

Financial and nonfinancial methods of motivation business essay



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In 2005, on account of the financial crisis, the worldwide economic equilibrium has been lost, which resulted in a more intensive competition between international companies in a thinner market. Hence, increasing labour productivity is generally assumed to increase the competitiveness of a business. (Hall, 2008, 344) It is widely believed that adopting efficient methods to motivate employees has become an urgent concern, especially for small companies due to their less economic power. In this essay, especially small companies, the employers should not only give fair pay to their employees but also adopt simultaneously financial and non-financial motivational methods, including profit sharing, performance-related pay and team work.

The employers play a vital role in giving a fair pay to the employee which depending on two major reasons, including their essential position in the business structure and the motivated importance to the productivity. Firstly, as an essential part of the production process or service provision, the employees could follow the instructions from their superiors to carry out different types of tasks, which therefore lay a firm foundation to the company's whole operation and business volume (Hall, 2008, 332). Despite the employee's principal function in internal structure, the employee motivation is the level of commitment energy and creativity, which refers to the productivity of a firm (reference for business, 2010). If the employees can be inspired to work actively, the high productivity creating by the workforce may not only allow companies to drive down cost, but also gain higher sales finally (Hall, 2008, 344), Otherwise, in the long term, a lack of

motivation may lead to high levels of absenteeism, falling productivity and profit, as well as industrial disputes for a company. (Hall, 2008, 374)

To motivate employees of a small business in the short term, financial methods of motivation are feasible and indispensable for satisfying the employees' physiological need. In fact, for nearly all employees, the major reason for working is to earn money and then satisfy individual's basic needs which are related to survival. Furthermore, according to Maslow's hierarchy of needs, (John, 2010) the employee is generally more concerning with the physiological needs at the bottom of the pyramid, such as food, rest and activity; because, it is the most basic need of a human being, which must be satisfied firstly before a person moves to next level.

In specific, adopting performance related pay (PRP) and profit sharing become a crucial decision for several small companies. For instance, Nick Bames, a small printing company owner in Norwich, (Hall, 2008, 384) found his employee become passive to work and had tendency to ignore the target since they received minor fringe benefits, which finally resulted in the decreasing productivity of the company. Hence, faced up with this demotivated situation, Nick firstly paid employees fringe benefits which depended upon the targets given by PRP system. In fact, this system is designed specifically to motivate staffs which directly link the employees' performance with their bonus. It reflected that the employees with outstanding accomplishment would therefore be awarded with fringe benefits (Hall, 2008, 383). Therefore, in order to be rewarded, the employees focused on the economic goal while starting to work motivationally. In spite of PRP, Nick determined to share part of profits with his employees owing to <https://assignbuster.com/financial-and-nonfinancial-methods-of-motivation-business-essay/>

a common goal and profitable relationship. Firstly, in a period of time, a productive goals united could ameliorate the profitable relationship between employees and employers. Indeed, the equally profitable relationship could establish additional responsibility to the employees, which provides them with an incentive to work effectively; because, the employees' efforts would contribute to the company's profit earning directly. In brief, as long-rang term, the related performance pay and profit sharing would motivate the employees, which therefore creates advanced productivity and much larger profits to company (Hall, 2008, 383).

Nevertheless, the drawback of financial motivational methods, especially small amount of profits share, would lead to de-motivation. In fact, most employees have no control over how much operating profits their company makes during the period of economic recession. If the companies earn fairly low profits, the less attractive benefits would not behave as a motivator, the employees may therefore simply give up attempting to achieve their target. In a word, de-motivation caused by the small account of profits share, would reduce productivity earning as well as competitiveness in a company (Tutor2u, 2007).

However, in the long term, employees might start to consider necessary factors in their work environment. Non-financial methods should therefore be used instead, particularly the team working. It is believed that, team working can not only gratify employees with need for individual affiliation but also maximize efficiency of company's operation. (Hall, 2008, 378) Typically, the Sweclish transportation company, which re-sets up an affined organization, had have encouraged the employees in cooperation (Hall, 2008, 391). In the <https://assignbuster.com/financial-and-nonfinancial-methods-of-motivation-business-essay/>

first year, within the mutual cooperation, the employee from different departments can deepen communication with their colleagues or exchange working experience. They even started to establish mutually supportive relationship with each other which is advantageous to a motivational and harmonious atmosphere created.

In fact, combining both the financial and non-financial methods would be more beneficial, which depends on the discussion and demerit of Herzberg's and Maslow's ideas. First of all, the motivational elements are different. Herzberg argues that only higher level of Maslow's hierarchy motivates employee, (Hall, 2008, 378) but Maslow consider that the five levels in the pyramid are relative to each other, the logical satisfaction can therefore only be achieved step by step. For instance, the employees need to be firstly satisfied by wage or salaries, namely the physiological needs, and therefore continue to a higher level's satisfaction, especially self-actualization which requires employees to be promoted and take on challenging new job assignments. The problems between their ideas also confirm the significance of accepting financial and non-financial methods simultaneously. In essence, Herzberg extending the employees' roles in the production process by giving them greater responsibility which is generally referred to job enrichment. However, it is comparatively expensive for many small companies since they have less economic strength to support the high cost of job enrichment. It resulted that the benefits from job improvement will not be continuing with such a policy in periods of the recession (Hall. 2008, 378). Similarly, the Maslow's theory is ineffectual in practice, as money may be seen as status symbol or an indicator of personal worth. As a result, the employee would fell

uncertain of their current target achievement which would be exerted negative influence to the employee's psychology and even motivation as a result (Hall, 2008, 375).

In brief, due to the significance of motivation, employers not only should pay a fair's day pay for the employee's working but also adopt financial and non-financial methods. Additionally, depending on the discussion between Herzberg's and Maslow's, both motivational methods should be applied simultaneously, which can therefore maximize the profits of the company and also satisfy the employees' with different type of need.