

1. Details of Module and its structure

Module Detail	
Subject Name	Business Studies
Course Name	Business Studies 03 (Class XII, Semester - 1)
Module Name/Title	Directing: Part – 4
Module Id	lebs_10704
Pre-requisites	Knowledge of about Theory of Motivation
Objectives	After going through this lesson, the learners will be able to understand the following: <ul style="list-style-type: none">• Maslow’s Need Hierarchy• Financial Incentives• Non-Financial Incentives
Keywords	Personal security, Health and well-being, Financial security, Financial Incentives

2. Development team

Role	Name	Affiliation
National MOOC Coordinator (NMC)	Prof. Amarendra P. Behera	CIET, NCERT, New Delhi
Program Coordinator	Dr. Mohd. Mamur Ali	CIET, NCERT, New Delhi
Course Coordinator (CC) / PI	Dr. Punnam Veeraiah	CIVE, RIE Campus, Bhopal
Subject Matter Expert (SME)	Mrs. Madhu Vaswani	Delhi Public School, Mathura Road, New Delhi
Review Team	Ms. Nandini Mutreja	R.S.K.V Laxmi Nagar, Delhi

Table of Contents:

1. Maslow's Need Hierarchy Theory of Motivation
2. Financial and Non-Financial Incentives

Maslow's Need Hierarchy Theory of Motivation: Since motivation is highly complex, many researchers have studied about motivation from several dimensions and developed some theories. These theories help to develop understanding about motivation phenomenon. Among these, Maslow's Need Hierarchy Theory is considered fundamental to understanding of motivation. Let us examine it in detail. Abraham Maslow, a well-known Psychologist in a classic paper published in 1943, outlined the elements of an overall theory of motivation.

His theory was based on human needs. He felt that within every human being, there exists a hierarchy of five needs. . Maslow used the terms "physiological", "safety", "belonging" and "love", "esteem", "self-actualization", and "self-transcendence" to describe the pattern that human motivations generally move through. The goal of Maslow's Theory is to attain the sixth level of stage: self transcendent needs.

(i) Basic Physiological Needs: These needs are most basic in the hierarchy and corresponds to primary needs. Physiological needs are the physical requirements for human survival. If these requirements are not met, the human body cannot function properly and will ultimately fail. Physiological needs are thought to be the most important; they should be met first.

Hunger, thirst, shelter, sleep and sex are some examples of these needs. In the organisational context, basic salary helps to satisfy these needs. Air, water, and food are metabolic requirements for survival in all animals, including humans.

(ii) Safety/Security Needs: These needs provide security and protection from physical and emotional harm. Examples: job security, stability of income, Pension plans etc.

Once a person's physiological needs are relatively satisfied, their safety needs take precedence and dominate behaviour. In the absence of physical safety – due to war, natural disaster, family violence, child abuse etc. – people may (re-)experience post-traumatic stress disorder. In the absence of economic safety – due to economic crisis and lack of work opportunities – these safety needs manifest themselves in ways such as a preference for job security etc.

Safety and Security needs include:

-
- Personal security
 - Health and well-being
 - Financial security
 - Safety against accidents/illness and their adverse impacts

(iii) Affiliation/Belonging Needs: After physiological and safety needs are fulfilled, the third level of human needs is interpersonal and involves feelings of belongingness. These needs refer to affection, sense of belongingness, acceptance and friendship. Deficiencies within this level of Maslow's hierarchy – due to neglect, shunning, racism, etc. – can adversely affect the individual's ability to form and maintain emotionally significant relationships in general, such as:

- Friendships
- Family

According to Maslow, humans need to feel a sense of belonging and acceptance among their social groups, regardless whether these groups are large or small. For example, some large social groups may include clubs, co-workers, religious groups, professional organizations, sports teams, and gangs. Some examples of small social connections include family members, mentors, colleagues, and confidants. Humans need to love and be loved by others. Many people become susceptible to loneliness, social anxiety, and clinical depression in the absence of this love or belonging element.

(iv) Esteem Needs: All humans have a need to feel respected; this includes the need to have self-esteem and self-respect. These include factors such as self-respect, autonomy status, recognition and attention.

Esteem presents the typical human desire to be accepted and valued by others. People often engage in a profession or hobby to gain recognition. These activities give the person a sense of contribution or value. Low self-esteem or an inferiority complex may result from imbalances during this level in the hierarchy. People with low self-esteem often need respect from others; they may feel the need to seek fame or glory. Psychological imbalances such as depression can hinder the person from obtaining a higher level of self-esteem or self-respect.

Most people have a need for stable self-respect and self-esteem. Maslow noted two versions of esteem needs: a "lower" version and a "higher" version. The "lower" version of esteem is the need for respect from others. This may include a need for status, recognition, fame, prestige, and

attention. The "higher" version manifests itself as the need for self-respect. For example, the person may have a need for strength, competence, mastery, self-confidence, independence, and freedom. Deprivation of these needs may lead to an inferiority complex, weakness, and helplessness.

(v) Self Actualisation Needs: It is the highest level of need in the hierarchy. It refers to the drive to become what one is capable of becoming. These needs include growth, self-fulfilment and achievement of goals.

Self-actualization is a term that has been used in various psychology theories. Expressing one's creativity, quest for spiritual enlightenment, pursuit of knowledge, and the desire to give to and/or positively transform society are examples of self-actualization. The concept was brought most fully to prominence in Abraham Maslow's hierarchy of needs theory as the final level of psychological development that can be achieved when all basic and mental needs are essentially fulfilled and the "actualization" of the full personal potential takes place.

Self-actualization can be seen as similar to words and concepts such as self-discovery, self-reflection, self-realization and self-exploration.

As Abraham Maslow noted, the basic needs of humans must be met (e.g. food, shelter, warmth, security, sense of belonging) before a person can achieve self-actualization – the need to be good, to be fully alive and to find meaning in life. Yet, Maslow argued that reaching a state of true self-actualization in everyday society was fairly rare. For example, someone who has inherent potential to be a great artist or teacher may never realize his/her talents if their energy is focused on attaining the basic needs of humans.

- Self Actualisation Needs
- Esteem Needs
- Affiliation/Belongingness Needs
- Safety/ Security Needs
- Basic Physiological Needs

Maslow's Need Hierarchy Theory

Maslow's **Assumptions** in Hierarchy of Needs Theory are:

(i) People's behaviour is based on their needs, Satisfaction of such needs influences their behaviour. Man is a wanting being, i.e. his wants are growing continuously even when some

wants are satisfied. Human needs are of varied and diversified nature. They can be arranged in a hierarchy of importance progressing from a lower to a higher order of needs.

(ii) People's needs are in hierarchical order, starting from basic needs to other higher level needs. Needs have a definite hierarchy of importance. As soon as needs on a lower level are fulfilled, those on the next level will emerge and demand satisfaction.

(iii) A satisfied need can no longer motivate a person only next higher level need can motivate him. Attention to all human needs is essential for motivation of employees. Attention to the provision of bread alone is not adequate for motivating employees. Bread can act as motivating factor when there is no bread but when it is available, its use as motivator comes to an end. Here, other motivators (e.g. security of job, social status, etc.) will have to be introduced for motivating employees. Attention to other needs such as security needs, social needs, esteem needs and self actualisation needs is equally important and essential for the motivation of different categories of employees. Maslow, in his theory, has referred to different needs and suggested that attention needs to be given to all such needs as attention to physiological needs alone is not adequate for motivating employees.

(iv) A person moves to the next higher level of the hierarchy only when the lower need is satisfied. According to Maslow, "*Man does not live by bread alone*". This conclusion of Maslow is a practical reality and needs to be given adequate attention while motivating employees.

Maslow's Theory focuses on the needs as the basis for motivation. This theory is widely recognised and appreciated and provides guidelines to managers / managements for motivating employees. However, some of his propositions are questioned on his classification of needs and hierarchy of needs.

Limitations of Maslow's Hierarchy of Needs Theory are noted below:

- i. Maslow's theory is based on human needs only. There is lack of direct cause and effect relationship between need and behaviour.
- ii. The theory has to refer to other motivating factors like experience, perception and expectation.

-
- iii. Needs of all employees are not uniform. Many are satisfied only with physiological needs and security of employment.
 - iv. The pattern of hierarchy of needs as suggested by Maslow may not be applicable uniformly to all categories of employees.
 - v. Maslow's assumption of 'need hierarchy' does not hold good in the present age as each person has plenty of needs to be satisfied, which may not necessarily follow Maslow's need hierarchy.

Importance of Hierarchy of Needs Theory

Although Maslow's Hierarchy of Needs Theory has been criticised on above grounds, still it holds many advantages or merits. despite such criticism, the theory is still relevant because needs, no matter how they are classified, are important to understand the behaviour. It helps managers to realise that need level of employee which should be identified to provide motivation to them. It helps the managers to understand the behaviour of their employees. It also helps the managers to provide the right financial and non-financial motivation to their employees. This overall helps to increase the efficiency, productivity and profitability of the organisation



Financial and Non-Financial Incentives

Incentive means all measures which are used to motivate people to improve performance. These incentives may be broadly classified as financial and non financial. Let us learn about these incentives in detail.

Financial Incentives: In the context of existing economic system, money has become a means to satisfy the physical needs of daily life and also of obtaining social position and power. Money is an important motivator.

Since, money has the purchasing power, it becomes a very important incentive for every individual. Money plays a significant role in satisfying physiological and security/social needs. As money is recognized as a basis of status, respect and power, it also helps satisfy the social needs of the people. It is important to mention that once the physiological and security needs are satisfied, money ceases to be motivator.

Financial incentives refer to incentives which are in direct monetary form or measurable in monetary term and serve to motivate people for better performance. These incentives may be provided on individual or group basis. The financial incentives generally used in organisations are listed below:

(i) Pay and allowances: For every employee, salary is the basic monetary incentive. It includes basic pay, dearness allowance and travelling allowance, pay increments, other allowances. Salary system consists of regular increments in the pay every year and enhancement of allowances from time-to-time.

In some business organisations, pay hike and increments may be linked to performance.

Good pay and allowances help the organization to retain and attract capable persons.

However, good pay and allowances need not motivate all the people, especially who are enjoying security of job in government organizations and those for whom corruption is a way of life.

(ii) Productivity linked wage incentives: Several wage incentive plans aims at linking payment of wages to increase in productivity at individual or group level.

(iii) Bonus: Bonus is an incentive offered over and above the wages/ salary to the employees.

(iv) Profit Sharing: Profit sharing is meant to provide a share to employees in the profits of the organisation. This serves to motivate the employees to improve their performance and contribute to increase in profits.

(v) Co-partnership/ Stock option: Under these incentive schemes, employees are offered company shares at a set price which is lower than market price. Employees are given the right to purchase company stock at a fixed price (usually below market value) over a certain amount of time. Sometimes, management may allot shares in line of various incentives payable in cash. The allotment of shares creates a feeling of ownership to the employees and makes them to contribute for the growth of the organisation. Stock options encourage staff members to operate more as business partners, tying personal reward to the company's **financial** success. Many companies use employee stock options plans to compensate, retain, and attract employees.

In Infosys the scheme of stock option has been implemented as a part of managerial compensation.

Employees who are granted stock options hope to profit by exercising their options at a higher price than when they were granted. In India, stock options have primarily been used as a retention tool for a more selective group of employees.

(vi) Retirement Benefits: Several retirement benefits such as provident fund, pension, leave encashment and gratuity provide financial security to employees after their retirement. This acts as an incentive when they are in service in the organisation. These benefits provides assurance to employees during the service for their future

(vii) Perquisites: In many companies perquisites and fringe benefits are offered such as car allowance, housing, medical aid, and education to the children etc., over and above the salary. These measures help to provide motivation to the employees/ managers.

Non-Financial Incentives: All the needs of individuals are not satisfied by money alone. Man is a wanting animal. Once money satisfies his/her physiological and security needs, it ceases to be a motivating force. Then, higher order needs for status and recognition and ego in the society emerge.

Psychological, social and emotional factors also play important role in providing motivation. Nonfinancial incentives mainly focus on these needs. Some times, monetary aspect may be involved in non-financial incentives as well. However, the emphasis is to provide psychological and emotional satisfaction rather than money driven satisfaction. For example, if an individual gets promotion in the organisation, it satisfies him psychologically more as he gets a feeling of elevation, increase in status, increase in authority, challenge in the job etc., Though promotion involves payment of extra money, non-monetary aspects over-ride monetary aspects. Some of the important non-financial incentives are discussed below:

(i) Status: In the organisational context, status means ranking of positions in the organisation. The authority, responsibility, rewards, recognition, perquisites and prestige of job indicate the status given to a person holding a managerial position. Psychological, social and esteem needs of an individual are satisfied by status given to their job.

(ii) Organisational Climate: Organisational climate indicates the characteristics which describe an organisation and distinguish one organisation from the other. These characteristics influence the behaviour of individuals in the organisation. Some of these characteristics are—individual autonomy, reward orientation, consideration to employees, risk-tasking etc., If managers take positive measures regarding these aspects, it helps to develop better organisational climate.

(iii) Career Advancement Opportunity: Every individual wants to grow to the higher level in the organisation. Managers should provide opportunity to employees to improve their skills and be promoted to the higher level jobs. Appropriate skill development programmes, and sound promotion policy will help employees to achieve promotions. Promotion works as a tonic and encourages employees to exhibit improved performance.

(iv) Job Enrichment: Job enrichment is concerned with designing jobs that include greater variety of work content, require higher level of knowledge and skill; give workers more autonomy and responsibility; and provide the opportunity for personal growth and a meaningful work experience. Job enrichment simply means adding the contents to a job leading to increased responsibility, scope and challenge in its performance. Particularly, the executives working at the

higher levels often prefer to job enrichment because it makes job more challenging. They derive higher satisfaction by performing more and more challenging jobs. Thus, job enrichment as an incentive motivates the executives to exert for accomplishment of their goals.

If jobs are enriched and made interesting, the job itself becomes a source of motivation to the individual.

(v) Employee Recognition programmes: Most people have a need for evaluation of their work and due recognition. They feel that what they do should be recognised by others concerned. Recognition means acknowledgment with a show of appreciation. When such appreciation is given to the work performed by employees, they feel motivated to perform/work at higher level. Some examples of employee recognition are:

- Congratulating the employee for good performance.
- Displaying on the notice board or in the company news letter about the achievement of employee.
- Installing award or certificate for best performance.
- Distributing mementos, complimentaries like T-shirts in recognition of employee services.
- Rewarding an employee for giving valuable suggestions.

(vi) Job security: Employees want their job to be secure. They want certain stability about future income and work so that they do not feel worried on these aspects and work with greater zeal. In India, this aspect is more important considering the inadequate job opportunities and too many aspirants for these. Nothing can motivate a worker, appointed temporarily, better than provision of job security. Even if a temporary worker puts in greater efforts, lack of job security will always pose a threat. If such a worker is given job security, he will be more committed to the organization.

However, there is one negative aspect of job security. When people feel that they are not likely to lose their jobs, they may become complacent.

(vii) Employee participation: It means involving employees in decision making of the issues related to them. Inviting workers to participate in management gives worker's a psychological

satisfaction that their voices are also heard. This imbues a sense of importance among the workers.

In many companies, these programmes are in practice in the form of joint management committees, work committees, canteen committees etc.

(viii) Employee Empowerment: Empowerment means giving more autonomy and powers to subordinates. Empowerment makes people feel that their jobs are important. This feeling contributes positively to the use of skills and talents in the job performance.

Summary

Maslow's Need Hierarchy Theory of Motivation: Since motivation is highly complex, many researchers have studied about motivation from several dimensions and developed some theories. These theories help to develop understanding about motivation phenomenon.

- i. Basic Physiological Needs
- ii. Safety/Security Needs
- iii. Affiliation/Belonging Needs
- iv. Esteem Needs
- v. Self Actualisation Needs

Maslow's **Assumptions** in Hierarchy of Needs Theory are:

- i. People's behaviour is based on their needs.
- ii. People's needs are in hierarchical order
- iii. A satisfied need can no longer motivate a person
- iv. A person moves to the next higher level of the hierarchy only when the lower need is satisfied.

Financial Incentives

- i. Pay and allowances
- ii. Productivity linked wage incentives
- iii. Bonus
- iv. Profit Sharing
- v. Co-partnership/ Stock option

vi. Retirement Benefits

vii. Perquisites

Non-Financial Incentives:

i. Status

ii. Organisational Climate

iii. Career Advancement Opportunity

iv. Job Enrichment

v. Employee Recognition programmes

vi. Job security

vii. Employee participation

viii. Employee Empowerment