

Financial and non- financial motivation: an overview



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In modern society, business markets are getting more competitive. As a consequence, firms in the markets try to use more effective ways to achieve their goals, which include earning more profit and expanding market share. Motivation, which is a way that encourages employees to make an effort to work, is a feasible method to help firms to reach their targets. According to Tutor2U (n. d. a), if workers are motivated well, the business will get better productivity as well as improved product quality, and earn good reputation. Hence, a business ought to spend considerable time in thinking the best way to motivate employees, and there are a significant number of different opinions about it, including financial motivation and non-financial motivation. These two methods of motivation focus on different kinds of employees and satisfy different needs of workers. In addition, both of the two measures have their advantages as well as disadvantages. Therefore, the business should use these two methods together to encourage employees to work harder or worse, and make productivity good or bad.

Different people have different needs to work, so according to specific conditions, a business should use different methods to motivate its workers. Hall et al. (2008) state that Maslow concluded a theory that there are five levels of human needs which employees need to have fulfilled at work, and they are physical, safety, social, esteem and self actualization. An employee would be motivated by the higher need, only once a lower level of need has been fully satisfied (Tutor2U, n. d. b). For example, a person, who has no money and is dying of hunger and thirst, may think about basic wage at first instead of job security and respect from others. A business ought to offer different sets of incentives from worker to worker, because workers are not

all motivated in the same way. According to Hall et al. (2008), McGregor also suggested two theories to explain why people have the will to work. Theory X assumes some workers are motivated by money, while theory Y assumes other workers are motivated by many other factors. For instance, due to the little amount of wage, lower paid workers, who include blue collar workers, tend to be willing to work overtime to earn higher pay. However, as for the better paid employees, including white collar workers, salary is not the only important factor for them. They may pay more attention to other aspects of work, such as colleagues, recognition and promotion. Consequently, a business should take different measures aiming at different kinds of employees in order to meet all of their needs and make profits.

Financial motivation, which is related to “ a fair day’s pay for a fair day’s work”, has both its strengths and weaknesses. Money is necessary for everybody, especially for the poor who have a strong desire to earn more money so as to make a living. Hence, the specific approach that motivates employees using money could be a good way to improve performance of workers as well as productivity. On the other hand, financial motivation may also cause some problems too, such as quality and operating problems. Hall et al. (2008) list some possible methods of financial motivation, including piece rates, fringe benefits, performance related pay and profit sharing. Each method has different benefits and drawbacks to motivate workers. An example is piece-rate pay, which is recommended by Taylor, it is the wage that is paid to workers by the number of products they make in a certain period of time (Hoddersamplepages, n. d.). Workers would work harder to earn more, because the ones who produce more could get higher pay. It

might be good for increasing the speed of work therefore productivity.

Nevertheless, piece rates tend to make employees rush work, so lead to some quality problems, and further influence the reputation of the business.

Another measure is fringe benefit, and it is the extra money that employees receive in addition to their normal wage or salary, such as a company car, free use of a house as well as private health insurance (Tutor2U, n. d. c). It can help satisfy the social needs of employees and make them loyal to the firm. At Google for example, it provides free meals for employees to motivate them to be more loyal and make profits for the company (Hall et al., 2008). However, Tutor2U (n. d. c) also points out that fringe benefits could be difficult for the firm to operate because of increasing costs that are used by individuals. Therefore, there are some obvious advantages and disadvantages of financial motivated methods.

Owing to the problems of financial incentives, firms should also use non-financial incentives to encourage workers. The similar to financial motivation, non-financial motivation has not only many significant benefits but also some drawbacks too. According to Tutor2U (n. d., b), Mayo reported that the human relations approach is the process for retaining and developing people in organizations but not using ways that involve money. A case in point is Tejas Securities Group. "The Chairman's Cup" is a silver chalice, which is awarded by the firm each month. It is the award to the workers who contribute to the success of the whole firm, so it inspires employees to work harder toward achievement (Searchwarp, n. d.). Non-financial incentives include job enrichment, empowerment and team working (Hall et al., 2008). Job enrichment means giving workers new sets of interesting and

challenging tasks, which is supported by Herzberg (Hr-scorecard-metrics, 2010). It provides employees more chances to develop their capabilities and make them gain a strong sense of achievement. On the other hand, Tutor2U (n. d. d) reports that job enrichment might make some expensive mistakes if the work is too complex for workers or they do not possess the correct skill level. As for empowerment, it gives official authority to workers to make decisions and control their own activities (Hall et al., 2008). For example, employees can arrange how to use their time and how to achieve the tasks by themselves. The advantages of empowerment are significant, one of which is making employees feel free to make the most suitable choices for themselves. The disadvantages are obvious as well. Hall et al. (2008) point out employees might be given more work with the same pay, so they may be not willing to do it. Furthermore, empowerment may increase the costs that relate to the business, such as the costs of changing the workplace and training the workers (Hall, et al., 2008). If the employees make wrong decisions, it tends to have bad effects on the whole business. As a result, both the strengths and weaknesses of non-financial incentives exist.

To sum up, according to Maslow's hierarchy of needs as well as McGregor's theory X and theory Y, different workers may have different needs to be met through motivation. On the one hand, either financial motivation or non-financial motivation is useful to encourage employees. On the other hand, both of the methods have their drawbacks as well. As far as I am concerned, these two methods are both beneficial for a business to motivate its employees, improve productivity, then earn more profits and achieve the business objectives. Thus, a business ought to combine these two methods,

and use them together reasonably. The business should also take advantage of both financial as well as non-financial motivation, and try to avoid some unnecessary problems depending on specific needs of employees and real conditions of work.