

# [Applying motivational theories to compensation essay sample](https://assignbuster.com/applying-motivational-theories-to-compensation-essay-sample/)

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Abstract
An organization’s success is built and defined on its strategy and goal for the company. In order for an organization to achieve its goal, it must be shared with the whole organization. This includes the employees as well as stockholders feeling connected to the company and motivated to reach these goals usually by some type of compensation. Keywords: strategy, employees, compensation, motivation

Introduction
Employees help to achieve the company’s goals by performing assigned jobs. If the company has an integrated company-wide performance management system in place, employee performance is no longer a nebulous concept but rather a set of clearly defined expectations (goals) to be met by an employee in a given position. To determine the expectations, the company’s strategic goals are broken down in detail to the level of ordinary employees. Employees then seek motivation to meet the designated goals in which the company is able to help them by setting attainable conditions and measures. Hence, the performance of employees corresponds to how the work and rewards (both financial and non-financial) meet the employee’s needs.

Motivation can also be negative or positive. At first glance it could seem, indeed, that financial motivation, i. e., financial rewards for employee’s performance, is the right driver of employee performance and that the higher the financial reward, the higher the work commitment and employee’s performance. Yet, the results of surveys and experiments have shown for years that this is not always the case. Financial motivation is meaningful to employees only to a certain extent; once the motivation reaches a certain amount, it no longer influences the employee. This is not a suggestion that companies should disregard the financial remuneration of employees. A well thought out and fair compensation system aligned with success in fulfilling the designated goals (as described below) is the basis of “ social peace” in the company and surely motivates employees to deliver the required performance.

Motivational theories attempt to explain what motivates people to behave the way they do. Motivational theories can be applied to workplace settings to shed light into why some employees work harder or are more committed than others, which can lead managers to understand how to motivate each employee to perform at peak levels. Understanding how to apply motivational theories in the workplace can take your leadership skills to the next level. However, attention should also be paid to non-financial motivational tools. The harder it is to define and grasp these tools the more significant a role they play in motivating employees.

In broad terms, they can be included under corporate culture. Why does an employee who gets two comparable job offers with identical financial compensation prefer one offer over the other? The reason is often the corporate culture which the employee expects in the company of his or her choice. The driving force within individuals by which they attempt to achieve some goal in order to fulfill some needs or expectation. Motivation is psychological, physical, and is unique to each and every person. There are many qualities of motivation to energizing behavior, directing behavior, and enable persistence towards a goal. Process Theories of Motivation

Emphasis on actual process of motivation. Three needs Theory (McClelland) , Goal-setting Theory, Reinforcement Theory, Designing Motivating theory, Equity Theory, Expectancy Theory , Maslow’s Hierarchy of needs theory Lover order ( External ) : Physiological and safety needs, Higher order ( Internal ) : Social, Esteem, and Self- actualization Self-Actualization Needs Esteem Needs Social Needs Safety Needs Physiological needs. Compensation’ in other terms also called as ‘ Employee Remuneration’. Remuneration is the compensation; an employee receives in return for his or her contribution to the organization. Remuneration occupies an important place in the life of an employee. His or her standard of living, status in the society, motivation, loyalty, and productivity depend upon the remuneration he or she receives.

For the employer too, employee remuneration is significant because of its contribution to the cost of production. There are many aims of compensation that include attracting capable employees to the organization as well as motivating them toward superior performance. Retainment of their services over an extended period of time. To be understand you have to look at the components of compensation to include wages, salaries, commissions, bonuses, indirect- insurance plans, Social Assistance, Educational Assistance, Paid Absences, the Job- Interesting Duties, Challenge, Responsibility, opportunity for recognition, feeling of advancement, achievement opportunity, The Environment- Sound policies, Competent supervision, Congenial coworkers, Appropriate status symbol, Comfortable working conditions, flexi-time, Job sharing, Cafeteria compensation.

The factors involved in determining salary as well as different kinds and levels of Required Skills. Supply and Demand of Labor, Geographic Location, Employment Stability and Compensation Philosophy. If you believe that pay and perks inspire employees to work harder, you’re not alone. For decades, researchers have developed theories linking employee motivation to the amount of compensation they receive from their bosses. Some believe that when employers satisfy their employees’ work-related needs and reward top-quality performance with bonuses and raises, it boosts employee performance in the long run.

Others say financial perks work to change employee behavior for the better. Use traditional and innovative compensation strategies to leverage the expectancy theory. The expectancy theory puts forth the premise that for each specific task, employees will put forth an amount of effort commensurate with their perceived value of the compensation they will receive. Employees who resist taking on new job duties, claiming “ I’m not being paid for this,” serve as an ideal example of the expectancy theory at work.

Maslow’s Hierarchy of Needs
In recent years, many business experts have adapted psychologist Abraham Maslow’s “ hierarchy of needs” theory to explain employee motivation. According to Maslow’s theory, motivation stems from our desire to fulfill unsatisfied needs in the following order: physiological, safety, social, esteem and self-actualization. When we don’t have food or shelter, for example, we’re motivated to find and fulfill these basic safety and survival needs before moving on to higher-level needs, like social belonging, esteem and reaching our full potential. From a managerial perspective, motivating an individual employee involves meeting all of the needs outlined by Maslow.

Providing employees with lunch and rest breaks, sufficient wages, a safe work environment, retirement benefits and job security fulfills basic safety and survival needs in the workplace. With those needs met, employers can then focus on helping employees meet higher-level needs by, for example, creating a sense of camaraderie among workers, recognizing individual achievements so employees feel appreciated and valued and giving all employees a chance to reach their full career potential. Tie compensation incentives directly into specific performance objectives to push your employees to excel. Give out generous bonuses to top performers, and use intangible rewards in additional to monetary compensation to reach employees on a deeper level, soliciting a deeper level of commitment to company goals. Two-factor Theory of Motivation

According to management theorist Fredrick Herzberg, employees are motivated by a healthy work environment that preserves and promotes physical, mental, and emotional health and the potential for achievement, recognition, responsibility and advancement. An employer must strike a delicate balance between these two factors for employee motivation to reach its full potential Expectancy Theory

Developed by Yale School of Management professor Victor Vroom, expectancy theory asserts that an employee’s personality, skills, knowledge, experience and abilities all drive his motivation. Even though each employee has a different set of goals, expectancy theory posits that all employees can be motivated in the same manner if each one believes there is a positive correlation between effort and performance, that hard work will lead to a reward and that the reward will satisfy an important need that makes working hard worthwhile. Equity Theory

Developed in 1962 by behavioral psychologist John Stacey Adams, equity theory asserts that employees are motivated by the idea of keeping the status quo. An employee does this, according to the theory, by maintaining equity between the work he does and the rewards he receives. He later compares his efforts and achievements to the perception he has of the work and achievements of his co-workers. Because people value fair treatment, equity theory posits that people are motivated to keep fairness maintained among co-workers and in the organization. Reinforcement Theory

Developed by behavioral psychologist B. F. Skinner, reinforcement theory asserts that when a desired behavior is rewarded, the likelihood of the desired behavior happening again increases. Adapted to the business world and employee motivation, reinforcement theory suggests rewarding high-performing employees with bonuses or increased salaries to ensure that the high performance continues. Not doing so will reduce the odds of an employee performing top-quality work in the future. Institute employee development programs, employee recognition programs and a positive, open company culture to tap into the acquired needs theory.

The acquired needs theory states that all people are fundamentally motivated by three needs, with one need always being stronger than the others. According to this theory, all employees subconsciously seek either personal achievement, social acceptance or power. Employee recognition programs can boost employees’ self-esteem and feelings of achievement. A welcoming company culture encourages employees to develop lasting friendships. Employee development programs allow hard workers to move into positions of leadership, fulfilling their ambitions Gauge the intrinsic motivation of your employees to determine whether McGregor’s Theory X or Theory Y is more appropriate in your company.

Theory X sets forth the premise that employees are inherently averse to working, and must be continually motivated by external sources. Theory Y sets forth the opposite premise, stating that employees are internally driven to succeed at projects that truly interest them. Put strict operational guidelines in place to guide front-line employees through their day-to-day routines if you feel Theory X is more appropriate in your company. Make sure employees understand that they are free to try new things and learn from their mistakes, while matching employees up with job tasks that truly interest them if you feel Theory Y is the way to go.

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