

The motivation of financial incentive schemes



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Employees are easily demotivated due to increasing pressure and competition at work. Aiming to improve productivity, managers need to find some solutions to deal with such issues. Therefore, motivating plays a significant role in management. In general, motivation can be divided into two main categories, financial and non-financial motivation. Both of them can be sub-divided into more detailed methods. For instance, empowerment is a non-financial incentive scheme, which means giving more power to employees as stimulation. On the other hand, bonus, which usually means profits, is a financial method used as an award to a group of staff. Tesco and McDonald consider money as the best scheme to motivate employees. However, Google and Coca Cola believe that non-financial schemes are sometimes much more efficient. Actually, they work better than each other in different industries.

Tesco, the largest supermarket chain in the UK, has a reasonable motivation system and it uses a significant number of financial incentive schemes to encourage employees. In 2009, William reported that Tesco paid out a total bonus of £98 million to 207, 000 staff, in other words, each of them could receive approximately £500 on average. Employees from cashiers to store managers who had worked for more than one year in the supermarket, would receive 3. 6 percentages of their salaries, up to a maximum of 3, 000 pounds as bonus. As a result of that employees are motivated, the efficiency was improved and the “ Shares in Success” windfall marks increased 8 percent in the previous year. As Tesco’s website demonstrates, there are complaints from consumers that some employees do not deserve the bonus due to their poor services (Tesco Complaint, 2008). Such problem occurs

owing to the drawback of the basis of paying out bonus, which depends on the performance of a group rather than individual. However, Tesco's annual profits broke the three-billion-pounds barrier, setting a new record for British retailers. Another bonus of the scheme was sales related bonus for the employees that achieved objectives. Tesco provided another 21 million pounds for the top store managers according to their performance. The largest first class bonus, 5.1 million pounds was rewarded by Tesco (William, 2009).

Another example for financial motivation is a popular fast food company, McDonald, which provides a wide range of financial incentive schemes, such as hourly, assignment and salary. According to Glassroom, McDonald has a functional employment structure. The jobs are classified into four different categories, namely managers, cooks, maintenance and waiters. It is noticed that waiters and cleaners are usually paid by the hour between seven to twelve pounds. The exact payment is quite dependent on their performance. Another scheme is assignment, which is usually designed for managers. They will obtain extra handsome profits if they successfully accomplish the task given (Glassroom 2011). This is an efficient motivation method as they are allowed to take any effort to achieve the goals and it proves to be effective in raising the attendance rate. In Taylor's scientific management (NetMBA a, 2010), it suggests that people are greatly motivated by money. With an increase in salaries, employees will work harder to achieve their objectives and improve the term's performance.

Although lots of employees can be motivated efficiently by money, whereas, non-financial motivation is becoming increasingly popular these days. One of <https://assignbuster.com/the-motivation-of-financial-incentive-schemes-essay-samples/>

good examples for non-financial motivation is Google, the biggest search engine in the world, which successfully uses a variety of non-financial incentive methods, such as empowerment, team working incentive scheme and achieving a work-life balance. The job slogan of Google is ' Every employee is integral to our success.' Google states that they prefer to employ innovative people and give them power and space in their positions to develop their ability. In Google, employees have 50% of free time to work with flexibility, and they are motivated to give their own ideas, because it is believed that small and simple ideas together will make a big difference. (Google a, 2011) In Google, team working is based on that one of the most famous places is Mountain View in California. To build an active environment, an excellent communicating place is provided for employees, where they can share ideas and sources with the others. Furthermore, nowadays, the concept of achieving a work-life balance is also regarded as indispensable since many people feel distressed and have increasing stress. To make employees' life easier, Google not only offers free lunch but also extend holidays time. (Google, 2011 b).

A further particular example of non-financial motivation is Coca Cola Company, which is the world's leading soft-drink manufacture in Romania. Similarly, Coca Cola motivates employees by using job empowerment. It is reported by Newsin in 2009 that Coca Cola dismissed 22% of the employees, in order to give lower level workers superior power. As stated by Daft, the CEO of Coca Cola, owing to different tastes of different cultures, it is unwise to regard the world as one market and sell the same drink. Consequently, the head quarters of Coca Cola authorizes local managers to decide the

product strategies for the specific market. Making them feel recognized as it empowers local managers to do a better job. Since decisions are made by the local manager according to the local market, the strategies fit the market better, leading to a raise in sales. As sales revenue increases, workers are aware of a sense of achievement and get confident, hence, they work harder and the presentation of the team work will be enhanced (Newsin, 2009). This demonstrates Herzberg's two-factor theory that senses of accomplishment and opportunities of improvement encourage people to work harder (NetMBA b, 2010). In brief, job empowerment assists to improve targets achievement, consequently, is said to be one of important effective non-financial incentive.

In conclusion, companies use financial and non-financial methods to motivate employees. However, different companies use different strategies flexibly according to the practical situations. For the examples of financial motivation, McDonald's detailed schemes encourage people work hard towards the targets that are set by the company. Tesco's bonus strategy takes effect in motivating employees but it is not perfect as the excellent performance of a group does not apply for every individual. Money is demonstrated to be a very effective motivation method but in the long term, money will become less important in people's life. As a result, non-financial motivation methods will be used more. Coca Cola uses empowerment to improve its market and hence increase the revenue; Similarly, Google applies it to the management to improve the efficiency. In the real world, many other non-financial motivation methods are also used and they are also demonstrated to make a difference. However, there is no perfect motivation method. Even though empowerment seems to have no drawback,

it actually increases employees' stress and responsibility. To make the best of both worlds, it is suggested to combine financial and non-financial motivation methods reasonably according to the actual positions rather than just use either of them.