

Knockout.Economics by Kru P'Eve & Kru P'Da

IGCSE -Business studies

The importance of a well-motivated workforce 🔍

- Executive summary IGCSE Business studies
- Series of exam questions each chapter
- Exam Strategies and exclusive tips to achieve A* from Knockout.Economics
- Exclusive Key Terms for IGCSE Business studies exam



Overview

1. Why people work ?
2. What motivation means and the benefits of a well-motivated workforce : labour productivity, reduced absenteeism and labour turnover
3. The concept of human needs, e.g. Maslow's hierarchy
4. Key motivational theories: Taylor and Herzberg



1. Why people work

Why do people work?

Money

: Workers have money to support basic needs and some luxury goods

Security

Workers receive money every month and workers are not likely to lose job.

Why do people work ?

Social needs

Workers can make friends with people in and outside organisation.

Self-Importance

Workers feel that they are important since they can create value to business.

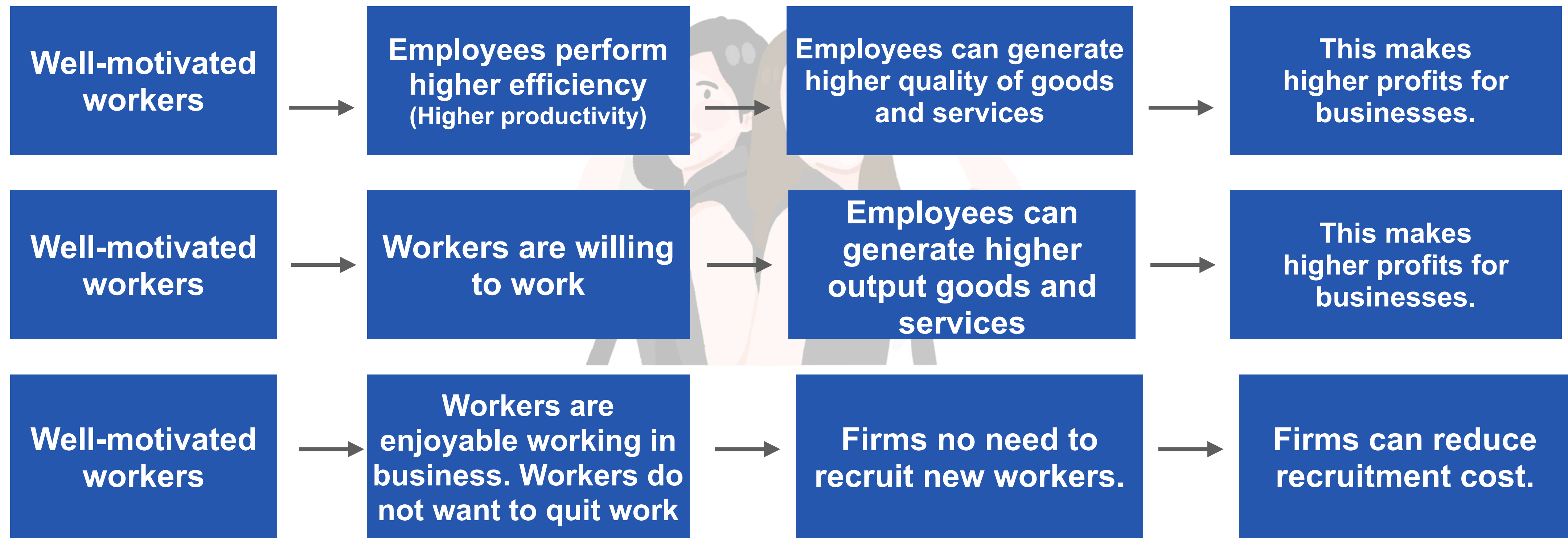
Job-satisfaction

: Workers enjoy working.

2. What motivation means and the benefits of a well-motivated workforce

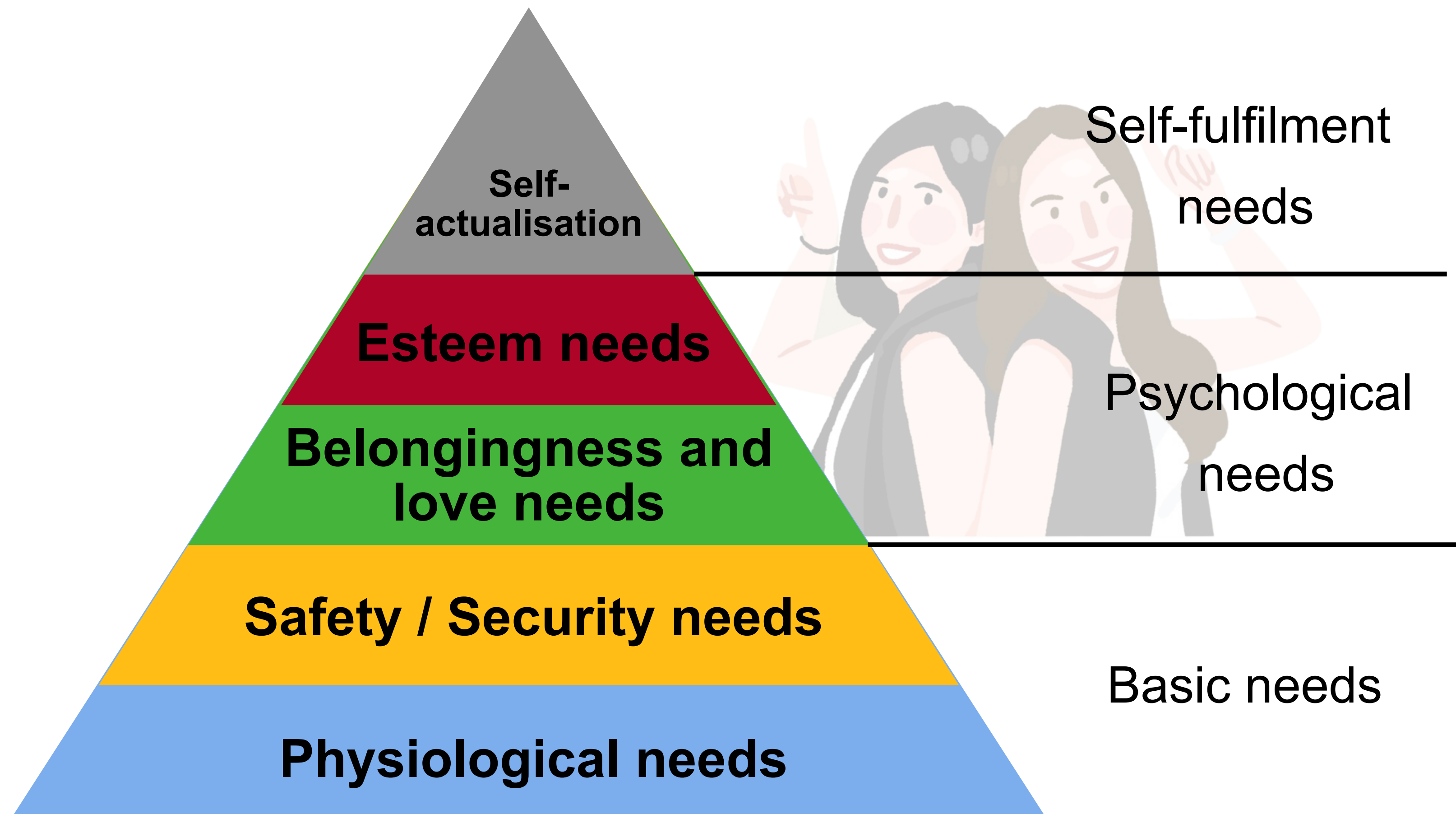
Motivation : the need or reasons for working hard or working effectively.

Why it is important?

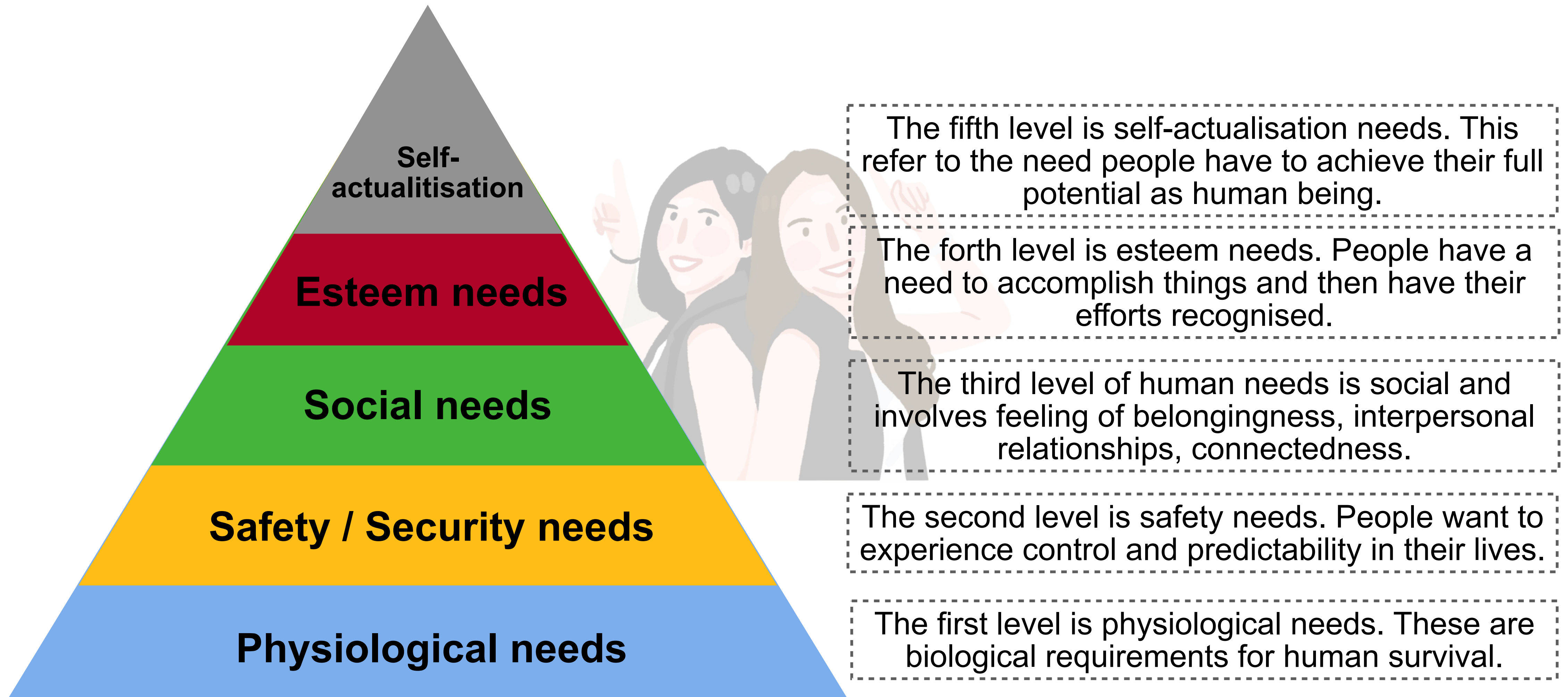


3. The concept of human needs, e.g. Maslow's hierarchy

Maslow theory : the concept of a hierarchy of needs provides a five-tier model of human needs.



3. The concept of human needs, e.g. Maslow's hierarchy



4. Key motivational theories: Taylor and Herzberg

4.1 F.W. Taylor

: This theory is based on payment

: Higher payment motivates labour to work harder and much more effective .

For example

Labour receives existing wage 100 baht per day and each employee can produce 20 units/day. If an employer increases wage to 200 baht per day, an employee will increase productivity and can produce at 50 units/day.

Existing :

New :

To sum up: An increase in wage can increase motivation of workers to work harder. As a result, this can increase productivity and lower average cost.

4. Key motivational theories: Taylor and Herzberg

4.2 Herzberg : There are two sets of human needs.

- The first one is Hygiene factors.
- The second one is Motivators.

Factors of motivation	Hygiene Factors	Motivator Factors
Definition	Factors are necessary for people to work. Those cannot motivate workers to work harder.	Factors can stimulate workers work harder or work effective.
Example	<ul style="list-style-type: none">•Salary•Security•Working conditions•Company policy•Interpersonal relationship (E.g. Relationship with supervisor or subordinates)	<ul style="list-style-type: none">•Achievement•Recognition•Personal Growth•Promotion•Responsibility

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Methods of motivation

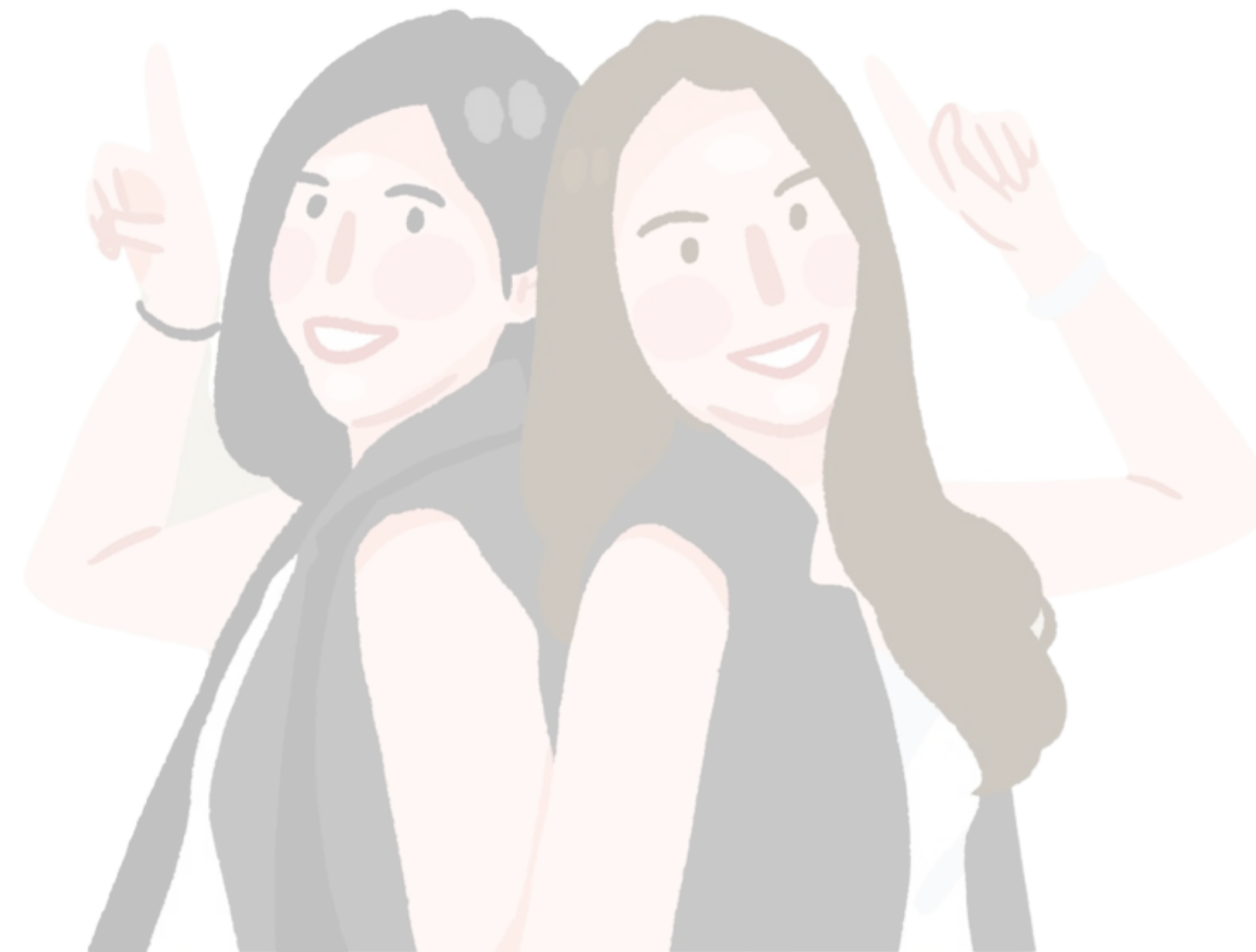


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Overview

1. Overview methods of motivation
2. Financial rewards
3. Non-financial rewards

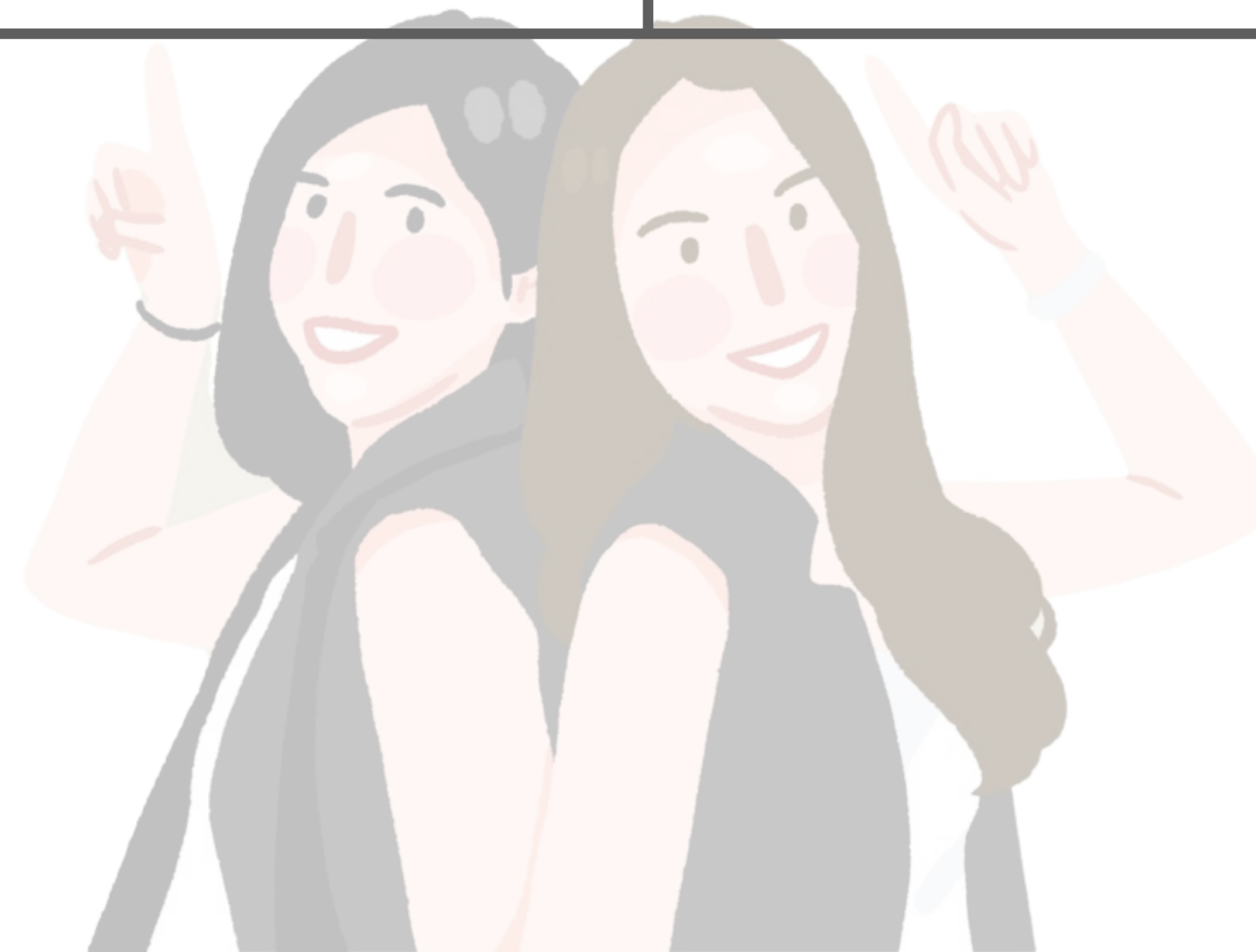


1. Overview methods of motivation

Methods of motivation

Financial rewards

- Wage
- Salary
- Bonus
- Commission
- Performance-related pay
- Profit-sharing
- Share ownership



Non-financial rewards

- Fringe benefits (E.g. Free accommodation, healthcare, holiday etc.)
- Job satisfaction (Job rotation, Job enrichment and job enlargement)

2. Financial Rewards

Financial rewards : Methods that businesses can use to motivate workers by using some form of monetary payment.

Wage (Time rate)

: rewards for labour services, based on time. (per hour / day)

Advantages :

- It is straightforward method, easily understand by employees.

Disadvantages :

- Good or bad workers receive the same amount.
- Workers are not rewarded for their effort but their time. This can encourage slack and poor productivity)

Wage (Piece rate)

: rewards for labour services, pays workers for each item that they produce.

Advantages :

- Employees have an incentive to work harder to receive higher income.

Disadvantages :

- Workers may concern just only quantity but not quality.
- If machines break-down, workers can produce less in amount. Therefore, it is unfair to employees.

2. Financial Rewards

Salary

: is paid monthly. Salaries are usually a standard rate.

Advantages :

- Employees feel secure since employees can receive fixed money in every months.
- It is easy to calculate salary cost for the business.

Disadvantages :

- It can be difficult to reward those who are more productive. Therefore, employees might be less incentive to work harder.

Eg. Car agents might get paid 1% of the value of each care that they sell. If agents sell a 10 MB.car, agents will earn 10,000 baht in commission.

Advantages :

- Commission can encourage workers to sell as many products as possible. Therefore, firms possible to gain more revenue.

Disadvantages :

- The sales staffs are very persuasive and annoy customers to buy products. This can leads to bad reputation in the business and impact on business performance in long term.
- It can be stressful for sales staffs or arise in conflict in the team.

Commission

: is payment based on a proportion (percentage) of sales or output contributed by a worker.

2. Financial Rewards

Performance-related pay
: is rewards to employees who meet certain goals.
(Typically used where output cannot readily be measured)

Advantages :

- Performance-related pay encourage workers to work more efficient.
- A fair system since people who work hard would receive higher rewards.

Disadvantages :

- Targets might be unrealistic or unachievable.
- It might be unfair appraisal from managers.

Bonus

: is lump sum paid to workers when workers have worked well and performance of company has achieved the goals.

Advantages :

- This encourage workers to work harder and more efficient.

Disadvantages :

- Profits of company might be reduced. Therefore, company has less budget to reinvest in other projects.

2. Financial Rewards

Profit-Sharing

: is rewards which employees receive a share of the profits in addition to their basic salary.

Advantages :

- This encourage workers to work harder and more efficient.
- A fair system since people who work hard would receive higher rewards.
- Workers have the same goal, employees work together to achieve higher level of profit. Therefore, this can reduce conflict among a group of workers.

Disadvantages :

- Profits of company might be reduced. Therefore, company has less budget to reinvest in the projects.

Share ownership

: is reward to workers, managers and directors by giving them shares in the company

Advantages :

- Workers become part of shareholders of the company. Workers will have a more direct interest in the well-being of the organisation.
- It can increase employee loyalty of the company, since employees will have a greater sense of belonging of the company.

Disadvantages :

- In reality, share ownership schemes tend to be used for rewarding those in the senior leadership team.
- Employees normally receive share in the small amount, it is insufficient to increase level of motivation.

3. Non-financial rewards

Non-financial rewards : are the types of rewards that are not a part of an employee's pay.

Fringe benefits

E.g.

- Discounts on the company's products and services
- Accommodation
- Free trips
- Holidays
- Tuition fees for children
- Healthcare insurance
- Cars

Advantages :

- This can encourage employee loyalty. Workers feel more valued as the employers provide extra benefits to enhance their well-being.
- Fringe benefits can help to meet an employee's safety needs (Maslow's hierarchy of needs theory)

Disadvantages :

- Company has an extra cost.

3. Non-financial rewards

Job satisfaction

: a feeling of fulfilment or enjoyment that a person derives from their job.

Job rotation

: is when workers swap performing different tasks for only a limited time and then changing round again.

For example,

Supermarket employees rotate different roles as a cashier, then checking stocks on other days.

Job enlargement

: is where broaden the number of task that an employee performs in the similar level of work.

For example,

Employees who work in the supermarket are assigned many variety of work.
E.g. Check stock, Put price label on products, arrange stock on shelves, etc.

Job enrichment

: is when workers do more challenging jobs with more responsibilities.

For example,

Cashier in the supermarket also need to check balance, create sales promotion if sale revenue not achieve the goal.

3. Non-financial rewards

Job satisfaction

: a feeling of fulfilment or enjoyment that a person derives from their job.

Job rotation

Job enlargement

Job enrichment

Advantages

1. This increase the variety of works, reduce boredom and increase in motivation and productivity.
2. If some workers absent, it is easier to replace by other employees as they become more familiar with tasks.

1. Job enlargement can make job more interesting since workers can enjoy a wide range of tasks.

1. Workers involve in decision making : Workers become more committed to their work : This can increase job satisfaction and productivity.
2. This can help to improve morale, greater sense of belonging to the company.

Disadvantages

1. Workers may not have specific skills.

1. Some workers might think it's unfair to them since they need to do more work but receive for the same amount.
2. Workers feel less interesting after the period of time if the roles become unexciting.

1. Firms need to provide training courses to fulfil skills for extra jobs. This can be high cost for company.
2. Managers must also ensure that jobs are not too challenging. If workers don't have enough skills, this can leads to disastrous outcomes.

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Exercise : Motivation workers 🔍

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Exercise

1. Triple X is a **public limited company**. It produces steel products **including gates and garage doors**. Triple X has a **flat organisational structure** and a **short chain of command**. Triple X has many stakeholder groups including **500 employees**. The Managing Director is considering **introducing job rotation to improve employee motivation**.

(A) Explain **two** advantages to Triple X of using job rotation to improve employee motivation. (6 marks)

Command word :

Explain : Set out purposes or reasons / make the relationships between things clear / say why and/ or how and support with relevant evidence

Advantage 1 :

Explanation :

Advantage 2 :

Explanation :

Exercise

2. Driver company produces **snack food** . The snacks are sold to people **watching sporting events in city X**. Driver company pays bonuses to **motivate its 5 part-time employees**. Driver company has received 3 complaints from customers **about the quality of the snacks**.

(A) Explain one advantage and one disadvantage by paying bonus to employee in a small business (6 marks)

Command word :

Explain : Set out purposes or reasons / make the relationships between things clear / say why and/ or how and support with relevant evidence

Advantage :

Explanation :

.....
.....
.....

Disadvantage :

Explanation :

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.....
.....

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