

CHAPTER SIX

Needs and Incentives

A: Main Teaching Points (by textbook section)

In general, this chapter deals with the problems of making an analysis of needs, and applying this in an incentive system.

6.1 Introduction

Individuals have different needs, and need money for different reasons. These are influenced by a range of factors which include culture.

6.2 Needs

An effective system for motivating the performance of the workforce rests on accurate analysis of their needs; and you can only make an accurate analysis of needs when you understand the context of need. This context includes factors in the culture.

Kovach's research shows that, first, employees often place value more in their work than financial remuneration, and second, that managers frequently know very little about their subordinates' needs. If managers understand so little of subordinates' needs in their own cultures, they are even more likely to make mistakes estimating needs (and planning incentives) for use in other cultures.

Maslow's hierarchy was developed many years ago. It still contributes useful insights. But students should note that it was not designed as a cross-cultural tool. Whether or not it accurately explains needs in the United States, it seems inadequate to fully explain needs elsewhere. This illustrates the point that a motivational model appropriate to one culture may not work elsewhere and even in the original context at a different time.

The implications of Maslow's model are that people are sometimes motivated by needs other than for more money. The model does not make specific reference to financial needs, but implies that people need money in order to satisfy other needs.

Stress the point that financial incentives are relatively easy to implement and are freely converted into goods and services, which explains their popularity. But they may not always be the most effective, or the cheapest.

6.3 Designing incentives

Management will not spend more on designing and implementing incentives than it can expect to benefit from in terms of increased productivity. Individual needs cannot always be met in full, and in practice management usually depends heavily on offering financial incentives, including the wage and bonus.

6.4 How structures motivate

This section reinforces points made in chapter 4 about the motivational values of working in a strong, positive organizational culture and prepares students for the discussion of structure in chapter 8. Students should not be allowed to run away with the idealistic notion that teamwork is always motivating. In certain contexts teamwork does motivate, but in other contexts it may be demotivating (for instance, when the employee derives most satisfaction from completing a task on his/her own). Leadership and training are developed as ways of guiding the organizational culture.

6.5 Work as a motivator

When teaching Herzberg, emphasize that hygiene factors (including adequate pay) must be present and that the employee must perceive them. A pay structure that is generous by industry standards fails to provide hygiene if the employee perceives it as inadequate. How far are hygiene and motivator factors constant in all cultures? If they are not constant, in what cultural context might a hygiene factor motivate?

Next, focus on the job enrichment movement and discuss this in the context of the labor market. Why does the company invest in job enrichment? Because this motivates, and unmotivated employees are unproductive and must be dismissed or leave of their own accord. When they have valuable skills that cannot be cheaply replaced, the company cannot afford their loss and so makes the investment. But if the labor market offers the same skills at a relatively low price, the company may decide that hiring replacements is cheaper.

With respect to McClelland, challenge students: do they think that achievement motivation can be taught, and on what evidence (for or against)?

B: Implications for the Business Student

(This section modifies the material on p. 139 of the textbook.)

1. In your opinion (and without consulting them), how do you think that your fellow students rank these rewards for studying in your business school?
 - a. Interesting classes
 - b. Feeling of being in on things
 - c. Appreciation for study done
 - d. Good study conditions
 - e. Personal loyalty to staff
 - f. Grades
 - g. Sympathetic help with personal problems
 - h. Job opportunities after graduation.
2. Now survey your fellow students to gain a true assessment of how they rank the rewards for studying in your business school.
3. How accurate were your answers to (1)? How can you explain differences between these, and your answers to (2)?
4. On the basis of your answers to (2), design a system for motivating better study from your fellow students.

C: Class Discussion Questions

1. Under what circumstances would you accept job security, rank, a better office, recognition *in place of* a salary rise? Under what circumstances might you accept any of these in conjunction with a reduction in your salary?
2. In your culture, why do members value monetary rewards for working? What do they purchase with their monetary rewards? How far do these purchases serve symbolic ends?
3. Revise section 6.2. Why do you think the supervisors failed to accurately identify their subordinates' needs?
4. Under what circumstances do you think McClelland's aim of building achievement motivation might succeed in your culture?

D: Answers to the Exercise

Use your knowledge of the organization to direct students where to collect the information, and how to use it.

When preparing question 4, encourage students to think beyond the incentives listed here and to use those discussed in the chapter. Encourage students to relate each incentive to one or more of the needs formulated by Maslow.

Use answers to questions 5 and 6 to lead discussion about the relationship between incentives and labor markets. Make the point to students that the prime object of this exercise is to find out how the organization differentiates groups of employees. What does the incentive scheme tell you about how much it values the contributions made

by the different groups? Which groups are most valued? Why are they most valued? Suggest to the students that they examine the labor market and ask which skills are most in demand, and for which the supply is least.

E: Additional Exercise Material

1. Review the case given in section 6.1. It describes an unusual reason for needing to earn more money. Money was important to Mr Duffield because he needed to prove himself to his father-in-law – and to himself.
2. Now ask students to each write a short 150-word case describing the motivations of a person needing to earn a lot of money. The money is needed for reasons which may not be immediately obvious. The case can be based on true events, or on imaginary circumstances.
3. These can be presented to the class in the form of two-person simulations. Each simulation consists of:
 - a. An interviewer who asks questions “blind” (i.e. not seeing the case before).
 - b. The interviewee – the person who wrote the case.
4. The interviewer has the job of finding out what job the person is doing, what pay rise he/she needs, and why the money is needed. The interviewee bases the answers on the case that he/she has written.
5. Other students act as an audience assessing the interviewees. Ask them to select a winner or winners – interviews which demonstrate the most interesting reasons for needing the pay rise and which show most psychological depth.

F: Test Bank

1. Management is most interested in offering the employee opportunities to satisfy:
 - a. All his/her needs
 - b. Those needs that he/she ranks as most important
 - c. Those needs that correspond to the company needs
 - d. Only those needs which are neutral to the company needs.(Answer, c: p. 120)
2. Kovach’s research (conducted in 1946 and 1986) showed that:
 - a. Workers in countries across the world had significantly different needs from their work in 1946 and 1986
 - b. Good wages are never most important in motivating the workforce
 - c. Skilled and unskilled workers in the United States had very similar needs from their work in 1946 and 1986
 - d. Men and women had very different needs from their work.(Answer, c: p. 121)

3. The importance that American workers gave to interesting work in Kovach's research shows that they all:
- Think that they are paid enough
 - Already have interesting work
 - Never have interesting work
 - None of the above.

(Answer, d: p. 121)

4. Members of a society suffering political turmoil are likely to place a priority on:
- Security
 - Interesting work
 - Tactful discipline
 - Work that gives a sense of achievement.

(Answer, a: p. 122)

5. Employees in a more individualist culture are more likely to be motivated by opportunities to:
- Achieve autonomy, promotion, and growth
 - Belong to an influential group
 - Serve humanity
 - Spend time with the family.

(Answer, a: p. 123)

6. Maslow argued that when you have satisfied needs at one level on his hierarchy, you try to satisfy needs:
- At some other level
 - At the next level down
 - At the next level up
 - On some other hierarchy.

(Answer, c: pp. 125-6)

7. The Nevis (1983) variation on Maslow showed that:
- The Chinese were not motivated by opportunities to achieve
 - Physiological needs had greater importance in China than elsewhere
 - An incentive system has to be adjusted so that it responds to needs arising from changes in the environment
 - A well-planned incentive system does not have to be adjusted in order to respond to changes in the environment.

(Answer, c: p. 127)

8. When designing an incentive scheme, a wise company invests resources:
- As little as possible
 - Less than the profit it hopes to derive from the scheme
 - More than the profit it hopes to derive from the scheme
 - In whatever the employees demand.

(Answer, b: p. 129)

9. Financial incentives are:
 - a. The only possible motivators of effective behavior
 - b. Often applied by companies because they are easy to administer
 - c. Always more effective than other incentives
 - d. Usually less effective than other incentives.

(Answer, b: p. 134)

10. Herzberg argued that hygiene factors:
 - a. Must be present, otherwise the employee will be dissatisfied
 - b. Motivate the employee
 - c. Include the intrinsic value of the work and a sense of achievement
 - d. Guarantee satisfaction when present.

(Answer, a: p. 134)

11. Herzberg developed strategies for “enriching” job specifications by:
 - a. Offering more opportunities for challenge and achievement
 - b. Offering higher wages
 - c. Increasing hygiene factors
 - d. Restricting job rotation.

(Answer, a: pp. 136–7)

12. Cultural factors influence the success of job rotation. Job rotation is less likely to succeed where:
 - a. Resistance to change is less
 - b. Status differentials are not significant
 - c. Employees prefer specialist to general careers
 - d. Individualism is relatively high.

(Answer, c: p. 138)