financial reward as the main method of motivating their staff. However, many studies have shown that for people with good salaries, non-financial motivators are more effective than offering extra money. Some non-financial motivators that have been found to be very effective include:
1. regular attention from leadership. This may occur, for example, through monthly one-on-one conversations, which can nurture the bond between employee and manager as well as improve performance. This involves a manager taking time out to reflectively discuss performance with each employee and create individual action plans. Many businesses have replaced their annual performance appraisals with regular check-ins.
2. praise or recognition. Acknowledgement from management is very important for engaging employees. This does not necessarily require the recognition of staff at annual awards nights or functions, however, many businesses do this. A simple thank you note handed to a staff member or an email praising them for a job well done can also have very positive consequences. Employees can also be encouraged to praise or recognise each other.
3. responsibility. By giving employees more responsibility they feel their contribution is more valuable to the business. This might include the opportunity to lead a project or a special task force.
4. **providing creative, challenging and varied work.** Employees will find their jobs more engaging if they are challenging and interesting. Sometimes tasks can be made more interesting simply by removing unnecessary aspects of the job, such as excessive paperwork or bureaucratic systems. Financial rewards can result in short-term motivation, which can have damaging, unintended consequences. Non-financial motivators can be much more cost-effective. They also have the extra benefit of making employees feel that the business values them, leading to improved productivity. Motivated employees are more likely to be retained by the business, which reduces recruitment and training costs. Research carried out by RedBalloon and AltusQ in 2013 suggests that a highly engaged workforce is a highly productive workforce. Their *Employee Engagement Capabilities Report* found that businesses with the highest levels of engagement outperformed other businesses in performance indicators including sales and turnover, profit, productivity, staff retention, attracting talent, customer loyalty and customer satisfaction.

So why don’t more managers make use of non-financial motivators? One factor deterring businesses from using non-financial motivators is the traditional management belief that only money matters as a form of incentive. Another reason is the greater amount of time and commitment required from managers to use the non-financial motivators. Many of these motivators require management to interact with employees, and failing to do so can seriously harm employee engagement.

**Optiver**

Optiver is a Dutch market-maker trading company. A market maker is a company that quotes a buy and a sell price for financial commodities, such as shares, options and futures. The traders and IT developers who work at Optiver generate large numbers of instructions, using automated trading software, to move in and out of trades very quickly.

The company has created an engaged, highly satisfied workplace at its Australian headquarters in Sydney. It was voted the best place to work in Australia by *BRW* in 2013, and has featured in the top 10 workplaces regularly since then.

Optiver hires talented people and teams new recruits with a buddy to make the induction process work smoothly. It offers flexible conditions and training in ethics, and makes an effort to cut ‘red tape’ and bureaucracy. Employees are encouraged to pursue interests outside of work. Open communication and teamwork are used to gather and act on the ideas of staff. The use of these motivation strategies at Optiver reflects the positive real corporate culture of the business.

**MOTIVATING EMPLOYEES AT FONDA MEXICAN RESTAURANT**

The word ‘Fonda’ is used in Mexico to describe a house with an open kitchen, where visitors are always welcome. The Fonda restaurant chain was founded in Melbourne by David Youl and Tim McDonald in 2011, and aims to carry on this tradition of a relaxed and welcoming dining experience. Although the restaurant now operates at seven different sites in Melbourne and one in Sydney, David and Tim have chosen not to make use of a franchise model, as they wish to maintain a consistent management culture across each of the restaurants. This culture encompasses the following features:

- Alignment between the business objectives and employee objectives is given highest priority. This means that employees have a direct interest in improving the profits of the business through a system of profit sharing.
- Each branch of the business is managed by a Restaurant Business Leader. This person is paid a base salary, which is augmented monthly by a 7 per cent share of the profit of that restaurant. The higher the profit, the larger the amount paid to the RBL. Base salaries are kept relatively low, but the share in the profits has meant that the actual take home pay is generally higher than the industry average.
Assisting the RBL in each restaurant is a Senior Assistant Business Leader, who is paid 3 per cent of the profits, and two or three Assistant Business Leaders who are each paid 2 per cent. While base salaries for each of the members of the leadership team is also relatively low, their share of profit inevitably means they actually take home salaries that are higher than comparable employees in other restaurants.

The leadership teams meet together monthly with the business owners, when profit share payments are made and ideas for improving productivity are shared. Leaders are encouraged to learn from each other and to celebrate the achievement of business goals.

Every three months, all staff meet for a ‘Buzz Breakfast’, at which a wide variety of staff achievements are reported and celebrated.

An annual awards dinner is held each year for all employees, and this is seen as the company’s equivalent to a Brownlow Medal celebration.

Each May, the leadership teams meet to set the objectives for the next financial year. These objectives are broken down into monthly, weekly and even daily goals, and these goals are made measurable and communicated to all staff. It is not unusual for customers in one of the restaurants to see staff stop for 20 seconds and break out into cheering and applause when a daily sales goal or a food preparation time goal has been achieved.

Staff are known as ‘Fondarians’, and are encouraged to see themselves as important team members. Ideas and suggestions for improvement from all staff are strongly encouraged, acknowledged regularly and celebrated.

In 2015, Fonda was recognised by the Business Review Weekly as the 22nd fastest growing company in Australia, up from 39th the previous year. Aligning staff motivation with business objectives has proved a recipe for success for Fonda in the very crowded and competitive hospitality industry.

3.10 Activities
TEST your understanding
1. Read ‘Motivating means more than money’. Summarise the incentives that have been found to be effective in motivating staff.
2. To what motivational theories do these motivators relate?
3. Outline factors that could deter managers from using non-financial motivators.
4. How do the owners of Fonda Mexican Restaurants make use of both financial and non-financial strategies to motivate staff?
5. In what ways are the business objectives of Fonda Mexican Restaurants aligned with the objectives of employees in those restaurants?
6. Explain why customers at a Fonda restaurant may occasionally see employees break out into cheering, applause, and congratulating each other.
EXTEND your understanding

7. Survey your family and friends about what motivates them in the workplace. Use a selection of the main motivators as categories, including pay, working conditions, setting goals, achievement, recognition, creative and interesting work, and teamwork. Present your results neatly in graphs supported by a written conclusion, then compare and contrast your findings with those of your classmates.

8. Outline the ways in which the Fonda Mexican Restaurant business demonstrates how each of the following theories of employee motivation can be applied in a practical business situation:
   (a) Maslow’s Hierarchy of Needs
   (b) Locke and Latham’s Goal Setting Theory
   (c) the Four Drive Theory of Lawrence and Nohria.

3.11 APPLY YOUR SKILLS Evaluating motivation strategies

PRACTISE YOUR SKILLS
- Define, describe and apply relevant business management concepts and terms
- Research and analyse case studies and contemporary examples of management related to managing staff in a business
- Interpret, discuss and evaluate business information and ideas
- Apply knowledge about managing employees to practical and/or simulated business situations
- Examine and apply the key principles of the theories of motivation
- Compare and evaluate strategies used for motivation when managing a business
- Propose and justify strategies to manage employees effectively

3.11.1 Employee effort

TURNING UP AT WORK, BUT LEAVING MOTIVATION AT HOME

In September 2016, Business Insider website reported on a survey carried out by the consultancy company CEB, that measured the amount of extra effort employees are putting into their work. The survey, known as the Global Talent Monitor, found that only 19 per cent of Australian workers are putting a high discretionary effort into their work. Discretionary effort is the amount contributed over and above what is basically required to complete a task. The Global Talent Monitor found that most Australian workers are motivated by more than money, with work–life balance, respect in the workplace and location of the work premises rating more highly. In times of economic uncertainty, employees who are not particularly happy at work are not prepared to risk moving to another job. The authors of the report believe that it is essential for employers to engage with their employees, focus on good relationships and effective people management in the workplace, and provide career path opportunities to rebuild trust and motivate the workforce.

3.11.1 Activities

TEST your skills

1. The Global Talent Monitor found that only 19 per cent of Australian workers were putting a high discretionary effort into their work.
   (a) Define the term ‘discretionary effort’.
   (b) Why is discretionary effort significant for Australian businesses?

2. Identify two factors in the workplace that Australian workers rate more highly than money.

APPLY your skills

3. The authors of the report focus on the need for employee engagement, good relationships, effective people management in the workplace and the provision of career path opportunities to rebuild trust and motivate the workforce. Apply the key principles of one theory of motivation to these strategies.

4. Gemma is disappointed by the discretionary effort that her employees are putting into their work for her sheet metal business. Examine the key principles of Maslow’s Hierarchy of Needs for improving motivation at Gemma’s business.

3.11.2 Hiring motivated people

THE MOTIVATION DILEMMA

Dr Jana Matthews is Director of the Australian Centre for Business Growth at the University of South Australia. She is an internationally recognised expert on business leadership. She doesn’t believe that it’s possible to motivate people in isolation. Her view is that businesses should hire motivated people and then make sure they don’t demotivate them. Hiring motivated people comes down to finding out what the job applicant wants to do with their life, their personal goals, what type of job they are looking for and what type of business they want to work for. Assuming the applicant has the required skills and experience to actually do the job, it is essential to match the applicant’s goals and values with those of the business. If the person is a good fit for the business, they will bring a strong level of motivation with them.

Research carried out by Dr Matthews and her colleagues has indicated that the best prospective employees are motivated (in order) by the company’s goals and mission; the level of support they can get from managers and leaders to develop professionally and personally; the people they will be working with; and their pay. People who are motivated primarily by the level of pay will probably not stay long because they will always be looking for higher pay elsewhere. People who believe that they can achieve their own personal goals by contributing to the achievement of the business’s goals will usually be highly motivated employees.

Having hired the best person, how does the business owner or manager keep them motivated and build on their levels of motivation? Dr Matthews has the following hints:

• The first day is absolutely critical. The new employee will arrive with a mixture of excitement, nervousness and uncertainty. Making them feel welcome, introducing them to the culture of the organisation, and providing them with as much information as possible about the business can reduce any first-day nerves. Introducing them to supervisors and co-workers who can support and mentor them can make them feel comfortable and ready to contribute.

• Provision of professional and personal development opportunities can help maintain the enthusiasm and motivation of employees. Keeping employees up to date with the plans and goals of the business can also contribute to the sense of belonging.

• Face-to-face time with managers helps to educate employees in how the business wants its workforce to operate. Employees will often follow an example set by their supervisors, so the examples should always be positive.

• Informal feedback and advice can also help to motivate employees and give them confidence to contribute.

• Recognition for a job well done, and appropriate rewards, are an essential part of maintaining the levels of motivation that will ensure valuable contributions from employees.

Dr Matthews also believes it is essential that the manager or business owner is not a demotivator. Demotivation can be a result of poor management; for example, when a manager claims all the credit for successes, blames
everyone else when things go wrong, and refuses to admit to mistakes. Confusion and inconsistency can also be serious demotivators, so having clear goals and making sure everyone understands them is vital. Unhappy workers and poor performers can undermine the motivation of others. It is better to have these workers leave than risk them bringing the whole organisation down.


3.11.2 Activities

TEST your skills

1. How does Dr Matthews believe that an employer can identify a prospective employee who has the right levels of motivation for a job vacancy?
2. Why does Dr Matthews believe that people who are motivated primarily by levels of pay are not the best people to hire?
3. What is ‘demotivation’? Outline two types of behaviour that could lead to a manager being a ‘demotivator’.

APPLY your skills

4. The task word ‘propose’ generally requires you to put forward an idea, argument or suggestion for consideration or action. This involves writing a little more than simply just identifying or suggesting something. Based on Dr Matthews’ hints for maintaining high levels of motivation, propose two motivation strategies that would be consistent with her views.
5. The task word ‘justify’ requires you to show how the statement or statements that you have made are correct or to provide evidence to support your argument. Based on Dr Matthews’ hints for maintaining high levels of motivation, justify two motivation strategies that would be consistent with her views.

3.11.3 Maintaining motivation

KEEPING YOUR EMPLOYEES MOTIVATED

SEEK began as an online employment website in 1997 and in over 20 years has expanded to become a worldwide company that focuses on needs/solutions and provides educational services in human resource management. Its Insights and Resources website offers the following eight suggestions for keeping employees motivated.

1. Communicate your vision — at every possible and relevant opportunity.
2. Get feedback from your employees — and use their suggestions to develop plans for improvement into the future.
3. Start planning — and communicate your plans to your employees.
4. Reward employees — and link staff reward programs to performance and positive behaviours.
5. Small rewards do encourage — keep rewards small and frequent to give everyone the opportunity to succeed.
6. Openly reward achievements — public praise and presentations can encourage everyone to try harder.
7. Keep them keen — take opportunities to discuss career progression opportunities with employees and encourage them to develop personal goals.
8. Celebrate — set up occasions for all staff to celebrate together.

3.11.3 Activities

TEST your skills
1. Identify three ways listed in the ‘Keeping your employees motivated’ case study in which communication between employer and employees is seen to be important as a motivating strategy.
2. What are the key features of a successful employee rewards program, as identified in the above case study?

APPLY your skills
3. To what extent do you believe that each of Seek’s eight suggestions can contribute to the following motivation strategies?
   (a) Performance-related pay
   (b) Career advancement
   (c) Investment in training
   (d) Support
   (e) Sanctions
4. The task word ‘compare’ generally requires you to comment on the similarities and differences between two things.
   (a) Compare performance-related pay and career advancement.
   (b) Compare investment in training and support.
5. Collins Construction has been in operation for 10 years and employs 30 people throughout Victoria. Sales and staff morale have been declining. The Human Resource Manager has been asked to improve the situation.
   (a) The task word ‘propose’ generally requires you to put forward an idea, argument or suggestion for consideration or action. This involves writing a little more than simply just identifying or suggesting something. The task word ‘justify’ requires you to show how the statement or statements that you have made are correct or to provide evidence to support your argument. Propose two motivation strategies that will assist the Human Resource Manager to motivate the employees. Justify which strategy would be the most suitable for Collins Construction.
   (b) The task word ‘evaluate’ generally requires you to consider both sides of something, and then provide an overall conclusion or judgement related to which argument is the more persuasive and why. Evaluate how one motivation strategy will assist the Human Resource Manager to motivate.

3.12 Review

3.12.1 Summary

Human resources and business objectives and strategy
- Human resource management involves effectively managing employees in a business, the relationship between employees and the business, as well as the motivation of employees, with the aim of ensuring the business objectives are successfully met.
- The overall business objectives of the business will determine the objectives and strategies adopted by human resources.

Motivation and Maslow’s Hierarchy of Needs
- In order to achieve business objectives, staff must be motivated. A number of theories have been developed proposing how workers can be motivated.
- Maslow’s Hierarchy of Needs theory requires that managers understand where each worker is situated according to a hierarchy of needs in order to try to satisfy employee needs appropriately.

Motivation theories: Locke and Latham’s Goal Setting Theory
- Locke and Latham’s Goal Setting Theory involves the establishment of clear, challenging goals as a way to motivate staff and improve their performance.
- Clarity, challenge, commitment, feedback and task complexity are the essential principles of Goal Setting Theory.
Motivation theories: Lawrence and Nohria’s Four Drive Theory

- Lawrence and Nohria’s Four Drive Theory identified four basic human drives that determine all human behaviour and applied these to the motivation of employees in the workplace.
- These drives are the drives to acquire, bond, learn and defend.

Motivation strategies: financial

- Performance-related pay refers to the monetary compensation provided to employees relative to how their performance is assessed according to set standards.
- Financial motivation strategies can include direct payment incentives such as pay increases, bonuses and commissions.
- Employees can also be motivated by having the opportunity to share in the performance of the business through share ownership, profit sharing and gainsharing.

Motivation strategies: non-financial

- Career advancement is the assignment of more responsibilities/authority to employees or the promotion of employees to positions that bring rewards, such as increased salary, fringe benefits and increased responsibilities.
- Investment in training refers to the direction of finances into the teaching of skills to employees.
- The opportunity for career advancement and investment in training can provide levels of personal challenge and satisfaction that will motivate employees.
- Support is the assistance or services (such as counselling and mentoring) provided by the business to help employees cope with difficulties that may impede their work performance.
- Sanction is a form of penalty or discipline for poor performance.
- Support and encouragement will generally produce better results than sanctions in the workplace.

3.12.2 Key terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>career advancement</td>
<td>the assignment of more responsibilities/authority to employees or the promotion of employees to positions that bring rewards, such as increased salary, fringe benefits and increased responsibilities</td>
</tr>
<tr>
<td>Hierarchy of Needs</td>
<td>Maslow’s sequence of human needs in the order of their importance</td>
</tr>
<tr>
<td>human resource management</td>
<td>the effective management of the formal relationship between the employer and employees</td>
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<tr>
<td>human resource manager</td>
<td>coordinates all the activities involved in acquiring, developing, maintaining and terminating employees from a business's human resources</td>
</tr>
<tr>
<td>investment in training</td>
<td>the direction of finances into the teaching of skills to employees</td>
</tr>
<tr>
<td>motivation</td>
<td>the individual, internal process that directs, energises and sustains a person's behaviour</td>
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<tr>
<td>need</td>
<td>a personal requirement</td>
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<tr>
<td>performance-related pay</td>
<td>the monetary compensation provided to employees relative to how their performance is assessed according to set standards</td>
</tr>
<tr>
<td>productivity</td>
<td>a measure of performance that indicates how many inputs (resources) it takes to produce an output (goods or services)</td>
</tr>
<tr>
<td>sanction</td>
<td>a form of penalty or discipline imposed on an employee for poor performance</td>
</tr>
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<td>support</td>
<td>the assistance or services (such as counselling and mentoring) provided by the business to help employees cope with difficulties that may impede their work performance</td>
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</table>

Resources

- Digital doc: Key terms glossary (doc-29440)
3.12.3 Review questions

TEST your understanding
1. Devise your own definition of ‘human resource management’.
2. Explain how human resource objectives and strategies are linked to overall business objectives.
3. Choose one motivational theory and explain how it could be used by a business to motivate staff.
4. Explain how an employer can use pay increases, bonuses and commissions to improve employee motivation.
5. How can share ownership plans, profit sharing and gainsharing be used to align business objectives with the personal objectives of employees?
6. Outline the key non-financial strategies that can be used to motivate employees.

APPLY your understanding
7. An accountant in a major accounting firm is often late to work, his productivity has decreased, and some clients have complained that he is slow to respond to their requests. As the human resource manager, how would you handle this situation? Apply a motivational theory that you think could be used to improve his performance.
8. Examine the advantages and disadvantages of each motivation strategy and describe the three most effective strategies that you would recommend a business use to maximise the motivation of its employees. Give reasons for your choices.

EXAM practice
9. Stacey is responsible for human resource management in a food processing factory in regional Victoria.
   (a) Define the term ‘human resources’. (2 marks)
   (b) Outline how the management of employees can contribute to the achievement of the business objectives of the food processing factory. (3 marks)
10. Crompton’s Cleaning Service is a domestic cleaning and housekeeping business owned by Cathy Crompton. It caters to the upper end of the market, charging higher fees but offering ‘blue ribbon’ service. Following a staff survey, it was found that some of the employees are lacking motivation. In addition, some customers have complained that their homes have not been cleaned to a standard they would expect for their higher fees.
    (a) Propose and justify one motivation strategy that Cathy could use to improve the performance of her employees. (4 marks)
    (b) Locke and Latham’s Goal Setting Theory has been recommended to Cathy to motivate her employees. Examine whether this theory is appropriate for Crompton’s Cleaning Service. (6 marks)
11. ‘Motivated employees will always produce better results for a business than those lacking in motivation.’
    Discuss this statement, with particular reference to the use of Maslow’s Hierarchy of Needs in motivating employees. (6 marks)
12. Harry wishes to use performance-related pay to help motivate his employees.
    (a) Define the term ‘performance-related pay’. (2 marks)
    (b) Compare performance-related pay to one other motivation strategy. (4 marks)
13. Two strategies for providing motivation for employees include career advancement and investment in training.
    (a) Evaluate the use of career advancement as a motivational strategy. (4 marks)
    (b) Explain the effect of investment in training on short- and long-term employee motivation. (4 marks)
3.12.4 School-assessed coursework

OUTCOME 2

Explain theories of motivation and apply them to a range of contexts, and analyse and evaluate strategies related to the management of employees.

ASSESSMENT task — structured questions

Time allowed: 50 minutes
Marks allocated: 30 marks (The marks for each question are indicated at the end of each question.)
Conditions: Closed book (No notes or textbooks may be used when completing this task.)

Part of the furniture

You are the HR manager in a large furniture-manufacturing company. You have become concerned about the performance of two valuable employees.

Peter has worked in the company for many years and is on a relatively high salary due to his experience and skill development. He has been supervisor in his section of the factory for several years, but recently he seems to have lost some interest in his work, especially after being overlooked for promotion to the position of production manager three months ago.

Veronica is a single mother with young children. She works in the sales and marketing department of the business and is responsible for promoting new products to furniture retailers, and ensuring orders from retailers are filled promptly. She is scheduled to start work at 8.00 am, but is often late to arrive. She says she is unhappy with the poor pay she receives and is looking for a new job. She is a very good worker, who produces good results, is well liked in the company and has developed good relationships with many of the furniture retailers who sell the company’s products.
Read the case study above, then answer the following questions.
1. Outline the relationship between managing employees and business objectives.  **(2 marks)**
2. Explain what you think currently motivates each of the workers in the furniture company.  
   **(2 + 2 = 4 marks)**
3. Apply the key principles of one theory of motivation you have studied to the motivation of the employees at the furniture company.  **(6 marks)**
4. Propose and justify two motivation strategies that could be used to improve the motivation of the employees at the furniture company.  **(8 marks)**
5. Compare performance-related pay and investment in training.  **(4 marks)**
6. Evaluate how either career advancement or support could be used to motivate the employees at the furniture company.  **(6 marks)**